YSB Inc.
藥師幫股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9885)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of YSB Inc. (the "**Company**", together with its subsidiaries and consolidated affiliated entities, the "**Group**") hereby announces the annual results of the Group for the year ended 31 December 2023 (the "**Reporting Period**"). The consolidated financial statements of the Group for the Reporting Period have been reviewed by the audit committee of the Company (the "**Audit Committee**") and audited by 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

	Year ended 31 December		
	2023	2022	Change (%)
	(in RMB thousands, except specified otherwise or percentages)		
Revenue	**16,972,276**	14,274,810	18.9
– Self-operation Business	**16,036,245**	13,519,017	18.6
– Online Marketplace	**873,119**	694,204	25.8
– Other Businesses	**62,912**	61,589	2.1
Gross profit	**1,740,923**	1,434,717	21.3
Loss for the year	**(3,206,507)**	(1,500,038)	113.8
Non-IFRS: Adjusted Net Profit/(Loss)[(1)]	**130,542**	(124,856)	N/A
Total GMV[(2)] (RMB million)	**46,912**	37,833	24.0
– Self-operation Business	**18,447**	15,201	21.4
– Online Marketplace	**28,465**	22,632	25.8

(1) The adjusted net profit/loss (the "**Adjusted Net Profit/(Loss)**") represents loss for the year 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".

CHAIRMAN'S STATEMENT

First of all, on behalf of the Board and YSB Inc., I would like to express my heartfelt gratitude to our shareholders and all sectors of the community for their kind attention and tremendous support over the years.

Filled with tests and challenges, the past year witnessed the economic recovery alongside the cyclical and structural issues. In this context, China today is building new momentum for long-term development in the future through non-stop creation of new growth advantages. In the pharmaceutical industry, China coordinated and promoted the deepening of healthcare system reform by incorporating it into the comprehensively deepening reform with the shift from "focus on treating illness (以治病為中心)" to "focus on enhancing people's health (以人民健康為中心)", and launched a series of important reform initiatives with remarkable progress made.

During the year, as "Internet + Medical" rapidly developed and the sales scale of the pharmaceutical e-commerce continued to grow in China, an "online + offline" business model was basically formed. Patients have, after the pandemic, gradually built a consumption habit of seeking for medical treatment and purchasing drugs online, and their trust in telemedicine is increasing. Following the change of pandemic prevention and control policies, healthcare awareness also increased to an unprecedented level, driving the telemedicine industry towards quality growth.

2023 is not only the inaugural year for the Company to successfully enter the Hong Kong capital market, but also a new chapter for the Company to embark on its digital journey in the outside-of-hospital pharmaceutical service industry. Upholding the "user-oriented (以用戶為中心)" value, the Company entrenched its foothold in the outside-of-hospital pharmaceutical service industry, and continued to provide its eco-partners including pharmaceutical businesses, pharmacies and primary healthcare institutions with core competencies such as supply chain, technology, digital marketing and operation as well as high-quality pharmaceutical resources, so as to jointly promote the professional, digital, and intelligent construction of the outside-of-hospital pharmaceutical and healthcare industry.

In 2023, we had been focusing on user needs and continued to strengthen the synergy between our Online Marketplace and Self-operation Business to form a prosperous and diversified pharmaceutical and healthcare ecosystem. We were committed to providing better supply and service for upstream and downstream users and all participants using the online platform, constantly refining our digital technology and operation capabilities, further deepening and strengthening the supply chain, and realising the Company's quality development through technological empowerment, service optimisation and business innovation.

Over the past year, we had been committed to realising the matching of supply and demand for medicines in a more timely and efficient manner by constantly improving our supply chain system for the Online Marketplace. Leveraging on the "Supporting Programme for Helping A Thousand of Third-Party Merchants to Realise Monthly Sales More than One Million (三方商家千店百萬扶持計劃)", we enhanced the operation capabilities of upstream sellers on the platform by helping them develop new growth directions and achieve higher levels of growth. Meanwhile, we offered downstream buyers with more adequate and better products and, by extending our services along the path of purchase-management-sales assistance (幫買幫管幫賣), empowered downstream buyers to enjoy one-stop digital services.

As our service capacity enhanced and service scope expanded, we remained focusing on users' changing needs and continued to enrich the supply of various medicines, particularly traditional Chinese medicine ("**TCM**") decoction pieces and other products. In China, the market size of the TCM decoction pieces exceeds RMB250 billion each year, with the outside-of-hospital primary market accounting for approximately one-third of the demand. However, the terminals of the outside-of-hospital primary market were characterised by highly localised and decentralised procurement channels, inefficient transportation, storage, and sales channels, and lack of uniform standards for participants along the entire industry chain. To solve such pain points, we insisted on taking direct supply from manufacturers as the core and place emphasis on quality and after-sales services, which attained initial results of doubling the customer number and business scale of TCM decoction pieces as compared to 2022.

Relying on digital supply chain layout as the core, our Self-operation Business also maintained good momentum with its intelligent operation advantages increasingly strengthened. As of 31 December 2023, we had built a supply chain system for self-operated warehouses which comprised 22 warehouses across 21 cities, creating a warehouse layout that combines main warehouses and sub-warehouses while expanding the coverage of the Self-operation Business. To provide users with more convenient, efficient and quality services, we will keep establishing new sub-warehouses within a radius of hundreds of kilometres ("**km**") from our main warehouses with higher capacity utilisation. In addition, we had also been improving the efficiency of intra-city delivery by building our own logistics platform, in a bid to speed up the delivery of orders in pilot cities to half-day delivery (半日達) or same-day delivery (當日達), a move that allows downstream buyers to further relieve inventory pressure and increase operational efficiency.

We accelerated the exploration of cooperation with upstream brands and unceasingly innovated cooperation models to jointly expand the promising outside-of-hospital market and seise the incremental growth in the outside-of-hospital pharmaceutical service market. In particular, the product series under our own brand "Leyaoshi (樂藥師)" became the key driver for our Targeted Product Launch Business in 2023. With affordable quality products from well-established manufacturers as an attraction, we focused on working with monomer pharmacies, primary healthcare institutions and small chain pharmacies, and continued to identify pharmacies with wider coverage and micro depth to drive the high-quality growth of our own brands and in turn that of the Targeted Product Launch Business. Leveraging the increasing brand power, channel power and product power, we will further form industrial capacity upwards and provide users with better products and services downwards.

In 2023, we accelerated the digitalisation and full-scenario empowerment of our outside-of-hospital pharmaceutical services. By constantly upgrading our SaaS solutions for pharmaceutical businesses, merchants, pharmacies, and primary healthcare institutions, we further optimised users' experience, helped them expand revenue sources and reduce costs, and improved their overall operation efficiency in all aspects. We further developed our ClouDiagnos business by focusing on the diagnosis and treatment needs of primary healthcare institutions and providing primary healthcare institutions with instant testing equipment to enhance the medical service capabilities of primary care doctors. The operation of parallel diagnostics concurrent with health management will become an important cornerstone for our transformation into a service provider serving billions of consumers across millions of primary endpoints.

As a pharmaceutical and healthcare service provider, we have always been committed to creating sustainable value for our users, shareholders, employees and even the whole society. During the Reporting Period, the Company further improved its environmental, social and governance ("**ESG**") governance system and regime, strengthened ESG governance, and incorporated the concepts of low-carbon and environmental protection and social responsibility into the Company's development and operation, striving to achieve enhancement in both economies of scale and social benefits. We have established an ESG committee under the Board and continued to strengthen the construction of professional committees, with an aim to ensure the compliance of the Company with relevant legal and regulatory requirements and the continuous improvement of the Company in environmental, social and governance performance. Internally, we have established a sound internal control and compliance and risk management system to detail and strengthen the responsibilities of each department, which effectively ensured the efficient and orderly development of the Company's business. Externally, we have continued to focus on the ecology of cooperation and have actively strengthened the communications with stakeholders including external partners and shareholders to increase the efficiency of outside-of-hospital pharmaceutical service and guide the industry's quality development. In the meantime, we continue to pay attention to the needs of different community sectors, extensively carry out and support welfare activities, and actively assume social responsibility. We will stick to our original aspiration and promote the Company's sustainable development with ESG concepts.

Looking ahead to 2024, we will embark on a new journey of quality development. With a GMV of RMB100 billion as our goal for the next two to three years, we will continuously purse layout in upstream, use digital technology to redefine the manufacturing and distribution of pharmaceuticals, and continue to build our supply chain capabilities, so as to provide users with better products and services, and achieve higher quality growth.

Last but not least, I would like to express my gratitude to our shareholders, partners, users, and different community sectors who have been accompanying the Company all the way with their long-term support and assistance to YSB Inc. We will always keep in mind the mission of "To make quality medical care and good medicine accessible to all (讓好醫好藥普惠可及)" and uphold the development concept of "High-quality and continuous growth driven by innovation and technology (創新科技驅動，高質量持續增長)". We will also promote the innovation and development of the outside-of-hospital pharmaceutical market, in a bid to enhance the efficiency of the industry and expand the coverage of our services, and in turn, contribute to the community with corporate value!

Buzhen Zhang
Chairman and Chief Executive Officer

11 March 2024

BUSINESS OUTLOOK AND REVIEW

2023 marked the first year of fully implementing the spirit of the 20th National Congress of the Communist Party of China (CPC) and a crucial year for the deep implementation of the 14th Five-Year Plan. This year, governments and regulatory agencies at different levels continuously released relevant policies and standards to vigorously promote digital upgrade and development of the outside-of-hospital pharmaceutical industry. Meanwhile, various measures continued to promote the consumption of outside-of-hospital pharmaceutical and healthcare, giving continuous support for the steady and rapid development of the outside-of-hospital pharmaceutical industry. According to the Report of Statistical Analysis on the Operation of Pharmaceutical Distribution Industry (藥品流通行業運行統計分析報告) released by the Ministry of Commerce of the PRC in November 2023, the market size of pharmaceutical distribution saw a steady increase with accelerated market growth rate. The market is also characterised by continuous increase in industry concentration, ongoing expansion of professional services, standardisation of online sales management. In addition, in line with relevant national planning and the Business Development Plan for the 14th Five-Year Plan Period (《"十四五"商務發展規劃》), the Ministry of Commerce of the PRC proposed to promote digital transformation and upgrading of the industry, facilitate enterprises in building "online, cloud and platform (上綫上雲上平台)" and deepen digital application in marketing, operation management, warehouse logistics, product services and other aspects. Given such development opportunity, the Company has also benefitted from the policies and rode on the development trend of the industry by fully utilising its digital capacity and operational advantages in the outside-of-hospital pharmaceutical industry, and continued to play an important role in building a digital service ecosystem for outside-of-hospital pharmaceuticals.

During the Reporting Period, our business growth remained robust, as reflected by our total GMV of RMB46,912 million, representing a year-on-year increase of 24.0%. With the continuous expansion of our pharmaceutical and healthcare product offering and the continuous improvement of user experience, we are promoting the user ecosystem towards prosperous development. As of 31 December 2023, our cumulative number of registered buyers were more than 650,000, including around 401,000 pharmacies and around 246,000 primary healthcare institutions. During the Reporting Period, we had an average number of monthly active buyers ("**MAB**") of 367,000, representing a year-on-year increase of 19.0%. The average number of monthly paying buyers ("**MPB**") reached 343,000, representing a year-on-year increase of 21.1%. Our paying ratio, i.e. the proportion of average number of MPB to average number of MAB, recorded a year-on-year increase from 91.7% to 93.3% and the average number of orders per paying buyer per month increased by 8.7% from 27.3 to 29.6 for the same period of last year.

Our Online Marketplace

Online Marketplace is the cornerstone for ensuring the rapid growth of our overall business. We connect and empower upstream and downstream players along 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 the end of 2023, we attracted approximately 8,100 upstream sellers and over 650,000 downstream buyers to transact on our platform. During the Reporting Period, the GMV of our Online Marketplace of third-party merchants was RMB28,465 million, accounting for 60.7% of the total GMV, and representing a year-on-year increase of 25.8%.

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 3.6 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 50%. 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.

Our vast selection of SKUs and sound supply chain system enable us to cope with extreme cases at ease. During the influenza outbreaks in 2023, we provided a large number of related medicines to our downstream customers in a timely manner. Take Oseltamivir as an example, our downstream customers purchased a total of approximately RMB1,200 million on our platform for this item.

Apart from this, we strived to develop new categories on the existing basis to further enrich the medicine offerings, and began to deepen its presence in the field of TCM decoction pieces. On the supply side, we insisted on taking TCM decoction pieces manufacturers as the new main development targets. As of the end of 2023, more than 85% of the TCM decoction pieces suppliers on our platform were TCM decoction pieces manufacturers. In 2023, we provided over 110,000 SKUs of TCM decoction pieces to our downstream customers with sales amounting to approximately RMB1,300 million, representing a year-on-year increase of 113%. 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.

Benefitting from the outflow of prescriptions brought by the deepening healthcare reform, the transactions of stores designated by medical insurers among our downstream users were significantly active. About 50% of the platform’s paying users were stores designated by medical insurers, among which over 70% of monomer pharmacies were stores designated by medical insurers. Also, the stores designated by medical insurers with higher level of activeness and higher willingness to pay were benefitted from the traffic brought by the policies, contributing more than 60% of GMV to our platform.

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 3.1% and 3.2% in 2022 and 2023, 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 0.7% and 0.6% in 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 stabiliser 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. After obtaining the consent of 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 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, 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 enhance the experience of the buyers, our customers under Self-operation Business. In 2023, we began to explore ways to further increase the production capacity of our existing warehouses which are already highly utilised, and created a warehouse layout that combines main warehouses and sub-warehouses. We newly built sub-warehouses in Xuzhou, Jiangsu and Zhanjiang, Guangdong, which are each 500 km from the original main warehouses in their respective provinces. The two sub-warehouses are both approximately 5,000 square metres and are equipped with a variety of advanced hardware facilities and software system supports, which can provide strong support to the highly efficient operation of the existing main warehouses in Jiangsu and Guangdong, enabling us to offer better and faster services to the surrounding terminals so as to effectively improve end-user satisfaction and increase market share.

We arrange delivery from our warehouses to our buyers, using 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 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 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 pilot 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. During the Reporting Period, we opened more than a hundred of logistics routes in provincial capital cities, enabling most of our main warehouses to achieve half-day delivery and same-day delivery for intra-city orders. Such fast and fabulous procurement experience significantly increased the variety and frequency of purchases from our downstream customers.

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 the end of 2023, the number of suppliers of our Self-operation Business amounted to more than 10,000, representing an increase of over 1,000 suppliers as compared to 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 on geographical preference, pharmacy distribution and the market sales trend provided by us and monitor pharmaceutical promotion performance, track their products and respond to market demands. They also enjoy the benefits from scalability provided 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 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 RMB17,353 million, representing a year-on-year increase of 22.3%.

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 outside-of-hospital pharmacies, 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 pharmaceutical companies in partnership with us, which carry out our 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 constantly provide market feedback to pharmaceutical companies for them to further improve the products and tailor their marketing promotion strategies. During the Reporting Period, we collaborated with about 500 pharmaceutical companies to launch promotion, covering more than 10 pharmaceutical companies of sales exceeding RMB10 million and 15 products of sales exceeding RMB10 million. The GMV of our Targeted Product Launch Business amounted to RMB1,094 million, representing a year-on-year increase of 8.4%.

During the Reporting Period, we also explored the further development model for our own brand, "Leyaoshi (樂藥師)". We kept exploring for products with the potential to become our top-selling products in sales channels and expanding the product coverage of "Leyaoshi", while seeking for exclusive cooperations with manufacturers. As of the end of 2023, we had completed the spot delivery of 60 products, reached sales of over RMB10 million for 5 products and served over 200,000 customers. 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.

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 primary care doctors, 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 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 the one hand, effective BD (business development) ensures that all 246,000 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 the end of 2023, we collaborated with over 12,000 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 purchasing our wePharmacy booths can decide on what products to offer their end customers, including prescription drugs, OTC drugs and 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 "Yunque (雲雀)" model series with a smaller space-saving feature. Developed based on our "Tiangong (天宮)" model, the series helped the provision of around-the-clock services by more small and medium-sized pharmacies. During the Reporting Period, we sold and installed a total of 65 wePharmacy units.

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 the end of 2023, we provided this service to over 7,000 sellers, representing an increase of around 1,800 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 the end of 2023, ePalm connected to social security departments in more than 150 cities. We provided this service to approximately 50,000 buyers, representing an increase of over 9,000 buyers during the Reporting Period.

In addition, to cater to the vast market of primary healthcare institutions, we launched the Cloud Consultation (光譜雲診) service during the Reporting Period. Leveraging extensive medical big data for tracking and analysis, this service offers features such as mini-program check-ins, consultation and prescription, patient management, and system management. It enables doctors to easily access both traditional Chinese and Western medicine prescriptions, record patients' medical histories, and streamline the drug procurement process with one-click inventory management. This meets the needs of doctors operating independently and enhances the information management efficiency of primary healthcare institutions.

YSB eLearn

During the Reporting Period, we continued 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 the end of 2023, we provided online training to approximately 260,000 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 54 days, inventory turnover days at around 30 days and receivable turnover days at around 2 days. Accordingly, our cash conversion cycle was around -22 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 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 was over 12,000, representing an increase of approximately 8,000 as compared to the same period of last year, the cumulative lending amount was approximately RMB5,910 million, representing a year-on-year increase of 72.0%, and the number of orders with financing was approximately 4,660,000, representing a year-on-year increase of 42.5%. In December 2023, the number of financing orders in a single month was over 600,000, representing a year-on-year increase of 146%. Such service has also brought us active chain pharmacy customers. In December 2023, the number of paying buyers from chain headquarters was over 3,800, which generated a purchase of pharmaceuticals amounting to approximately RMB1,000 million, accounting for about 20% of the total purchases.

Business development

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

To this end, 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 2023, 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 135 pharmacies on average, representing an increase of 11 pharmacies as compared to the same period of last year. This development strategy achieved great success. As of 2023, we reached 246,000 primary healthcare users, representing an increase of 74,000 users during the Reporting Period and an increase of approximately 30,000 users as compared to the increase of users in 2022. Moreover, our registered buyers covered 98.6% of counties and 88.4% of towns in China. In terms of staff efficiency, each member can bring approximately RMB16 million of GMV, representing a year-on-year increase of 18.4%.

Social responsibility

We actively fulfill our corporate social responsibility, and are committed to serving our users at all times in various aspects such as ensuring medication needs and safety assurance, helping rural revitalisation and education charities, and giving back to society. We closely connect our public health commitments with our business development, and continue to serve as an example to other companies.

During the Reporting Period, we gave full play to the pharmaceutical and healthcare product supply chains. Leveraging the advantages of our digital smart system, we performed real-time monitoring on our platform when there are short-term supply-demand imbalances in medications, and formed a special team for price normalisation to ensure fair and reasonable drug prices, participated in drug supply assurance and maintained an orderly market.

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. The "YSB eLearn" column will continue to enhance the pharmaceutical and diagnostic capabilities of grassroots pharmacists and doctors, thereby providing patients with higher quality medical and healthcare services.

In collaboration with community healthcare workers, we gave consolations and provided free medical services to grassroots social workers, for whom we utilised ClouDiagnos testing equipment to conduct screenings and offered diagnostic advice for grassroots personnel, actively supporting the construction of primary healthcare services.

We actively took part in rural revitalisation works by donating funds to sponsor rural revitalisation activities and were awarded the certificate "Active Entity Participants in Rural Revitalisation (助力鄉村振興積極參與單位)" by the Haizhu District Municipal Administration for Market Regulation of Guangzhou, contributing to efforts in the rural revitalization and development.

We donated office computers to the Western Sunshine Foundation for Rural Development (Beijing) (北京市西部陽光農村發展基金會) to improve their office environment and enhance the efficiency of the foundation's staff. 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.

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 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 intelligent marketing, thereby improving their operating efficiency. We will continue to advance the construction of the smart supply chain for pharmaceutical and healthcare products and improve the professional service capabilities, providing users with more accessible, convenient, and efficient pharmaceutical and healthcare products and services to meet their comprehensive service needs.

In terms of Online Marketplace, we will provide more comprehensive operational support and digital marketing strategies for upstream sellers and enhance product category diversity. On one hand, we will focus on expanding products such as TCM decoction pieces to increase the coverage of varieties; on the other hand, we will cooperate with the leading enterprises and cooperatives in the production areas to carry out Authentic Medicinal Decoction Pieces to improve product quality and provide high-quality pharmaceutical and healthcare products and services for downstream buyers.

In terms of Self-operated Business, we will strengthen the construction of our own smart supply chain system, and keep on building a warehouse network that combines main warehouses with sub-warehouses and a logistics system for intra-city car delivery. We will accelerate the construction of sub-warehouses near the existing main warehouses that match the conditions to form an integrated structure of main and sub-warehouses, in a bid to fully meet customers' needs for more varieties. On the basis of optimising the layout of self-operated warehouses, we will further develop intra-city car delivery services, achieving more half-day delivery and same-day delivery for orders from cities where main warehouses are located and their surrounding cities. At the same time, together with the sub-warehouse construction plan, we will begin the provision of intra-city delivery services in cities where the sub-warehouses are located and their surrounding cities to continuously improve users' experience.

In addition, we will further expand Targeted Product Launch Business, especially our own branded business, by actively planning layout in upstream, strengthen strategic cooperation with upstream pharmaceutical companies and suppliers, constantly innovate and upgrade cooperation models and broaden cooperation areas. Following the newly-launched key single product Huoxiang Zhengqi Kou Fu Ye (藿香正氣口服液), we will further 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 besides launching hundreds of new varieties, to accelerate the development of the Targeted Product Launch Business.

On top of fully ensuring product supply and supply chain finance empowerment, we will remain committed to the continuous expansion of downstream users. For monomer pharmacies with high coverage, we will further consolidate the edges that we have built, increase the variety of best-selling local pharmaceutical products covered by self-operated warehouses, and improve efficiency and users' experience through intra-city car delivery. For primary healthcare institutions, we will focus on expanding coverage and increasing its penetration rates, while accelerating the introduction of injections, traditional Chinese medicine and other varieties with special demand, and increasing their variety satisfaction rates through activities such as Super Clinic Day (超級診所日) and Traditional Chinese Medicine Super Product Day (中藥超級單品日).

For other businesses, we will increase our investment in technical resources, continue the optimisation and upgrades to improve the operational efficiency of upstream and downstream users on our platform. For the ClouDiagnos business, we will deploy tens of thousands of digital testing devices nationwide to provide primary healthcare terminals with a "user-friendly, economical, and technological" primary medical test scheme, assisting primary care doctors to realise professional, standardised and streamlined examination and diagnosis. For the Cloud Consultation (光譜雲診) business, we will continue to improve its system functions and promote it from pilot provinces to thousands of customers across China, and gradually promote its access to urban medical insurances. Both services will progress simultaneously to jointly promote the innovation and development of primary healthcare institutions, helping them become more professional and reliable health providers.

Furthermore, we will continue to explore and carefully evaluate M&A opportunities related to investment in the industrial chain, deepen the layout in the field of medicine and health, build synergies in future business development, continuously enhance our competitiveness, and strive to establish a broader brand influence and market position.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the year ended 31 December 2023, the Group recorded a revenue of RMB16,972.3 million and a gross profit of RMB1,740.9 million. The gross profit margin was 10.3% for the year ended 31 December 2023 as compared with 10.1% for the corresponding period in 2022.

The Group's revenue from the Self-operation Business increased significantly from RMB13,519.0 million for the year ended 31 December 2022 to RMB16,036.2 million for the year ended 31 December 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 stable 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 25.8% from RMB694.2 million for the year ended 31 December 2022 to RMB873.1 million for the year ended 31 December 2023, primarily attributable to the growth of GMV on our Online Marketplace, which was driven by increased seller and buyer base, and the increased average monthly GMV contribution from each paying buyer. The GMV on our Online Marketplace increased from RMB22.6 billion for the year ended 31 December 2022 to RMB28.5 billion for the year ended 31 December 2023. The number of sellers on our Online Marketplaces increased from 6,072 as at 31 December 2022 to 8,081 as at 31 December 2023. The number of MPB of our Online Marketplace recorded a stable 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 increased by 2.1% from RMB61.6 million for the year ended 31 December 2022 to RMB62.9 million for the year ended 31 December 2023, mainly attributable to the increase in revenue from SaaS solution.

Cost of sales

The Group's cost of sales increased by 18.6% from RMB12,840.1 million for the year ended 31 December 2022 to RMB15,231.4 million for the year ended 31 December 2023, primarily due to our revenue growth and business expansion.

The cost of sales of the Group's Self-operation Business increased by 18.7% from RMB12,679.5 million for the year ended 31 December 2022 to RMB15,054.1 million for the year ended 31 December 2023. The increase of cost of sales for the year ended 31 December 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 18.1% from RMB124.1 million for the year ended 31 December 2022 to RMB146.6 million for the year ended 31 December 2023, mainly due to the expansion of transaction volume on our platform.

The cost of sales of the Group's other businesses decreased by 16.4% from RMB36.6 million for the year ended 31 December 2022 to RMB30.6 million for the year ended 31 December 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 21.3% from RMB1,434.7 million for the year ended 31 December 2022 to RMB1,740.9 million for the year ended 31 December 2023. The Group's gross margin increased from 10.1% for the year ended 31 December 2022 to 10.3% for the year ended 31 December 2023.

The gross profit margin for the Group's Self-operation Business recorded a slight decrease from 6.2% for the year ended 31 December 2022 to 6.1% for the year ended 31 December 2023, which was largely stable while the business maintained a good scale growth.

The gross profit margin for the Group's Online Marketplace increased from 82.1% for the year ended 31 December 2022 to 83.2% for the year ended 31 December 2023, mainly attributable to the increase in usage of the low-fee transaction channels.

The gross profit margin for the Group's other businesses increased from 40.6% for the year ended 31 December 2022 to 51.3% for the year ended 31 December 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 4.7% from RMB1,325.6 million for the year ended 31 December 2022 to RMB1,387.3 million for the year ended 31 December 2023, mainly due to the increase in marketing and promotion expenses as we continue to expand our business operations. Fulfillment expenses increased slightly by 0.6% from RMB313.0 million for the year ended 31 December 2022 to RMB314.8 million for the year ended 31 December 2023, among which logistics expenses increased from RMB222.3 million for the year ended 31 December 2022 to RMB234.2 million for the year ended 31 December 2023. 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 continued to decline.

General and administrative expenses

The Group's administrative expenses increased by 16.0% from RMB286.8 million for the year ended 31 December 2022 to RMB332.6 million for the year ended 31 December 2023, mainly due to (i) an increase in equity-settled share-based payment expenses due to additional share options or new award shares granted to our Directors and employees during the Reporting Period to provide incentives to exert maximum efforts and reward continued efforts for the success of the Group; and (ii) 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. Although general and administrative expenses had increased during the Reporting Period, it remained stable as a percentage of the Group's revenue.

Research and development expenses

The Group's research and development expenses increased by 18.3% from RMB79.1 million for the year ended 31 December 2022 to RMB93.6 million for the year ended 31 December 2023, primarily attributable to an increase in equity-settled share-based payment expenses and 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 RMB88.9 million for the year ended 31 December 2022 to RMB87.7 million for the year ended 31 December 2023. The decrease was primarily attributable to the increase in interest income being partially offset by the decrease in investment income from financial assets at fair value through profit or loss and the government grants.

Other gains/losses (net)

The Group recorded net other gains of RMB20.0 million for the year ended 31 December 2022 as compared to net other gains of RMB0.9 million for the year ended 31 December 2023. This difference was primarily due to the gains from changes in fair value of financial assets at fair value through profit or loss and the impact of losses due to exchange rate fluctuations.

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

The Group's changes in fair value of financial liabilities at fair value through profit or loss were RMB1,299.5 million for the year ended 31 December 2022 and RMB3,171.9 million for the year ended 31 December 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

Finance costs decreased slightly by 2.0% from RMB10.2 million for the year ended 31 December 2022 to RMB10.0 million for the corresponding period in 2023 due to the decrease in interest expense of lease liabilities.

Loss for the year

As a result of the foregoing, the Group's loss for the year increased from RMB1,500.0 million for the year ended 31 December 2022 to RMB3,206.5 million for the year ended 31 December 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 profit or loss for the year 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 year 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 year ended 31 December 2023 was RMB130.5 million, representing a substantial reduction of loss RMB255.4 million from the Adjusted Net Loss RMB124.9 million for the corresponding period in 2022. We, for the first time, have achieved the Adjusted Net Profit for the year ended 31 December 2023.

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

	Year ended 31 December	
	2023	2022
	(RMB'000)	*(RMB'000)*
Loss for the year	**(3,206,507)**	(1,500,038)
Add back:		
Changes in fair value of financial liabilities at fair value through profit and loss	**3,171,903**	1,299,500
Equity-settled shared-based payment expenses	**118,278**	38,817
Listing expenses	**46,868**	36,865
Adjusted Net Profit/(Loss), a non-IFRS measure	**130,542**	**(124,856)**
Adjusted Net Profit/(Loss) margin, a non-IFRS measure	**0.8%**	**(0.9)%**

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 source of funding and borrowing

For the year ended 31 December 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 and time deposits with original maturity of three months or less.

As at 31 December 2023, the Group's cash and cash equivalents decreased by 10.7% from RMB835.4 million as at 31 December 2022 to RMB745.7 million. The decrease of cash and cash equivalents for the year ended 31 December 2023 primarily resulted from our further optimisation of the payment methods to our upstream suppliers by making greater use of notes payables for payment settlements, corresponding to a significant increase in our restricted cash.

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

	Year ended 31 December	
	2023	2022
	(RMB'000)	*(RMB'000)*
Net cash generated from operating activities	**451,202**	98,200
Net cash (used in)/generated from investing activities	**(792,946)**	41,070
Net cash generated from financing activities	**255,343**	261,927
Net (decrease) increase in cash and cash equivalents	**(86,401)**	401,197
Cash and cash equivalents at the beginning of the year	**835,394**	415,482
Effect of foreign exchange rate changes	**(3,300)**	18,715
Cash and cash equivalents at the end of the year	**745,693**	835,394

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 year ended 31 December 2023, net cash generated from operating activities was RMB451.2 million, mainly attributable to our loss before tax of RMB3,210.2 million for the year, as adjusted by (i) non-cash and non-operating items, which primarily comprised equity-settled share-based payment expenses of RMB118.3 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 RMB708.1 million in trade and other payables. Meanwhile, trade and other receivables decreased by RMB56.1 million. The above effect on the increase in cash from operating activities was partially offset by the increase in inventories of RMB454.0 million.

Net cash (used in)/generated from investing activities

For the year ended 31 December 2023, net cash used in investing activities was RMB792.9 million. It was mainly due to placement of restricted deposits of RMB2,136.3 million and purchase of financial assets at fair value through profit or loss of RMB8,540.6 million during the Reporting Period, which was partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB8,391.2 million and withdrawal of restricted deposits of RMB1,328.7 million.

Net cash generated from financing activities

For the year ended 31 December 2023, net cash generated from financing activities was RMB255.3 million, which was mainly attributable to proceeds received from the IPO of approximately RMB317.1 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 31 December 2023) for the year ended 31 December 2023.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended 31 December 2023.

Pledge of assets

The Group had no pledge of assets as at 31 December 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 31 December 2023.

Gearing ratio

The Group's gearing ratio is calculated as total interest-bearing borrowings divided by total equity. As of 31 December 2023, as the Group had interest-bearing bank borrowings advance from discounted notes, its gearing ratio was 3.1% (as of 31 December 2022: Zero).

Significant events after the Reporting Period

Save as disclosed in this announcement and as at the date of this announcement, there is no other significant events that might affect the Group since 31 December 2023.

Employees and Remuneration

As at 31 December 2023, the Group had 6,306 employees. The following table sets forth the total number of employees by function as at 31 December 2023:

Function	**Number of employees**
General and Administrative	798
Selling and Marketing	2,988
Operations	2,198
Research and Development	322
Total	6,306

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 year ended 31 December 2023 was RMB1,064.3 million, as compared to RMB988.6 million for the year ended 31 December 2022. Total remuneration cost as a percentage of revenue decreased from 6.9% for the year ended 31 December 2022 to 6.3% for the year ended 31 December 2023, representing a continuous increase in overall employee efficiency.

For the year ended 31 December 2023, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

Foreign exchange exposure

For the year ended 31 December 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 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 31 December 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 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 period from 28 June 2023 (the "**Listing Date**") up to 31 December 2023.

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.

Additionally, code provision C.5.1 of the CG Code recommends that the board should meet regularly, and board meetings should be held at least four times a year at approximately quarterly intervals. Our Company was listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the Reporting Period, on 28 June 2023, from which date the CG Code applied to our Company. From the Listing Date and until the end of the Reporting Period, we held less than four board meetings. Nevertheless, our Board members have been in regular communication with one another and, going forward, will continue to meet regularly to update themselves on our Company's affairs.

Code provision C.3.2 of the CG Code recommends that functions reserved to the Board and those delegated to management should be formalized. Our Company does not formally separate those functions reserved to the Board and those delegated to management. However, when a matter arises that requires decision by the Board, it will be reserved for the Board to resolve by resolutions or delegate to management.

Code provision D.1.2 of the CG Code recommends that the management should provide to all members of the board with monthly updates, offering a fair and clear evaluation of the company's performance, position, and prospects. These updates should contain enough details to enable both the entire board and individual directors to fulfill their obligations under Rule 3.08 and Chapter 13 of the Listing Rules. Despite the fact that our management does not report to the Board with monthly updates, we do report updates to the executive Directors and Chairman of the Board on a timely basis for their assessment and facilitating their decision making.

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

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 audited consolidated financial statements of the Group for the year ended 31 December 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.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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 270,000 shares on the Stock Exchange.

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

Save as under the Company's Global Offering (as defined in the Prospectus), 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.

Material litigation

The Company was not involved in any material litigation or arbitration for the year ended 31 December 2023. 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 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 31 December 2023, HK$24.0 million out of the net proceeds have been utilized 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 31 December 2023. 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 31 December 2023** *(HK$ million)*	**Utilisation during the Reporting Period** *(HK$ million)*	**Expected timeline of full utilisation of the unutilised proceeds**
Pharmaceutical circulation business	**109.0**	**99.0**	10.0	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	46.6	1.8	By December 2025
• improving our BD capabilities and efficiencies with our dedicated digital tools	48.4	42.5	5.9	By December 2025
• strengthening our supply chain capability	12.2	9.9	2.3	By December 2025
Further developing our other businesses	**60.5**	**52.9**	7.6	By December 2025
• expanding the geographical coverage of our ClouDiagnos services	36.3	31.7	4.6	By December 2025
promoting market awareness and popularity of our wePharmacy	24.2	21.2	3.0	By December 2025
Research and development	**53.3**	**49.6**	3.7	By December 2025
Working capital and general corporate purposes	**19.4**	**16.7**	2.7	By December 2025
Total	**242.2**	**218.2**	24.0	

Final dividend

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2023.

Annual General Meeting and closure of register of members

The annual general meeting of the Company (the "**AGM**") is scheduled to be held on Thursday, 23 May 2024. A notice convening the AGM will be published and dispatched to our shareholders in accordance with the requirements of the Listing Rules in due course.

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to attend and vote at the AGM from Monday, 20 May 2024 to Thursday, 23 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration, no later than 4:30 p.m. on Friday, 17 May 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Year ended 31 December 2023	2022
		RMB'000	*RMB'000*
Revenue	3	**16,972,276**	14,274,810
Cost of sales		**(15,231,353)**	(12,840,093)
Gross profit		**1,740,923**	1,434,717
Other income	4	**87,730**	88,920
Other gains and losses	5	**901**	19,965
Changes in fair value of financial liabilities at fair value through profit or loss ("**FVTPL**")		**(3,171,903)**	(1,299,500)
Impairment losses reversed (recognised) under expected credit loss model, net		**2,540**	(2,300)
Selling and marketing expenses		**(1,387,290)**	(1,325,640)
Research and development expenses		**(93,601)**	(79,146)
General and administrative expenses		**(332,597)**	(286,787)
Finance costs	6	**(10,032)**	(10,231)
Listing expenses		**(46,868)**	(36,865)
Loss before tax		**(3,210,197)**	(1,496,867)
Income tax credit (expense)	7	**3,690**	(3,171)
Loss for the year	8	**(3,206,507)**	(1,500,038)
Other comprehensive expense for the year		**–**	–
Loss and total comprehensive expense for the year		**(3,206,507)**	(1,500,038)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(3,189,212)**	(1,488,688)
Non-controlling interests		**(17,295)**	(11,350)
		(3,206,507)	(1,500,038)
Loss per share			
Basic and diluted *(RMB)*	10	**(8.26)**	(11.88)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	As at 31 December 2023 *RMB'000*	 2022 *RMB'000*
Non-current assets			
Property, plant and equipment, net		**69,586**	98,261
Right-of-use assets		**140,130**	165,749
Intangible assets		**85,311**	98,903
Goodwill		**9,252**	9,252
Deferred tax assets		**4,524**	1,584
Time deposits		**40,000**	50,000
		348,803	423,749
Current assets			
Inventories		**1,470,293**	1,016,168
Trade and other receivables	11	**457,715**	503,460
Amount due from a shareholder		**–**	2
Financial assets at FVTPL		**865,493**	711,076
Time deposits		**289,673**	320,487
Restricted bank deposits		**1,105,992**	298,404
Bank balances and cash		**673,874**	835,394
		4,863,040	3,684,991
Current liabilities			
Trade and other payables	12	**(3,105,738)**	(2,398,078)
Contract liabilities		**(10,308)**	(24,434)
Lease liabilities		**(62,550)**	(81,178)
Bank borrowings		**(57,508)**	–
Financial liabilities at FVTPL		**–**	(5,872,042)
		(3,236,104)	(8,375,732)
Net current assets (liabilities)		**1,626,936**	(4,690,741)
Total assets less current liabilities		**1,975,739**	(4,266,992)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued
AS AT 31 DECEMBER 2023

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current liabilities		
Lease liabilities	**(89,603)**	(99,370)
Deferred tax liabilities	**(2,598)**	(3,348)
	(92,201)	(102,718)
Net assets (liabilities)	**1,883,538**	(4,369,710)
Capital and reserves (deficits)		
Share capital	**11**	2
Reserves (deficits)	**1,919,751**	(4,350,783)
Equities (deficits) attributable to owners of the Company	**1,919,762**	(4,350,781)
Non-controlling interests	**(36,224)**	(18,929)
Total equities (deficits)	**1,883,538**	(4,369,710)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 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
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 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

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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.

2.2 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all the amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. 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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Type of goods or services:		
Self-operation business *(Note (i))*	**16,036,245**	13,519,017
Online marketplace services *(Note (ii))*	**873,119**	694,204
Others *(Note (iii))*	**62,912**	61,589
Total	**16,972,276**	14,274,810
Timing of revenue recognition:		
At a point in time	**16,960,080**	14,268,376
Over-time	**12,196**	6,434
Total	**16,972,276**	14,274,810

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) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts with customers are for period of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(c) Segment information

Information is reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group's accounting policies. No other analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial position of the Group as a whole. Accordingly, the CODM has identified one operating segment and only entity-wide disclosures are presented in accordance with IFRS 8 *Operating Segments*.

(d) 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 for both years and the Group's non-current assets are all located in the PRC.

(e) Information about major customers

There was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue for both years.

4. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Government grants *(Note)*	**21,090**	23,171
Bank interest income	**49,139**	42,657
Investment income from financial assets at FVTPL	**15,717**	19,981
Others	**1,784**	3,111
	87,730	88,920

Note: It represented cash received from unconditional grants by the local government to encourage the business operations in the PRC. Government grants are recognised in profit and loss when received.

5. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
(Losses) gains on disposal of property, plant and equipment	**(329)**	38
Gain on disposal of subsidiaries *(Note)*	**–**	1,344
Donations	**(485)**	(132)
Net foreign exchange (losses) gains	**(3,300)**	18,715
Gains from changes in fair value of financial assets at FVTPL	**5,015**	–
	901	19,965

Note: The gain on disposal of subsidiaries represents the disposal of Guangzhou Yaoshibang Network Technology Co., Ltd., Beijing Yaoshibang Network Technology Co., Ltd., Dongguan Dalingshan Jianhui Comprehensive Clinic Co., Ltd., Tianjin Yaoshibang Comprehensive Clinic Co., Ltd. and Shandong Leyao Pharmaceutical Co., Ltd. to an independent third party with a total gain of RMB1,344,000 on 8 April 2022, 6 April 2022, 28 March 2022, 1 April 2022 and 9 October 2022, respectively.

6. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest expense on lease liabilities	**8,536**	9,710
Interest expense on discounted note receivables	**1,496**	521
	10,032	10,231

7. INCOME TAX CREDIT (EXPENSE)

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**"):		
Current tax	**–**	–
Deferred tax	**3,690**	(3,171)
	3,690	(3,171)

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 consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for both years.

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 years.

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 subjected 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.

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of inventories recognised as an expense	**15,054,203**	12,677,901
Depreciation of property, plant and equipment	**41,449**	43,429
Depreciation of right-of-use assets	**78,685**	76,562
Amortisation of intangible assets	**13,936**	15,036
(Reversal of write down) write down for obsolete inventories	**(99)**	1,576
Auditors' remunerations	**3,900**	101
Listing expenses	**46,868**	36,865
Staff costs:		
Directors' emoluments	**23,647**	28,639
Other staff costs		
– Salaries and other allowances	**891,617**	897,841
– Contributions to retirement benefits scheme	**49,233**	45,500
– Equity-settled share-based payment expenses	**99,818**	16,620
Total staff costs	**1,064,315**	988,600

9. DIVIDENDS

No dividends were paid, declared or proposed for ordinary shareholders of the Company during 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

10. LOSS PER SHARE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	**(3,189,212)**	(1,488,688)

	No. of shares	
	2023	2022
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**386,102,900**	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 years ended 31 December 2023 and 2022 does not assume the vest of award shares, 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.

The computation of diluted loss per share for the year ended 31 December 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 year ended 31 December 2022.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**32,821**	139,215
Less: allowance for credit losses	**(1,059)**	(4,657)
	31,762	134,558
Note receivables	**7,306**	29,163
Total trade and note receivables	**39,068**	163,721
Advance to suppliers	**135,544**	112,651
Other tax recoverable	**5,688**	4,145
Prepaid expense	**10,798**	12,233
Deferred issue costs	**–**	5,854
Receivables in custodian *(Note)*	**176,196**	119,945
Other receivables	**76,772**	84,911
Receivables from exercise of share options	**13,649**	–
Total trade and other receivables	**457,715**	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. Aging analysis of trade receivables, net of allowance for credit losses, based on invoice date is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**28,005**	127,854
3 to 6 months	**778**	3,057
6 to 12 months	**195**	1,182
Over 12 months	**3,843**	7,122
	32,821	139,215
Less: allowance for credit losses	**(1,059)**	(4,657)
	31,762	134,558

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**1,474,431**	1,433,487
Note payables	**1,181,242**	448,797
Salary and welfare payables	**154,899**	168,824
Other tax payables	**17,215**	31,227
Other payables	**277,286**	299,622
Deposits received	**665**	1,069
Accrued issued costs and listing expenses	**–**	15,052
	3,105,738	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 each reporting period is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
0-30 days	**910,330**	998,860
30-90 days	**461,413**	253,227
Over 90 days	**102,688**	181,400
	1,474,431	1,433,487

Note payables

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

13. SUBSEQUENT EVENTS

There have been no material subsequent events identified subsequent to 31 December 2023.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.ysbang.cn). The annual report for the year ended 31 December 2023 will be published on the aforesaid websites of the Hong Kong Exchanges and Clearing Limited 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, 11 March 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.