YSB Inc.
藥師幫股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9885)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Directors**") of YSB Inc. (the "**Company**", together with its subsidiaries and consolidated affiliated entities, the "**Group**") is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2024 (the "**Reporting Period**"). These interim results have been reviewed by the Company's audit committee (the "**Audit Committee**") and the Company's auditor, Deloitte Touche Tohmatsu (the "**Auditor**").

Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the prospectus dated 15 June 2023 (the "**Prospectus**") of the Company.

HIGHLIGHTS

	Six months ended 30 June		
	2024	2023	Change (%)
	(in RMB thousands, except specified otherwise or percentages)		
	(Unaudited)	(Unaudited)	
Revenue	**8,813,955**	7,968,747	10.6
– Self-operation Business	**8,344,771**	7,521,784	10.9
– Online Marketplace	**440,535**	416,624	5.7
– Other businesses	**28,649**	30,339	(5.6)
Gross profit	**881,716**	817,177	7.9
Profit/(loss) for the period	**13,354**	(3,176,580)	N/A
Non-IFRS: Adjusted Net Profit(1)	**91,411**	70,169	30.3
Total GMV(2) (RMB million)	**23,830**	22,041	8.1
– Self-operation Business	**9,596**	8,500	12.9
– Online Marketplace	**14,234**	13,541	5.1

(1) The adjusted net profit (the "**Adjusted Net Profit**") represents profit or loss for the period adding back (i) changes in fair value of financial liabilities at fair value through profit or loss, (ii) equity-settled share-based payment expenses, and (iii) listing expenses of the Company.

(2) "**GMV**" means "gross merchandise value".

BUSINESS OUTLOOK AND REVIEW

Business review for the Reporting Period

With solidifying support from favourable policies and accelerated advancements in the innovation of the outside-of-hospital pharmaceutical channels and models, the outside-of-hospital pharmaceutical market has embraced a large room for development.

In May 2024, the National Healthcare Security Administration released the Circular on Strengthening Regional Synergy for Quality Improvement and Coverage Expansion of the Centralised Pharmaceutical Procurement in 2024 (《關於加強區域協同做好2024年醫藥集中採購提質擴面的通知》), which aims to improve the quality and expand the coverage of centralised procurement, thereby further increases the capabilities and scale of local procurement alliances through joint promotion at both national and local levels. The expansion of centralised procurement, combined with the implementation of hierarchical diagnosis and treatment system, has further driven the flow of prescription drugs to outside-of-hospital pharmacies and primary healthcare institutions. In June 2024, the General Office of the State Council issued the Major Tasks for Deepening the Reform of the Medical and Healthcare System in 2024 (《深化醫藥衛生體制改革2024年重點工作任務》), which expressly stipulates the need to strengthen the capacity building for primary healthcare services, improve the infrastructure conditions of primary healthcare institutions, and promote the smart auxiliary medical information systems. In line with the increase in both aging population and demand for healthcare from residents in society, the demand for outside-of-hospital pharmaceutical and primary healthcare also continued to rise. As a leading innovative pharmaceutical and healthcare service enterprise in the outside-of-hospital pharmaceutical industry, the Company continued to respond to relevant national policies by insisting on empowering outside-of-hospital market entities with science and technology and guiding the outside-of-hospital pharmaceutical market towards high-efficiency and high-quality development.

During the Reporting Period, the businesses of the Company maintained high-quality growth, as reflected by our total GMV of RMB23,830 million, representing a year-on-year increase of 8.1%. With the continuous expansion of pharmaceutical and healthcare products offering and the continuous improvement of user experience, we have built a high-quality user ecosystem with viscosity and active transactions. As of 30 June 2024, our cumulative number of registered buyers was over 741,000, including around 426,000 pharmacies and over 310,000 primary healthcare institutions. During the Reporting Period, we had an average number of monthly active buyers ("**MAB**") of over 425,000, representing a year-on-year increase of 20.4%. The average number of monthly paying buyers ("**MPB**") reached 396,000, representing a year-on-year increase of 19.6%. Our paying ratio, i.e. the proportion of average number of MPB to average number of MAB, has exceeded 93%, and the average number of orders per paying buyer per month was around 28.

Online Marketplace

Online Marketplace is the cornerstone for ensuring the sustainable growth of our business. Relying on the Internet technology, we have built an online trading platform that connects upstream pharmaceutical suppliers with downstream pharmacies and primary healthcare institutions. On one hand, we continued to upgrade the refined digital operation system provided to pharmaceutical companies and distributors, attracting more third-party merchants to join the platform and offering downstream users with richer and more diversified pharmaceutical and healthcare products; on the other hand, we also enabled pharmacies and primary healthcare institutions across the country to directly connect with a broader base of upstream suppliers. Leveraging on the online trading platform, buyers and sellers can complete the hassle-free processes from product information inquiry to ordering, payment and logistics tracking, which greatly improved transaction efficiency. As of 30 June 2024, we attracted approximately 8,900 upstream sellers and over 741,000 downstream buyers to transact on our platform. During the Reporting Period, the GMV of our Online Marketplace of third-party merchants was RMB14,234 million, accounting for 59.7% of total GMV, and representing a year-on-year increase of 5.1%.

Our Online Marketplace seeks to continuously assist in addressing the supply and demand mismatch issue and provide cost-effective access to a vast selection of stock keeping units ("**SKUs**") to buyers. During the Reporting Period, buyers could select among around 3.9 million SKUs, including prescription drugs, over-the-counter ("**OTC**") drugs and medical and healthcare products, of which the number of SKUs of medical and healthcare products witnessed a relatively strong growth, representing a year-on-year increase of over 60%. A large number of buyers who were brought together by the platform formed a virtual alliance with better bargaining power. Since product prices are transparent on the platform, buyers are able to order pharmaceuticals at the best price available on the platform and monitor their orders online. As a result, downstream pharmacies can benefit from our Online Marketplace by being able to attract more end customers with diversified SKU offerings.

We further improved the layout of products and expanded the traditional Chinese medicine ("**TCM**") decoction pieces business in all aspects. On the supply side, we insisted on taking TCM decoction pieces manufacturers as the new main development targets. As of 30 June 2024, more than 85% of suppliers of TCM decoction pieces on our platform were TCM decoction pieces manufacturers. By joining hands with high-quality merchants on the platform, we have carried out a number of live streaming activities in production areas for authentic TCM materials to accelerate the empowerment of the TCM field with digitalisation and improve the efficiency of the TCM industry. We strictly controlled the quality of TCM materials from the source by quantifying key indicators including colour, size, and scrap rate and setting 60 Jinfang standards of TCM (中藥金方標準) that are more suitable for online purchases, and continued to promote the standard establishment for new products, effectively solving the industry pain points of varying standards among manufacturers and difficulties in making comparison when purchasing online, and thus promoted the healthy development of the TCM decoction pieces industry. During the Reporting Period, we provided a total of over 125,000 SKUs of TCM decoction pieces to downstream customers and achieved sales of approximately RMB932 million, representing a year-on-year increase of approximately 96%. Among which, monomer pharmacies were our major buyers and their purchases accounted for approximately 58% of the total purchases of TCM decoction pieces, representing a year-on-year increase of approximately 72%. Overall speaking, the average number of buyers for monthly TCM decoction pieces exceeded 110,000, representing a year-on-year increase of approximately 45%, among which primary healthcare institutions grew at the fastest pace in terms of number among buyers, with a year-on-year increase of more than 75%. In addition, the average number of monthly purchases for TCM decoction pieces per buyer exceeds nine times, representing a year-on-year increase of approximately 81%, among which the number of monthly average orders placed by primary healthcare institutions recorded the fastest growth, with a year-on-year increase of more than 87%. The rapid growth in new categories not only proved our platform's ability to continuously expand the scope of competence, but also further laid a solid foundation for us to increase revenue and profitability.

We charge upstream sellers a commission, which is based on a certain percentage of their sales on our Online Marketplace. The average Online Marketplace commission rate we charged, which equals to the commissions we receive from third-party sellers divided by the corresponding GMV, was 3.2% and 3.3% in the first half of 2023 and 2024, respectively. In return, our Online Marketplace provides subsidies in the form of coupon to our downstream buyers. Our Online Marketplace subsidy ratio, which equals to the amount of subsidies provided to buyers and used on Online Marketplace divided by the GMV from Online Marketplace, was 0.5% and 0.6% in the first half of 2023 and 2024, respectively, without compromising customer retention rate and transaction level.

General Self-operation Business

Self-operation Business acts as a stabiliser to ensure that we provide better services to more customers in a quick and economical manner. The business is conducted through our self-operated online digital stores. After obtaining the consent from relevant parties under the privacy policy of our platform, based on the transaction history on our Online Marketplace and underpinned by our big data analyses of buyers' demand and transaction preference, we are able to make procurement decisions based on downstream demand, select SKUs with higher frequencies of purchase and better quality, and exercise a higher level of quality control over these products on our own. During the Reporting Period, our Self-operation Business provided an average monthly SKUs of over 300,000 to downstream buyers. By providing high quality products at competitive prices under our Self-operation Business, we enhanced the competitiveness of downstream users in the market and enabled them to achieve sales growth.

We kept strengthening our supply chain services, which cover procurement, warehousing, order processing, invoicing, payment collection, and delivery to downstream pharmacies and primary healthcare institutions, with the aim of revitalising our ecosystem and in turn further enhancing the experience of the buyers. As of 30 June 2024, we have established 20 strategic centralised warehouses and 2 smart sub-warehouses nationwide, and created a warehouse layout that combines main warehouses and sub-warehouses, continuously consolidating the Company's leading strength of fulfilment capacity in the industry.

To complete the delivery from warehouses to buyers, we engaged third-party carriers with high reputation with respect to time, quality, and flexibility. We provided our buyers with stable supply and fulfilment through our centralised management of inventory and delivery. Thanks to our control over the supply chain, we are able to achieve an efficient inter-province delivery by taking around 39 hours for cities and around 49 hours for towns on average. As a result, pharmacies and primary healthcare institutions can place orders in a flexible manner, such as frequent placement of orders in small amount to effectively avoid overstocking, which in turn greatly enhances operating efficiency. Meanwhile, as the intra-city delivery business of third-party logistics carriers became increasingly mature, we also began to launch intra-city delivery services in certain cities where our main warehouses are located. We established a logistics platform to distribute orders to social vehicles, monitoring the services and efficiency of the entire process covering loading, transportation and delivery. As of 30 June 2024, we had opened a total of over 150 logistics routes across 17 cities nationwide, providing our buyers with stable supply and quality fulfilment. We have achieved half-day delivery and same-day delivery for intra-city orders in most of our main warehouses. In terms of order quantity, approximately 58% of intra-city orders were delivered within only half a day from placement of orders to delivery during the Reporting Period, representing an increase of more than 41% as compared to the same period of last year; among which more than 15% of the intra-city orders were delivered from placement of orders to delivery within 8 hours. Such fast and fabulous procurement experience significantly increased the variety and frequency of purchases from our downstream customers. In order to further improve the coverage and delivery efficiency of pharmaceuticals procured by downstream users, we had also piloted the delivery services via medical cold chains in various cities, aiming at further increasing the coverage and speed of our supply to downstream users in the future.

While we continued to improve our ability to serve downstream buyers, we also provided upstream suppliers with a range of digital tools to help improve their performance. As of 30 June 2024, the number of suppliers of our Self-operation Business amounted to more than 10,000, representing an increase of over 800 suppliers as compared to the same period of last year. Through our digital tools, suppliers receive timely feedbacks on the demand of products and after-sale services from downstream buyers. They can direct their decision-making according to the feedback on geographical preference, pharmacy distribution and market sales trend provided by us, monitor pharmaceutical promotion performance, track their products and respond to market demands. They also enjoy the benefits from the scale effect brought by us. We generate revenue from sales of pharmaceutical products. We are able to negotiate directly with pharmaceutical companies and other sellers to obtain competitive pricing from the upstream given our expanding business scale. During the Reporting Period, the GMV of our General Self-operation Business was approximately RMB9,095 million, accounting for 38.2% of the total GMV, and representing a year-on-year increase of 14.1%.

During the Reporting Period, we reached comprehensive strategic cooperation with various well-known pharmaceutical companies, including CR Sanjiu (華潤三九), Kenvue (China) (科赴中國) and Yangtze River Pharmaceutical Group (揚子江藥業集團), and upgraded our cooperation mechanism to help branded pharmaceutical products access the promising outside-of-hospital market in a more comprehensive and accurate manner. Leveraging on its strong channel strengths and digital advantages, the Company has become a preferred cooperation platform for branded pharmaceutical companies to achieve growth in the outside-of-hospital market. We help branded pharmaceutical companies to achieve precision marketing, seise the incremental growth in the outside-of-hospital pharmaceutical market, and serve the end users in a more diversified manner.

Targeted Product Launch Business

Leveraging on enormous insights from years of extensive experience in running both Online Marketplace and Self-operation Business, we are able to identify sales potential for products with certain characteristics, such as pharmaceuticals of high demand but limited brand awareness, pharmaceuticals that are sold well in hospitals but not adequately promoted in outside-of-hospital pharmacies, and pharmaceuticals that are well promoted and therefore better known in one geographic region but are less known in another. On one hand, we seek to collaborate with pharmaceutical companies to assist them in promoting products tailored for downstream needs to convert potential market opportunities into realised sales of products. On the other hand, we underwent targeted product development in our own brand "Leyaoshi (樂藥師)" based on our established brand and existing channel advantages, so as to launch a wide range of private brand products that better satisfy the market demands. The Targeted Product Launch Business played a significant role in contributing to the continued optimisation of the gross profit structure of the Company's Self-operation Business. During the Reporting Period, the GMV of our Targeted Product Launch Business amounted to RMB501 million, representing a year-on-year decrease of 4.9%.

We continue to provide refined and professional services to partner pharmaceutical companies. During their course of carrying out our Targeted Product Launch Business, we offer them marketing solutions throughout the product life cycle and constantly provide market feedback to partner pharmaceutical companies to help them further improve their products and tailor their marketing promotion strategies, so as to assist in sustaining the growth of their product sales. As of 30 June 2024, we collaborated with over 500 pharmaceutical companies to launch promotion, covering 11 products each with sales exceeding RMB5 million.

During the Reporting Period, we focused on expanding the coverage of our exclusive strategic partnership brands and our own brand "Leyaoshi" to downstream pharmacies and primary healthcare institutions. As of the first half of 2024, the GMV of exclusive brands under strategic partnership and our own brand amounted to RMB224 million, representing a year-on-year increase of approximately 94% and accounting for approximately 45% of the GMV of our Targeted Product Launch Business as compared to approximately 22% in the first half of 2023. Among which, the GMV of our own brand "Leyaoshi" soared by approximately 160% year-on-year and accounted for approximately 30% of the GMV of our Targeted Product Launch Business.

During the Reporting Period, we kept exploring for products with the potential to become our top-selling products in sales channels and expanding the product coverage of "Leyaoshi" to attain competitive differentiation and improve profitability. As of 30 June 2024, the number of products under "Leyaoshi" exceeded 170, marking the Company's milestone as it officially entered a new era with hundreds of products. "Leyaoshi" has successfully become a new force in terminal pharmaceutical sales with an accumulated number of over 300,000 purchasing customers. During the Reporting Period, the GMV of "Leyaoshi" branded products soared by approximately 160% year-on-year, of which the procurement GMV of primary healthcare institutions rocketed by approximately 280% year-on-year; the number of paying users increased by more than 94% year-on-year, among which the number of paying users from primary healthcare institutions surged by approximately 180% year-on-year, achieving growth in both product numbers and sales.

We will continue to explore private brand model in depth under our "Go Upstream (向上走)" strategy, and continue to focus on key single products produced by private factories and private brands with own approvals. Based on the extensive user base and market data of our platform, we continued to precisely capture user needs to formulate more efficient product strategies and provide downstream users with more competitive products, thus gradually establishing a competitive private brand system and striving to become a national pharmaceutical brand trusted by consumers. In the first half of 2024, "Leyaoshi" launched a seasonal new product "Leyaoshi Huoxiang Zhengqi Kou Fu Ye (樂藥師藿香正氣口服液)", which has covered approximately 100,000 end users in only five months since its launch, and recorded a monthly sales of more than RMB10 million in June 2024. Starting from scratch, the product has been building up customer base and, as of the first half of 2024, more than 80% of its sales was contributed by monomer pharmacies and primary healthcare institutions, fully showcasing "Leyaoshi" brand's terminal influence in the downstream market and the efficiency of its business development team.

Other Businesses

ClouDiagnos (光譜雲檢)

Leveraging on our in-depth understanding of primary healthcare needs and years of experience in the pharmaceutical supply chain, we continue to make efforts in enhancing the diagnosis and treatment capability of primary care doctors, with an aim to comprehensively improve the efficiency and quality of the services of primary healthcare institutions. We place point-of-care testing equipment at primary healthcare institutions to generate test results on-site within a short period of time, so as to support primary care doctors' clinical decision. In addition, we built our examination laboratories close to primary users. This shortens the physical distance between primary users and our examination laboratories, making it possible to generate test results on the same day or even within a few hours after an order for specific items and mixed items has been placed. By combining various methods, we effectively meet the needs of primary users on multiple aspects, such as examination efficiency, examination accuracy, items diversity and more, which achieved the effect of empowering primary healthcare institutions to set up examination departments and upgrade diagnosis and treatment capability.

There is a strong synergy effect between ClouDiagnos and our pharmaceutical business. On one hand, effective BD (business development) ensures that all of over 310,000 downstream primary healthcare institutions registered with our platform can access our ClouDiagnos services, providing a large and stable user base. On the other hand, ClouDiagnos strengthens the bond between us and downstream primary healthcare institutions, and in turn promotes pharmaceutical sales on our platform. As of 30 June 2024, we collaborated with around 13,600 primary healthcare institutions.

SaaS solutions

During the Reporting Period, we continued to focus on improving the operational efficiency of upstream and downstream participants along the industry chain.

We offer CloudComm service to upstream sellers. CloudComm provides a series of store management solutions, including real-time interaction and information updates on price, inventory, and order status. CloudComm also provides all-in-one printing service, for sellers to efficiently print and transmit certification and qualification together with order information. As of 30 June 2024, we provided this service to over 7,700 sellers, representing an increase of over 700 sellers during the Reporting Period.

We offer ePalm service to downstream buyers. ePalm helps pharmacies with streamlined inventory management and connection into the social security system, which greatly improves downstream pharmacies' ability to update and manage inventory as well as the efficiency of the entire pharmaceutical circulation process. As of 30 June 2024, ePalm provided this service to approximately 54,000 buyers, representing an increase of over 4,700 buyers during the Reporting Period. ePalm also assisted buyers from 160 cities in connecting to social security departments.

During the Reporting Period, we had been optimising and upgrading the Cloud Consultation (光譜雲診) service, which caters to the vast market of primary healthcare institutions. Leveraging on extensive medical big data for tracking and analysis, this service offers features such as quick clinical reception, consultation and prescription, patient management, and pharmaceuticals management. It also streamlines the drug procurement process with one-click inventory management, and improves the management efficiency of primary healthcare institutions by connecting them to local medical insurance departments. As of 30 June 2024, we had completed the connection and development of a local medical insurance and healthcare inspection system in our pilot city, Foshan, marking a successful connection to the medical insurance system in the pilot city and empowering our local clients in providing better services to patients. We have also developed the basic functions for the entire clinics system, receiving applauses from many clients including Western medical clinics, Chinese medical clinics and combined medical clinics. During the Reporting Period, we successfully acquired hundreds of new clients, including dozens of clinic chains.

YSB eLearn

During the Reporting Period, we continued to make efforts in improving the service capability of pharmacists. Since 2015, we have introduced mobile pharmaceutical training classrooms to empower pharmacists. We offer online training sessions to help prospective pharmacists prepare for the Pharmacist Licensure Examination, and invite pharmaceutical companies to provide online introductory sessions directly to pharmacists to help them better understand the pharmaceuticals in use. These sessions have improved pharmacists' capability in providing accurate and timely services to end customers, on one hand, and raised awareness and reputation of us among pharmacists, on the other hand.

As of 30 June 2024, we provided online training to approximately 280,000 pharmacists and prospective pharmacists.

Supply chain management

Our smart supply chain management system is significantly attributed to our ever-growing scale. Based on algorithm and the insights we accumulated from transacting on our Self-operation Business and Online Marketplace, we integrate the front and back ends of the supply chain, covering the whole process of procurement, warehousing and delivery. During the Reporting Period, we were able to guarantee an order can be processed and completed for delivery in approximately 3 hours on average, much faster than the industry level. During the Reporting Period, by leveraging on smart supply chain management, we maintained payable turnover days at around 60.6 days, inventory turnover days at around 31.0 days and receivable turnover days at around 0.6 day. Accordingly, our cash conversion cycle was around –28.9 days. The quick turnover business model allows us to manage cash efficiently and bring idle cash to the platform, which improves our liquidity and effectively ensures that we can safely and quickly scale up our overall business. Idle cash also brings us extra revenue in addition to gross profit, greatly improving our profitability.

Even more, in terms of payment, downstream buyers have access to the supply chain financial services on our platform. We use digital technology to integrate information on business, logistics, information flow and capital, through which we have built a financial service system that integrates the platform with upstream and downstream enterprises. Third-party financial institutions rely on our platform to provide order financing products to downstream buyers. The loan funding received by downstream buyers can only be used for purchasing goods on our platform. During the Reporting Period, the number of downstream active users for order financing products was over 8,700, representing a year-on-year increase of 130.0%; the cumulative lending amount was approximately RMB3,864 million, representing a year-on-year increase of 71.2%, of which the cumulative lending amount of order financing products from downstream chain pharmacy customers was approximately RMB3,010 million, representing a year-on-year increase of 74.7%. The supply chain financial services not only helped downstream users in improving capital flow management, but also significantly increased the willingness of chain pharmacies in purchasing on our platform. During the Reporting Period, the number of MPB from chain pharmacy headquarters was over 3,800, and the purchases amount recorded a year-on-year increase of approximately 40%, accounting for approximately 20% of our total GMV.

Business development

We tailored our business development strategies based on our experience, competence, and capacity cultivated from serving and transacting at primary healthcare level. We closely monitor the immense potential and opportunities in the market and keep track on regulatory development to constantly adjust our business development strategies and grow with the market. As of 30 June 2024, our business development team consisted of around 2,900 members, and we saw a further increase in staff efficiency of this team as compared to the same period of last year. Each member can manage approximately 150 pharmacies on average, representing an increase of over 14 pharmacies as compared to the same period of last year. This development strategy is extremely effective. As of 30 June 2024, we covered over 310,000 primary healthcare institution users, representing an increase of approximately 64,000 users as compared to the number of such users as of 31 December 2023. Moreover, our registered buyers covered 98.6% of counties and 90.7% of towns in China. In the first half of 2024, in terms of staff efficiency, each member of the business development team can bring approximately RMB8.2 million of GMV, representing a year-on-year increase of 6.4%.

Social responsibility

We have always adhered to the concept of sustainable development, and been active in fulfilling corporate social responsibility. During the Reporting Period, with the joint efforts from all departments, we established "Sudao Technology Welfare Association (速道科技公益社團)" to act as a role model in giving back to society with public welfare in aspects of environmental protection, education and industry health.

In active response to the voluntary tree-planting activities of the Ecological Construction of Green Beauty Guangdong (綠美廣東生態建設), we donated bundles of osmanthus fragrans saplings as a solid action of "greening the world by tree-planting (植樹護綠)", making contribution to the Ecological Construction of Green Beauty Guangdong. We organised a welfare cleaning activity through hiking to pick up trashes on mountains along a hiking course with an aim to protect natural environment.

We initiated a book donation activity where staff from all departments of the Company were invited to deliver warmth through Mutian Charity (幕天公益) by sending books to children from villages. We also made donations to the Green & Shine Foundation (桂馨基金會) on a quarterly basis to support the improvement of China's rural education environment, helping education charities and improving the educational conditions for rural teachers and students.

On our platform, we launched the "YSB eLearn (藥學習)" column, offering free content on drug explanations, general practice, and medical encyclopedia for licensed pharmacists and village doctors, continuously enhancing the pharmaceutical and diagnostic capabilities of grassroots pharmacists and doctors, and thereby providing patients with higher quality medical and healthcare services.

Outlook

As a leader in the digital ecosystem construction of the outside-of-hospital pharmaceutical industry, we will deepen the cooperation with all participants in the industry chain to keep on accelerating the digitalisation of the outside-of-hospital pharmaceutical industry. Sticking to the initial intention of "To make quality medical care and good medicine accessible to all (讓好醫好藥普惠可及)", we will empower upstream and downstream users with continuous and professional digital solutions, strive to achieve closed-loop services in product supply, procurement services and smart marketing, thereby improving their operating efficiency.

In terms of Online Marketplace, we will provide more comprehensive and digital operation system for upstream sellers to boost the long-term growth of third-party merchants. On one hand, we will focus on enhancing the diversity of our products to fully meet the demand from downstream users and improve user viscosity. Our focus will be on the expansion of the TCM business, for which we will, on one hand, continue to penetrate into origin production areas for the launch of Jinfang standards covering more products and to reinforce our cooperation in respect of authentic medicinal decoction pieces with leading enterprises in production areas, and on the other hand, establish a TCM digital operating system (中藥數字化作業系統) to promote setting up "standard" for non-standard items among TCM materials.

In terms of Self-operation Business, we will strengthen the construction of our own smart supply chain system, and keep on building a warehouse network that combines a logistics system for intra-city car delivery. On the basis of optimising the layout of Self-operation warehouses, we will further develop intra-city car delivery services, achieving more half-day delivery for orders from cities where main warehouses are located and their surrounding cities. At the same time, we will continue the test run of delivery services via medical cold chains before rolling out the operations of such service to other major cities, in a bid to further widen the coverage and increase the efficiency of our supply.

In addition, we will further expand Targeted Product Launch Business. By actively planning layout in upstream, strengthening strategic cooperation with upstream pharmaceutical companies and suppliers, we will constantly innovate and upgrade cooperation models and broaden cooperation areas. We will also keep on expanding the product mix of our own brand "Leyaoshi", continuously strengthen the omni-channel coverage of high-quality unique products such as the key single products under our Targeted Product Launch Business, best-selling products and members-only products, to accelerate the development of Targeted Product Launch Business.

In terms of other businesses, we will increase investments in technology, constantly innovate and update various system functions, and enhance the operation efficiency and services capabilities of upstream and downstream platform users. We will keep on creating overall solutions for "ClouMinihouse (光譜小屋)" primary smart healthcare system by combining "FutureClou (未來光譜)" series products, the advanced point-of-care testing equipments, "Cloud Consultation Saas (光譜雲診SaaS)", a digital clinic management system, and "ClouWiseDoctor (光譜智醫)", a smart AI doctors-aid system, in order to fully empower primary healthcare institutions and their doctors, facilitate the penetration of quality healthcare resources and healthcare services into primary healthcare institutions, and assist primary healthcare practitioners in providing services at higher level of standard, efficiency and specialisation to patients.

In a longer term, we will prudently evaluate merger and acquisition opportunities in respect of industry chain-related investments, make active deployment along the upstream and downstream of the pharmaceutical and healthcare industry chain through acquisition of medical approvals and equity investment, drive the synergy of business development, and ceaselessly increase our own competitiveness in order to support the sustainable development and strategic upgrade of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the six months ended 30 June 2024, the Group recorded a revenue of RMB8,814.0 million, representing an increase of 10.6% as compared with RMB7,968.7 million for the six months ended 30 June 2023. The increase in revenue was mainly attributable to the continuous steady development of the Self-operation Business and the Online Marketplace during the Reporting Period.

The Group's revenue from the Self-operation Business increased by 10.9% from RMB7,521.8 million for the six months ended 30 June 2023 to RMB8,344.8 million for the six months ended 30 June 2024, primarily attributable to enlarged buyer base and the continuous optimization of buyers' experience such as logistics and customer services. The number of MPB of our Self-operation Business recorded a continuous and stable increase as compared with the same period of last year.

The Group's revenue from the Online Marketplace increased steadily from RMB416.6 million for the six months ended 30 June 2023 to RMB440.5 million for the six months ended 30 June 2024, primarily attributable to the growth of GMV on our Online Marketplace, which was driven by constant enrichment of product categories, increased seller and buyer base, and the increased commission rate. The GMV on our Online Marketplace increased from RMB13,541 million for the six months ended 30 June 2023 to RMB14,234 million for the six months ended 30 June 2024. The number of sellers on our Online Marketplaces increased from 8,081 as at 31 December 2023 to 8,934 as at 30 June 2024. The number of MPB of our Online Marketplace recorded a continuous and stable increase as compared with the same period of last year. During the Reporting Period, the commission rate applied to third-party sellers increased from 3.2% to 3.3% as compared with the same period of last year.

The Group's revenue from the other businesses decreased slightly from RMB30.3 million for the six months ended 30 June 2023 to RMB28.6 million for the six months ended 30 June 2024, mainly attributable to the adjustment of the operation/service model of ClouDiagnos.

Cost of sales

The Group's cost of sales increased by 10.9% from RMB7,151.6 million for the six months ended 30 June 2023 to RMB7,932.2 million for the six months ended 30 June 2024, primarily due to the increase in the sales of our Self-operation Business.

The cost of sales of the Group's Self-operation Business increased from RMB7,060.2 million for the six months ended 30 June 2023 to RMB7,850.1 million for the six months ended 30 June 2024. The increase of the cost of sales for the six months ended 30 June 2024 was primarily due to the growth of purchase demand from buyers, as a result of which we increased the procurement of pharmaceutical products accordingly.

The cost of sales of the Group's Online Marketplace decreased by 8.3% from RMB76.0 million for the six months ended 30 June 2023 to RMB69.7 million for the six months ended 30 June 2024, mainly due to a lower average overall transaction processing fee rate.

The cost of sales of the Group's other businesses decreased by 18.8% from RMB15.4 million for the six months ended 30 June 2023 to RMB12.5 million for the six months ended 30 June 2024, mainly due to the decrease in costs in relation to ClouDiagnos.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased steadily by 7.9% from RMB817.2 million for the six months ended 30 June 2023 to RMB881.7 million for the six months ended 30 June 2024. The Group's gross profit margin decreased from 10.3% for the six months ended 30 June 2023 to 10.0% for the six months ended 30 June 2024.

The gross profit margin for the Group's Self-operation Business decreased slightly from 6.1% for the six months ended 30 June 2023 to 5.9% for the six months ended 30 June 2024, which was largely stable while the business maintained a good scale growth.

The gross profit margin for the Group's Online Marketplace increased from 81.8% for the six months ended 30 June 2023 to 84.2% for the six months ended 30 June 2024, mainly attributable to (i) the increase in usage of the low-fee transaction channels; and (ii) the increase in the commission rate.

The gross profit margin for the Group's other businesses increased from 49.4% for the six months ended 30 June 2023 to 56.4% for the six months ended 30 June 2024, mainly due to (i) the year-on-year growth of revenue of our SaaS solution, which has a higher gross profit, and the corresponding increase of its proportion of revenue; and (ii) the year-on-year increase of gross profit margin of ClouDiagnos after the adjustment to its business model.

Selling and marketing expenses

The Group's selling and marketing expenses increased by 11.4% from RMB634.9 million for the six months ended 30 June 2023 to RMB707.5 million for the six months ended 30 June 2024, mainly due to (i) an increase in equity-settled share-based payment expenses; and (ii) the slight increase in marketing and promotion expenses as we continue to expand our business operations. Fulfillment expenses increased slightly by 3.3% from RMB150.7 million for the six months ended 30 June 2023 to RMB155.7 million for the six months ended 30 June 2024, among which logistics expenses increased from RMB111.5 million for the six months ended 30 June 2023 to RMB117.4 million for the six months ended 30 June 2024. Although the Group's selling and marketing expenses had increased during the Reporting Period, due to a greater revenue growth, the selling and marketing expenses as a percentage of the Group's revenue remained stable.

General and administrative expenses

The Group's general and administrative expenses increased by 15.8% from RMB146.5 million for the six months ended 30 June 2023 to RMB169.7 million for the six months ended 30 June 2024, mainly due to an increase in equity-settled share-based payment expenses. Although the Group's general and administrative expenses had increased during the Reporting Period, such expenses remained stable as a percentage of the Group's revenue.

Research and development expenses

The Group's research and development expenses increased by 14.5% from RMB39.9 million for the six months ended 30 June 2023 to RMB45.7 million for the six months ended 30 June 2024, primarily attributable to an increase in equity-settled share-based payment expenses.

Other income

The Group's other income increased from RMB45.4 million for the six months ended 30 June 2023 to RMB49.1 million for the six months ended 30 June 2024. The increase was primarily attributable to the increase in bank interest income and investment income from financial assets at fair value through profit or loss, but offset by the decrease in government grants.

Other gains/losses (net)

The Group recorded net other gains of RMB1.6 million for the six months ended 30 June 2023 as compared to net other gains of RMB9.6 million for the six months ended 30 June 2024. This change was primarily due to the gains from changes in fair value of financial assets at fair value through profit or loss.

Changes in fair value of financial liabilities at fair value through profit or loss

The Group's changes in fair value of financial liabilities at fair value through profit or loss were RMB3,171.9 million for the six months ended 30 June 2023 and nil for the six months ended 30 June 2024. After the completion of the Global Offering, all of such redeemable convertible preferred shares had been automatically converted to our shares, and we will no longer recognize any further change in fair value in respect of them. The fair value of each of redeemable convertible preferred share on the conversion date is the offer price in the Global Offering.

Finance costs

The Group's finance costs increased slightly from RMB5.0 million for the six months ended 30 June 2023 to RMB5.3 million for the corresponding period in 2024 due to an increase in interest expense on discounted note receivables but offset by a decrease in interest expense of lease liabilities.

Profit/(loss) for the period

As a result of the foregoing, the Group's profit for the period amounted to RMB13.4 million for the six months ended 30 June 2024, as compared with a loss of RMB3,176.6 million for the six months ended 30 June 2023. We, for the first time, have achieved profitability for the six months ended 30 June 2024.

Non-IFRS Measure

In evaluating our business, we consider and use (i) Adjusted Net Profit and (ii) Adjusted Net Profit margin as supplemental measures to review and assess our operating performance. The presentation of these non-IFRS financial measures is not intended to be considered in isolation or as substitutes for the financial information prepared and presented in accordance with IFRS. We define Adjusted Net Profit as profit or loss for the period adding back (i) changes in fair value of financial liabilities at fair value through profit or loss, (ii) equity-settled share-based payment expenses, and (iii) listing expenses. We define Adjusted Net Profit margin as adjusted net profit divided by revenue. We present these non-IFRS financial measures because they are used by our management to evaluate our operating performance and formulate business plans. Accordingly, we believe that the use of these non-IFRS financial measures provide useful information to investors and the others in understanding and evaluating our operating results in the same manner as our management and Board. These non-IFRS financial measures are not defined under IFRS and are not presented in accordance with IFRS. These non-IFRS financial measures have limitations as an analytical tool. Further, these non-IFRS measures may differ from the non-IFRS information used by other companies, including peer companies, and therefore its comparability may be limited. These non-IFRS financial measures should not be considered in isolation or construed as alternatives to profit/loss or any other measure of performance. Investors are encouraged to review our historical non-IFRS financial measures in light of the most directly comparable IFRS measures, as shown below. The non-IFRS financial measures presented here may not be comparable to similarly titled measure presented by other companies. Other companies may calculate similarly titled measures differently, limiting the usefulness of such measures when analysing our data comparatively. We encourage you to review our financial information in its entirety and not rely on a single financial measure.

The Adjusted Net Profit, which is unaudited, represents profit/loss for the period adding back (i) changes in fair value of financial liabilities at fair value through profit or loss, (ii) equity-settled share-based payment expenses, and (iii) listing expenses of the Company. The Adjusted Net Profit of the Group increased significantly from RMB70.2 million for the six months ended 30 June 2023 to RMB91.4 million for the six months ended 30 June 2024, representing a year-on-year growth of 30.3%.

The following table reconciles our Adjusted Net Profit from the most directly comparable financial measure calculated and presented in accordance with IFRS (profit/loss for the period).

	Six months ended 30 June	
	2024	2023
	(RMB'000)	*(RMB'000)*
	(unaudited)	(unaudited)
Profit/(loss) for the period	**13,354**	(3,176,580)
Add back:		
Changes in fair value of financial liabilities at fair value through profit or loss	**–**	3,171,903
Equity-settled shared-based payment expenses	**78,057**	27,978
Listing expenses	**–**	46,868
Adjusted Net Profit, a non-IFRS measure	**91,411**	**70,169**
Adjusted Net Profit margin, a non-IFRS measure	**1.0%**	**0.9%**

Adjusted Net Profit is not a measure of performance under IFRS. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our loss for the relevant period.

Liquidity and source of funding and borrowing

The Group financed its operating and investing activities mainly through internally generated cash flows and proceeds from the Global Offering. Our cash and cash equivalents are represented by cash and bank balances and time deposits with original maturity of three months or less.

As of 30 June 2024, the Group's cash and cash equivalents increased significantly by 88.4% from RMB745.7 million as at 31 December 2023 to RMB1,404.9 million. The increase of cash and cash equivalents for the period ended 30 June 2024 primarily resulted from (i) a higher turnover efficiency of working capital, (ii) withdrawal of restricted bank deposits, and (iii) proceeds from disposal of financial assets at fair value through profit or loss.

The following table sets forth our cash flows for the periods indicated:

	Six months ended 30 June	
	2024	2023
	(RMB'000)	*(RMB'000)*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**418,880**	365,565
Net cash generated from/(used in) investing activities	**299,301**	(433,988)
Net cash (used in)/generated from financing activities	**(60,476)**	217,486
Net increase in cash and cash equivalents	**657,705**	149,063
Cash and cash equivalents at the beginning of the period	**745,693**	835,394
Effect of foreign exchange rate changes	**1,469**	1,110
Cash and cash equivalents at the end of the period	**1,404,867**	985,567

The Group adopts a prudent financial management approach for its cash management policy to ensure that the Group's liquidity structure, comprising assets, liabilities and other commitments, is able to always meet its capital requirements. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operating activities, external borrowings, net proceeds from the Global Offering and other funds raised from the capital markets from time to time.

Net cash generated from operating activities

For the six months ended 30 June 2024, net cash generated from operating activities was RMB418.9 million, mainly attributable to our profit before tax of RMB12.7 million for the period, as adjusted by (i) non-cash and non-operating items, which primarily comprised share-based payment expenses of RMB78.1 million, and (ii) changes in working capital, which was mainly due to the decrease of RMB100.6 million in trade and other receivables and the decrease in inventories of RMB204.1 million.

Net cash generated from investing activities

For the six months ended 30 June 2024, net cash generated from investing activities was RMB299.3 million. It was mainly due to the net decrease of RMB227.5 million in restricted bank deposits and RMB113.0 million in financial assets at fair value through profit or loss during the Reporting Period.

Net cash used in financing activities

For the six months ended 30 June 2024, net cash used in financing activities was RMB60.5 million, which was mainly attributable to (i) repayment of lease liabilities, and (ii) net decrease of bank borrowings on discounted note receivables during the Reporting Period.

Significant Investments

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as at 30 June 2024) during the six months ended 30 June 2024.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended 30 June 2024.

Pledge of assets

As at 30 June 2024, the Group's interest-bearing deposits of RMB1,063.7 million were used as pledge for the issuance of note payable.

Future plans for material investments and capital assets

The Group did not have detailed future plans for material investments or capital assets as at 30 June 2024.

Gearing ratio

The Group's gearing ratio is calculated as total interest-bearing borrowings divided by total equity. As of 30 June 2024, as the Group had interest-bearing bank borrowings advance from discounted notes, its gearing ratio was 1.5% (as of 31 December 2023: 3.1%).

Significant events after the Reporting Period

As at the date of this announcement, there were no significant events that might affect our Group since the end of the Reporting Period.

Employees and Remuneration

As at 30 June 2024, the Group had 6,513 employees. The following table sets forth the total number of employees by function as at 30 June 2024:

Function	**Number of employees**
General and Administrative	816
Selling and Marketing	2,937
Operations	2,453
Research and Development	307
Total	6,513

The Group believes in the importance of attraction, recruitment and retention of quality employees in achieving the Group's success. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experience and performance. The remuneration policy and package of the Group's employees are periodically reviewed.

The remuneration of the employees of the Group comprises competitive salaries, performance-based sales commissions, performance-based cash bonuses and certain other incentives. In accordance with applicable PRC regulations, the Group has made contributions to housing fund and various employee social security plans that are organised by applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury and unemployment benefit plans, at specified percentages of the salaries of our employees. Bonuses and sales commissions are generally discretionary and based in part on employee performance and in part on the overall performance of our business.

The Company also has adopted two share incentive plans, the 2019 Share Incentive Plan and the 2023 Share Incentive Plan to provide incentives for the Group's employees. Please refer to the section headed "Statutory and General Information — Share Incentive Plans" in Appendix IV to the Prospectus for further details of the share incentive plans.

The total remuneration cost incurred by the Group for the six months ended 30 June 2024 was RMB545.1 million, as compared to RMB477.6 million for the six months ended 30 June 2023. During the six months ended 30 June 2024, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

Foreign exchange exposure

During the six months ended 30 June 2024, the Group mainly operated in China and the majority of the transactions were settled in Renminbi ("**RMB**"), the Company's primary consolidated affiliated entities' functional currency. We are exposed to foreign exchange risk arising mainly from bank balances and financial assets at fair value through profit or loss denominated in foreign currency of certain entities of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure and foreign exchange risk management strategies closely and will consider hedging significant foreign currency exposure should the need arises to minimise its foreign exchange risk.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2024.

CORPORATE GOVERNANCE

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

Compliance with the Code on Corporate Governance Practices

Save as disclosed below, we have complied with the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the Reporting Period.

Code provision C.2.1 of the CG Code recommends, but does not require, that the roles of chairperson and chief executive to be separate and not to be performed by the same person. Our Company deviates from this provision as Mr. Buzhen Zhang performs both the roles of chairman of our Board and the chief executive officer of our Company. Mr. Zhang is the founder of the Company and a substantial shareholder, and has extensive experience in the business operations and management of our Group. Our Board believes that vesting the roles of both chairman and chief executive officer to Mr. Zhang has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively. Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of our Board, including the relevant board committees, and our three independent non-executive Directors. Our Board will reassess the division of the roles of chairman and the chief executive officer from time-to-time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code during the Reporting Period.

Audit Committee and Review of Financial Statements

The Company has established the Audit Committee, in compliance with Rule 3.21 of the Listing Rules and the CG Code (as amended from time to time), comprising of three members, being Ms. Rong Shao, Mr. Sam Hanhui Sun and Mr. Hongqiang Zhao, with Mr. Zhao (being the Company's independent non-executive Director with the appropriate professional qualifications) as chairman of the Audit Committee, among other things, to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2024 and has met with the independent Auditor, Deloitte Touche Tohmatsu. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company. The condensed consolidated financial statements of the Group for the six months ended 30 June 2024 has been reviewed by the Auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

OTHER INFORMATION

2023 Share Incentive Plan

Pursuant to the rules of the 2023 Share Incentive Plan, the Company has entered into the trust arrangement with the trust institution (the "**Trustee**") for the purposes of, among others, implementing and administering the 2023 Share Incentive Plan.

During the Reporting Period, the Trustee has purchased a total of 300,000 shares on the Stock Exchange.

Purchase, sale or redemption of the Company's listed securities

During the Reporting Period, neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange (including any sale of treasury shares (as defined under the Listing Rules)). As at 30 June 2024, the Company did not hold any treasury shares.

Material litigation

The Company was not involved in any material litigation or arbitration during the six months ended 30 June 2024. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period and up to the date of this announcement.

Use of proceeds from Global Offering

The Company's shares were listed on the Stock Exchange on 28 June 2023. The net proceeds raised from the Global Offering (as defined in the Prospectus) were approximately HK$242.2 million (including the additional proceeds received upon the partial exercise of the Over-allotment Option (as defined in the Prospectus)).

As of 30 June 2024, HK$74.8 million out of the net proceeds have been utilised in the manner consistent with that disclosed in the Prospectus under the section headed "Future Plans and Use of Proceeds". Set out below is the status of use of proceeds from the Global Offering as of 30 June 2024. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Company expects to fully utilise the residual amount of the net proceeds in accordance with such intended purpose by December 2025.

	Net proceeds from the Global Offering *(HK$ million)*	**Unutilised amount as of 1 January 2024** *(HK$ million)*	**Utilisation during the Reporting Period** *(HK$ million)*	**Unutilised amount as of 30 June 2024** *(HK$ million)*	**Expected timeline of full utilisation of the unutilised proceeds**
Pharmaceutical circulation business	**109.0**	**99.0**	23.9	75.1	By December 2025
• leveraging market insights accumulated through our platform to engage more qualified upstream participants and diversify our SKU offerings, making our platform a more attractive go-to platform for our buyers	48.4	46.6	8.3	38.3	By December 2025
• improving our BD capabilities and efficiencies with our dedicated digital tools	48.4	42.5	10.4	32.1	By December 2025
• strengthening our supply chain capability	12.2	9.9	5.2	4.7	By December 2025
Further developing our other businesses	**60.5**	**52.9**	9.8	43.1	By December 2025
• expanding the geographical coverage of our ClouDiagnos services	36.3	31.7	9.0	22.7	By December 2025
• promoting market awareness and popularity of our wePharmacy	24.2	21.2	0.8	20.4	By December 2025
Research and development	**53.3**	**49.6**	15.2	34.4	By December 2025
Working capital and general corporate purposes	**19.4**	**16.7**	1.9	14.8	By December 2025
Total	**242.2**	**218.2**	50.8	167.4	

Interim dividend

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	NOTES	Six months ended 30 June **2024** *RMB'000* **(unaudited)**	 2023 *RMB'000* (unaudited)
Revenue	4	**8,813,955**	7,968,747
Cost of sales		**(7,932,239)**	(7,151,570)
Gross profit		**881,716**	817,177
Other income	5	**49,092**	45,382
Other gains and losses	6	**9,634**	1,597
Changes in fair value of financial liabilities at fair value through profit or loss ("**FVTPL**")		**–**	(3,171,903)
Impairment losses reversed under expected credit loss model, net		**436**	2,412
Selling and marketing expenses		**(707,545)**	(634,945)
Research and development expenses		**(45,678)**	(39,938)
General and administrative expenses		**(169,665)**	(146,513)
Finance costs	7	**(5,272)**	(4,953)
Listing expenses		**–**	(46,868)
Profit (loss) before tax		**12,718**	(3,178,552)
Income tax credit	8	**636**	1,972
Profit (loss) for the period	9	**13,354**	(3,176,580)
Other comprehensive expense for the period		**–**	–
Profit (loss) and total comprehensive income (expense) for the period		**13,354**	(3,176,580)
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**21,820**	(3,168,595)
Non-controlling interests		**(8,466)**	(7,985)
		13,354	(3,176,580)
Earnings (loss) per share			
Basic and diluted *(RMB)*	11	**0.03**	(23.70)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	NOTES	**As at 30 June 2024** *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment, net		**64,322**	69,586
Right-of-use assets		**175,113**	140,130
Intangible assets		**81,432**	85,311
Goodwill		**9,252**	9,252
Deferred tax assets		**5,634**	4,524
Time deposits		**234,000**	40,000
		569,753	348,803
Current assets			
Inventories		**1,261,858**	1,470,293
Trade and other receivables	12	**344,247**	457,715
Financial assets at FVTPL		**763,568**	865,493
Time deposits		**86,857**	289,673
Restricted bank deposits		**878,467**	1,105,992
Bank balances and cash		**1,404,867**	673,874
		4,739,864	4,863,040
Current liabilities			
Trade and other payables	13	**(3,107,008)**	(3,105,738)
Contract liabilities		**(10,270)**	(10,308)
Lease liabilities		**(68,015)**	(62,550)
Bank borrowings		**(29,277)**	(57,508)
		(3,214,570)	(3,236,104)
Net current assets		**1,525,294**	1,626,936
Total assets less current liabilities		**2,095,047**	1,975,739

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024 – continued

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
Non-current liabilities		
Lease liabilities	**(116,821)**	(89,603)
Deferred tax liabilities	**(3,072)**	(2,598)
	(119,893)	(92,201)
Net assets	**1,975,154**	1,883,538
Capital and reserves		
Share capital	**11**	11
Reserves	**2,019,833**	1,919,751
Equity attributable to owners of the Company	**2,019,844**	1,919,762
Non-controlling interests	**(44,690)**	(36,224)
Total equity	**1,975,154**	1,883,538

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. GENERAL

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 27 August 2018 under the Company laws of the Cayman Islands. Its immediate holding company is MIYT Holdings Limited, a company incorporated in the British Virgin Islands (the "**BVI**"). The shares of the Company had been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 June 2023 (the "**Listing**").

The Company is an investment holding company. The Group mainly operates online platform that provide wholesale and retail of pharmaceutical and healthcare products and online marketplace service to the pharmaceutical and healthcare manufacturers. The Group's principal operations and geographic markets are in the People's Republic of China (the "**PRC**").

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board (the "**IASB**") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than change in accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The Group engaged in i) wholesales of pharmaceutical and healthcare products offline or online through its online platform; ii) retail of pharmaceutical and healthcare products through its retail shops; iii) operating online platform that enable the pharmaceutical distributors and vendors to sell their own pharmaceutical and healthcare products using the Group's online platform; iv) providing SaaS solution to downstream pharmacies to streamline their inventory management; v) providing medical testing services to primary healthcare institutions; vi) selling smart unmanned pharmaceutical booth to third-party pharmacies; and vii) providing maintenance and technical support services in relation to the smart unmanned pharmaceutical booth to third-party pharmacies.

(a) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Type of goods or services:		
Self-operation business (Note i)	**8,344,771**	7,521,784
Online marketplace services (Note ii)	**440,535**	416,624
Others (Note iii)	**28,649**	30,339
Total	**8,813,955**	7,968,747
Timing of revenue recognition:		
At a point in time	**8,806,461**	7,963,804
Over-time	**7,494**	4,943
Total	**8,813,955**	7,968,747

Notes:

i) The Group sells pharmaceutical and healthcare products mainly to pharmacies and primary healthcare institutions.

ii) The marketplace services revenue mainly represents the commission received by the Group from distributors and vendors using the Group's online platform, which is recognised upon end customers' acceptance and is charged based on a certain percentage of sales, net of discounts and return allowances made by the distributors and vendors through the Group's online platform.

iii) Others includes

1) The Group collects one-time usage fee and service fee for the inventory management related to the SaaS solution provided to the downstream pharmacies, which helps pharmacies to streamline their inventory management.

2) The Group provides diagnostic testing services and generates testing results to primary healthcare institutions.

3) The Group sells smart unmanned pharmaceutical booth to third-party pharmacies and also provides maintenance and technical support services in relation to the smart unmanned pharmaceutical booth to them.

(b) **Segment information**

For the purposes of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision maker, review the overall results and financial position of the Group as a whole.

Accordingly, only entity-wide disclosures and geographical information are presented.

(c) **Geographic information**

The Group principally operates in the PRC, which is also the place of domicile. The Group's revenue is all derived from operations in the PRC and the Group's non-current assets are all located in the PRC.

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grants (Note)	**9,067**	13,227
Bank interest income	**27,886**	22,455
Investment income from financial assets at FVTPL	**11,294**	8,589
Others	**845**	1,111
	49,092	45,382

Note: It represented cash received from grants by the local government to encourage the business operations in the PRC with no future obligations. Government grants are recognised in profit and loss when received.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Losses) gains on disposal of property, plant and equipment	**(2,058)**	512
Donations	**(856)**	(25)
Gains from changes in fair value of financial assets at FVTPL	**11,079**	–
Net foreign exchange gains	**1,469**	1,110
	9,634	1,597

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expense on lease liabilities	**4,287**	4,537
Interest expense on discounted note receivables	**985**	416
	5,272	4,953

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("**EIT**"):		
Current tax	**–**	–
Deferred tax	**636**	1,972
	636	1,972

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is exempted from the Cayman Islands income tax.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for both periods.

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in the PRC was 25% for both periods.

9. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**7,845,731**	7,058,555
Depreciation of property, plant and equipment	**19,183**	21,301
Depreciation of right-of-use assets	**38,455**	38,807
Amortisation of intangible assets	**6,787**	6,998
Write down for obsolete inventories	**4,320**	1,656
Auditor's remuneration	**880**	750
Listing expenses	**–**	46,868
Staff costs:		
Directors' emoluments	**5,894**	13,055
Other staff costs	**539,255**	464,524
Total staff costs	**545,149**	477,579

10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2024 and 2023. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

11. EARNINGS (LOSS) PER SHARE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to the owners of the Company for the purpose of calculating basic and diluted earnings (loss) per share	**21,820**	(3,168,595)

	Six months ended 30 June	
	2024	2023
	No. of shares	*No. of shares*
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**640,367,822**	133,720,060
Effect of dilutive potential ordinary shares: Share options and award shares	**7,937,028**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	**648,304,850**	133,720,060

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share has been determined on the assumption that the share subdivision had been effected since 1 January 2023.

The computation of diluted loss per share for the six months ended 30 June 2023 does not assume the exercise of share options or the conversion of preferred shares since their assumed exercise or conversion would result in a decrease in loss per share. There were no preferred shares for the six months ended 30 June 2024.

The computation of diluted loss per share for the six months ended 30 June 2023 does not assume the exercise of the over-allotment option since their assumed exercise would result in a decrease in loss per share. There was no over-allotment option for the six months ended 30 June 2024.

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
Trade receivables	**15,343**	32,821
Less: allowance for credit losses	**(582)**	(1,059)
	14,761	31,762
Note receivables	**8,660**	7,306
Total trade and note receivables	**23,421**	39,068
Advance to suppliers	**107,445**	135,544
Other tax recoverable	**3,577**	5,688
Prepaid expense	**19,014**	10,798
Receivables in custodian (Note)	**95,482**	176,196
Other receivables	**95,236**	76,772
Receivables from exercise of share options	**72**	13,649
Total trade and other receivables	**344,247**	457,715

Note: The amounts represented the payments received from online customers of Self-operation business which would deposit in escrow account and subsequently withdrawal by the Group upon the customers' acceptance of product delivery.

Trade receivables

The Group requires full payment in advance for its online product sales, certain offline product sales and retail sales. For other customers, the Group primarily allows a credit period from 15 to 30 days. Trade receivables are settled in accordance with the terms of the respective contracts. Aging analysis of trade receivables, net of allowance for credit losses, based on invoice date is as follows:

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
Within 3 months	**11,587**	28,005
3–6 months	**499**	778
6–12 months	**216**	195
Over 12 months	**3,041**	3,843
	15,343	32,821
Less: allowance for credit losses	**(582)**	(1,059)
	14,761	31,762

13. TRADE AND OTHER PAYABLES

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
Trade payables	**1,483,117**	1,474,431
Note payables	**1,200,415**	1,181,242
Salary and welfare payables	**113,329**	154,899
Other tax payables	**13,876**	17,215
Other payables	**295,395**	277,286
Deposits received	**876**	665
	3,107,008	3,105,738

Trade payables

The credit period of trade payables is ranging from 30 to 90 days. An aging analysis of the trade payables based on the invoice date at the end of the reporting period is as follows:

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
0–30 days	**951,987**	910,330
30–90 days	**424,763**	461,413
Over 90 days	**106,367**	102,688
	1,483,117	1,474,431

Note payables

All note payables issued by the Group are with a maturity period of less than six months.

14. EVENT AFTER THE REPORTING PERIOD

There have been no material subsequent events identified subsequent to 30 June 2024.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ysbang.cn). The interim report for the six months ended 30 June 2024 will be published on the aforesaid websites of the Stock Exchange and the Company in due course.

By order of the Board
YSB Inc.
Mr. Buzhen Zhang
Chairman and executive Director

Hong Kong, 26 August 2024

As at the date of this announcement, the Board comprises Mr. Buzhen Zhang and Mr. Fei Chen as executive Directors, Mr. Ziyang Zhu as non-executive Director, and Ms. Rong Shao, Mr. Sam Hanhui Sun and Mr. Hongqiang Zhao as independent non-executive Directors.