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 2023

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 2023 (the "**Reporting Period**"). These interim results have been reviewed by the Company's audit committee and the Company's auditor (the "**Auditor**"), Deloitte Touche Tohmatsu.

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		
	2023	2022	Change (%)
	(in RMB thousands, except specified otherwise or percentages)		
	(Unaudited)	(Unaudited)	
Revenue	**7,968,747**	6,719,500	18.6
– Self-operation Business	**7,521,784**	6,408,347	17.4
– Online Marketplace	**416,624**	276,565	50.6
– Other businesses	**30,339**	34,588	(12.3)
Gross profit	**817,177**	622,327	31.3
Loss for the period	**(3,176,580)**	(644,330)	393.0
Non-IFRS: Adjusted Net Profit/(Loss) [1]	**70,169**	(94,835)	N/A
Total GMV[2] (RMB million)	**22,041**	16,402	34.4
– Self-operation Business	**8,500**	7,163	18.7
– Online Marketplace	**13,541**	9,239	46.6

(1) The adjusted net profit/loss (the "**Adjusted Net Profit/(Loss)**") represents 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 REVIEW AND OUTLOOK

Business review for the Reporting Period

The Company is a digital pharmaceutical platform serving businesses outside of hospitals in China. Since its establishment, the Company has been committed to providing digital solutions for participants in the outside-of-hospital pharmaceutical and medical service market, connecting and empowering the upstream of the industry chain, including pharmaceutical companies, distributors and vendors, and the downstream of the industry chain, including pharmacies and primary healthcare institutions. In February 2023, the National Healthcare Security Administration issued the Circular on Making Further Progress on the Inclusion of Designated Retail Pharmacies in the Outpatient Clinics Coordinated Management Regime (《關於進一步做好定點零售藥店納入門診統籌管理的通知》). It called for an accelerated outflow of prescription drugs to the outside-of-hospital market to make them available for sale, thereby securing more stable customer flow and sales for pharmacies. Meanwhile, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council also issued the Opinions on Further Deepening Reforms to Promote the Healthy Development of Rural Medical and Healthcare System (《關於進一步深化改革促進鄉村醫療衛生體系健康發展的意見》) in February 2023. The Opinions emphasised the importance of building up a rural medical and healthcare system, allocating medical and health resources in a reasonable manner and continuously upgrading the capacity of rural medical and health services. It was also proposed in the government work report in March 2023, that quality medical resources be released to primary healthcare institutions this year and be allocated fairly among regions. The 14th Five-Year Plan also mentioned the incubation of large-scale digital and integrated pharmaceutical companies, and the plan is to have built up one to three such companies with over RMB500 billion of worth and five to ten with over RMB100 billion of worth by 2025.

The introduction of such policies and administrative measures accelerated the outflow of prescriptions and directed quality medical resources to primary healthcare. This drove a steady growth in the market size of out-of-hospital pharmaceutical services, shaping a promising outlook for the development of out-of-hospital pharmaceutical and medical services. As the largest digital pharmaceutical platform serving businesses outside of hospitals in China, the Company seized the opportunities emerging from such policies and the market. The Company further explored and developed innovative businesses on top of the core businesses, namely the Online Marketplace and the Self-operation Business, and delivered pharmaceutical and healthcare products and services to downstream users in a safe and efficient way. It steered the out-of-hospital pharmaceutical and healthcare system towards high quality and efficiency.

During the Reporting Period, the Company's business growth remained robust, with a total GMV of RMB22,041 million, representing a year-on-year increase of 34.4%. Thanks to our self-enforcing ecosystem, we retained an active participant base. As of 30 June 2023, more than 589,000 buyers, including around 379,000 pharmacies and around 211,000 primary healthcare institutions, were registered with our platform. During the Reporting Period, we had an average number of MAB of 353,000 and an average number of MPB of 331,000, representing a year-on-year increase of 17.6% and 22.5%, respectively. We are committed to improving the quality of our services and continuously optimising the buyers' experience to meet different needs of all types of buyers. This has allowed us to achieve high-quality growth in the number of buyers which in turn led to a year-on-year increase in our paying ratio from 89.9% to 93.6% in the Reporting Period and a year-on-year increase in the average number of orders per paying buyer per month of 12.7% to 28.4 from 25.2 for the same period of last year.

Our Online Marketplace

Online Marketplace is the cornerstone that ensures the rapid growth of our overall business. We connect and empower the upstream and downstream of the industrial chain: on the one hand, we provide pharmaceutical companies and distributors and vendors with efficient ways to sell their products to a wide range of buyers; on the other hand, we also enable pharmacies and primary healthcare institutions across the country to reach out to a broader base of suppliers. As of 30 June 2023, we attracted approximately 7,100 sellers and over 589,000 buyers to transact on our platform. With the concentration of such a large seller base, our Online Marketplace usually performs with better resilience than our Self-operation Business under scarce supply of pharmaceutical products in high demand. During the Reporting Period, the GMV of our Online Marketplace of third-party merchants was RMB13,541 million, accounting for 61.4% of the total GMV, and representing a year-on-year increase of 46.6%.

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 SKUs to buyers. During the Reporting Period, buyers could select among around 3.3 million SKUs, respectively, including prescription drugs, OTC drugs and healthcare products. 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 the 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 charge 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 3.1% and 3.2% in the first half of 2022 and 2023, respectively. In return, our Online Marketplace provides subsidies in the form of coupon to our 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 0.7% and 0.5% in the first half of 2022 and 2023, respectively, representing a year-on-year decline, without compromising customer retention rate and transaction level.

Our General Self-operation Business

Self-operation Business acts as a stabilizer to ensure that we provide better services to more customers in a quick and economical manner. The business is conducted through our platform where we operate our own digital stores online. Based on the transaction history on the Online Marketplace and the big data analyses of buyers' demand and transaction preference and after obtaining the consent of relevant parties under the privacy policy of our platform, we are able to make procurement decision based on downstream demand, select SKUs with higher frequency of purchase and better product quality and exercise higher level of quality control of products on our own. During the Reporting Period, our Self-operation Business provided an average monthly SKUs of approximately 347,000 to downstream buyers, representing a year-on-year increase of 37.6%.

During the Reporting Period, we kept strengthening our supply chain services, which cover procurement, warehousing, processing orders, invoicing, payment collection, and delivery to downstream pharmacies and primary healthcare institutions, with the aim of revitalising our ecosystem and in turn further enhanced the experience of the buyers, our customers under Self-operation Business. As of 30 June 2023, we built a nation-wide network consisting of 20 smart warehouses in 19 cities. During the Reporting Period, we followed through our effort to improve the efficiency of existing warehouses so as to realise our organic growth. Meanwhile, we also actively explored the possibility of setting up "satellite warehouses" around warehouses with higher operational loads.

Besides, we arrange delivery from our warehouses to our buyers, using third-party carriers with good reputation with respect to time, quality, and flexibility. We provide stable supply and fulfilment through 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 40 hours for cities and around 50 hours for towns on average. As a result, pharmacies and primary healthcare institutions can place orders in a flexible manner, such as placing multiple orders of small amount to avoid overstocking, which greatly enhances operating efficiency.

While we continue to improve our ability to serve downstream buyers, we also provide upstream suppliers with a range of digitalised tools to help improve their performance. As of 30 June 2023, the number of suppliers of our Self-operation Business amounted to more than 9,500, representing an increase of over 1,000 suppliers as compared with the same period of last year. Through our digitalised tools, the suppliers receive timely feedbacks on the demand of products and after-sale services from the downstream buyers. They can direct their decision-making according to the feedback we provided on geographical preference, pharmacy distribution and the market sales trend and monitor pharmaceutical promotion performance, track their products and respond to market demands. They also enjoy the benefits from scalability provided by us.

We work in close collaboration with multiple leading pharmaceutical companies both at home and abroad. During the Reporting Period, our strategic partnership with, among others, Haleon (赫力昂（惠氏）), Sunflower (Children Medication) (葵花兒藥), Chengdu Diao Group (成都地奧), Suzhou Eddingpharm (蘇州億騰), Jilin Aodong (吉林敖東) and Chongqing Yaopharma (重慶藥友) facilitated a faster and more stable supply of pharmaceuticals for downstream buyers. Meanwhile, we also launched projects with various pharmaceutical companies, including the "Wange (萬舸)" Project with Johnson & Johnson Consumer Health China (強生消費者健康中國), which aimed to further expand the circulation of branded products across online network; and clinic development projects with Qilu Pharmaceutical (齊魯製藥), which joined forces to upgrade service capabilities of primary healthcare institutions.

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 size. Revenue from our Self-operation Business makes up an important percentage of our total revenue. During the Reporting Period, the GMV of our General Self-operation Business was approximately RMB7,973 million, representing a year-on-year increase of 18.8%.

Our Targeted Product Launch Business

Leveraging 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 pharmacies outside of hospitals, pharmaceuticals that are well promoted and therefore better known in one geographic region but are less known in another. Thus, 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.

We continue to provide refined and professional services to the pharmaceutical companies we are in collaboration with which carry out Targeted Product Launch Business, helping them to increase sales through a series of digital marketing solutions. Meanwhile, we monitor life cycle of relevant products and provide market feedback to partnership pharmaceutical companies constantly for them to further improve the products and tailor their marketing promotions. During the Reporting Period, we were in collaboration with more than 500 pharmaceutical companies to launch promotion for around 1,000 SKUs, and the GMV of our Targeted Product Launch Business amounted to RMB527 million, representing a year-on-year increase of 17.3%.

During the Reporting Period, we were also exploring the model of reverse flexible customisation for our own brand, "Leyaoshi (樂藥師)". We collect customised requirements from downstream pharmacies and match them with upstream pharmaceutical companies through our platform. As our platform assembles customers, we have brought a large number of orders to upstream pharmaceutical companies, and as a result, we have gained stronger bargaining power. As of 30 June 2023, we completed spot deliveries of products covering 15 varieties and serving over 25,000 customers.

Other Businesses

ClouDiagnos

ClouDiagnos works hand-in-hand with our pharmaceutical business to meet the increasing need of primary healthcare institutions.

We continue to make efforts in enhancing the diagnosis and treatment capability of doctors working in primary healthcare institutions, expanding their scope of services as well as upgrading their service capacity. 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 doctors at such institutions in clinical decision-making. In addition, we have built our examination laboratories close to the primary users. This shortens the physical distance between the primary users and the 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 ways, we effectively meet the needs of primary users on multiple aspects, such as examination efficiency, examination accuracy, testing diversity and more, and achieve 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 the one hand, effective BD ensures that around 211,000 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. The synergy creates a barrier for other players who do not have a large primary healthcare institution buyer base and helps us maintain buyer engagement. As of 30 June 2023, we collaborated with over 10,700 primary healthcare institutions.

wePharmacy

We continue to make efforts in optimising the capability of pharmacies in serving their end customers. Our self-developed wePharmacy is one of the first 24-hour access smart unmanned pharmaceutical booth that connects real-time pharmacist services in the outside-of-hospital pharmaceutical market. Pharmacies that purchase our wePharmacy booths can decide on what products to offer their end customers, including prescription pharmaceuticals, OTC pharmaceuticals, among others. wePharmacy provides 24-hour undisturbed services, and no pharmacist or staff is required to be present. This has significantly improved the experience of both pharmacies and their end customers, especially those with urgent needs.

During the Reporting Period, our product offering continued to grow with the introduction of our "Yunque (雲雀)" model, which was developed based on our "Tiangong (天宮)" model. Given its space-saving feature, the new product contributes to the provision of around-the-clock services by more small and medium-sized pharmacies. As of 30 June 2023, wePharmacy already secured contractual sales cooperation in 23 provincial administrative regions across the country.

SaaS solutions

During the Reporting Period, we continue to focus on improving the operational efficiency of upstream and downstream participants in 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, 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 2023, we provided this service to over 6,000 sellers, representing an increase of over 950 sellers during the Reporting Period as compared to an increase of around 890 sellers for the same period of the first half of 2022.

We offer ePalm service to downstream buyers. ePalm helps pharmacies with streamlined inventory management and connection into 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 2023, we provided this service to approximately 44,000 buyers, representing an increase of over 4,000 buyers during the Reporting Period as compared to an increase of around 2,700 buyers for the same period of the first half of 2022.

YSB eLearn

During the Reporting Period, we continue to make efforts in improving the service capability of pharmacists. Since 2015, we have introduced various programmes to empower pharmacists. We offer online training sessions to help prospective pharmacists prepare for the Pharmacist Licensure Examination, and also 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 the one hand, and raised awareness and reputation of us among pharmacists on the other hand.

As of 30 June 2023, we provided online training to over 240,000 pharmacists and prospective pharmacists.

Supply chain management

Our smart supply chain management system is significantly contributed 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 ensure that, on average, an order was processed and completed for delivery in approximately 3 hours, much faster than the industry level. During the Reporting Period, by leveraging on smart supply chain management, we maintained payable turnover days at 37.0 days, inventory turnover days at around 28.5 days and receivable turnover days at 2.1 days. Accordingly, our cash conversion cycle was –6.3 days, representing a significant improvement from the 1.4 days for the same period of last year. 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.

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 pharmacies. The loan funding received by pharmacies can only be used for purchasing goods on our platform. During the Reporting Period, the number of downstream active users for order financing products reached 5,429, the cumulative lending amount was approximately RMB2,200 million, representing a year-on-year increase of 53.9%, the average monthly loan balance was approximately RMB490 million, representing a year-on-year increase of 76.8%, and the number of orders with financing was approximately 1,700,000, representing a year-on-year increase of 42.5%.

Business development

The primary healthcare level is fragmented and layered, leading to problems such as the supply and demand mismatch, high transaction costs, and low operating efficiency. Besides, buyers are also scattered due to geographical limitations, giving them little bargaining power against the upstream. In this regard, we have brought mobile internet and digital solutions to the market, and effectively built a virtual alliance for the downstream, where the demand of each and every buyer is equally addressed, regardless of their size or geographical location.

To this end, we have 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 the favourable regulatory development to constantly adjust our business development strategies and grow with the market. As of 30 June 2023, our business development team consisted of over 2,800 members, and we saw an increase in operating efficiency of our business development team as compared to the same period of last year. Each member can manage over 130 pharmacies on average, representing an increase of 13 pharmacies as compared to the same period of last year. This development strategy has achieved great success. As of 30 June 2023, we reached around 211,000 primary healthcare users, representing an increase of around 38,000 users during the Reporting Period as compared to an increase of around 21,000 users for the same period of the first half of 2022. Moreover, our registered buyers covered 97.6% of counties and 85.2% of towns in China.

Social responsibility

We always put social responsibility at the forefront of our corporate development. After the easing of pandemic control, we have been monitoring the prices of pandemic-related medicines sold on the platform, firmly eliminating the phenomenon of "indiscriminate price" and "price hike" created by merchants on the platform, stabilising drug prices and supply of anti-pandemic medicines on the platform. In January 2023, we donated a batch of pharmaceutical resources to relevant government departments to assist in combating the pandemic.

Aside from contributing to society in business-related areas, we are also keen on participating in social welfare activities. 2023 is a critical year for comprehensively consolidating and optimising the achievements in poverty alleviation and rural revitalisation. In June 2023, we actively responded to the call for helping with rural revitalisation by the Charity Association of Haizhu District (海珠區慈善會), and participated in its donation activity as a means to contribute to the promotion of rural revitalisation.

We will also continue to organise all kinds of health public welfare activities with social organisations and partnership companies to pass on the concept of health and to create greater social value, so as to fulfil our social commitment.

Outlook

As the largest digital pharmaceutical platform serving businesses outside of hospitals in China, we will always adhere to the user-oriented approach, actively expand cooperation with the upstream and the downstream of the industry through the Internet and innovation. On one hand, we will focus on our cooperation with pharmaceutical manufacturers to streamline the supply chain structure for faster circulation of pharmaceuticals; on the other hand, we will expedite the digitalisation of outside-of-hospital pharmaceutical industry and remove hurdles in the circulation network to directly provide more diverse healthcare resources to primary healthcare institutions. We will continue to promote healthy development of the industry, and carry out the mission of "To make quality medical care and good medicine accessible to all (讓好醫好藥普惠可及)".

We will make full use of the platform operational advantages to systematically maximise the scale, comprehensiveness and depth of our pharmaceutical circulation business. We will also continuously secure new users and develop new categories, as well as helping upstream and downstream users grow their business scale and volume. In regard to the Self-operation Business, we will continue to improve our warehouse planning and smart supply chain service capability based on our in-depth understanding on our users, and will accelerate in connecting upstream pharmaceutical companies with downstream pharmacies and clinics. In regard to other businesses, we will continue to enhance our technology capabilities and digital solutions and continue to innovate, and will improve service quality by combining online and offline methods. We will also work in tandem with our continuously improved "Online Marketplace + Self-operation Business" business model to create a flywheel effect and continuously create value for users.

We will closely follow the national policy development trend, and undertake the responsibilities of this era. We will make use of the power of digital science and technology, and join hands with the upstream and downstream of the pharmaceutical industry chain for further exploration and innovation, all in a bid to help millions of pharmacies and primary healthcare institutions to become more professional and reliable health guardians.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the six months ended 30 June 2023, the Group recorded a revenue of RMB7,968.7 million and a gross profit of RMB817.2 million. The gross profit margin was 10.3% for the six months ended 30 June 2023 as compared with 9.3% for the corresponding period in 2022.

The Group's revenue from the Self-operation Business increased significantly from RMB6,408.3 million for the six months ended 30 June 2022 to RMB7,521.8 million for the six months ended 30 June 2023, primarily attributable to enlarged buyer base and increased buyer engagement, which improved the GMV for our Self-operation Business. The number of MPB of our Self-operation Business recorded a greater increase as compared with the same period of last year. Meanwhile, the average monthly GMV contribution and the average amount per order from each paying buyer also increased.

The Group's revenue from the Online Marketplace increased by 50.6% from RMB276.6 million for the six months ended 30 June 2022 to RMB416.6 million for the six months ended 30 June 2023, primarily attributable to the growth of GMV on our Online Marketplace, which was driven by, among others, increased seller and buyer base and number of orders placed. The GMV on our Online Marketplace increased from RMB9.2 billion for the six months ended 30 June 2022 to RMB13.5 billion for the six months ended 30 June 2023. The number of sellers on our Online Marketplaces increased from 6,072 as at 31 December 2022 to 7,144 as at 30 June 2023. The number of MPB of our Online Marketplace recorded a greater increase as compared with the same period of last year. Meanwhile, the average number of orders per paying buyer per month also increased.

The Group's revenue from the other businesses decreased by 12.3% from RMB34.6 million for the six months ended 30 June 2022 to RMB30.3 million for the six months ended 30 June 2023, mainly attributable to the upgrade and adjustment of the operation/service model of ClouDiagnos.

Cost of sales

The Group's cost of sales increased by 17.3% from RMB6,097.2 million for the six months ended 30 June 2022 to RMB7,151.6 million for the six months ended 30 June 2023, primarily due to our revenue growth and business expansion.

The cost of sales of the Group's Self-operation Business increased significantly from RMB6,029.1 million for the six months ended 30 June 2022 to RMB7,060.2 million for the six months ended 30 June 2023. The increase of cost of sales for the six months ended 30 June 2023 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 increased by 64.2% from RMB46.3 million for the six months ended 30 June 2022 to RMB76.0 million for the six months ended 30 June 2023, mainly due to the expansion of transaction volume on our platform.

The cost of sales of the Group's other businesses decreased by 29.5% from RMB21.8 million for the six months ended 30 June 2022 to RMB15.4 million for the six months ended 30 June 2023, 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 significantly by 31.3% from RMB622.3 million for the six months ended 30 June 2022 to RMB817.2 million for the six months ended 30 June 2023. The Group's gross margin increased from 9.3% for the six months ended 30 June 2022 to 10.3% for the six months ended 30 June 2023.

The gross profit margin for the Group's Self-operation Business increased from 5.9% for the six months ended 30 June 2022 to 6.1% for the six months ended 30 June 2023, primarily due to: (i) our increasing bargaining power in procurement as the operations of our Self-operation Business became more mature and optimization of procurement channels; and (ii) the increase share of sales of non-pharmaceutical products with higher gross profit margins, which optimize the composition of our sales revenue.

The gross profit margin for the Group's Online Marketplace was 81.8% for the six months ended 30 June 2023 as compared with 83.3% for the six months ended 30 June 2022. The fluctuation is mainly attributable to a slight increase in fee rates of certain transaction channels.

The gross profit margin for the Group's other businesses increased from 37.0% for the six months ended 30 June 2022 to 49.4% for the six months ended 30 June 2023, mainly due to (i) the year-on-year increase of gross profit margin of ClouDiagnos after the adjustment to its business model; and (ii) the year-on-year growth of revenue of our SaaS business, which has a higher gross profit, and the corresponding increase of proportion to revenue.

Selling and marketing expenses

The Group's selling and marketing expenses increased by 1.4% from RMB626.2 million for the six months ended 30 June 2022 to RMB634.9 million for the six months ended 30 June 2023, mainly due to: (i) an increase in marketing and promotion expenses as we continue to expand our business operations; and (ii) an increase in fulfilment expenses along with the growth of our Self-operation Business. Fulfillment expenses increased by 5.1% from RMB143.3 million for the six months ended 30 June 2022 to RMB150.7 million for the six months ended 30 June 2023, among which logistics expenses increased from RMB109.5 million for the six months ended 30 June 2022 to RMB111.5 million for the six months ended 30 June 2023.

General and administrative expenses

The Group's general and administrative expenses increased by 12.6% from RMB130.1 million for the six months ended 30 June 2022 to RMB146.5 million for the six months ended 30 June 2023, mainly due to an increase in salary and welfare expenses as we hired additional management personnel for the development of our business and professional staff with expertise in capital markets.

Research and development expenses

The Group's research and development expenses increased by 11.3% from RMB35.9 million for the six months ended 30 June 2022 to RMB39.9 million for the six months ended 30 June 2023, primarily attributable to an increase in salary and welfare expenses as we incurred more employees related expenses in our efforts to optimise and upgrade technology systems for our businesses and develop technology systems for our other businesses.

Other income

The Group's other income decreased from RMB49.7 million for the six months ended 30 June 2022 to RMB45.4 million for the six months ended 30 June 2023. The decrease was primarily attributable to a decrease in investment income from financial assets at FVTPL.

Other gains/losses (net)

The Group recorded net other gains of RMB14.2 million for the six months ended 30 June 2022 as compared to net other gains of RMB1.6 million for the six months ended 30 June 2023. This difference was primarily due to the fluctuation of foreign exchange rates of US dollars against RMB.

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 RMB517.6 million for the six months ended 30 June 2022 and RMB3,171.9 million for the six months ended 30 June 2023. The changes were primarily due to fair value changes of the Company's preferred shares resulting from a non-cash, one-time adjustment upon the listing per share value against fair value as of 31 December 2022 and appreciation of US dollars against RMB, which led to an increase in fair value of preferred shares that are denominated in US dollars.

Finance costs

The Group's finance costs decreased slightly by 3.0% from RMB5.1 million for the six months ended 30 June 2022 to RMB5.0 million for the corresponding period in 2023 due to the decrease in interest expense of lease liabilities.

Loss for the period

As a result of the foregoing, the Group's loss for the period increased from RMB644.3 million for the six months ended 30 June 2022 to RMB3,176.6 million for the six months ended 30 June 2023.

Non-IFRS Measure

In evaluating our business, we consider and use (i) Adjusted Net Profit/(Loss) and (ii) Adjusted Net Profit/(Loss) 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/(Loss) as 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/(Loss) margin as adjusted net profit/loss 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 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/(Loss), which is unaudited, represents 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 for the six months ended 30 June 2023 was RMB70.2 million, representing a substantial reduction of loss RMB165.0 million from the Adjusted Net Loss RMB94.8 million for the corresponding period in 2022. We, for the first time, have achieved the Adjusted Net Profit for the six months ended 30 June 2023.

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

	Six months ended 30 June	
	2023	2022
	(RMB'000)	*(RMB'000)*
	(unaudited)	(unaudited)
Loss for the period	**(3,176,580)**	(644,330)
Add back:		
Changes in fair value of financial liabilities at fair value through profit or loss	**3,171,903**	517,583
Equity-settled shared-based payment expenses	**27,978**	18,181
Listing expenses	**46,868**	13,731
Adjusted Net Profit/(Loss), a non-IFRS measure	**70,169**	**(94,835)**
Adjusted Net Profit/(Loss) margin, a non-IFRS measure	**0.9%**	**(1.4)%**

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

Liquidity and capital resources

For the six months ended 30 June 2023, we have financed our operating and investing activities through cash generated from capital contribution from shareholders and operating activities. Our cash and cash equivalents are represented by cash and bank balances. As of 30 June 2023 and 31 December 2022, our cash and cash equivalents were RMB985.6 million and RMB835.4 million, respectively.

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

	Six months ended 30 June	
	2023	2022
	(RMB'000)	*(RMB'000)*
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	**365,565**	(113,626)
Net cash (used in)/generated from investing activities	**(433,988)**	352,554
Net cash generated from financing activities	**217,486**	312,364
Net increase in cash and cash equivalents	**149,063**	551,292
Cash and cash equivalents at the beginning of the period	**835,394**	415,482
Effect of foreign exchange rate changes	**1,110**	12,399
Cash and cash equivalents at the end of the period	**985,567**	979,173

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 2023, net cash generated from operating activities was RMB365.6 million, mainly attributable to our loss before tax of RMB3,178.6 million for the period, as adjusted by (i) non-cash and non-operating items, which primarily comprised share-based payment expenses of RMB28.0 million; changes in fair value of financial liabilities at fair value through profit or loss of RMB3,171.9 million; and (ii) changes in working capital, which was mainly due to an increase of RMB331.7 million in payables and other payables. Meanwhile, trade and other receivables decreased by RMB218.5 million. The above effect on the increase in cash from operating activities was partially offset by the increase in inventory of RMB235.2 million.

Net cash (used in)/generated from investing activities

For the six months ended 30 June 2023, net cash used in investing activities was RMB434.0 million. It was mainly due to placement of restricted deposits of RMB846.2 million and purchase of financial assets at fair value through profit or loss of RMB4,352.8 million during the Reporting Period, which was partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB4,175.0 million and withdrawal of restricted deposits of RMB376.4 million.

Net cash generated from financing activities

For the six months ended 30 June 2023, net cash generated from financing activities was RMB217.5 million, which was mainly attributable to the proceeds received from the IPO of approximately RMB291.1 million.

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 2023) during the six months ended 30 June 2023.

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 2023.

Pledge of assets

The Group had no pledge of assets as at 30 June 2023.

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 2023.

Gearing ratio

The Group's gearing ratio is calculated as total interest-bearing borrowings divided by total equity. As at 30 June 2023, as the Group did not have any interest-bearing borrowings, its gearing ratio was zero (as at 31 December 2022: zero).

Significant events after the Reporting Period

On 20 July 2023, the Over-allotment Option (as described in the Prospectus) was partially exercised by the Sole Overall Coordinator (on behalf of the International Underwriters) pursuant to which the Company raised additional capital. Further details of the exercise of the Over-allotment Option are set out in the announcement of the Company dated 20 July 2023.

Employees and Remuneration

As at 30 June 2023, the Group had 6,108 employees. The following table sets forth the total number of employees by function as at 30 June 2023:

Function	**Number of employees**
General and Administrative	757
Selling and Marketing	2,935
Operations	2,096
Research and Development	320
Total	6,108

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 2023 was RMB477.6 million, as compared to RMB457.1 million for the six months ended 30 June 2022. During the six months ended 30 June 2023, 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 2023, the Group mainly operated in China and the majority of the transactions were settled in 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 FVTPL 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 minimize its foreign exchange risk.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2023.

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 as below, we have complied with the applicable code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") during the period from the Listing Date up to 30 June 2023.

Code provision C.2.1 of the Corporate Governance Code recommends, but does not require, that the roles of chairperson and chief executive to be separate and not 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 10 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 since the Listing Date up to 30 June 2023.

Audit committee and Review of Financial Statements

The Company has established an audit committee, in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance 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 2023 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 2023 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

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

During the period from the Listing Date up to 30 June 2023, 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.

Material litigation

The Company was not involved in any material litigation or arbitration during the six months ended 30 June 2023. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date 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 were approximately HK$242.2 million (including the additional proceeds received upon the partial exercise of the Over-allotment Option).

As of 30 June 2023, the total net proceeds of approximately HK$242.2 million from the Global Offering remained unutilised. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Company expects to fully utilised the residual amount of the net proceed in accordance with such intended purpose by December 2025.

	Net proceeds from the Global Offering *(HK$ million)*	Unutilised amount as of 30 June 2023 *(HK$ million)*	Utilisation during the Reporting Period *(HK$ million)*	Expected timeline of full utilisation of the unutilised proceeds
Pharmaceutical circulation business	**109.0**	**109.0**	–	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	48.4	–	By December 2025
• improving our BD capabilities and efficiencies with our dedicated digital tools	48.4	48.4	–	By December 2025
• strengthening our supply chain capability	12.2	12.2	–	By December 2025
Further developing our other businesses	**60.5**	**60.5**	–	By December 2025
• expanding the geographical coverage of our ClouDiagnos services	36.3	36.3	–	By December 2025
• promoting market awareness and popularity of our wePharmacy	24.2	24.2	–	By December 2025
Research and development	**53.3**	**53.3**	–	By December 2025
Working capital and general corporate purposes	**19.4**	**19.4**	–	By December 2025
Total	**242.2**	**242.2**	–	

Interim dividend

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	Six months ended 30 June **2023** *RMB'000* (unaudited)	2022 *RMB'000* (unaudited)
Revenue	4	**7,968,747**	6,719,500
Cost of sales		**(7,151,570)**	(6,097,173)
Gross profit		**817,177**	622,327
Other income	5	**45,382**	49,745
Other gains and losses	6	**1,597**	14,237
Changes in fair value of financial liabilities at fair value through profit or loss ("**FVTPL**")		**(3,171,903)**	(517,583)
Impairment losses recognised under expected credit loss model, net		**2,412**	(1,952)
Selling and marketing expenses		**(634,945)**	(626,152)
Research and development expenses		**(39,938)**	(35,873)
General and administrative expenses		**(146,513)**	(130,075)
Finance costs	7	**(4,953)**	(5,108)
Listing expenses		**(46,868)**	(13,731)
Loss before tax		**(3,178,552)**	(644,165)
Income tax credit (expense)	8	**1,972**	(165)
Loss for the period	9	**(3,176,580)**	(644,330)
Other comprehensive expense for the period		**–**	–
Loss and total comprehensive expense for the period		**(3,176,580)**	(644,330)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		**(3,168,595)**	(635,776)
Non-controlling interests		**(7,985)**	(8,554)
		(3,176,580)	(644,330)
Loss per share			
Basic and diluted (*RMB*)	11	**(23.70)**	(5.07)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	NOTES	**As at 30 June 2023** *RMB'000* (unaudited)	As at 31 December 2022 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment, net		**81,911**	98,261
Right-of-use assets		**161,912**	165,749
Intangible assets		**92,249**	98,903
Goodwill		**9,252**	9,252
Deferred tax assets		**2,141**	1,584
Time deposits		**90,000**	50,000
		437,465	423,749
Current assets			
Inventories		**1,249,692**	1,016,168
Trade and other receivables	12	**281,511**	503,460
Amount due from a shareholder		**–**	2
Financial assets at FVTPL		**888,844**	711,076
Time deposits		**162,440**	320,487
Restricted bank deposits		**768,259**	298,404
Bank balances and cash		**915,567**	835,394
		4,266,313	3,684,991
Current liabilities			
Trade and other payables	13	**2,729,495**	2,398,078
Contract liabilities		**14,969**	24,434
Lease liabilities		**72,763**	81,178
Financial liabilities at FVTPL		**–**	5,872,042
		2,817,227	8,375,732
Net current assets (liabilities)		**1,449,086**	(4,690,741)
Total assets less current liabilities		**1,886,551**	(4,266,992)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023 – continued

	NOTES	As at 30 June 2023 *RMB'000* (unaudited)	As at 31 December 2022 *RMB'000* (audited)
Non-current liabilities			
Lease liabilities		**103,059**	99,370
Deferred tax liabilities		**2,619**	3,348
		105,678	102,718
Net assets (liabilities)		**1,780,873**	(4,369,710)
Capital and reserves			
Share capital		**11**	2
Reserves (deficits)		**1,807,776**	(4,350,783)
Equity (deficits) attributable to owners of the Company		**1,807,787**	(4,350,781)
Non-controlling interests		**(26,914)**	(18,929)
Total equity (deficits)		**1,780,873**	(4,369,710)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL

YSB Inc. (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 Appendix 16 to 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 ("**IFRS Standards**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's accountants' report included in the prospectus dated 15 June 2023.

Application of new and amendments to IFRS Standards

In the current interim period, the Group has applied the following new and amendments to IFRS Standards issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2022 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and amendments to IFRS Standards 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.

3.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

3.1.1 Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

3.1.2 Transition and summary of effects

As disclosed in the Group's accountants' report included in the prospectus dated 15 June 2023, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets of RMB39,760,000 and deferred tax liabilities of RMB39,760,000 on a gross basis but it has no impact on the accumulated losses at the earliest period presented.

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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Type of goods or services:		
Self-operation business (Note i)	**7,521,784**	6,408,347
Online marketplace services (Note ii)	**416,624**	276,565
Others (Note iii)	**30,339**	34,588
Total	**7,968,747**	6,719,500
Timing of revenue recognition:		
At a point in time	**7,963,804**	6,716,166
Over-time	**4,943**	3,334
Total	**7,968,747**	6,719,500

Notes:

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

ii) The marketplace services revenue 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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grants (Note)	**13,227**	15,176
Bank interest income	**22,455**	18,648
Investment income from financial assets at FVTPL	**8,589**	13,439
Others	**1,111**	2,482
	45,382	49,745

Note: It represented cash received from local government to encourage the business operations in the PRC. Unconditional government grants are recognised in profit or loss when received while conditional government grants are recognised in profit or loss when the Group fulfilled the conditions.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Gains (losses) on disposal of property, plant and equipment	**512**	(8)
Gain on disposal of subsidiaries	**–**	1,846
Donations	**(25)**	–
Net foreign exchange gains	**1,110**	12,399
	1,597	14,237

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expense on lease liabilities	**4,537**	4,987
Interest expense on discounted note receivables	**416**	121
	4,953	5,108

8. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("**EIT**"):		
Current tax	**–**	–
Deferred tax	**1,972**	(165)
	1,972	(165)

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.

Certified high and new technology enterprises ("**HNTE**") are entitled to a preferential tax rate of 15%. Guangzhou Sudaoyi Information Technology Co., Ltd. ("**Guangzhou Sudaoyi**") has been qualified as a HNTE and enjoyed a preferential income tax rate of 15% since 2021, which is subject to review and renewal every three years. The HNTE Certificate of Guangzhou Sudaoyi remains valid for 3 years from 2021 to 2023 and will be expired in 2024.

9. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**7,058,555**	6,031,007
Depreciation of property, plant and equipment	**21,301**	23,291
Depreciation of right-of-use assets	**38,807**	37,470
Amortisation of intangible assets	**6,998**	7,833
Write down for obsolete inventories	**1,656**	185
Auditor's remuneration	**750**	–
Listing expenses	**46,868**	13,731
Staff costs:		
Directors' emoluments	**13,055**	12,067
Other staff costs	**464,524**	445,049
Total staff costs	**477,579**	457,116

10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2023 and 2022. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

11. LOSS PER SHARE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	**(3,168,595)**	(635,776)
	No. of Shares	*No. of Shares*
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**133,720,060**	125,316,184

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined on the assumption that the share subdivision had been effected since 1 January 2022.

The computation of diluted loss per share for the six months ended 30 June 2023 and 2022 does not assume the exercise of share options or the conversion of the preferred shares since their assumed exercise or conversion would result in a decrease in loss per share.

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 during six months ended 30 June 2022.

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**55,734**	139,215
Less: Allowance for credit losses	**(2,016)**	(4,657)
	53,718	134,558
Note receivables	**6,306**	29,163
Total trade and note receivables	**60,024**	163,721
Advance to suppliers	**100,620**	112,651
Other tax recoverable	**6,425**	4,145
Prepaid expense	**8,515**	12,233
Deferred issue costs	**–**	5,854
Receivables in custodian (Note)	**37,202**	119,945
Other receivables	**68,725**	84,911
Total trade and other receivables	**281,511**	503,460

Note: The amounts represented the payments received from online customers of Self-operation business which would deposit in escrow account and subsequently withdraw 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. Ageing analysis of trade receivables based on invoice date is as follows:

	As at 30 June 2023 *RMB'000* (unaudited)	As at 31 December 2022 *RMB'000* (audited)
Within 3 months	**49,305**	127,854
3–6 months	**768**	3,057
6–12 months	**1,355**	1,182
Over 12 months	**4,306**	7,122
	55,734	139,215
Less: allowance for credit losses	**(2,016)**	(4,657)
	53,718	134,558

13. TRADE AND OTHER PAYABLES

	As at 30 June 2023 *RMB'000* (unaudited)	As at 31 December 2022 *RMB'000* (audited)
Trade payables	**1,504,710**	1,433,487
Note payables	**816,800**	448,797
Salary and welfare payables	**125,517**	168,824
Other tax payables	**11,491**	31,227
Other payables	**241,837**	299,622
Deposits received	**643**	1,069
Accrued issued costs and listing expenses	**28,497**	15,052
	2,729,495	2,398,078

Trade payables

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

	As at 30 June 2023 *RMB'000* (unaudited)	As at 31 December 2022 *RMB'000* (audited)
0–30 days	**863,066**	998,860
30–90 days	**482,179**	253,227
Over 90 days	**159,465**	181,400
	1,504,710	1,433,487

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

On 25 July 2023, the Company issued and allotted ordinary shares of 1,426,600 shares to the public shareholders at an offer price of HK$20 per share pursuant to the partial exercise of the over-allotment option in the Listing.

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 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

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

Hong Kong, 15 August 2023

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