



2023

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT



CONTENTS

Company Profile	01
Message from CEO	08
About The Report	10
ESG Management	11

01 Steady Governance and Efficient Operation

Corporate governance	21
Risk management	23
Business ethics	25

04 “Dual Carbon” Goal Leads Green Development

Improvement of the efficiency of resource utilisation	63
Contribution to a “Dual Carbon” future	66

02 To Make Quality Medical Care and Good Medicine Accessible to All

Product safety and quality	29
Good price and steady supply	37
Popularisation and promotion of good pharmaceutical products	40
Comprehensive service support	43

05 Partnership Responsibility and Common Development

Supply chain management	73
Empower each other for mutual growth	78
Commitment to social welfare	86

03 Technology Empowerment and Innovation Leadership

Innovation empowering pharmaceutical and healthcare ecosystem	51
Data security and privacy protection	57
Intellectual property protection	60

Appendix

ESG KPI Disclosure	87
ESG Report Guide Content Index	92
Feedback Form	95



Company Profile

About YSB

Introduction

Since its establishment in 2015, YSB Inc. ("YSB") has become a leading digital integrated service platform in China's outside-of-hospital pharmaceutical industry. On 28 June 2023, YSB Inc. (Stock Code: 9885.HK) was successfully listed on the Main Board of the Hong Kong Stock Exchange.



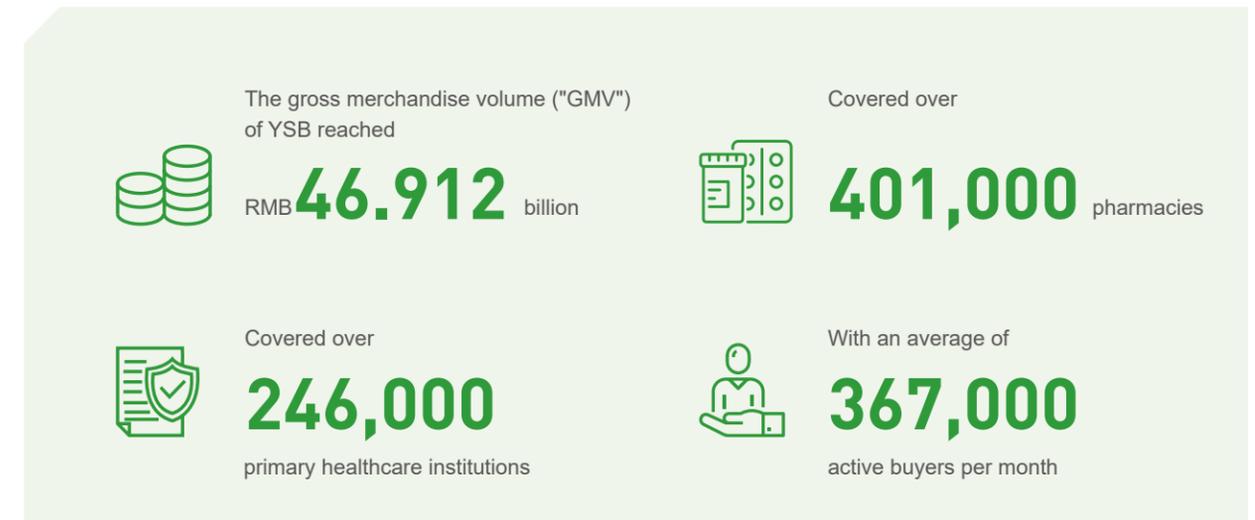
YSB focuses on empowering all participants in the outside-of-hospital pharmaceutical market through digital technology, including pharmaceutical companies, distributors and vendors, pharmacies and primary healthcare institutions. We are committed to providing pharmaceutical and healthcare products and services to downstream users safely and efficiently, ensuring they can easily obtain high-quality and diversified pharmaceutical products at fair and transparent prices.

With the mission of "to make quality medical care and good medicine accessible to all", YSB continuously improves the overall efficiency of the pharmaceutical and healthcare ecosystem. We have accumulated strong data processing capabilities through deeply exploring the primary market and established and continuously optimised business models to meet the growing digital needs of the outside-of-hospital pharmaceutical market.

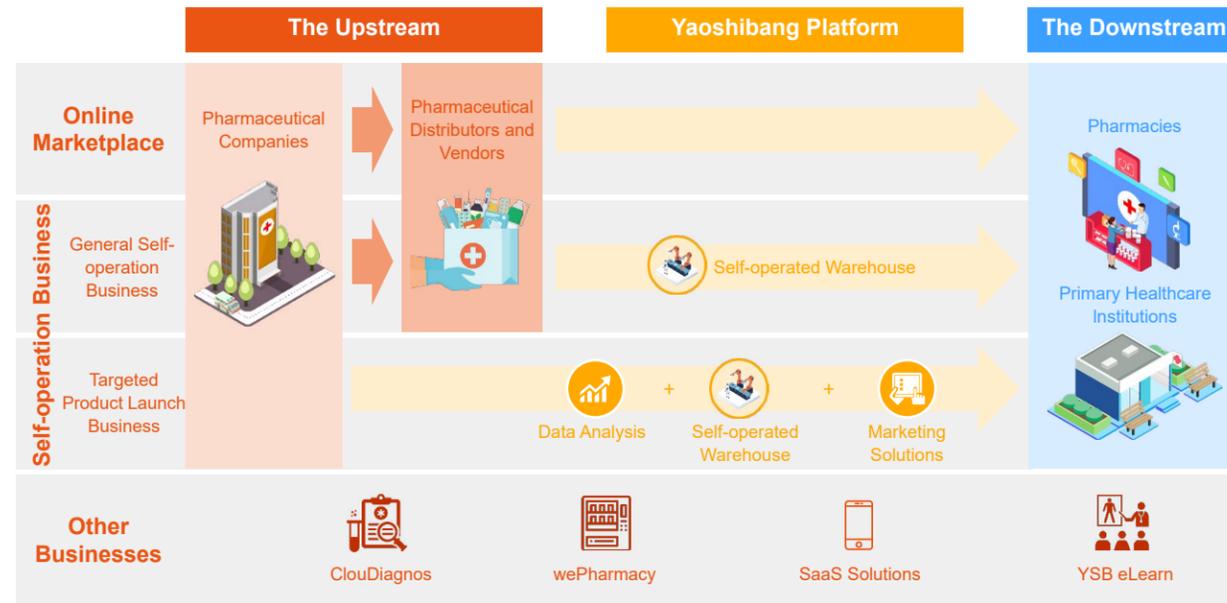


In 2023, the gross merchandise volume (GMV) of YSB reached RMB46.912 billion, an increase of 24% over the same period last year, both of which rank among the top among other outside-of-hospital digital pharmaceutical industry service platforms in China. Furthermore, we have covered over 401,000 pharmacies and 246,000 primary healthcare institutions, with an average of 367,000 active buyers per month. This makes us the largest digital pharmaceutical trading and service network in China.

YSB will continue to give full play to the advantages of digital platforms, provide more high-quality and convenient services for participants in the outside-of-hospital pharmaceutical market, and promote the sustainable development of the pharmaceutical and healthcare industry.



Business introduction



Business Panorama



General Self-operation Business

The 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. Based on big data analysis of the Online Marketplace, we can make procurement decisions based on downstream demand, select SKUs with higher purchase frequencies and better quality, and implement strict quality control. In 2023, we strengthened our supply chain services, which cover procurement, warehousing, order processing, invoicing, payment collection, and delivery to downstream pharmacies and primary healthcare institutions, to revitalise our ecosystem and further enhance the buyers' experience. Furthermore, we continue to improve our ability to provide upstream suppliers with a range of digitalised tools, offering decision-making support to suppliers by tracking the demand of products and after-sales services and improving their performance.



Key Performance

- 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 are able to achieve an efficient inter-province delivery by taking around **40 hours** for cities and around **50 hours** for towns on average.
- By 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.
- 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%**.



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, 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.

We are also actively developing our own brand, "Leyaoshi (樂藥師)", looking for and promoting products with explosive market potential, expanding brand influence, and establishing exclusive cooperative relations with manufacturers. We will continue to explore the private brand model in depth under our "Go Upstream" strategy and continue to focus on key single products produced by private factories and private brands with own approvals.



Key Performance

- During the Reporting Period, we collaborated with about **500** pharmaceutical companies to launch promotions, covering more than **10** pharmaceutical companies with sales exceeding RMB10 million and **15** products with sales exceeding RMB10 million.
- During the Reporting Period, the GMV of our Targeted Product Launch Business amounted to **RMB1,094 million**, representing a year-on-year increase of **8.4%**.



Online Marketplace

The Online Marketplace is the cornerstone of 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, 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 nationwide to connect with a broader base of suppliers.

Our Online Marketplace seeks to continuously assist in addressing the supply and demand mismatch issue and provide buyers with cost-effective access to a vast selection of stock-keeping units ("SKUs"). We strived to develop new categories on the existing basis to further enrich the medicine offerings. We began to deepen our presence in the field of TCM decoction pieces to meet the evolving needs of the market.



Key Performance

- By 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%**.



Other Businesses

YSB is committed to promoting operational efficiency across the entire pharmaceutical supply chain through business innovation. By enhancing the market insight and professional knowledge of pharmacies and primary healthcare institutions, we can further improve their service level and medical quality and provide more efficient and high-quality medical services for communities and patients.

ClouDiagnos

ClouDiagnos works hand-in-hand with our pharmaceutical business to meet the increasing needs of primary healthcare institutions. We place point-of-care testing equipment in primary healthcare institutions, allowing doctors to quickly obtain test results and enhance their clinical decision-making. Furthermore, we set up Guangzhou Yuewei examination laboratories near the primary users, which significantly reduced the inspection time, improved the service response speed, and issued the inspection results on the same day or within a few hours. Through the combination of various ways, we effectively meet the needs of primary users in multiple aspects, such as examination efficiency, examination accuracy, item diversity, etc. This contributes to empowering primary healthcare institutions, improving laboratory departments, and enhancing doctors' diagnosis and treatment capabilities.



Key Performance

- By the end of 2023, ClouDiagnos has cooperated with **more than 12,000** primary healthcare institutions.

wePharmacy

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



Key Performance

- During the Reporting Period, we sold and installed a total of **65** wePharmacy units.



SaaS Solutions

CloudComm service

CloudComm provides a series of store management solutions, including real-time interaction and information updates on price, inventory, and order status. CloudComm also provides an all-in-one printing service, for sellers to efficiently print and transmit certification and qualification together with order information.

By 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.

ePalm service

ePalm helps pharmacies streamline inventory management and connect 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.

By 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.

Cloud Consultation service

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 pharmaceutical product 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

We continued to make efforts to improve 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 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 to provide accurate and timely services to downstream customers and raised awareness and our reputation among pharmacists.



Key Performance

- By the end of 2023, we provided online training to approximately **260,000** pharmacists and prospective pharmacists.

Company honour

2023 "Craftsmanship" Organisation



January 2024
Yangcheng Evening News

2023 Top Ten Chinese Pharmaceutical Digital Enterprise



December 2023
EqualOcean Mega Health

2023 Listed Company with Growth Value



December 2023
21st Century Business

2023 Outstanding IPO Company



December 2023
Stockstar

Pharmaceutical and Healthcare Consumption Enterprises in 2023



December 2023
TMTPost Group

2023 China Great Health ESG Excellent Enterprise



November 2023
China Times

Member of "Southern Healthy Ecosystem Alliance"



October 2023
Nanfang Media Group

Future Star of Hurun China Industrial Internet Top 30 2023



June 2023
Hurun Research Institute

Qingxin 2023 Digital Intelligence Practice Pioneer Project



June 2023
National Business Daily

Future Healthcare Rankings 2023 - TOP 100



June 2023
VCBeat and VBR

Message from CEO

Message

Time flies, and 2023, marking the first year of the post-pandemic era, has brought unprecedented challenges and transformations. From the early signs of industry recovery to the fatigue in growth momentum throughout the year, YSB has always adhered to the "User-Centered" philosophy, actively responding to various uncertainties in the external environment. We have delved into the vast potential of digitalisation, continuously strengthened the construction of the pharmaceutical supply chain, committed to meeting users' increasingly diverse needs, and continuously improved the service experience, creating more value for users.

As the largest digital integrated service platform in China's outside-of-hospital pharmaceutical industry, YSB has always adhered to a responsible development management concept and takes the United Nations Sustainable Development Goals ("SDGs") as a guiding light for our progress. While achieving business development, we are aware of the importance of maintaining ecological health and promoting comprehensive healthcare service and culture, and we are committed to achieving long-term sustainable development goals. We firmly believe that through relentless efforts and continuous innovation, we can not only create lasting value for stakeholders but also jointly promote comprehensive, coordinated, and sustainable development of the environment, society, and economy.

In terms of environmental practices, YSB actively takes measures to reduce our impact on the environment. We implement scientific environmental protection practices and systematic environmental management to effectively lower the environmental footprint of our production and operations while also enhancing resource use efficiency. In aiding the country's "3060" target, we leverage our technological capabilities to promote the digitalisation and low-carbon transformation of our business and minimise the environmental impact during our business operations. We also raise environmental awareness among employees and promote the construction of a green supply chain, contributing to the green development of society.

In terms of social practices, YSB endeavours "to make quality medical care and good medicine accessible to all" as our mission, continuously improving product safety and quality, promoting the accessibility of medical products and services, helping to improve the level of primary medical care, promoting the popularisation of medical knowledge, and jointly promoting the construction of a Healthy China. We care about employee growth, build a simple and trusting corporate culture, and achieve mutual success with employees. We also actively fulfil social responsibilities, participate in public welfare undertakings, help vulnerable groups, and promote social fairness and justice.

In terms of governance practice, the Board of Directors of YSB takes the overall responsibility for the Company's ESG work, regularly reviews the Company's ESG performance, and approves and publishes annual ESG report to demonstrate the Company's continuous progress and responsibility fulfilment in the environment, society, and corporate governance. We continuously improve the Company's governance system, manage risks, strengthen the construction of business ethics and a culture of integrity, and provide security for the Company's stable development. In addition, we focus on communication and cooperation with all stakeholders to ensure that our ESG practices meet the expectations of all parties and promote joint development.

We firmly believe that through continuous efforts in the areas of environment, society, and governance, YSB can create greater value for all stakeholders and jointly promote a better future.

Buzhen Zhang

Chairman and Chief Executive Officer

Board statement

The Board of Directors of YSB is responsible for coordinating, leading and supervising the management of the Company's ESG issues and ESG information disclosure. The Company incorporates ESG factors into strategic decision-making and daily operation management. The Board of Directors coordinates the identification of ESG development trends in the industry, formulating ESG development strategies, and determining ESG management priorities. The Board of Directors and the management hold regular meetings to supervise and review the relevant work results of ESG.

The Board of Directors holds regular meetings every year to listen to the environmental, social and corporate governance committee's ("ESG Committee") progress report on ESG management, identifies ESG management risks after clarifying the Company's ESG management status, and monitors and reviews the achievement of ESG objectives. The Board of Directors is responsible for reviewing and approving the annual ESG report and ensuring the yearly ESG work priorities and the Company's sustainable development philosophy are fully disclosed.

The ESG Committee is authorised by the Board of Directors to oversee ESG issues and ensure the Company's compliance and sustainable development in these areas. The ESG Committee is responsible for identifying, evaluating, and managing significant ESG issues and reporting progress and results to the Board of Directors. The ESG Committee shall determine the importance matrix of ESG key issues based on the feedback of stakeholders and the results of the importance assessment. The matrix shall be reviewed and confirmed by the Company's Board of Directors as the basis for preparing the ESG report.

During the Reporting Period, the Board of Directors proactively engaged in assessing and determining the significance and prioritisation of ESG issues through discussions, questionnaire surveys, and other approaches. Additionally, it provided opinions and recommendations on ESG issues that may impact the Company's long-term sustainable development, while also evaluating the priority of these issues. Furthermore, the Board of Directors reviewed the Company's progress towards ESG-related objectives and targets by receiving reports from the ESG Committee, and encouraged the integration of ESG considerations with the Company's overarching business strategy.

We are committed to promoting ESG practice at all levels of YSB to ensure the long-term sustainable development of the Company and the harmonious progress of society. We look forward to working with all stakeholders to contribute to the sustainable development of society and the environment.

The Report discloses in detail and truthfully the progress and effectiveness of the ESG work of YSB in 2023, which was approved by the Board of Directors on 11 March 2024.

About The Report

Report summary

The objective of the Report is to provide an unbiased overview of the environmental, social, and governance (ESG) performance of YSB Inc. for the year 2023. Throughout the document, the terms "YSB," "the Company," or "we" are used interchangeably to refer to YSB Inc. Our aim in publishing this report is to enhance understanding among all stakeholders regarding YSB's sustainable development policies, strategies, and practices. By doing so, we aspire to foster collaboration and achieve mutually beneficial outcomes for all parties involved.

Scope of the Report

Business scope of the Report: The Report covers the Company's main business, including pharmaceutical and healthcare products and services. For details of the Company's business, please refer to the Company's 2023 Annual Report.

Time period of the Report: The time period covered by the Report is mainly from 1 January 2023 to 31 December 2023 (hereinafter referred to as the "Reporting Period" or the "Year"). To improve the comprehensiveness of the Report, some of the contents are beyond the above scope.

Report release cycle: The Report is an annual report, which is the first environmental, social, and governance report issued by YSB.

Reporting standards

The Report has been prepared with reference to the *Environmental, Social and Governance Reporting Guide* ("ESG Reporting Guide") of the Hong Kong Exchanges and Clearing Limited ("HKEX") and the *United Nations Sustainable Development Goals* ("SDGs"). An index of the *ESG Reporting Guide* is provided at the end of the Report for quick reference.

Reporting principles

"Materiality" principle: Key stakeholders were identified during the preparation of the Report, and the materiality of sustainable development issues was identified through stakeholder communication mechanisms. Targeted disclosures are made in the Report according to the relative materiality of the issues they are concerned with.

"Quantitative" principle: The Report uses quantitative data to present the key performance indicators of the environmental and social aspects. The measurement standards, methods, assumptions and/or calculation tools of the key performance indicators in the Report and the sources of the conversion factors used have been described in the corresponding places.

"Balance" principle: The Report seeks to present the Company's sustainable development performance in a balanced manner, avoiding choices, omissions, or presentation formats that may inappropriately influence the decisions or judgments of the Report's readers.

"Consistency" principle: We adopt a consistent statistical disclosure methodology to make meaningful comparisons of sustainable development data at different stages.

Description of data and information

Unless otherwise specified, the data and information in the Report are mainly derived from the Company's internal official documents, internal statistical data and relevant public information. The monetary amounts involved in the Report are measured in RMB.

Report access

The Report is available in both Chinese and English. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail. The Report is published electronically and can be viewed and downloaded from the following websites:
YSB official website: <https://www.ysbang.cn/investor/esg/>
HKEXnews website: www.hkexnews.hk

ESG Management

YSB responds to UN Sustainable Development Goals and strategies

As the largest digital integrated service platform for China's outside-of-hospital pharmaceutical industry, YSB upholds the concept of responsible development and management and takes the *United Nations Sustainable Development Goals* (SDGs) as our guide to action. While promoting business development, we always regard the maintenance of ecological health as the cornerstone. We are committed to promoting comprehensive healthcare service and health culture to achieve our sustainable development goals. We firmly believe that through unremitting efforts and continuous innovation, we can create long-term value for stakeholders and jointly promote sustainable development of the environment, society, and the economy.

1
NO POVERTY

2
ZERO HUNGER

3
GOOD HEALTH AND WELL-BEING

Our Strategy:

- Provide efficient and cost-effective pharmaceutical product services.
- Strictly supervise the fluctuation of pharmaceutical product prices to ensure fair and reasonable pricing.
- Improve the allocation of primary health care resources and improve the level of primary diagnosis and treatment.
- Jointly carry out volunteer medical consultation activities.
- Continuously engage in public charity, and actively respond to rural revitalization.

5
GENDER EQUALITY

Our Strategy:

- Promote a fair and equitable employment process with a commitment to equal pay for equal work.
- Commit to eliminating all discriminatory acts and creating a working atmosphere with diversity, equity and inclusion.

6
CLEAN WATER AND SANITATION

7
AFFORDABLE AND CLEAN ENERGY

Our Strategy:

- Commit to improving energy efficiency and reducing energy consumption.
- Advocate paperless office and save paper.
- Develop water resources management system.
- Strictly control the energy use.

8
DECENT WORK AND ECONOMIC GROWTH

Our Strategy:

- Protect the legitimate rights and interests of employees.
- Vigorously support the training of diversified primary talents.
- Continuously improve the mechanism of personnel training and talent echelon construction.

9
INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our Strategy:

- Promote intelligent delivery solutions to provide efficient and cost-effective pharmaceutical product services.
- Provide efficient and convenient digital solutions for the pharmaceutical industrial chain.
- Continue to explore new business models.
- Perfect privacy protection and data security management system.

10
REDUCED INEQUALITIES

Our Strategy:

- Establish a digital price monitoring system.
- Strictly supervise the fluctuation of pharmaceutical product prices to ensure that pharmaceutical product prices are fair and reasonable.
- Promote equal and inclusive access to healthcare for all.

4
QUALITY EDUCATION

11
SUSTAINABLE CITIES AND COMMUNITIES

Our Strategy:

- Commit to popularising medical knowledge.
- Actively participate in social welfare.

12
RESPONSIBLE CONSUMPTION AND PRODUCTION

Our Strategy:

- Establish and continuously improve the safety and quality management architecture.
- Implement a strict supplier management mechanism.
- Carry out comprehensive product safety and quality reviews.
- Strengthen product safety and quality culture construction.
- Conduct compliance training to promote responsible marketing practices.

13
CLIMATE ACTION

14
LIFE BELOW WATER

15
LIFE ON LAND

Our Strategy:

- Encourage employees to recycle and reuse packaging materials.
- Develop and implement policies for the management of non-hazardous/hazardous waste.

16
PEACE, JUSTICE AND STRONG INSTITUTIONS

Our Strategy:

- Establish a governance structure that is clear in responsibility and scientifically efficient.
- Implement a Board diversity policy.
- Establish a sound risk identification and management mechanism in a number of key business areas.
- Strictly abide by the laws and regulations related to business ethics.
- Publish and implement a number of internal integrity building rules and regulations.
- Carry out specialized training on business ethics and pay attention to the promotion of anti-corruption and integrity awareness.
- Provide a variety of reporting channels and promise to keep the whistleblowers' information strictly confidential.

17
PARTNERSHIPS FOR THE GOALS

Our Strategy:

- Emphasize the engagement of stakeholders and maintain regular communication.
- Actively respond to the expectations and demands of stakeholders.

2023 Sustainable development highlights data

Steady Governance and Efficient Operation

16%

The proportion of female directors in the Board of Directors accounts for 16%

0

There was zero cases of corruption litigation against the Company or its employees

100%

The signing rate of the *Anti-Corruption Compliance Commitment Letter* reached 100%

To Make Quality Medical Care and Good Medicine Accessible to All

100%

The rate of qualified acceptance for products received in stock was 100%

100%

Product and service complaint resolution rate was 100%

RMB485,000

The total amount of funds and materials invested in public welfare activities reached RMB485,000

142

A total of 142 internal quality reviews were conducted

73

73 product safety and quality training sessions were conducted

100%

The qualification review rate for suppliers reached 100%

65

65 third-party external quality reviews were conducted

2,884

The total number of employees involved reached 2,884 times

Technology Enabling Innovation Leading

During the Reporting Period, there was

0

information security or customer privacy disclosure incidents

By the end of 2023, YSB had been granted:

17

17 patents

39

39 copyrights

8

8 domains

"Dual Carbon" Goal Leads Green Development

In 2023, the Self-operation Business replaced the paper version with the electronic report through the CertEx for certification exchange

100 million

With a total of more than 100 million reports in 2023

553 tons

Saving about 553 tons of A4 paper

1,934 tons

Reducing 1,934 tons of carbon emissions

19,341

Equivalent to planting 19,341 trees

100%

The internal office process was 100% online

Partnership Responsibility and Common Development

0

Number of work-related fatalities was zero

55%

The proportion of in-province purchases of Leyo Pharm Group was 55%

7.34 hours

The total training time per employee was 7.34 hours

ESG governance structure

YSB is committed to achieving both economic and social benefits and continues to explore the best practices of integrating ESG concepts into the Company's business growth. The Board of Directors assumes overall responsibility for the Company's ESG work, evaluates ESG-related risks and opportunities, and formulates and reviews the Company's ESG objectives, strategies, and management guidelines. The Board of Directors will regularly review the Company's performance in ESG, supervise the implementation of ESG work in various departments, and approve and issue annual ESG reports to demonstrate the Company's continuous progress and responsibility fulfilment in environmental, social and corporate governance.

In November 2023, the Board of Directors of YSB established a dedicated ESG Committee. The members of the ESG Committee are appointed by the Board of Directors, including at least one independent non-executive director, to ensure the Committee's independence and objectivity. The Committee is established to review and monitor the Company's environmental, social responsibility and corporate governance policies and practices to ensure compliance with relevant laws, regulations and regulatory requirements. In addition, the Committee is responsible for monitoring and responding to emerging environmental, social and governance challenges and making recommendations to the Board of Directors, as appropriate, to enhance ESG performance and drive continuous improvement and accountability practices for YSB and its subsidiaries. For the specific responsibilities and duties of the Environmental, Social and Corporate Governance Committee, please refer to the [Terms of Reference of the Environmental, Social and Corporate Governance Committee](#) on the Company's official website.

Stakeholder communication

YSB regards stakeholder participation as a key link in promoting sustainable development. We are committed to building a communication platform with stakeholders, communicating with them in depth through diversified channels so as to grasp them in a timely manner and actively responding to their expectations and needs. We ensure that the Company's business decisions and business activities fully consider the interests of all parties, promoting the Company's sustainable progress in its environmental, social, and governance goals.

Stakeholders	Material Issues	Means of Communication
<p>Customers</p>	<ul style="list-style-type: none"> Product safety and quality Occupational health and safety Information security and privacy protection Waste management 	<ul style="list-style-type: none"> Customer service hotline Continuous online and offline communication Daily multi-channel publicity User survey and satisfaction survey
<p>Shareholders and investors</p>	<ul style="list-style-type: none"> Product safety and quality Information security and privacy protection Supply chain management Talent cultivation and career development 	<ul style="list-style-type: none"> General Meeting Performance conference/Exchange meeting Investor communication meeting Disclosure of public information Investor research Telephone calls, meetings and company visits

Stakeholders	Material Issues	Means of Communication
<p>Employees</p>	<ul style="list-style-type: none"> Occupational health and safety Employee rights and benefits Talent cultivation and career development Product safety and quality Enhancement of user experience 	<ul style="list-style-type: none"> Telephone and face-to-face communication Internal business system Instant messaging systems and email Communication meeting Training activities Appeal mechanism Online and offline survey feedback
<p>Suppliers</p>	<ul style="list-style-type: none"> Waste management Occupational health and safety Improvement of the efficiency of resource utilisation 	<ul style="list-style-type: none"> Routine procurement Online and offline communication Suppliers exchange meeting Field inspection
<p>Government and regulatory agencies</p>	<ul style="list-style-type: none"> Information security and privacy protection Product safety and quality Business ethics Waste management 	<ul style="list-style-type: none"> Daily reporting and communication Field research and investigation Occasional industry talks Supervision and inspection Government department visits
<p>The community and the public</p>	<ul style="list-style-type: none"> Product safety and quality Information security and privacy protection Employee rights and benefits Compliance Management 	<ul style="list-style-type: none"> Official website Social media Public charity Volunteer activities

Identification and analysis of material ESG topics

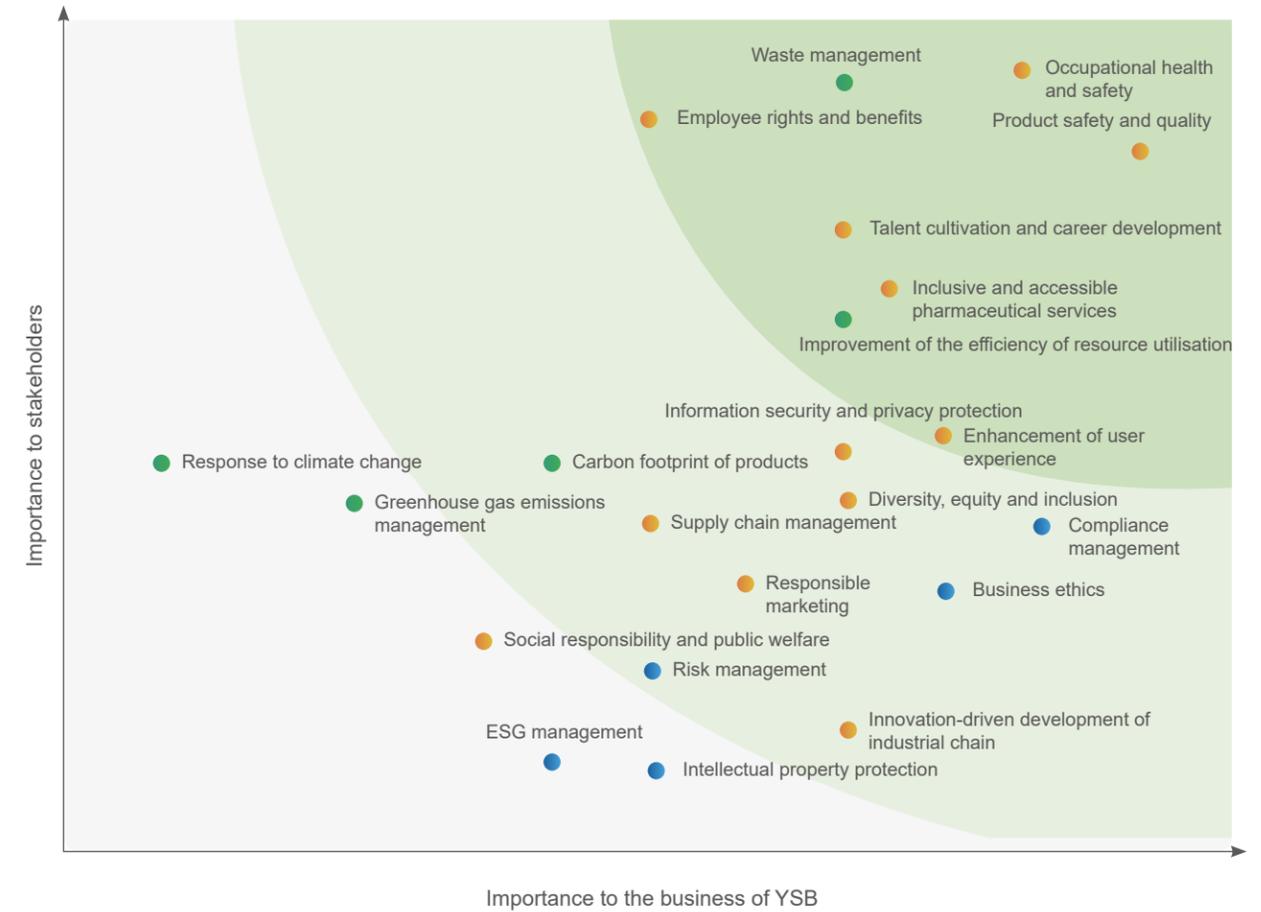
Taking full consideration of national policy changes, industry development trends, ESG disclosure standards, capital market concerns, stakeholder demands, its own business development and other dimensions, YSB identified and screened the list of ESG material topics of YSB in 2023 through peer benchmarking, third-party expert evaluation, stakeholder questionnaires and various other ways.

To ensure that the impact of each ESG topic on stakeholders is fully understood, the following steps were taken to assess and prioritise the importance of the topic. For highly material topics, we have made targeted disclosures in the Report to better meet the concerns and expectations of stakeholders.

Material Topic Analysis Process



Materiality Matrix of YSB in 2023



Environmental		
<ul style="list-style-type: none"> Greenhouse gas emissions management Waste management 	<ul style="list-style-type: none"> Response to climate change Carbon footprint of products 	<ul style="list-style-type: none"> Improvement of the efficiency of resource utilisation
Social		
<ul style="list-style-type: none"> Occupational health and safety Talent cultivation and career development Employee rights and benefits Diversity, equity and inclusion 	<ul style="list-style-type: none"> Supply chain management Product safety and quality Responsible marketing Enhancement of user experience 	<ul style="list-style-type: none"> Information security and privacy protection Social responsibility and public welfare Inclusive and accessible pharmaceutical services Innovation-driven development of industrial chain
Governance		
<ul style="list-style-type: none"> Intellectual property protection Business ethics 	<ul style="list-style-type: none"> Compliance management ESG management 	<ul style="list-style-type: none"> Risk management

Steady Governance and Efficient Operation

YSB keeps improving its governance system, controls risks, and strengthens business ethics and integrity to guarantee its stable development.

• Key issues

- Compliance management
- Risk management
- Business ethics

• This chapter responds to SDGs

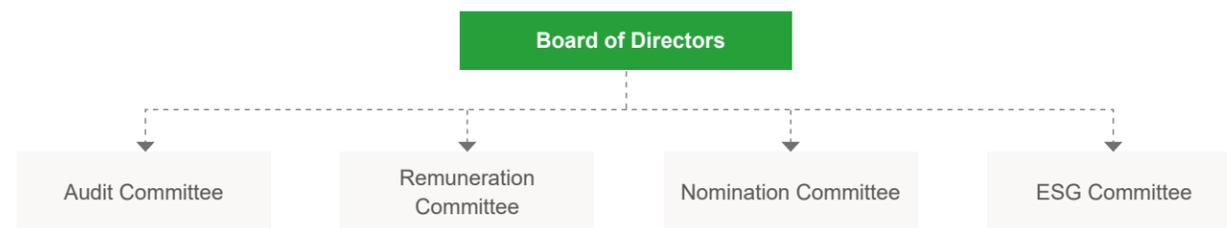


Corporate governance

Governance framework

YSB establishes a scientific and efficient governance structure that is clear in responsibility. In strict compliance with relevant laws and regulations, we have established a governance structure consisting of the General Meeting of Shareholders, the Board of Directors, and various specialised committees to safeguard the interests of shareholders and other parties. The Board of Directors has the core responsibility of formulating the Company's overall development strategy, approving major financial and investment activities, and overseeing the Company's operations, risks and internal controls. To ensure transparency in the Company's operations, the Board of Directors has an Audit Committee, a Remuneration Committee and a Nomination Committee to oversee the Company's specific affairs.

In 2023, in accordance with a resolution passed by the Board of Directors, an ESG Committee was established to develop ESG development strategies, implement ESG management measures, and regularly review the Company's ESG performance. Information about the Company's governance structure, the terms of reference of the Board of Directors and various committees, and the Board members are available on YSB's official website and the website of the HKEX.

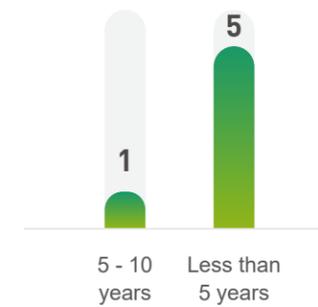


Board diversity

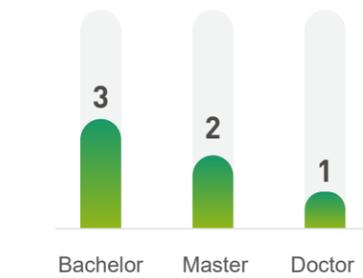
YSB is committed to promoting sustainable corporate governance practices and has adopted the policy of a diversity-based Board of Directors to ensure that its composition reflects our commitment to inclusion and diversity. To this end, the Nomination Committee will consider several diverse factors in selecting candidates for Director, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industrial experience and geographic representation. In accordance with the policy of the diversity-based Board of Directors, the Nomination Committee will periodically discuss and, if necessary, reach a consensus on measurable goals for diversity and present them to the Board of Directors for adoption.

As of 31 December 2023, YSB has six Board members, including two Executive Directors, one Non-executive Director, and three Independent Non-executive Directors, among whom one Independent Director is a female. Board members have diverse backgrounds, such as business administration, communications engineering, finance, accounting, and pharmacy, and have extensive experience in business management. Among them, two Independent Directors and two Executive Directors are experienced in the Internet industry, one Executive Director is experienced in IT management, and one Non-executive Director is experienced in the pharmaceutical industry.

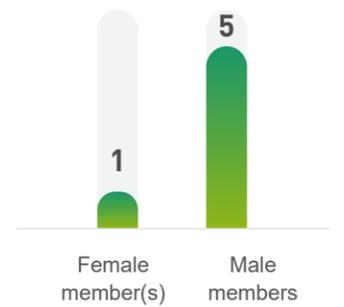
Service term (person)



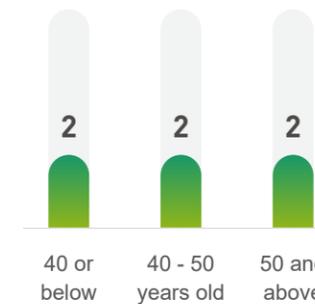
Educational background (person)



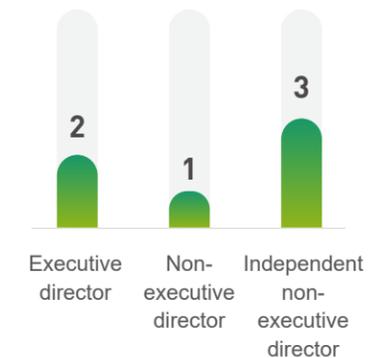
Gender (person)



Age (person)



Appointment position (person)



Highlights



2

In 2023, YSB held two Board Meetings

100%

with 100% Director attendance

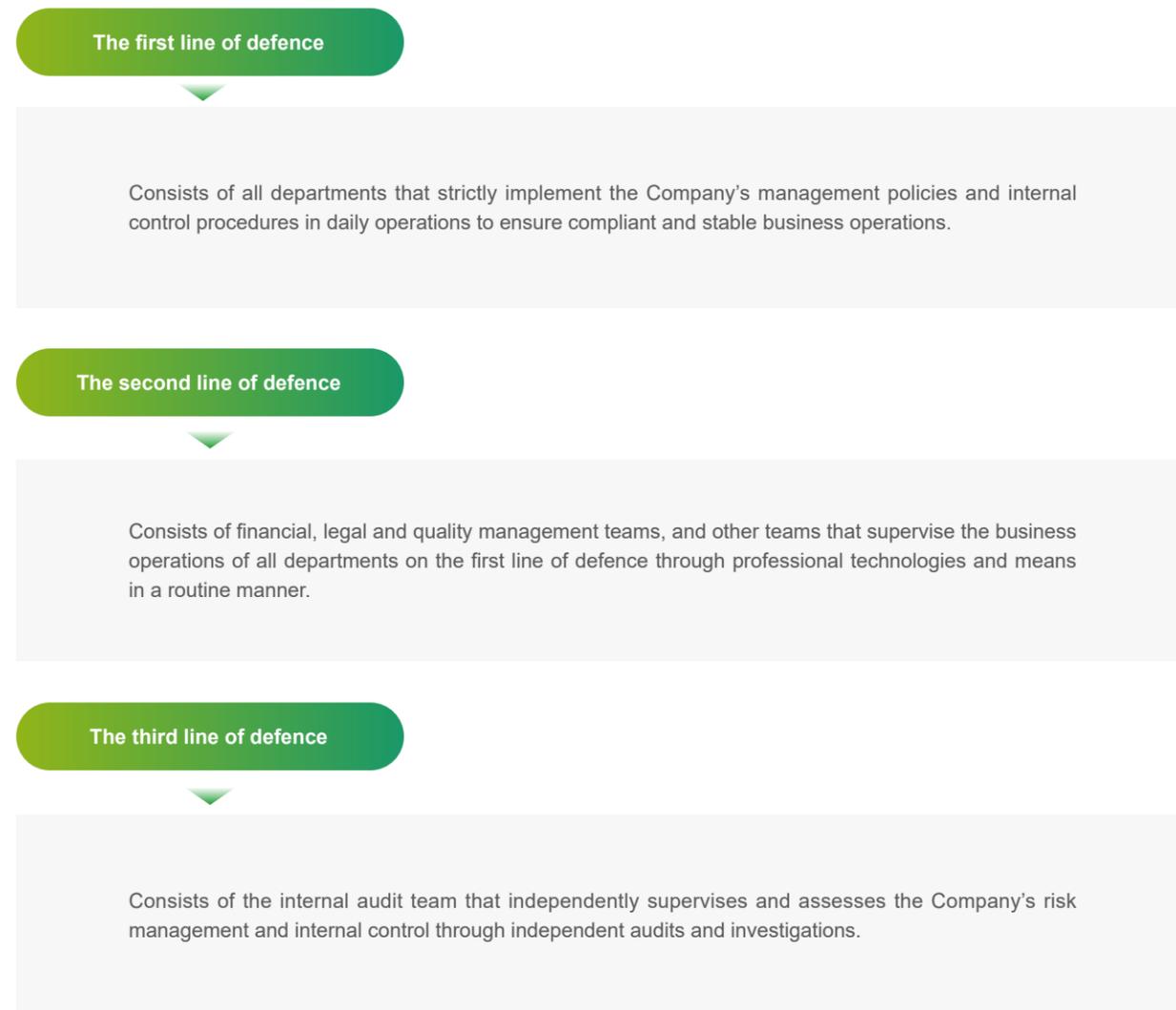
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It deliberated and adopted nine proposals, such as procedural matters on employee share incentive plans

Risk management

Risk management mechanism

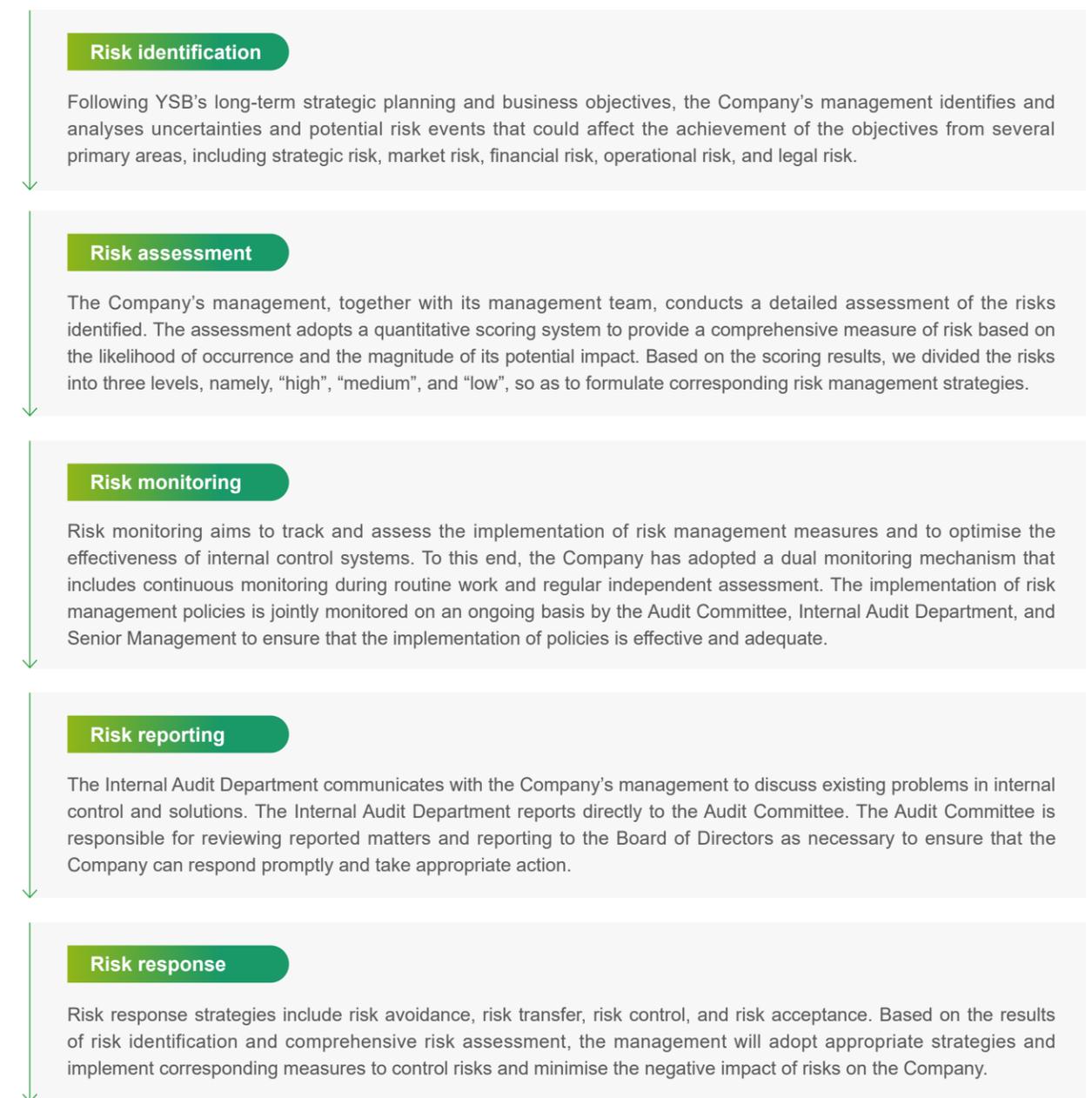
YSB has established a risk management mechanism based on "three lines of defence" to ensure the stable and healthy development of the Company.



These "three lines of defence" for risk control make sure that the Company can effectively identify and respond to material risks and that all business activities conform to the Company's internal control policies, laws, and regulations.

Risk management process

Effective risk management and internal controls are of great significance for an enterprise's long-term sustainable development. YSB is dedicated to building and maintaining a set of risk control policies and procedures that meet business demands to ensure we can effectively identify, assess, monitor and respond to potential risks in our operations. We continually review and optimise these systems to adapt to rapidly changing market conditions and regulatory requirements.



Business ethics

YSB upholds core values of "be upright, stay complaint" and holds a "zero tolerance" attitude towards bribery and corruption of any kind. We strictly comply with relevant laws and regulations such as the *Anti-Monopoly Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, and the *Interim Provisions on Prohibiting Commercial Bribery Behavior*, and continuously improve our anti-corruption, anti-monopoly, and anti-unfair competition review processes to prevent any acts of bribery, corruption, or fraud from occurring, and to protect the fair competitive environment of the market.

Management system

To ensure the integrity and compliance of business operations, YSB has issued and implemented rules and regulations on anti-corruption, anti-bribery and conflict of interest, such as the *Anti-Corruption Compliance Policy*, *Management Measures for Integrity Reporting*. The Board of Directors bears direct responsibility for business ethics behaviour. It sets up an Audit Committee under it to independently oversee business ethics risks within the Company. Additionally, the Company has established a specialised audit department that reports independently to the Audit Committee, monitors the risks of corruption and fraudulent risk events in real time, and conducts investigations when necessary.

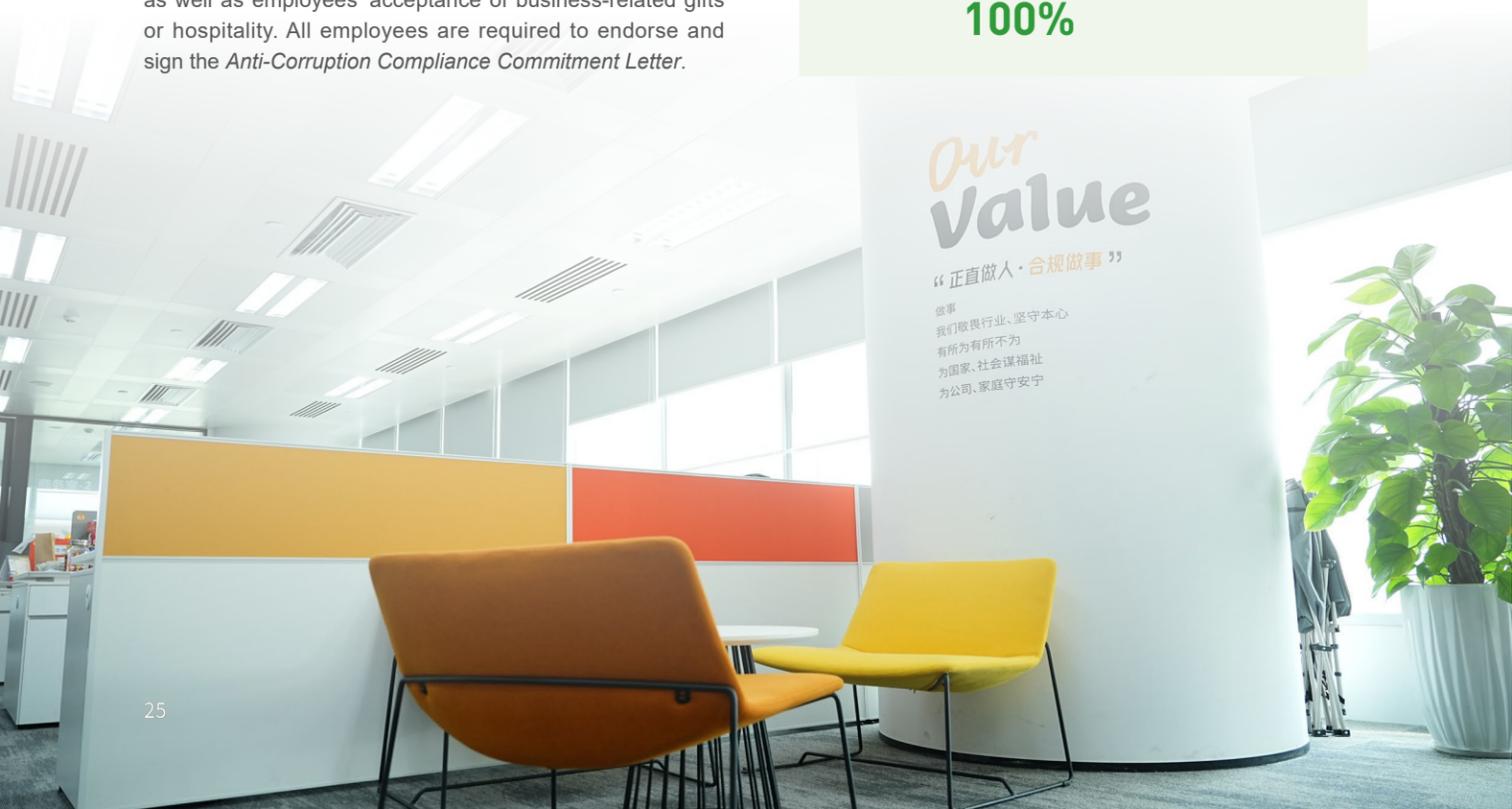
To ensure the integrity of its employees, YSB has developed a series of internal rules covering the prevention of corruption, bribery, fraud, and other misconduct, including the *Guidelines for High-Pressure Line Operation of YSB*, the *Employee Handbook*, and other documents. We have also formulated clear and strict policies and guidelines to prohibit commercial bribery and position encroachment of all forms, as well as employees' acceptance of business-related gifts or hospitality. All employees are required to endorse and sign the *Anti-Corruption Compliance Commitment Letter*.

Highlights



During the Reporting Period, the employee signing rate of the *Anti-Corruption Compliance Commitment Letter* has reached

100%



Culture of integrity

In 2023, YSB conducted specialised training on business ethics. The training covers the Company's compliance management philosophy, business ethics mechanism, and the policies and regulations on integrity. To further combat corruption and advocate integrity in key processes and positions, specialised training courses have been set up to raise employees' awareness and understanding of anti-bribery and anti-corruption policies. We have conducted specialised anti-corruption compliance training for the logistics centre team responsible for managing the Company's inventory to ensure that employees in high-risk areas understand and comply with the relevant norms. Through these measures, we are committed to fostering a workforce with a firm moral sense and a solid awareness of integrity and building a corporate culture of integrity and uprightness.

Report management

YSB is committed to eradicating unethical business practices such as corruption and actively encourages employees and all stakeholders who have direct or indirect business dealings with the Company to report such practices. To provide a transparent and safe reporting environment, we have set up a dedicated integrity reporting platform on YSB's official website and made the e-mail and hotline available for monitoring and reporting publicly accessible. Employees of the Company and people from all sectors can submit information about actual or suspected cases of fraud related to the Company and its employees anonymously or under their real names through various channels.

YSB is dedicated to maintaining strictly confidential the personal information of whistleblowers and all contents in their reports. We strictly prohibit any form of retaliation against whistleblowers. For such behavior, we will impose severe penalties. For proven cases of corruption or fraud, we will take serious disciplinary measures, which may include strict and severe disciplinary actions. If the related behavior constitutes a crime, we will pursue criminal liability according to the law. To strengthen the supervision and management of the Company's internal integrity practices, we have implemented a comprehensive update of Management Measures for Integrity Reporting in 2023. The Measures clarify the scope of acceptance, handling process, confidentiality measures, and the definition of violations, as well as strengthen the protection mechanism for whistleblowers to ensure that the rights and interests of employees are not infringed.

Highlights



0

In 2023, there were no corruption lawsuits against YSB or its employees

YSB collects clues related to corruption and fraud by developing the integrity reporting platform, carrying out internal self-inspections, following up on key projects, and conducting in-depth investigations of specific fraud. For verified violations, the Company will impose the corresponding disciplinary sanctions and heavy punishments on the violators in strict accordance with the Company's policy to guard the Company's clean and transparent operation and maintain a fair and just working environment.



Report Channels:

Tel: 020-32643156

Email: jubao@ysbang.cn

Integrity reporting platform website:
<https://www.yssbang.cn/jubao/>

To Make Quality Medical Care and Good Medicine Accessible to All

With the mission “to make quality medical care and good medicine accessible to all”, YSB continuously improves product safety and quality, promotes universal access to pharmaceutical products and services, helps to improve the level of primary medical care, promotes the popularisation of medical knowledge, thus making its due contribution to the great cause of building a Healthy China.

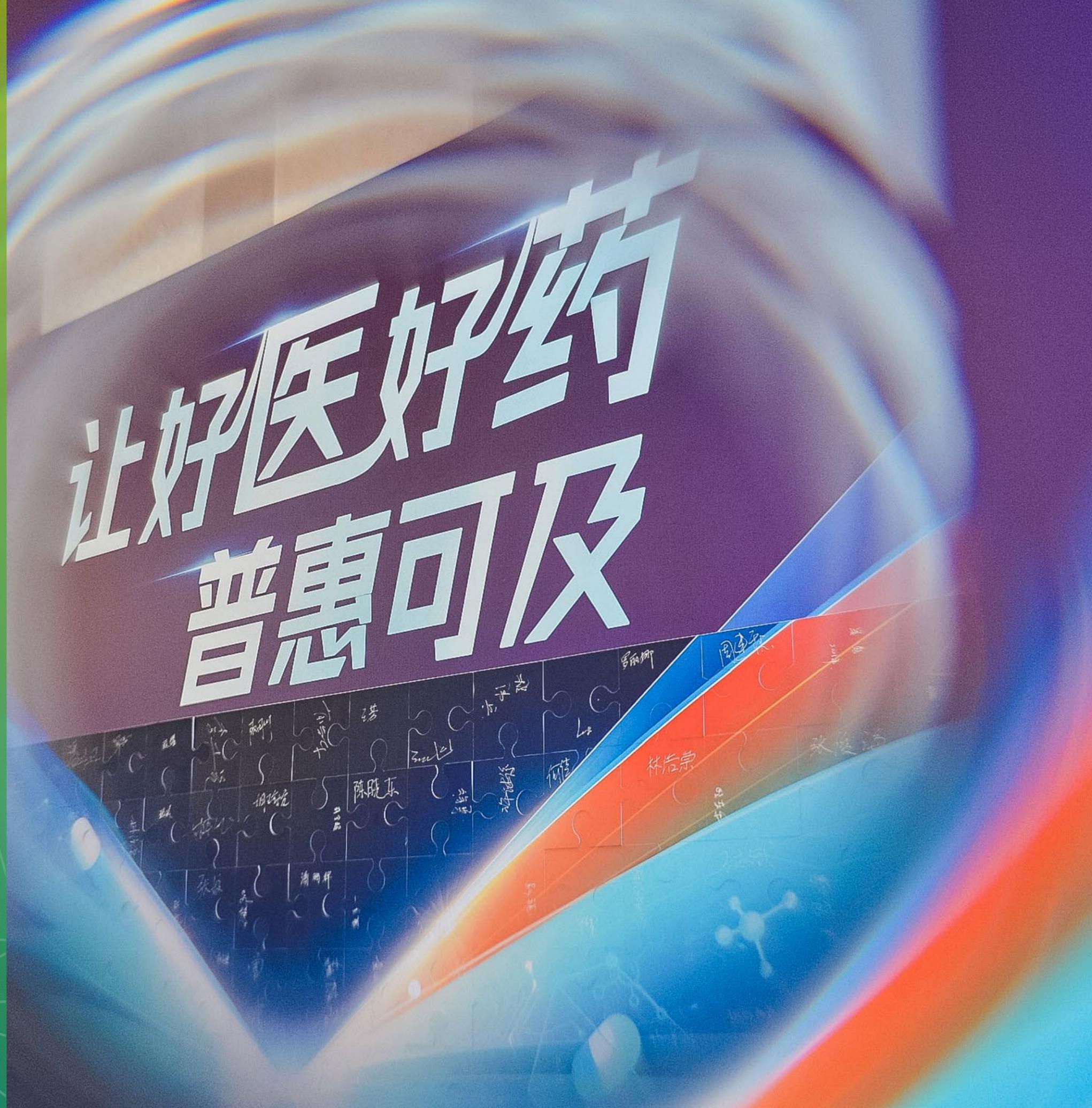
• Key issues

- Inclusive and accessible pharmaceutical services
- Product safety and quality
- Enhancement of user experience
- Responsible marketing

• This chapter responds to SDGs



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Product safety and quality

YSB always upholds the philosophy of user-centered and compliant operation-based management. In strict accordance with laws and regulations, we protect users' rights and interests, ensure the safety and quality of our products, and always provide users with assured and reliable pharmaceutical services.

Product safety and quality management system

We have established a top-down and full-process pharmaceutical product quality and safety management architecture equipped with pharmaceutical technicians to undertake pharmaceutical product quality and safety management and constantly improve the quality management system.

Online Marketplace

We strictly abide by the relevant laws and regulations such as the *Drug Administration Law of the People's Republic of China*, the *Provisions for Supervision and Administration of Online Drug Sales*, the *Measures for the Supervision and Administration of Online Trading*, and have designed a comprehensive quality and safety management system. We have formulated and implemented 17 pharmaceutical product-related quality management policies, including the *Supervision and Management Policy of Product Quality and Safety of the YSB Platform*, *Review Standard of Product Going Online of the YSB Platform*, *Detection and Reporting Policy of Adverse Drug Reaction of the YSB Platform*, and *Illegal Act Suppression and Reporting Policy of Product Safety of the YSB Platform* to ensure that all aspects of pharmaceutical product circulation on the platform meet relevant standards and requirements.

In the Online Marketplace business, we set up a comprehensive quality management architecture and formed a four-level quality management system involving the head of the Company, the head of quality management, the quality management department and the business departments, with the technical department providing whole-process technical support.



Technical Department

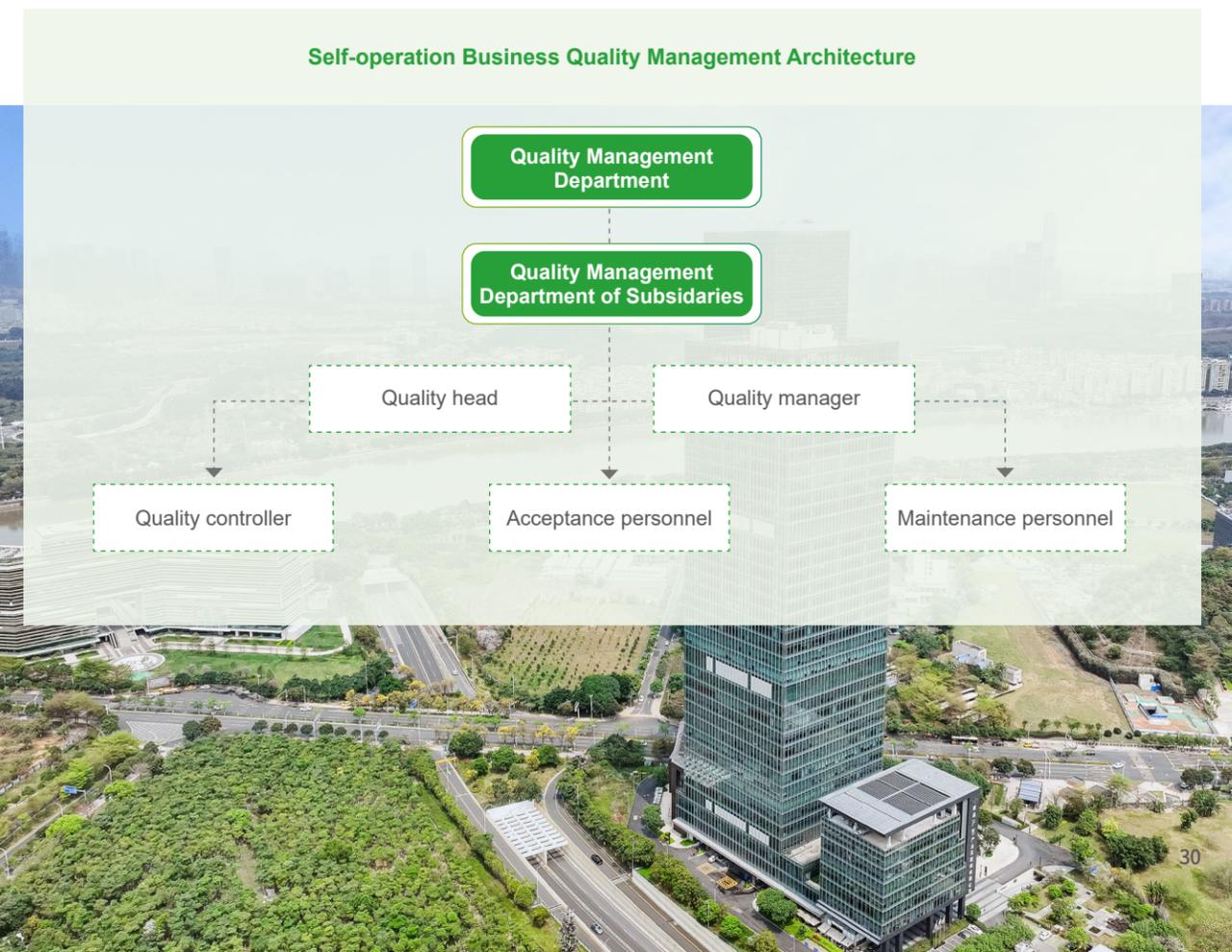
The Technical Department is responsible for establishing and stably operating the system programme, maintaining the data security, providing training on operations, and providing technical support for the quality management of the Online Marketplace.

Self-operation Business

In terms of Self-operation Business, we have implemented more than 50 internal rules and regulations covering the whole chain of pharmaceutical product warehousing, storage, transportation and sales, such as the *Management Policy of Going Online and Warehousing*, the *Management Policy of Purchase Acceptance*, the *Management Policy of Receipt*, the *Management Policy of Return Acceptance*, the *Management Policy of Maintenance in Warehouse*, the *Management Policy of Early Warning for Drugs near the Expiration Date*, and the *Management Policy for Sales*. In addition, we have formulated the job manual, the Job Observation Checklist, for warehouse employees to further ensure the safety and quality of pharmaceutical products in the warehouse.

In the Self-operation Business, the Quality Management Department at Leyo Headquarters is responsible for the overall management of the quality management departments of the subsidiaries, to ensure the uniformity and effective implementation of quality standards. The subsidiaries of Leyo shall report to the Quality Management Department of Leyo Headquarters periodically to ensure the flow of information and timely solution of problems.

At the subsidiary level, there are quality heads, quality managers, quality controllers, acceptance personnel and maintenance personnel, who are responsible for the key responsibilities of compliance operation of quality systems, qualification reviews of products and suppliers, acceptance and maintenance of products, and supervision and implementation of the quality management systems, forming an efficient and rigorous quality management architecture with clear responsibilities and mutual supervision.



Product safety and quality audit

Online Marketplace

We monitor the quality of products throughout the online, sale, and after-sales process to ensure the safety and stability of the quality of products.

► Product online management

We strictly follow the policy of "inspection before going online" and carefully inspect the products on the platform to ensure the standardisation of information release. Furthermore, according to industry policies and quality announcements, we have improved the *Platform Prohibited Products and Information Management Standards* and continuously improved the management mechanism for information of prohibited platform products.

According to the certified business scope of platform merchants, technical means are used to automatically examine whether the products conform to the prescribed business scope to prevent illegal products from going online. Furthermore, the expiration date of pharmaceutical products near the expiration date is clearly marked, and the sale of products with an expiration date of less than 30 days is prohibited.

We constantly pay close attention to the National Medical Products Administration ("NMPA") announcements on pharmaceutical product quality accidents and cancelled pharmaceutical products and update the prohibited pharmaceutical products database in real time to ensure that illegal products are not allowed to go online.

► Product on sale management

Through the implementation of the regular inspection and quality monitor system featuring "external + internal" and "intelligent + manual", the safety and quality stability of platform pharmaceutical products have been ensured. Through the quality monitor system, the platform can find and deal with potential quality problems in time to protect the rights and interests of the buyers on the platform.

Monitor System Processes



Furthermore, we have set up a specialised reporting line to crack down on fake and inferior products, provided convenient complaint channels for Online Marketplace merchants and buyers and allocated specialised personnel to handle the corresponding complaints to ensure a 100% compliant closure rate. The platform ensures the safety and quality of pharmaceutical products by taking maximum measures to prevent the presence of substandard products and delisting such products. This ensures the compliance and legitimacy of the products for sale.

► After-sales management of products

We always ensure that every step from the production to the sale of the pharmaceutical products to the buyer's hands is safe and compliant. The platform has synchronously set up 400 customer service hotlines and configured multi-channel after-sales feedback paths such as after-sales application entrance, platform intervention entrance and online customer service through the client-side interface. Furthermore, each buyer is assigned a dedicated sales representative to follow up on the after-sales situation on the spot.

► Standardised management of buyers

We have formulated the *Registration Review Policy for Buyers on the YSB Platform* in strict accordance with the relevant laws and regulations of the pharmaceutical industry. In order to ensure the authenticity of buyers' identities, we implement a strict real-name authentication system to verify the identities of all pharmacies, healthcare institutions and other buyers. In addition, we have deployed sales representatives to conduct comprehensive review on the scope of business and authenticity of buyers. In case of inconsistency with the scope of business, we will restrict their purchase the corresponding products; in case of expired buyer qualifications, the system will automatically lock the purchasing function. We are committed to providing a safe, reliable purchasing environment for downstream pharmacies and their consumers.

► Standardised management of merchants

In strict accordance with the relevant laws and regulations of the pharmaceutical industry, we have formulated a series of management systems for merchants, such as the *Qualification Requirements and Audit Standards for Platform Seller Registration*, and the *Platform Sellers Management Measures*.

In the process of merchants entering, we adopt online and offline methods to examine and confirm the authenticity of merchants. Merchants are required to submit relevant documents online, and we verify the authenticity, validity, and quality reputation of the documents through checking open resources, such as the Industrial Information System and NMPA system. Furthermore, offline business personnel will personally visit the office and warehouse of the merchants to confirm the authenticity to ensure the consistency of online and offline information. The agreement will be signed only after the entry review is passed. After which, we will assist in the process of building stores and standardise the business scope of the merchants to ensure that they only launch products under their business scope. Qualifications and safety assurance capabilities, etc. will be checked by the platform every six months in accordance with the regulations to ensure that they meet the legal requirements. For the merchants whose qualification is approaching the expiration date, the system will prompt them to update their qualifications 30 days in advance to ensure compliant operations.



Self-operation Business

Self-operation Business involves the receiving, warehousing, storage, transportation and other aspects of pharmaceutical products. We ensure the safety and quality of pharmaceutical products through a sound quality management system and smoothly deliver them to a wide range of downstream customers.

In the pharmaceutical product variety review process, we implement the triple review policy of the Quality Management Department of the Leyo Headquarters, the quality administrators and the quality head of the subsidiaries.

Highlights

This year, Leyo's achievements included:

100%
supplier qualification were 100% reviewed and approved, legal and effective

100%
100% of the warehousing products have been inspected with documents

100%
the rate of qualified acceptance for products received in stock was 100%

Process of receiving pharmaceutical products

We examine the supplier's shipping document, strictly verify the document format and seal information of the supplier's delivery notes, and properly retain relevant evidence to ensure the authenticity and reliability of the supplier.

Process of accepting pharmaceutical products

We also check the inspection report on the arrival of each batch of pharmaceutical product. When signing quality agreements with suppliers, we clearly stipulate the quality standards in the terms of transportation and return. The Quality Management Department is responsible for conducting sampling inspections on the products, focusing on whether the packaging is damaged, whether there is precipitation and other quality problems, rejecting the problem products on the spot and returning them to the suppliers for disposal.

Process of storing pharmaceutical products

We have formulated *the Management Policy of Products Maintenance in the Warehouse*, which clearly requires facilities and equipment, storage conditions and display according to different categories. We set up full-time pharmaceutical product maintenance personnel to carry out graded maintenance in conjunction with warehouse conditions, external environment and pharmaceutical product quality characteristics. The products with quality problems found by the maintenance personnel will be returned to the suppliers for disposal in time. In the event of a pharmaceutical product that cannot be accurately determined, the maintenance personnel will immediately lock the inventory in the system to prevent its sale and notify the Quality Management Department for review. The maintenance personnel shall closely check the storage of pharmaceutical products in stock. If the pharmaceutical products are damaged or have quality problems, they shall be removed from the shelves immediately and reported to the Quality Management Department to prevent further sale and shelving.

The Quality Management Department of the Leyo Headquarters shall issue the daily safety and quality work plan to each subsidiary and require the quality managers and the quality head of the subsidiaries to conduct on-site inspections of the warehouse at least weekly and report the inspection to the headquarters. In addition, we have established an internal cross-checking mechanism to improve the efficiency and effectiveness of quality management through mutual supervision and checks among subsidiaries. Generally, the Quality Management Department of the Leyo Headquarters organises the cross-checking of subsidiaries every six months to find potential quality problems and take prompt measures to rectify them.

Furthermore, we implement quarterly cross-departmental co-creation meetings to coordinate the communication between departments such as procurement, finance, operation and logistics, jointly solving the problems in the business processes. Through these measures, we are committed to ensuring that the quality management of our Self-operation Business is effectively implemented to provide our customers with quality and safe pharmaceutical products.

Product complaint handling

YSB attaches great importance to the handling of product complaints and establishes an improved process of complaint handling. We set up a dedicated hotline for quality issues so that customers can contact us anytime and get timely solutions when they encounter after-sales problems such as product quality and business qualification. To ensure the timeliness of complaint handling, we have set a 72-hour processing time limit for complaints targeting the merchants on the platform. If the merchants fail to handle the problems within the specified time, the platform will coordinate the merchants to handle the problem within one to five days, according to the user's demands. If the product quality problem is involved, it will be transferred to the Quality Management Department for handling, and the Quality Management Department will coordinate with the relevant departments to solve the problems to ensure that the customer's rights and interests are protected.

Highlights

This year, Leyo achieved

20
The subsidiaries cross-checked 20 times

93
Found 93 potential problems, all of which have been rectified

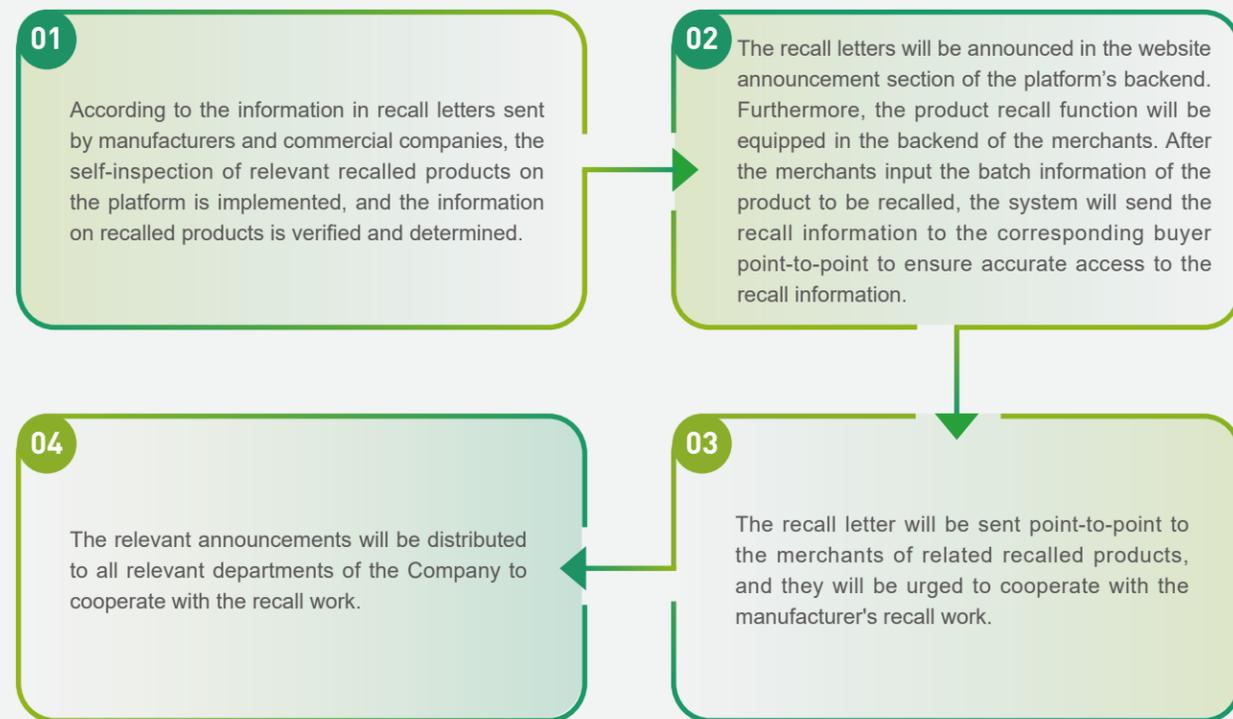
100%
Subsidiaries have been inspected by national, provincial, municipal and district regulatory authorities for quality system operation and have passed 100% of the inspections.



Product traceability and recall

According to *Product Quality Law of the People's Republic of China*, YSB has formulated and implemented the *Management Policy of Recall* and other rules and regulations to enhance the response capability of product safety emergencies. We establish and keep complete purchase and sale records, establish a comprehensive database, record the flow of pharmaceutical product sales, and assist manufacturers in product recall.

Product recall procedures



In order to ensure the traceability of pharmaceutical products, we use the online system to record the circulation of pharmaceutical products and realise the full link traceability of data in all aspects of pharmaceutical product procurement, receipt, acceptance, warehousing, maintenance, review and delivery, sales and return.



Product safety and quality culture construction

YSB is committed to promoting the construction of internal product safety and quality culture. We implement a strict pre-job assessment system, requiring employees to pass pre-job professional training and assessment before they carry out their work. Furthermore, we have formulated the *Employee SOC Handbook of Job Observation Checklist*, which details the operation process from procurement to receipt and guides employees to continuously accumulate and improve their professional quality through practice. In addition, we actively organise product safety and quality training for subsidiaries and suppliers, including reviewing inspection reports and deepening the training effect through examinations to ensure that employees understand and master relevant knowledge in depth.

Through the above measures, we continuously strengthen the construction of product safety and quality culture, improve the professional quality of employees, and ensure quality control from the source to the terminal. We will continue deepening quality management and actively participate in industry training to provide customers with safer, more reliable products.

Highlights

73
This year, 73 product safety and quality training sessions were conducted

2,884
The total number of employees involved reached 2,884 times

Good price and steady supply

YSB has always adhered to the corporate mission of "to make quality medical care and good medicine accessible to all". With the power of digital technology, YSB has collaborated with the upstream and downstream partners of the pharmaceutical industrial chain to explore and innovate, accelerate the development of primary health care, and help society achieve affordable, equal and accessible medical services.

Pharmaceutical products at a reasonable and stable price

By reducing intermediaries and broadening supply channels, YSB platform effectively protects price competitiveness. The supply of pharmaceutical products on the platform is sufficient and of reliable quality, and buyers can choose from approximately 3.6 million SKUs, including prescription pharmaceutical products, over-the-counter ("OTC") pharmaceutical products and other pharmaceutical and healthcare products. A large number of buyers on the YSB platform creates a large marketplace that further enhances bargaining power. Due to the transparent pricing of products on the platform, buyers can also make real-time price comparisons and choices based on their own needs, ensuring that they get the most value out of their purchase. Through the advantages of diversified supply, rich variety and a large number of buyers, the YSB platform achieves affordable pricing and provides a more convenient and efficient purchasing experience for the majority of buyers.

In order to ensure the stability of pharmaceutical product prices on the platform, the platform has established a digital price monitoring system, which sets a reasonable pharmaceutical product price ceiling for individual pharmaceutical products and tracks the trend of pharmaceutical product prices in real time. Given the abnormal pharmaceutical products whose prices fluctuate largely in a short period, the platform will carry out price control to ensure a reasonable level of pharmaceutical product prices.

Establishment of a special price monitoring team to stabilise pharmaceutical product prices on the platform

During the Reporting Period, due to the shortage of some pharmaceutical products caused by several rounds of influenza, we identified high-priced pharmaceutical products in a timely manner through the price monitoring system and quickly set up a special task group for price normalisation. We employed various price control measures, including restricting the sale of overpriced pharmaceutical products on the platform, working with suppliers to reduce prices based on provided guide prices and subsidising popular pharmaceutical products through the platform. These efforts facilitated the gradual normalisation of abnormal prices. We have worked closely with market regulators and maintained strict supervision to ensure fair and reasonable pharmaceutical product prices.

Highlights

400+

In 2023, more than 400 merchants on the platform participated in the price adjustment.



TOP100

According to the data provided by the platform, the prices of the TOP 100 pharmaceutical products have been gradually decreasing.

Stable and continuous pharmaceutical products supply

The Self-operation Business acts as a stabiliser to ensure that we provide better services to more customers in a quick and economical manner. The Self-operation Business can make procurement decisions according to the downstream demand, select SKUs with higher purchase frequency, and maintain a high level of product quality control. During the Reporting Period, our Self-operation Business provided about 347,000 SKUs per month to downstream buyers, representing a year-on-year increase of 37.6%.

We will continue to provide refined and professional services for the cooperative pharmaceutical companies and assist the companies in delivering their pharmaceutical products to downstream customers. Through in-depth and direct cooperation with manufacturers, we can reduce the number of intermediaries in the supply chain, improve the efficiency of supplying products and ensure the stability of the supply of products. Strict high-price control has been carried out to give the downstream pharmacies and primary healthcare institutions more benefits and to ensure that pharmacies and primary healthcare institutions in rural areas have access to better-quality and lower-price products, thus realizing the goal of "to make quality medical care and good medicine accessible to all".



Ensure the steady supply of pharmaceutical products, and constantly push forward deep cooperation with critical pharmaceutical companies to guarantee the steady supply of critical pharmaceutical companies to meet the needs of our customers.



Optimise the supplier selection mechanism, improve the centralised procurement strategy, and promote the reduction of procurement costs. Select quality suppliers and establish long-term relationships. Enhance supplier collaboration, strengthen information sharing and communication with suppliers, and improve the collaborative efficiency of the entire supply chain.



Strengthen the concept of brand marketing, reach a consensus with the brands, through data analysis and market insights, combined with the brand marketing resources, based on product policy and project investment, expand the scale of cooperation.



Rationalize inventory structure and sales forecasting to improve inventory turnover for centrally purchased pharmaceutical products.

Popularisation and promotion of good pharmaceutical products

Available to remote rural areas

We have effectively addressed the delivery challenges for pharmacies in remote mountain areas, decreasing the delivery time of pharmaceutical products from two weeks to three or four days. The variety of available pharmaceutical products significantly increased from 3,000 or 4,000 to more than 300,000 SKUs, meeting the broader demand for pharmaceutical products in mountainous areas.

Highlights

By the end of 2023

401,000

The YSB platform had 401,000 registered pharmacies

98.6% 88.4%

The platform covered 98.6% of counties The platform covered 88.4% of villages and towns

The YSB platform helps primary health stations improve procurement efficiency

Jinsha Village, located in the deeper mountain area of eastern Guangdong, faces difficulties in transportation and a shortage of medical resources. An operator of a health station from Jinsha Village said that he had purchased pharmaceutical products from local pharmaceutical companies by telephone in the past, which offered only a limited varieties and selection of products, making price comparisons inconvenient.

The health station operator registered as a buyer in the YSB platform in 2016. The YSB platform has a clean interface and is easy to use, allowing for effortless searching of products. It features intelligent sorting based on sales volume, monthly purchase orders, and more, enabling precise filtering of information such as manufacturers, packaging specifications, and free shipping thresholds.

The YSB platform provides pharmacy operators with low prices through activities such as major promotions, group buying, and special night sales with free shipping. Furthermore, the fast delivery of flagship stores and timely after-sales support make pharmaceutical product procurement more convenient and efficient.

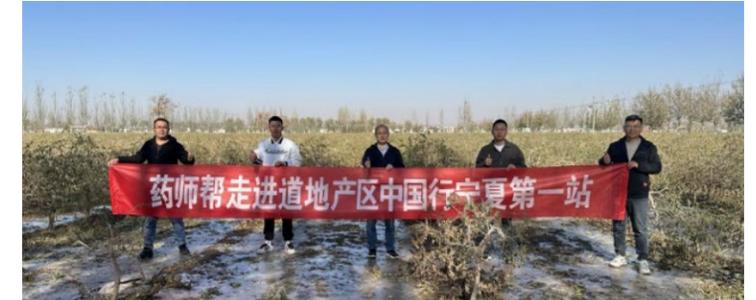
With the help of the YSB platform, the health station operator has successfully solved the problems caused by traditional procurement methods. The service of the YSB platform enables buyers to enjoy more convenience in procuring pharmaceutical products and reduce procurement costs. In addition, the diverse marketing activities of the YSB platform also bring more preferential treatment and profit space for primary health stations.



Jinsha Village, Xinpu Town, Jiaoling County, Meizhou City, Guangdong Province-Jinsha Village Health Station

Traditional Chinese medicine ("TCM") accessible to all- TCM decoction pieces

Making pharmaceutical products more accessible has always been our unwavering pursuit. YSB provides TCM services to a vast number of downstream customers through an innovative platform model, and provide better services to more customers in a quick and economical manner. The platform connects over 650,000 downstream customers, enabling them to easily obtain the pharmaceutical products they need, enhancing operational efficiency and customer satisfaction for downstream customers.



TCM decoction pieces accessible to all

As a brilliant treasure of traditional medicine, the quality and availability of TCM decoction pieces are of great significance to people's health and the development of the Chinese medicine industry. For TCM decoction pieces, we strive to create more categories to provide a rich pharmaceutical product supply so that high-quality TCM are more available to customers.

Purchase of geo-authentic TCM in the places of origin and promotion

We focus on procurement geo-authentic TCM decoction pieces in the places of origin to ensure geo-authenticity and quality. After in-depth research and promotion of these high-quality resources, we have made customers more confident about the safety and quality of TCM decoction pieces.

Simplify the transaction process

We have simplified the transaction process for TCM decoction pieces to enhance procurement efficiency, making it more convenient for customers to purchase the needed TCM decoction pieces.

Fair and transparent pricing

We adhere to the principle of fair and transparent pricing to protect customers' interests and prevent unreasonable prices from reducing the availability of pharmaceutical products.

Popularisation of TCM knowledge

By actively carrying out the popularisation activities of TCM knowledge, we have not only enhanced the public's understanding of TCM but also promoted the inheritance and development of TCM culture.

In 2023, the accessibility of TCM on our platform has achieved remarkable results. In 2023, the platform has added 110,000 SKUs of TCM decoction pieces to enrich downstream customers' choices. Among them, the daily sales of super single products have repeatedly achieved good results, creating a new industry record measured in tons, such as 32 tons of Poria cocos, 25 tons of Astragalus membranaceus, 16 tons of wolfberry and 35 tons of jujube. In the future, we will continue to optimise the supply chain of TCM, inject new vitality into the sustainable development of the TCM industry, and enable more people to enjoy the health benefits of TCM.



Primary diagnosis and treatment accessible to all - ClouDiagnos

YSB actively responds to the national development strategy of "Healthy China" and supports the improvement of the primary healthcare service system from medicine to medical care. Based on the three core directions of POCT (Point of Care Testing), regional quick testing, and third-party testing, we help improve the service capability of primary diagnosis and treatment and contribute to the development of primary diagnosis and treatment.

Since 2021, we have provided ClouDiagnos services to primary healthcare institutions, committed to improving the allocation of testing resources at the primary level and enhancing the standard of diagnosis and treatment. Primary healthcare facilities face many challenges in diagnostics, mainly due to the lack of diagnostic equipment. Doctors have to rely on personal experience to make diagnoses, leading to biases in treatment decisions. To solve this problem, ClouDiagnos provides a one-stop testing solution for primary healthcare institutions, including POCT real time tests, Guangzhou Yuewei tests, and third-party testing services.

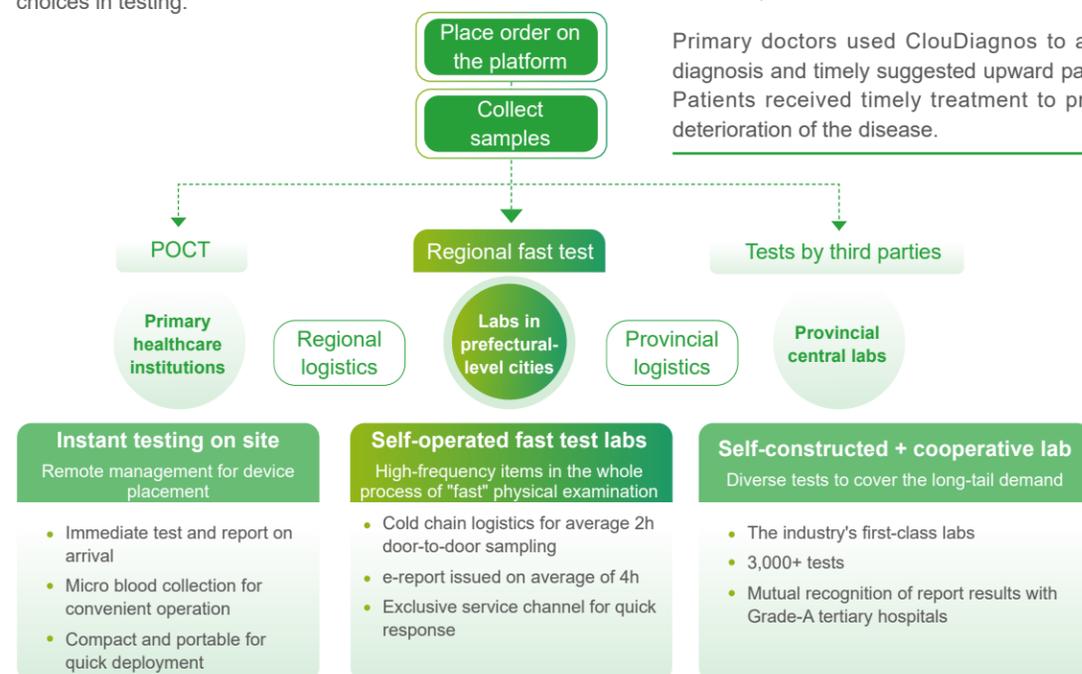
ClouDiagnos provides efficient and convenient POCT diagnosis and treatment assistance for primary doctors. The POCT equipment is easy to operate, and quick testing is available, providing great assistance to primary diagnosis and treatment. For example, for upper respiratory tract infections, which are common in primary healthcare institutions, POCT blood cell analyzers can help doctors diagnose and prescribe the right medication to avoid the misuse of antibiotics and to better protect the public's health.

The self-operated Guangzhou Yuewei test service of ClouDiagnos covers high-frequency basic test projects such as blood routine, liver and kidney function, glucose and lipid metabolism, and tumour markers, which can meet the daily auxiliary diagnosis and treatment needs of doctors and provide test reports within an average of four hours. In addition, ClouDiagnos has established cooperative relationships with multiple medical testing centres in China, providing primary healthcare institutions with more diverse choices in testing.

ClouDiagnos helps primary healthcare institutions quickly identify medical conditions

Patient Liu, who had been experiencing symptoms such as decreased appetite and fatigue, went to see a doctor. Physical tests revealed that Liu's skin, mucous membranes, and conjunctiva were stained yellow throughout his body, with the liver area mildly sensitive to percussion. The doctor prescribed multiple testing items for him, and the test results showed abnormalities in multiple indicators, such as transaminase and tumour marker alpha-fetoprotein (AFP). Based on Liu's medical history and test results, the doctor hypothesised that he had a severe liver problem and recommended that he should visit a major hospital for a detailed test as soon as possible. Liu subsequently sought medical attention at a local grade-A tertiary hospital and was diagnosed with primary liver cancer at an early stage and then received surgical treatment. Two months after surgery, he underwent a follow-up test. No tumour lesions were identified, and the AFP was normal.

Primary doctors used ClouDiagnos to achieve quick diagnosis and timely suggested upward patient referrals. Patients received timely treatment to prevent further deterioration of the disease.



Strict selection of pharmaceutical products across all categories - Leyaoshi (樂藥師)

YSB's own brand, "Leyaoshi (樂藥師)", provides consumers with a comprehensive, professional, and high-quality medication plan for common diseases, making it a trusted national pharmaceutical brand for consumers. The pharmaceutical expert teams of Leyaoshi focus on the medication scenarios for common diseases of consumers in daily life. Combining different symptoms and medication differences, they have conducted in-depth field research on more than 2,000 pharmaceutical companies and conducted strict industry-wide selection from core processes such as medicinal material selection, production technology, and quality control. They have worked with brand pharmaceutical companies to provide professional medication services for pharmacies and primary healthcare institutions. They strictly select high-quality pharmaceutical products characterised by "good medicinal materials, sound process, and high quality" for consumers, so that consumers are enabled to buy reliable and good medication nearby, and provide consumers with comprehensive protection.



Strictly selected medicinal materials

- ▶ We strictly select high-quality medicinal materials and control the quality of pharmaceutical products from the source
- ▶ Data highlights: Covering over **300** types of medicinal materials, we take quality as the core criterion for selection, with an average of 1 supplier out of **123** suppliers being selected

Strictly selected processes

- ▶ The professional team integrates high-quality industrial resources and takes advantage of supply chain advantages to rigorously select advanced processes
- ▶ Data highlights: We have more than **2,000** strictly selected suppliers nationwide, covering **15** pharmaceutical products for common diseases that can be traced back to their source. **13** national invention/utility model patents have been applied to the strictly selected varieties

Strictly selected quality

- ▶ Only high-quality pharmaceutical products that have been verified by consumers for many years in the market can meet our requirements through the strict and high standard control of the whole chain and multiple rounds of verification
- ▶ Data highlights: All pharmaceutical products must undergo **5** rounds of inspection from the manufacturer to the warehouse before being sold

Smart pharmacy solution - wePharmacy

In order to meet the procurement needs of consumers in multiple scenarios and time periods, in 2021, we launched a smart pharmacy solution, wePharmacy, which can achieve 24-hour unmanned pharmaceutical product sales, and connect with third-party takeout platforms to achieve order exchange, so that consumers can easily buy the pharmaceutical products they need at home, even during nighttime hours.

Safety and efficiency

The dispensing process was completed in an average of 10 seconds, with zero errors, and the waiting time for consumers to take pharmaceutical products was shortened.



Convenient medicine collection

Prescription medications are reviewed by professional pharmacists and automatically picked up to reduce queuing time, while over-the-counter medications can be picked up 24 hours a day unattended.



Government regulation

It meets the requirements of GSP for pharmaceutical product circulation control, records real-time data in the background of each link, and realizing full-process traceability.



Risk control

Pharmaceutical products supervision departments issue information such as early warning of pharmaceutical product use, which can remotely control the release of such pharmaceutical products at the first time, waiting for the recall from shelves.



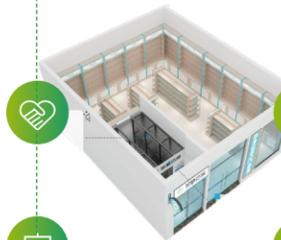
Big data analysis

Multi-dimensional data analysis platform to enhance decision-making ability and help pharmacies operate more effectively.



Storage environment

Meets the requirements of the pharmaceutical product storage environment to ensure that pharmaceutical products are always stored at the optimal temperature and humidity



The launch of Smart Pharmacy wePharmacy is an important attempt to improve the accessibility of pharmaceutical products. In the future, we will continue to provide more convenient and efficient outside-of-hospital pharmaceutical product distribution services with broader coverage to the community.

Highlights



23

As of December 2023, the YSB platform has signed contracts with 23 provincial administrative regions for the wePharmacy business.



40%

Of which more than 40% of the equipment is distributed in primary pharmacies in counties and towns, which has effectively promoted the 24-hour pharmacies and further enhanced the convenience of procurement of pharmaceutical products at the primary level.

In addition, we have also actively been negotiating with domestic and foreign manufacturers to explore cooperation opportunities. We aim to introduce pharmaceutical products with easy operation and better user experience into the platform. By allowing access to downstream pharmacies, we gradually move closer to the goal of making "good pharmaceutical products" easily accessible to all.

Comprehensive service support

YSB is committed to creating an efficient, convenient, and thoughtful shopping environment. With enhancing user experience as the core goal, YSB comprehensively meets the diverse needs of pharmaceutical companies, merchants, and downstream customers. We have achieved online procedures and improved cooperation efficiency through the CertEx for certification exchange. We improve delivery efficiency through smart supply chains to ensure that products can be delivered to downstream customers in a timely manner. We are committed to responding quickly to resolve after-sales issues for our customers, making the purchase experience smoother and more worry-free.

Improving cooperation efficiency

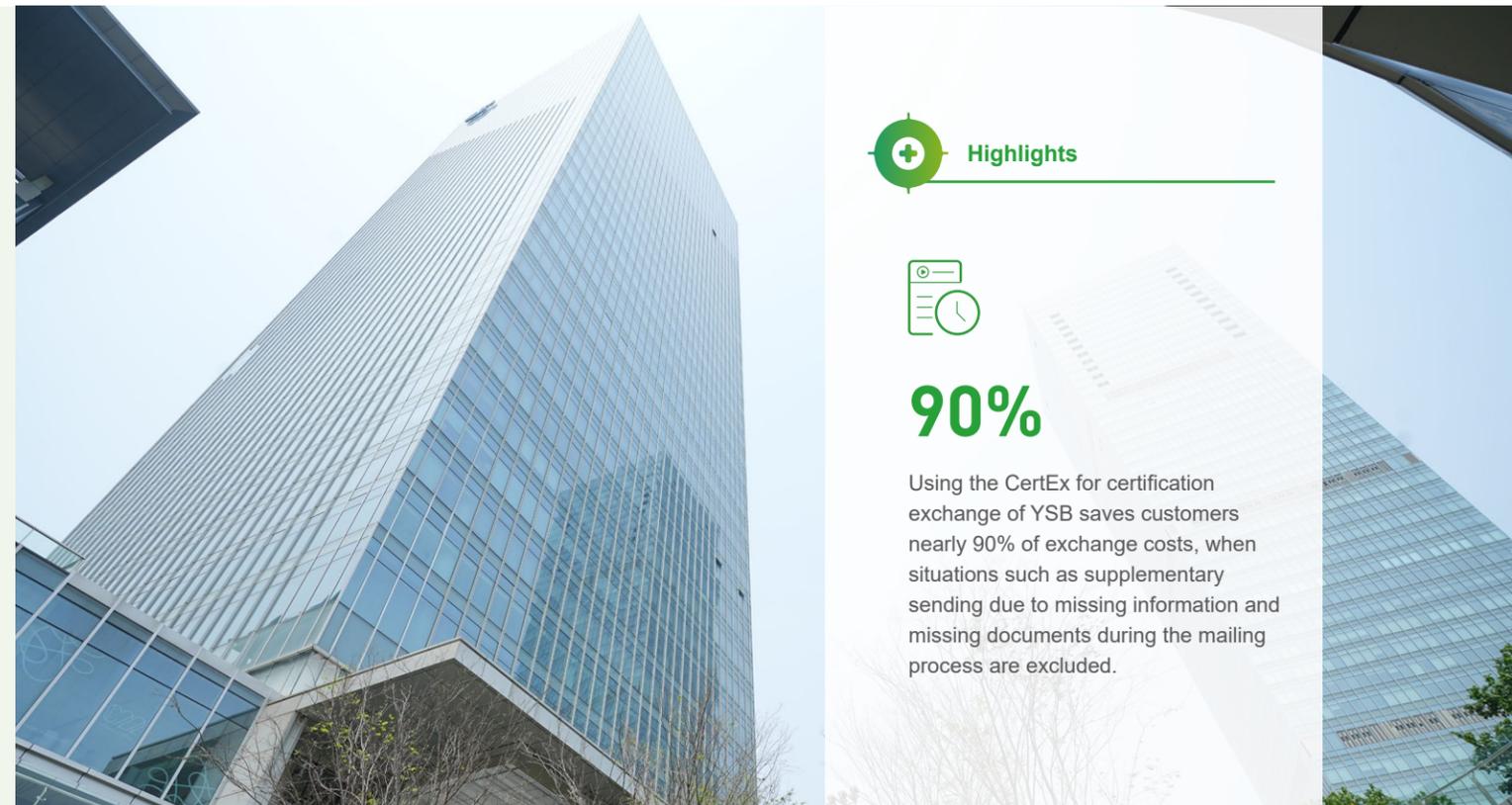
In order to enhance user experience, we have set up CertEx for certification exchange for business qualifications, which basically realizes the onlineization of the process of reviewing materials including electronic contracts and qualifications, and greatly facilitates the efficiency of upstream and downstream customers in verifying each other's qualifications in accordance with orders, and accelerates the speed of order fulfillment. Downstream pharmacies only need to register once on the platform. When they purchase subsequent pharmaceutical products, the platform will automatically provide qualification information to upstream merchants and synchronously remind them that the users placed their first order, making it easier for merchants and downstream pharmacies to connect. Through these measures, we have continued to optimize our online processes to bring users a more convenient and efficient purchase experience.

Highlights



90%

Using the CertEx for certification exchange of YSB saves customers nearly 90% of exchange costs, when situations such as supplementary sending due to missing information and missing documents during the mailing process are excluded.



Upgraded delivery efficiency

To ensure quick and safe delivery of pharmaceutical products, we continuously deepen warehouse building, expand our self-operated warehouse matrix, and combine with distribution systems such as "9508" to achieve efficient operation of pharmaceutical product circulation. We focus on management innovation, developing logistics systems, and monitoring delivery processes in real time to ensure the timely and accurate delivery of pharmaceutical products. By continuously optimising delivery efficiency, we strive to make pharmaceutical products closer, better, and faster to meet the needs of our users. Our goal is to establish a benchmark in the field of pharmaceutical product circulation, contribute to the development of the industry, and enable more people to enjoy convenient and reliable pharmaceutical product delivery services.

Digital warehousing and logistics system

► Self-developed warehousing system

Since 2019, YSB has built central warehouses in core areas, achieving digitalisation of procurement, warehousing, and logistics through its self-developed warehousing system. The central warehouses adopt systems such as Galaxy+, Xentrum, and IntelNex to solve the problems of dismantling, sorting, and packaging small and medium-sized orders. At present, the Company has established a total of 22 self-operated large-scale warehouses with a storage area of over 230,000 m², providing "safe, accurate, and agile" warehousing and distribution services for the outside-of-hospital pharmaceutical circulation market. The digital warehousing and distribution system has improved the efficiency of pharmaceutical circulation, achieving 99.5% of orders being received and shelved in 24 hours. After the platform places an order, it takes 3 hours to leave the warehouse on average, achieving half-day delivery in 29 cities, next-day delivery in 119 cities, and full coverage of third-day delivery in 19 provinces.

Self-developed Warehousing System

- Optimising picking routes**
 With the help of intelligent systems, warehouse employees can accurately select the optimal picking route, increasing work efficiency by 30%-40%.
- Creating a new "picking while sorting" mode**
 During the picking process, products are synchronously distributed to various orders, achieving efficient outbound. The average daily outbound volume of a single warehouse is 70,000 to 80,000 items.
- Work performance system**
 We accumulate employee working data, optimise labour costs, improve storage structure, and improve employee working efficiency.
- Optimal Logistics**
 Transportation prices are reasonably calculated based on package weight, logistics providers, and transportation methods to reduce transportation costs.
- Carton selection**
 When an order is placed, the best cartons will be automatically matched to save usage, reduce packaging materials costs, improve packaging speed, and quickly calculate costs and expenses.

Highlights

By the end of 2023

- 19**
 YSB self-operated warehouses have covered 19 provinces/municipalities across the country
- 230,000+**
 With a warehousing area of over 230,000 m³
- 3**
 Orders are shipped out within an average of 3 hours
- 29**
 Half-day delivery in 29 cities
- 119**
 Next-day delivery in 119 cities
- 19**
 The full coverage of third-day delivery in 19 provinces have been achieved

■ Provinces/municipalities with warehouses



► Intelligent delivery solution

YSB achieves efficient and economical logistics transportation through the intelligent delivery solution of "Optimal Logistics". In the intelligent delivery solution, ten factors, such as cost, damage rate, and timeliness, are considered comprehensively, and the optimal delivery plans are designed. Appropriate delivery strategies are tailored for each order through precise data analysis and algorithms.

In terms of logistics partners, Optimal Logistics integrates high-quality logistics resources such as SF Express, JD.com, and Cainiao. The most suitable logistics service providers and transportation methods are selected for each order based on factors such as order requirements, products characteristics, and transportation distance. Furthermore, Optimal Logistics can achieve real time monitoring of the delivery process and collaborate with the carriers' ERP system to ensure account verification and identification of abnormal orders. This comprehensive approach assists downstream buyers in reducing transportation costs, improving transportation efficiency, and providing safe and timely delivery of products.

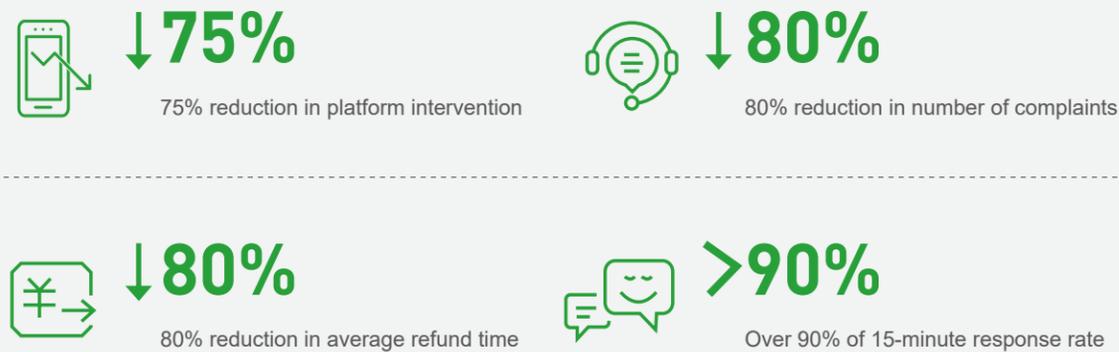
In addition, the localisation of the procurement process has become a key focus of the business to save overall distribution resources, shorten transportation routes, improve transportation efficiency, reduce the turnover days of products, and accelerate capital flow, and achieving more efficient and economical business operations.

Quick after-sales response

To improve the quality and efficiency of after-sales services of platform merchants, we continuously improve the building of our customer service system. We have set up a merchant-end after-sales competition and award medals and small gifts to merchants whose quarterly after-sales processing rate is steadily improving. Furthermore, we established the "9024" Project, under which outstanding merchants will be visually displayed with high ratings on the store homepage and included in the comprehensive service rating system for merchants to continuously supervise merchant service quality and improve user shopping experience.

Highlights

In 2023, we continuously optimised our after-sales services, with the following achievements:



After-sales services of wePharmacy to enhance user experience

WePharmacy operation and maintenance personnel conduct regular after-sales maintenance on the equipment. We have set up assessments for after-sales operation and maintenance personnel, requiring them to respond to feedback from downstream customers within 5 minutes. In 2023, wePharmacy operators actively responded to customer needs:

- Professional after-sales engineers provided free door-to-door maintenance, cleaning, and replacement services, or free professional annual inspection services for areas affected by extreme weather.
- Due to changes in customer operations, wePharmacy provided relocation services and a complete set of maintenance services for multiple pharmacies.
- Due to the versatility of the business, wePharmacy provided customized visualization services to customers, which has been well received by them and resulted in additional orders.

Assisting in improving primary pharmaceutical services

Guided by the *Healthy China 2030 initiative*, YSB helps primary pharmacists master health knowledge commensurate with their positions, and establish mechanisms for the dissemination and circulation of health science knowledge. It also aims to spread basic health knowledge among residents, enhance their health concepts and literacy, and contribute to the achievement of the goals set by the *Healthy China 2030 initiative*.

We aim to promote talent development in primary pharmacies and improve primary pharmaceutical services by enhancing the professional pharmaceutical skills and competencies of primary pharmacy employees. The "YSB eLearn" platform is a designated official platform for professional pharmacist exam services. This platform allows primary pharmacists and prospective pharmacists to elevate their professional skills and obtain practising pharmacist qualifications by participating in online pharmacist exam courses. Additionally, on the "YSB eLearn" platform, we have launched sections such as "Rural Physician" and "Pharmacist Encyclopaedia", providing timely health knowledge popularisation and training. Healthcare professionals at the primary level can choose learning content based on their needs, flexibly arrange their study schedules, and improve their diagnostic and medication skills anytime, anywhere, and in a targeted manner while learning the latest medical information and medication guidelines. Moreover, we regularly conduct internal research on specific pharmaceutical products, delivering cutting-edge pharmaceutical knowledge to downstream pharmacies to empower primary pharmacists to better serve consumers.

Training Content of the "YSB eLearn" Platform



We spread health knowledge through various channels. We regularly publish readily comprehensible and informative articles through the Weixin official account to popularise Chinese medicine knowledge to the public and post short videos about case explanations and instrument operation guidance on our video account. In addition, we regularly collaborate with manufacturers in live streaming, where they introduce the core pharmacological efficacy and disseminate health knowledge. In 2023, we collaborated with a well-known pharmaceutical company to educate the public about chronic diseases such as hypertension through 2-minute pure educational videos. This initiative aims to guide the public in establishing healthy concepts and preventing and controlling related diseases.

Responsible marketing

During business expansion and marketing, YSB manages and regulates the marketing behaviours of all employees, including outsourcing employees, to ensure legal and compliant marketing in strict accordance with the relevant national laws and regulations, such as the *Drug Administration Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Advertisement Law of the People's Republic of China*, the *Management Measures for Medical Advertising*, the *Interim Measures for the Administration of Internet Advertising*, and the *Notice on Standardising the Use of Drug Names in Drug Advertisements*.

To ensure the accuracy of marketing content, we require business development personnel to strictly follow the instructions and the platform content, ensuring that customers receive accurate and reliable information on pharmaceutical products. For specific pharmaceutical products, we ensure that business development personnel understand accurately and completely pharmaceutical product information and promote responsible marketing practices through methods such as creating pharmaceutical product promotional brochures, training videos, and quizzes.

Furthermore, we are committed to providing more reasonable and intuitive pharmaceutical product information. Externally, we leverage online channels like the YSB APP to provide downstream customers with accurate pharmaceutical product information. Internally, we use tools such as "YSB Video Courses" to train national business development personnel and enhance the team's understanding of pharmaceutical product information. We also provide promotional materials and other support for business development personnel to accurately and comprehensively convey product information to downstream pharmacies.

Through comprehensive and responsible information transmission, we are committed to presenting a better medication experience to consumers through downstream pharmacies, facilitating the healthy development of the pharmaceutical market.

Technology Empowerment and Innovation Leadership

With the rapid development of technology, YSB is driven by innovation and actively embraces technology empowerment. We seek to promote the progress of the industry through technological innovation and contribute to the construction of a smarter and more efficient outside-of-hospital pharmaceutical circulation system.

首届院外市场
数智化共赢大会

中国·广州

• Key issues

Innovation-driven development of industrial chain
Information security and privacy protection
Intellectual property protection

• This chapter responds to SDGs



首届院外市场
数智化共赢大会

中国·广州

筑路院外市场 2023
擎动高质增长

EVOLVE OUTSIDE HOSPITAL MARKET, DRIVE HIGH-QUALITY GROWTH

药师帮暨乐药集团首届
院外市场数智化共赢大会

药师帮 乐药集团

2023.12
中国·广州
主办方：药师帮 乐药集团

外市场 擎动高

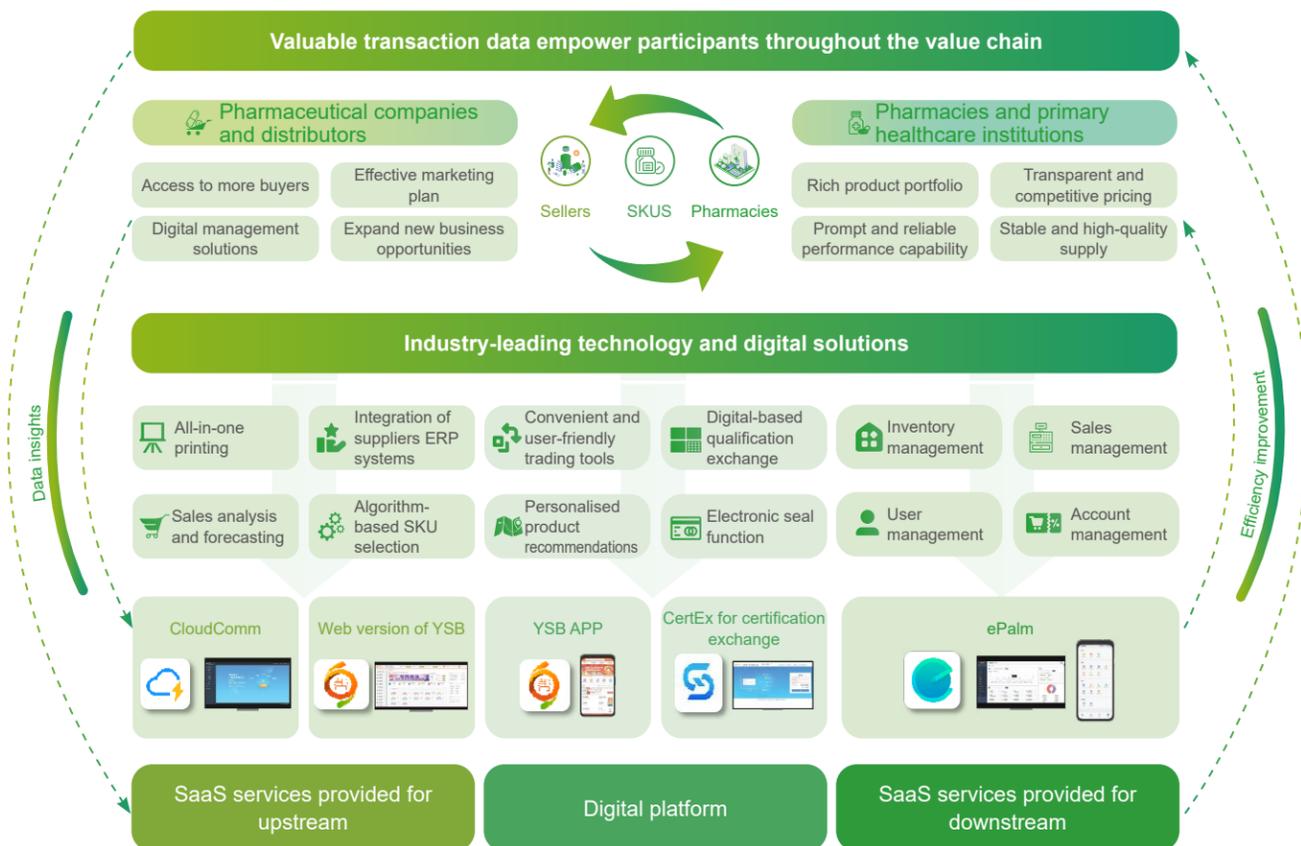
Innovation empowering pharmaceutical and healthcare ecosystem

Technological exploration and innovation

YSB believes technology will emerge as a vital catalyst for driving industry transformation in the era marked by burgeoning advancements in technological exploration and innovation. Upholding the concept of "Technology for Good", we proactively drive the innovation of the industry model, change the traditional way of medicine circulation through digital technology, and constantly explore intelligent ways to solve the problems faced by traditional pharmacies.

Digital solutions

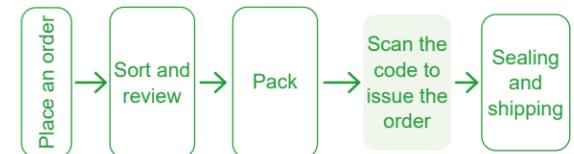
YSB is committed to developing efficient and convenient digital solutions to rejuvenate the medicine circulation industrial chain. For upstream suppliers and manufacturers, the online platform strongly facilitates their high-efficiency operations by providing innovative online marketing strategies and all-around operation support and continuously developing digital tools. For downstream pharmacies and primary healthcare institutions, we actively aggregate the long-tail demands of the market. Through our self-developed SaaS system, we assist customers in achieving efficient operational management, thereby driving large-scale transactions in the outside-of-hospital medicine market, fostering a new trading model, and accurately matching and efficiently satisfying market demands. The YSB Platform allows all links in the medicine circulation industrial chain to enjoy the convenience and efficiency of digitalisation, thus jointly advancing the industry's sustainable development.



Upstream seller oriented: CloudComm

We have launched the InstaPrint in CloudComm, providing all-in-one printing service for merchants, realising the all-in-one printing generation and printing of express sheets, VAT invoices, purchase and sale contracts, pharmaceutical product test reports and accompanying documents and seals. Compared with the traditional way of document printing, InstaPrint enables upstream sellers to achieve all-in-one printing through the barcode scanner or manual operation, that is, sending immediately after scanning, accurately matching documents, and greatly improving efficiency.

Shipment Process of "InstaPrint"



Automatically all-in-one printing mode

Scan the QR code of the package with a barcode scanner, the system will automatically identify it, and directly print the required documents for the package. This process is immediate and error-free, ensuring accurate shipment.

Manual all-in-one printing mode

Select the document and click "All-in-one Printing", and the corresponding order document will be automatically printed (printing content can be configured according to actual needs).



Downstream buyer oriented: ePalm

YSB's SaaS solution, "ePalm", helps pharmacies with streamlined inventory management which greatly improves downstream pharmacies' ability to update and manage inventory as well as the efficiency of the entire pharmaceutical circulation process. The solution enables automated pharmaceutical product warehousing, which only requires users to fill out and confirm relevant information, eliminating tedious manual operation and greatly improving work efficiency. "ePalm" also features intelligent near-expiry and dynamic sales alert functions, monitoring inventory status in real-time and providing precise inventory management recommendations for pharmacies. In addition to simplifying inventory management, ePalm is also connected to the social security system, providing pharmacies with more convenient and comprehensive services and driving the digitisation process of the entire pharmaceutical circulation industry. By the end of 2023, "ePalm" was connected to social security departments in more than 150 cities.



Highlights

150

By the end of 2023, "ePalm" was connected to social security departments in more than 150 cities.



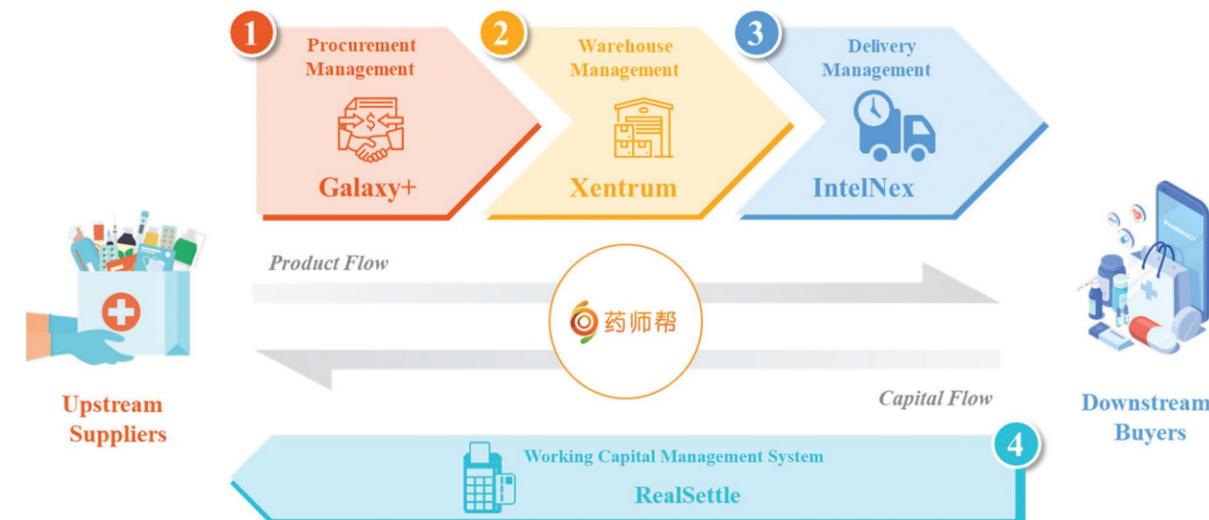
Primary Healthcare Institutions: Cloud Consultation

Cloud Consultation is a primary healthcare institutions management system launched by YSB that is committed to helping primary healthcare institutions improve the efficiency of inquiry and prescription and better manage patients' medical records and prescriptions. This system conforms to the requirements of national electronic information supervision. Relying on the tracking and analysis of a large number of medical data, Cloud Consultation 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.



Smart supply chain management

We combine advanced technologies with supply chain optimisation techniques to integrate the front and back ends of the supply chain and optimise inventory management. Through our self-developed systems such as Galaxy+, Xentrum, IntelNex, etc., we have solved the problems in splitting, picking and packing for small and medium-sized orders, and realised on-demand stocking and timely delivery.



Innovative business modes

CloudDiagnos

CloudDiagnos provides a quick regional diagnosis service for primary healthcare institutions, combined with digital means to provide a more convenient operational solution.

CloudDiagnos Enabling Primary Diagnosis to Improve Efficiency and Quality

- Specimen circulation digitisation** - After the doctor places an order, CloudDiagnos will push the instructions on using test tubes. In the process of collecting bids, logistics personnel use self-developed intelligent identification technology to ensure that the collection, preservation and transportation of specimens are in line with the regulations.
- Digitalisation of package collecting route** - As the primary healthcare institutions are scattered, the logistics team of CloudDiagnos improves transportation efficiency through intelligent route planning by making good use of the digital platform.
- Digitalisation of report viewing** - After the laboratory has completed the test and the report has been reviewed and released, doctors can immediately view the report on their mobile phones at anytime and anywhere.

CloudDiagnos has built a LIMS system for laboratories, which implements the online and data-based operation of the whole process of sample detection, quality management, report review and abnormal orders management:

- Standardisation of process management** - From order placement to report issuance, clear standards are set for each step to realise data monitoring and provide customers with a consistent and efficient report service experience.
- Digitalisation of traceability performance** - A complete quality traceability system is developed for the whole process, from supply chain and laboratory testing to customer delivery through digital underlying technology. With the help of monitoring dashboard, problems can be quickly located and resolved online, ensuring efficient and transparent performance delivery.
- Online inventory monitoring** - The inventory status of each laboratory can be dynamically monitored in real-time, reagent scrap can be reduced, and remote inventory counting can be supported. By accurately calculating the monthly reagent consumption, it is helpful to disassemble the laboratory cost model more accurately and optimise cost control.

wePharmacy

Our self-developed wePharmacy is one of the first 24-hour access smart unmanned pharmaceutical booths that connects real time pharmacist services in the outside-of-hospital pharmaceutical market. Pharmacies procurement our wePharmacy booths can decide on what products to offer their downstream customers, including prescription pharmaceutical products, OTC pharmaceutical products and others. wePharmacy provides 24-hour undisturbed services, and no pharmacist or employee is required to be present. This has significantly improved the efficiency of pharmacy services and enhanced the experience of downstream customers, especially those with urgent needs.

Technology boosts industrial development

Pharmaceutical e-commerce enlightenment

In the era of rapid Internet development, traditional offline pharmaceutical suppliers urgently need to transform to adapt to the fast-changing market environment. To this end, YSB has actively participated in a series of e-commerce enlightenment activities, aiming to support merchants in business expansion and competitiveness enhancement.

We facilitate a smooth transition for merchants from traditional offline operations to online Internet-based operations by providing diverse training sessions, abundant resources, and professional expertise. The training covers links such as operation strategy, logistics and distribution, order optimisation, and warehousing management. By leveraging professional tools and resources, we provide free teaching services for business operators to master e-commerce business skills.

To further support merchants, we regularly meet with them to discuss new trends and strategies in the e-commerce field and share experiences from Self-operation Businesses or successful cases from third-party merchants. We provide merchants with directions for reference and improvement, assisting them in achieving cost reduction and efficiency enhancement in operational strategies, logistics improvement, order optimisation, warehousing management, and other aspects.

In addition, we also provide professional business consulting and guidance services for new partners, including market analysis and strategic planning, and follow-up on their needs and developments to ensure their business continues to grow steadily.

YSB Yunnan Business Open Day

In November 2023, the YSB Yunnan Business Open Day was successfully held in Kunming. The purpose of this meeting is to synchronise the new direction, new market, new rules and new change points of the outside-of-hospital pharmaceutical product market, improve business operation skills, create development paths and activate the regional business atmosphere. The benchmarking projects "Quick Medicine" and "Quick Purchase" were invited to share their experiences, with more than 40 registered businesses and more than 90 people present.



Participants of Yunnan Business Open Day

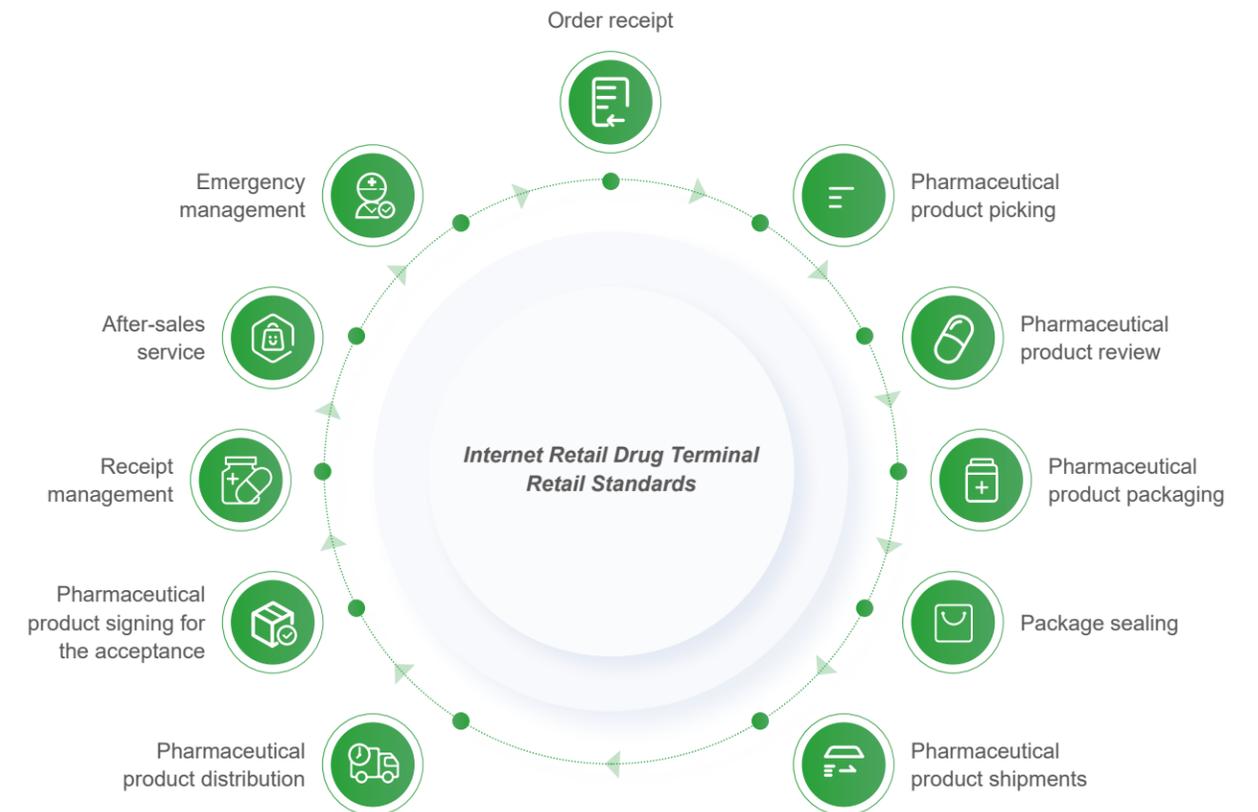
Data Brokers

On December 8, 2023, the 2nd Digital Government Construction Summit and Digital Bay Area Development Forum opened in Haizhu District, Guangzhou. The Summit was hosted by the Guangdong Provincial Government in conjunction with the governments of Hong Kong and Macao Special Administrative Regions, with the theme of "Innovation-Driven Digital Bay Area Construction and Data Enabling High-Quality Development". At the summit, YSB was licensed as "Data Brokers in Guangdong Province in 2023". Data brokers refer to enterprises recognised by the Provincial Government Service Data Authority to promote the fusion and circulation of industry data and public data through the integration and utilisation of relevant data by leveraging the industry's integration capabilities. We will continue to polish our digital capabilities to better meet the growing demand for digital outside-of-hospital pharmaceutical market and boost the prosperity and innovation of the digital economy in the outside-of-hospital medicine market.



Compilation of industry standards

As an online platform for outside-of-hospital pharmaceutical circulation, YSB has always been committed to promoting the formulation and improvement of Internet retail pharmaceutical industry standards. This year, YSB actively participated in the preparation of pharmaceutical industry standards. In collaboration with 14 industry partners, such as the Guangdong Food and Drug Technology Association for Evaluation and Certification and ALiHealth and Dashenlin, we drafted the "Internet Retail Drug Terminal Retail Standards" to stipulate 11 retail standards in the process of terminal retail.



Data security and privacy protection

As a platform linking pharmaceutical manufacturers, merchants and downstream customers, YSB adheres to the core principles of "fitness, compliance, and confidentiality" for information management and attaches great importance to information security and privacy protection. We have established a sound security management architecture and policy to constantly improve security technology to protect information security and user privacy. We conduct regular data security assessments, strengthen user privacy protection measures, develop an information security contingency plan, and build a safe and reliable data platform on all fronts.

Management system

YSB strictly abides by relevant laws and regulations such as the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, the *Measures for the Administration of Internet Information Services*, the *Regulations on Technical Measures for Internet Security Protection*, and the *Regulations on the Administration of Mobile Internet Application Information Services*. We have formulated policies applicable to the whole company, including but not limited to the *Network and Data Security Management Policy*, the *Privacy Impact Assessment Guidelines*, the *Supplier Data Protection Management Guidelines*, and the *Information Security Operation Specification*, and defined the internal information security technology and measures.



Six Principles of Information Processing

1. Legality, legitimacy and good faith.
2. Clear purpose.
3. Least necessity.
4. Openness and transparency.
5. Data quality.
6. Security and confidentiality.

Safeguard measures

YSB has set up a complete information security management architecture, with Chief Technology Officer as the person in charge of network security, and responsible for organising the formulation of network and data security protection plans, supervising their implementation, and formulating, issuing, implementing and regularly updating data and network security protection policies and related programmes. In addition, we also require the principal responsible person for data and network security in each department to promote the management of internal data and network security in accordance with the above policies.

YSB upholds the principle of "legality, legitimacy, and integrity" in user data processing and strictly protects users' right to know and decide. When using YSB APP, users will be reminded to carefully read and confirm the *YSB Privacy Policy*, which specifies the relevant rules for the collection, use, external provision and protection of personal information by YSB APP, and discloses in detail the scope, purpose, use and processing of personal data collected from third-party suppliers and partners. Users can exercise the right to inquire, delete and correct personal information by following the guidelines in the *YSB Privacy Policy*.

YSB adopts multiple data security and privacy protection measures, such as data desensitisation, approval flow management, and permission setting. We desensitise the daily user operation log data to prevent malicious attacks from obtaining user privacy. We desensitise or hide the commercial information of manufacturers and downstream pharmacies to protect the commercial information security of upstream manufacturers and restrict manufacturers from obtaining sensitive data of downstream pharmacies.

Meanwhile, we carry out approval flow management, sign user agreements with manufacturers to clarify the available data fields, extraction methods and effective time, and ensure that the principle of legality and least necessity is followed while cooperating with upstream manufacturers.

In addition, the Company implements minimum permission management for internal personnel. We improve data security through two-factor verification for O&M VPN to ensure that only authorised personnel can access sensitive data. In terms of office networks, we require employees to log in with personal accounts and ensure that the complexity of passwords meets the Company's requirements. In addition, office computers must be installed with security software to prevent malicious intrusion. To control the use of computers, we use professional control software to restrict employees to installing only the software in the white list to ensure the security of computer systems.

We constantly strive for excellence in data security and privacy protection, create a safe and stable data security environment, and fully protect user privacy security.

Highlights

We have completed the grading and filing of our main business information systems under China's network security classification protection system, including the CertEx for certification exchange and the PC procurement policy of YSB.



Data management and control

We actively adopted risk management and control measures for data security and privacy protection, continuously maintained and improved data security in terms of operational restrictions, daily monitoring, third-party detection, and employee awareness enhancement, and deployed digital prevention and control tools such as database audit tools, striving to minimise the probability of information security incidents such as data leakage.

In the information system, we display desensitised user information in the form of a list, and detailed information is available only by clicking on the details to prevent user information leakage in batches. All operation records are traced, and investigations will be launched into any abnormal records.

We use the built-in open-source database audit tool to record the database activities on the network in real time, ensuring compliance management through fine-grained auditing of database operations. We provide alerts for risky behaviours experienced by the database and actively block attack behaviours. By recording, analysing and reporting the user's access to the database, the tool generates a compliance report to trace the source of the accident while strengthening the recording of internal and external database network behaviours to improve the security of data assets. Based on user behaviour analysis, we carry out anti-crawling detection to detect and block data leakage caused by network crawlers in time.



We invite third-party security service companies to conduct security detection and penetration testing. Every year, we conduct four security tests and privacy compliance tests on the YSB APP and optimise the APP according to the test results. Every time before releasing a new version of the YSB APP, we evaluate and check the functions related to privacy protection.

To prevent information leakage caused by employees, we sign the *Confidentiality Provisions* with them and formulate the *Confidentiality Grading Management Protocol* and the *YSB Employee Handbook* to restrict their data operation behaviour. Employees who breach information security regulations will be held accountable by the Human Resources Department.

We require all employees and outsourcing employees to regularly participate in data security and privacy protection training and regularly conduct specialised training on data security management for relevant personnel to continuously improve their management quality and capability.

Highlights

In 2023, we invited third-party security service companies to provide online information security training courses for all employees at Online Marketplace Headquarters, covering user information data encryption and data security specifications for outsourcing employees.

YSB has established data security risk emergency mechanisms such as the *Contingency Plan for Network and Personal Information Security Incidents* and the *Contingency Plan for Overall Disaster of Business Policy* to assess key risks, formulate disaster response plans, and conduct regular emergency drills.

Highlights

0
During the Reporting Period, there was 0 information security incidents or customer privacy leakage.

Intellectual property protection

We attach great importance to protecting our and others' intellectual property rights, exploring innovative technologies and products, carrying out patent applications and maintenance, and preventing the risk of infringement. We strictly abide by the relevant laws and regulations, such as the *Patent Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China*. We have formulated the *Intellectual Property Management Policy for YSB* and developed an intellectual property management system.

We use a two-factor authentication mechanism for the code base to restrict access to core code, effectively protect the Company's intellectual property rights, and prevent disclosure and abuse. We have launched a specialised intellectual property management platform under the YSB Platform and set up a convenient complaint channel where users can report infringement problems to the platform in the first instance. The platform is equipped with dedicated personnel and a hotline for handling complaint incidents, ensuring 100% closure of cases to effectively prevent the listing of infringing products and safeguard the intellectual property rights of others.

Highlights

By the end of 2023, the Company has accumulated



17

Patents granted



39

Copyright



8

Domain

Intellectual Property Protection Training in 2023

In order to further strengthen cooperation and innovation, solve the problems faced in compliance management and trade secret protection, and enhance employees' awareness in the field of intellectual property rights, YSB provided training for employees jointly with external regulators this year.

In September 2023, we invited the City and District of Guangzhou's Market Supervision and Administration to provide offline lectures for employees on copyrights, trademarks, patents, trade secrets, white-collar crimes, *Anti-Unfair Competition Law* and *Anti-Monopoly Law* in conjunction with the Guangzhou Intellectual Property Protection Centre. Experts gave real time explanations and case analyses and answered questions on the spot.

In addition, YSB has promoted four internal discussions and training on intellectual property rights to further deepen employees' understanding of intellectual property protection in their daily work.



“Dual Carbon” Goal Leads Green Development

YSB consistently prioritizes environmental protection within our corporate strategy of sustainable development. We hold firm in our belief that by implementing scientifically driven environmental protection measures and adopting systematic environmental management practices, we can significantly mitigate the impact of our production and operations on the environment. This approach not only enhances our resource utilization efficiency but also fosters the green development of society as a whole.

• Key issues

Waste management

Improvement of the efficiency of resource utilisation

Greenhouse gas emissions management

Response to climate change

Carbon footprint of products

• This chapter responds to SDGs



Improvement of the efficiency of resource utilisation

Energy management

YSB has always adhered to the concept of sustainable development and aims to improve energy efficiency and reduce energy consumption, striving to create a highly efficient and energy-saving working environment and economic and environmental benefits. We strictly comply with laws and regulations including the *Law of the People's Republic of China on Energy Conservation* and the *Circular Economy Promotion Law of the People's Republic of China* and have gradually established an energy management system.

We regularly assess operational energy consumption and implement lean management of lighting, air conditioning and other power-consuming equipment in office and storage areas.

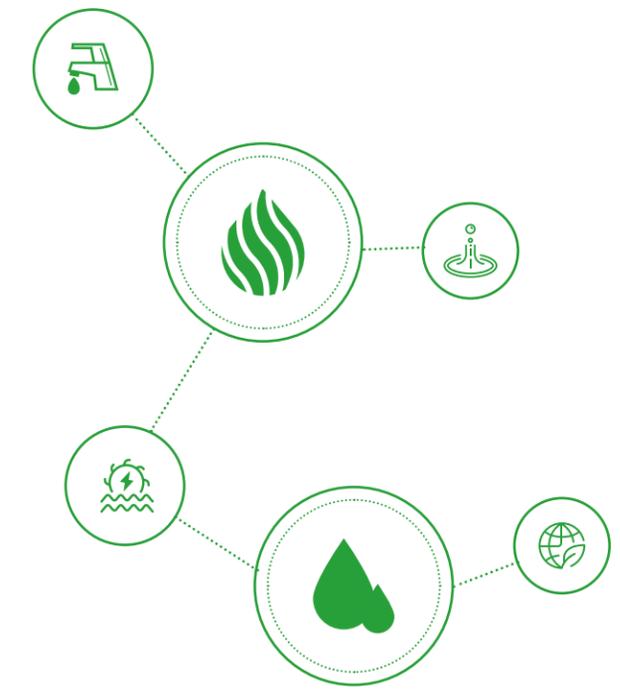
Lighting

- Replace all lights with LED energy-saving lights to reduce lighting energy consumption.
- Post "energy-saving tips" in public areas such as offices and require employees to turn off computers, monitors, lights and air conditioners after work.
- Implement a timed light-off system that automatically turns off the lights when no one is at work at night. Arrange a specialised person for patrol inspection to ensure the lights are turned off in unnecessary areas.
- For warehouse energy management, some warehouses have introduced an inductive lighting system to save energy.

Air conditioners

- Set the air conditioners to be turned off regularly in summer, and remind employees to turn off the air conditioner when they leave.
- Regularly clean and maintain the air conditioners and air conditioning pipes to improve their operation mechanism and service life and to reduce power consumption and waste generation.
- Ensure that pharmaceutical product warehouses maintain constant temperature conditions and achieve energy savings through automatic temperature control systems.

We prioritize the procurement of energy-efficient and environmentally friendly products as part of our efforts to minimize energy consumption and environmental impact. Moreover, we have intensified daily inspections of our office spaces to ensure timely shutdown of lighting, air conditioners, and other equipment in unused conference rooms, offices, and public areas, thus preventing unnecessary energy wastage. To foster a culture of energy conservation among our employees, we provide verbal reminders and encouragement at the end of each workday, urging them to switch off air conditioners in time before leaving to minimize inefficient energy usage.



Water resources management

Water resources used by YSB mainly include domestic water in the office and warehouse areas. Water is mainly supplied by the municipal water system, and there is no issue in sourcing water. We promote water conservation and regularly check our water consumption indicators, with the management objective of reducing the density of water consumption.

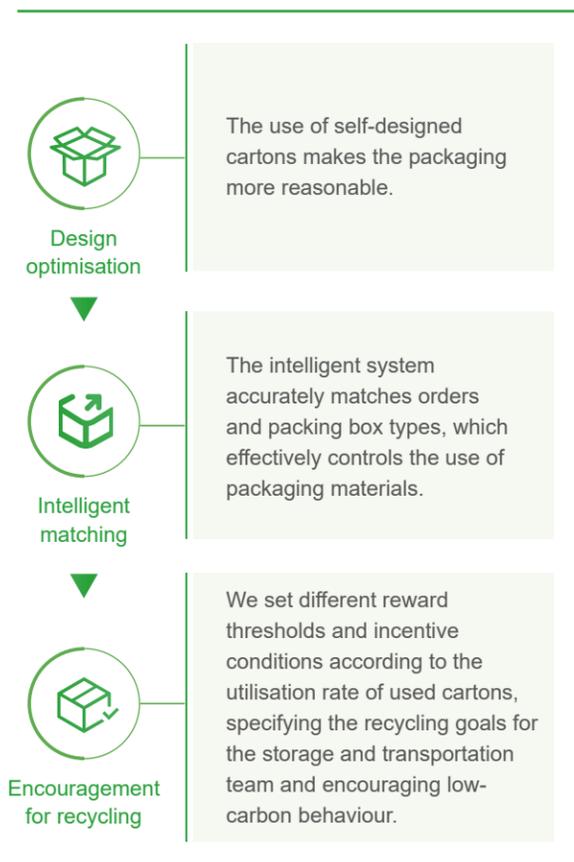
We vigorously advocate water conservation in our daily operations. To ensure the rational use of water resources, we have set up water-saving tips and slogans in the office to raise employees' awareness of water conservation. In addition, we regularly check the water consumption of each office to identify and solve the problem of water waste in time, ensuring the rational allocation and utilisation of water resources.

Packaging materials management

The packaging materials used in YSB's operation mainly include plastic and paper for express packaging. We are committed to reducing the impact of YSB's operation on the environment by enhancing the management of packaging materials and improving their utilisation rate. We have formulated internal packaging material management policies such as the *Rules for the Management of Consumables in the Warehouse of Leyo Pharm Group* and the *Guidelines of Leyo Pharm Group for Rewards for Used Cartons* to maximise the use efficiency of consumables and reduce unnecessary waste.

In the warehousing process, the Logistics Centre of Leyo Pharm is responsible for overseeing the overall resource management of the Company, and warehouse managers of subsidiaries are responsible for specific work. We assign specialised personnel to manage and weekly monitor the use of packaging materials to ensure the effective implementation of the Rules for the *Management of Consumables in the Warehouse of Leyo Pharm Group* and improve the recycling rate of consumables.

Lean Management of Warehouse Packaging Materials



Highlights

During the Reporting Period



2.428 million

The number of used cartons



8.69%

The recycling rate of second-hand packaging materials was

Packaging material management goal

Annual Progress

The growth rate of packaging material usage is lower than the growth rate of business.

Through lean management of warehouse packaging materials, the growth rate of packaging material usage was lower than the growth rate of business in 2023. **Achieved**

We will continue to encourage our upstream suppliers to innovate in their processes and actively cooperate with third-party logistics companies to explore better packaging design and improve the utilisation efficiency of packaging materials.

Key Indicators of Packaging Materials

Indicator	Unit	2023
Plastic packaging	Ton	295.11
Paper packaging	Ton	3,171.17
Packaging density	Ton/business income (RMB10,000)	0.002

Contribution to a "Dual Carbon" future

Green operations

To actively respond to the national call for green environmental protection, YSB makes good use of technological innovation to realise online and paperless operations of key business processes, promoting the development of a green and low-carbon digital economy. The Company's ESG Working Group is responsible for promoting the development of greenhouse gas emission targets, and the ESG Committee continuously monitors and reviews the performance of greenhouse gas emission management. At the same time, we will actively work on reducing carbon emissions in accordance with the China's goal of achieving carbon dioxide peaking by 2030 and carbon neutrality by 2060, and will disclose the performance of greenhouse gas emission targets in our annual ESG report.

In the traditional pharmaceutical circulation industry, first business qualifications are typically verified through paper documents and logistics. Nevertheless, leveraging CertEx for certification exchange enables the entire business initiation and renewal process to be conducted online, thus significantly enhancing efficiency. Meanwhile, using electronic contracts has significantly reduced the consumption of paper, thereby effectively lowering the carbon emissions generated during printing and mailing processes, contributing positively to the cause of green environmental protection.

Highlights

Taking the electronic pharmaceutical product test reports provided in our Self-operation Business through the CertEx for certification exchange as an example,



100 million

In 2023, more than 100 million electronic pharmaceutical product test reports were provided



↓ 553 tons

This saved roughly 553 tons of A4 paper



↓ 1,934 tons

Reduced 1,934 tons of carbon emissions



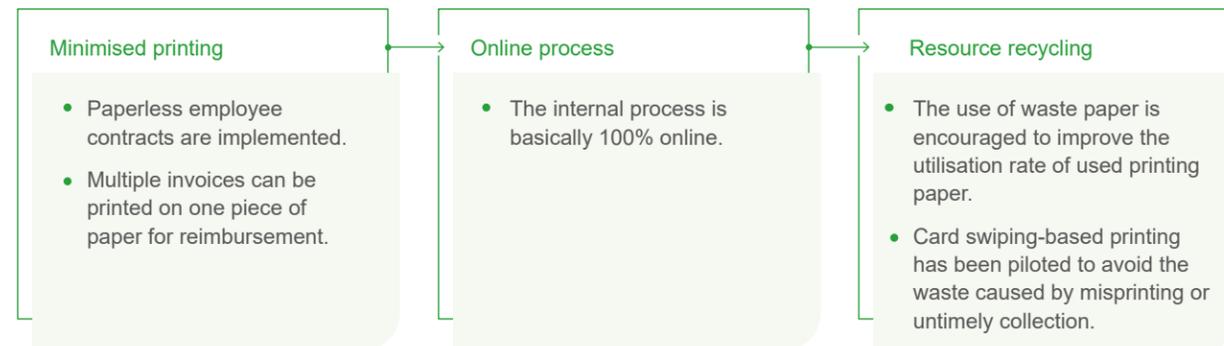
19,341 trees

Equivalent to planting 19,341 trees

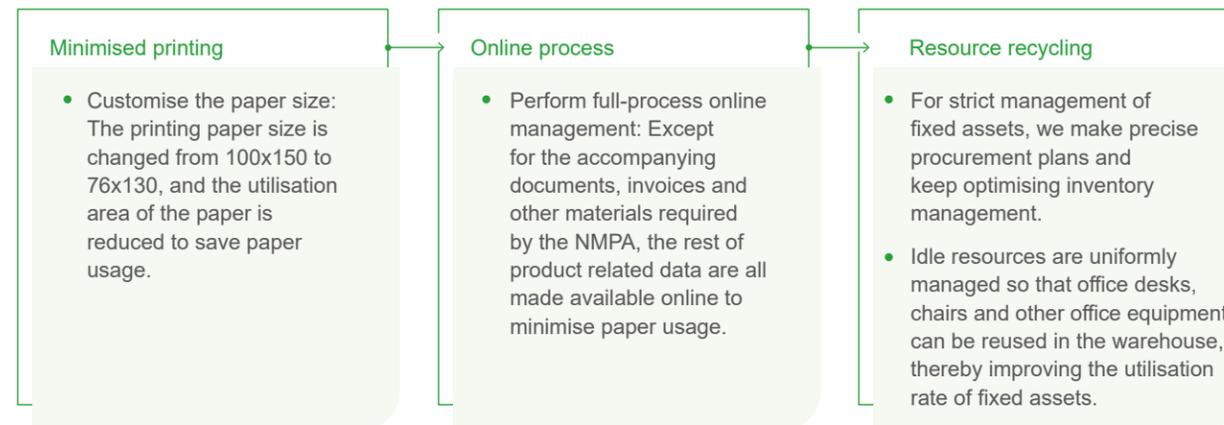
Green office

YSB is committed to reducing carbon emissions from its operating and office activities, implementing the green office concept, and promoting sustainable development. To this end, we have developed the *6S Management Policy of Leyo Pharm* to guide the green operation of Leyo offices and warehouses. We have taken green office measures based on minimised printing, online process and resource recycling to constantly enhance employees' awareness of green office and strive to create a green and efficient working environment.

► Office Scenario



► Warehousing Scenario



YSB provides employees with refrigerators and microwaves and encourages them to carry their lunches. Nearly one-third of the colleagues carry lunches in Leyo Headquarters' office, effectively reducing kitchen waste generation. In addition, we also encourage employees to travel low-carbon and eat in the dining hall. We organise regular environmental training to raise employees' awareness of environmental protection, enabling them to develop green practices and become a green office practitioner.

Waste management

YSB strictly abides by laws and regulations related to pollutant prevention and control, such as *the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste* and the *Measures for the Management of Hazardous Waste Transfer* and continuously improves its management system.

YSB's business operation does not involve waste gas. The main wastes include office and operation wastewater (medical wastewater) and solid waste, including hazardous waste (lamp tubes, toner cartridges and used pharmaceutical products) and non-hazardous waste (printing receipts, office paper and waste packaging materials). Packaging waste is the main source of waste. Please refer to section "Packaging material management" for specific management measures.

► Medical waste management

We adhere strictly to management standards such as the *Pollution Control Standards for Medical Waste Treatment and Disposal*, as well as the *Pretreatment Standards for National Sewage Discharge Standards for Medical Institutions*. Internally, we have established policies such as the *Drug Safety Management Policy* and the *Early Warning Management Policy for Products in the Near Effective Period*. Furthermore, in alignment with *Leyo Pharm Group's Unified Management Policy*, as well as the *Good Supply Practice for Drugs* and the *Measures for the Supervision and Administration of Drug Network Sales*, we have developed the *Drug Management Policy for Non-qualified Areas*. This policy ensures standardized management of pharmaceutical products that do not meet qualification criteria, encompassing various processes such as warehousing acceptance, circulation, maintenance, review prior to distribution, procurement, withdrawal, post-sale return, recall, and recovery.

We undertake comprehensive waste management for pharmaceutical products generated within our operations, including classification, collection, storage, transportation, and safe disposal. Waste pharmaceutical products are categorized based on their properties, centrally collected, and subsequently transferred to accredited third-party companies for safe and environmentally friendly treatment. Additionally, we have dedicated sewage treatment facilities for medical wastewater generated during our operations. This wastewater undergoes multiple treatment stages, including pretreatment, biological treatment, physicochemical treatment, and advanced treatment, ensuring compliance with national emission standards and mitigating potential environmental and health risks associated with medical waste.

Waste Management of Guangzhou Yuewei Laboratory

ClouDiagnos has prepared relevant SOP documents for the waste management of the Yuewei Laboratory. For laboratory wastes, the classification of medical wastes, waste treatment, and the forms to be filled in for treatment are specified in the *Operating Procedures for Disposal and Disinfection of Conventional Laboratory Wastes*.

In practice, all medical waste is stored in designated medical waste bags. Medical waste is cleaned once per shift, and after cleaning, the bags are sealed and placed in the disinfection room. Medical waste from the disinfection room is temporarily stored in the medical waste temporary storage room after disinfection and periodically handed over to qualified third-party reception units, and records of the handover are maintained.

► Office waste management

To protect the environment and efficiently use resources, YSB has formulated a series of waste management strategies to reduce the impacts of office waste on the environment and achieve sustainable development.

With respect to non-hazardous waste, we prioritise reuse and recycling. Through internal resale and donation to charity, we effectively extend the useful life of idle fixed assets, thus maximising the use of resources. For waste paper and printed receipts, we promote paperless offices and encourage double-sided printing and recycling to reduce waste generation.

In addition, we ensure the proper disposal of hazardous waste. We prioritise procuring energy-saving and environmentally friendly fluorine-free batteries, prohibiting the purchase of fluorine-containing batteries, thereby reducing soil pollution from the source of use. We purchase rechargeable batteries for public equipment, such as conference room microphones and air conditioner remote controllers, and plan to gradually extend them to the daily use of employees. For disposable batteries used by employees, a "waste battery recycling bin" is set up at the front desk of each office so that the disposable batteries can be recycled to the hazardous waste department of the park property for centralised treatment at the end of each month. The waste toner cartridges produced by printers are recycled by the service company for harmless treatment.

Response to climate change

We actively explore the opportunities and address the challenges that climate change may bring to enterprises, respond to China's commitment to carbon neutrality by 2060, integrate climate change measures into business and office scenarios, and seek a business model to cope with climate change risks. In 2023, we disclosed the Company's climate change-related governance, strategy, risk management, and metrics and targets in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework and latest recommendations.

We actively identify and assess the possible impact of climate change-related risks in our business and develop appropriate strategies.

► Risk Identification and Management

Early warning inspection and preventive measures

We pay attention to the weather dynamics in real time and will take preventive measures such as door and window inspection and sandbag preparation in advance when receiving extreme weather warnings. Additionally, we pay special attention to potential risk points such as sewers to ensure the stability and safety of facilities.

Safety tips and flexible office policy

In extreme weather, we will remind employees to pay attention to safety when commuting, including avoiding going out or taking necessary protective measures. To further ensure employees' safety, we encourage them to apply for home office when they encounter extreme weather to reduce safety risks.

Extreme weather contingency plan

We have developed a contingency plan for office and warehouse operations in extreme weather and regularly conduct emergency drills to familiarise employees with emergency procedures and escape routes and enhance their emergency response capabilities.

Ensure the safety of employees

As Chengdu is in an earthquake-prone area, Chengdu Warehouse organises regular earthquake escape drills for employees. In 2023, when an earthquake suddenly occurred, the employees at the Chengdu Warehouse immediately stopped their work. They evacuated swiftly and in an orderly fashion to safety gathering points following pre-set routes. During the earthquake, Chengdu Warehouse successfully guided employees to take timely actions and orderly escape, ensuring the safety of personnel and avoiding casualties. This reflects that Chengdu Warehouse attaches great importance to the safety of employees while demonstrating our preparedness and ability to cope with extreme weather and natural disasters.

► Indicators and goals

ESG Indicators	Unit	2023
Total Greenhouse gas emissions (Scope 1 and Scope 2)	tCO ₂ e	10,917.89
Direct Greenhouse gas emissions (Scope 1)*	tCO ₂ e	127.79
Indirect Greenhouse gas emissions (Scope 2)*	tCO ₂ e	10,790.11
Greenhouse gas emission intensity (Scope 1 and Scope 2)	tCO ₂ e/business income (RMB10,000)	0.006

* See Notes 2 and 3 of the ESG KPI Disclosure for the scope of direct and indirect GHG emissions.

In the future, based on the *Guidance on Climate Disclosure* of the HKEX, we will improve the scenario analysis of climate risks, identify the climate risks and potential opportunities faced by the Company under different scenarios, improve climate resilience and seize climate opportunities.

Partnership Responsibility and Common Development

We hope to establish a close partnership, share social responsibility and achieve joint development. Together with our suppliers, we pay attention to the quality of pharmaceutical products, ensure the stability of the supply chain, and constantly explore the development opportunities of the industry to achieve an open and win-win situation. We focus on the growth of employees, develop a simple corporate culture of mutual trust, and strive for mutual achievement with employees. We are committed to engaging in social welfare, taking on social responsibilities, and promoting the accessibility of healthcare at the societal level.

• Key issues

Supply chain management
Occupational health and safety
Talent cultivation and career development
Employee rights and benefits
Diversity, equity and inclusion
Social responsibility and public welfare

• This chapter responds to SDGs



Supply chain management

YSB adheres to a "quality first, legal operation, standardised management and continuous improvement" management philosophy and is committed to strengthening cooperation with suppliers, minimising intermediate processes and improving supply chain efficiency. To ensure the compliance of suppliers management, the Company strictly abides by relevant laws and regulations, such as the *Company Law of the People's Republic of China*, the *Law of the People's Republic of China on Bid Invitation and Bidding*, the *Drug Administration Law*, the *Good Supply Practice*, and the *Provisions for Supervision and Administration of Online Drug Sales*. It has also formulated a range of internal policies for suppliers management, such as the *Procurement Management Policy*, the *Supplier Admission Requirements*, the *Initial Operation Enterprise Management Policy*, the *Initial Operation Enterprise Audit Management Policy*, the *Blacklist Requirements for Supplier Quality, Finance and Law*, and the *Supplier Salesman Qualification Audit Management Policy*.

Suppliers management system

YSB has adopted a supplier management system that allows two-way management. Leyo Pharm Group's subsidiary has set up a quality management department, which receives unified technical guidance from its counterpart at the headquarters. The quality management department of the subsidiary is responsible for implementing the subsidiary's internal quality management system, including formulating and implementing relevant quality management policies, supervising supplier quality, controlling pharmaceutical product quality, and handling quality-related complaints. Furthermore, the Quality Management Department at Leyo Pharm's headquarters supervises the implementation of quality management in each subsidiary to ensure that each subsidiary operates strictly in accordance with the requirements of the quality management system.

To ensure pharmaceutical product quality and supply chain stability, the Company has formulated the *Quality Review Management Policy for Drug Procurement*, which clarifies the responsibilities of each department. In the process of supplier management, all departments formulate an elimination mechanism to ensure the timely elimination of unqualified suppliers and pharmaceutical products.

Supply chain management objectives

- Signing a quality agreement is required for purchasing
- All products and suppliers must undergo thorough review to ensure 100% compliance and validity before purchase
- Bills of lading for all received products must be checked, and all products entering inventory must pass the acceptance inspection
- Inspection reports must be provided for all products entering inventory

Department	Responsibilities
Procurement Department Operation Department	Jointly formulating the elimination mechanism for unqualified suppliers and pharmaceutical products to ensure timely identification and removal of unqualified suppliers.
Finance Department	Establishing a risk monitoring and elimination mechanism for the accuracy, timeliness and advance payment of supplier invoices in the department to prevent financial risks.
Storage and Transportation Department	Formulating an internal elimination mechanism of the department for the delivery and services of suppliers to ensure high-quality logistics services.
Quality Management Department	Formulating a pharmaceutical product elimination mechanism to strictly control pharmaceutical product quality.

In addition, the Quality Management Department organises all suppliers to conduct comprehensive quality reviews on suppliers and pharmaceutical products they have supplied every year. During the review, all departments participate in the dynamic evaluation of suppliers at risk. The quality management department should include suppliers and pharmaceutical products with a score of under six on the *List of Excluded Products* and the *List of Excluded Suppliers* and organise all departments to conduct an on-site review. If there is any objection, suggestions should be proposed for discussion. The pharmaceutical products and suppliers to be eliminated are jointly determined and subsequently confirmed by signature.

For discontinued pharmaceutical products and suppliers, the Quality Management Department will freeze or stop procuring from them, and procurement personnel are not allowed to purchase from them anymore. Suppliers and pharmaceutical products seeking to resume cooperation must undergo qualification review and the necessary safety assessment. If a supplier is eliminated in the original evaluation due to quality issues, the suppliers shall provide evidence of rectification. If the problem persists, the quality management personnel will reject the suppliers to ensure the security and stability of the supply chain.



Local procurement

YSB is committed to optimising its procurement strategy and focusing on developing the local supply chain. The local procurement model has streamlined transportation routes, improved transportation efficiency, reduced products turnover time and speeded up capital flow. This not only helps to reduce logistics costs and improve the overall efficiency of the supply chain but also better meets the demands of the local market and provides better and more efficient services to downstream customers.

Highlights

By the end of the Reporting Period



10,880

The Group had 10,880 suppliers



55%

The proportion of in-province purchases of Leyo Pharm Group reached 55%

Integrity development of the supply chain

To promote the development of supply chain integrity, the Company has formulated internal management policies such as the *Anti-Corruption Compliance Policy*, the *Management Measures for Integrity Reporting* and the *Guidelines for High-Pressure Line Operation of YSB*. Additionally, a corruption reporting platform, email address, and hotline for reporting have been established.

To comprehensively strengthen the management of anti-corruption and anti-bribery among suppliers, we require all parties engaged in business with the Company to strictly adhere to the requirement of anti-corruption compliance. Meanwhile, we require suppliers and other partners to sign the *integrity clause* at the time of contract signing and to archive it for future reference. We encourage suppliers and other partners to actively participate in the integrity training sessions organised by the Company to ensure strict compliance with anti-corruption policies and honest business practices. Should a supplier violate their commitment, we will revoke their qualifications, terminate the contract, or pursue criminal responsibility according to the law. We regularly conduct business ethics training for suppliers, guiding them to follow the principles of honest business operations and collectively maintain a healthy business environment.

Supplier empowerment

YSB attaches great importance to supplier empowerment to jointly improve the efficiency and quality of the supply chain. In 2023, we realized the efficient operation of our supply chain system with RealSettle system. Compared to traditional prepayment and cash-on-delivery models, the RealSettle system changes to collecting payments according to account periods, which helps to alleviate the financial pressure on suppliers and improve their operational efficiency. Through our Enterprise Resource Planning (ERP) supplier system, manufacturers can track products in real-time. Once customers receive the products, manufacturers can settle the transaction in the system, enabling them to receive payment promptly. This has effectively shortened the upstream capital turnover cycle and enhanced the supply chain's operational efficiency.

MedicineWells Flagship Store

MedicineWells Flagship Store (Fujian Guorui Pharmaceutical Co., Ltd.) joined YSB in June 2018 and became an associate company of YSB in May 2019. At that time, its monthly gross merchandise volume (GMV) was less than RMB3 million. Through joint efforts with the YSB platform, especially the Third-party Merchants Department, it has continuously achieved peak GMV during major promotions and broken through monthly GMV targets, becoming the largest private medical enterprise in Fujian. Taking May 18, 2022, as an example, when the daily GMV during the promotion broke through RMB20 million for the first time, the support services provided by YSB included the following three points:

01

Through the YSB platform's digital operation tools, MedicineWells was assisted in determining inventory directions and plans, achieving detailed breakdown of sales targets, and implementing precise and differentiated resource allocation.

02

YSB opens up online resource advertisement slots to drive high conversion rates through high exposure. YSB's Business Development team collaborates with MedicineWells to establish a provincial/regional BD major promotion docking group, enhancing the efficiency of reaching offline customers.

03

To improve warehouse efficiency, the Third-party Merchants Department collaborated with YSB's technical team to visit MedicineWells on-site multiple times, helping MedicineWells complete comprehensive technical upgrades of its warehouse, continuously improving the warehouse's outbound capacity and assisting Guorui MedicineWells in formulating warehousing delivery plans before the promotion to ensure smooth delivery.

We prioritise product safety and quality training for our suppliers. Through professional training courses, we aim to enhance suppliers' awareness of product quality, ensuring the safety and reliability of the pharmaceuticals we bring to market.

Collaborating with Suppliers to Explore Digital Technology and Create High-quality Growth

Leyo has conducted close collaborations with over 120 brands and fostered deeper partnerships with approximately 500 pharmaceutical companies through Targeted Product Launch Business. More strategic partners are join us in succession. Through the inaugural external supply chain conference themed "Building Roads to Outside-of-hospital Markets, Driving High-Quality Growth", Leyo engaged in face-to-face discussions with over 400 upstream pharmaceutical companies such as Kenvue China, Qilu Pharmaceutical, Pfizer, Bayer, and China Resources Sanjiu, seeking opportunities to deepen cooperation and achieve mutual development. The aim was to seamlessly connect upstream and downstream enterprises using the platform's power, enhance the outside-of-hospital market's operational efficiency, leverage data insights to discover business opportunities, and achieve mutual success.



The First Digital Intelligence and Win-Win Conference on Outside-of-hospital Markets of YSB and Leyo Pharm in 2023

► Stable pharmaceutical product supply - Targeted Product Launch Business

We continue to provide refined and professional services to our pharmaceutical partners who are participating in the Targeted Product Launch Business. With years of experience in operating an Online Marketplace and Self-operation Business, we can identify the sales potential of products with specific characteristics, such as pharmaceutical products with high demand but limited brand visibility, selling well in hospitals but under-promoted in outside-of-hospital pharmacies, or well-promoted in one region but lesser-known in others. YSB collaborates with pharmaceutical companies to promote products tailored to downstream demand, converting potential market opportunities into achievable product sales.

Through a range of digital marketing solutions, the Targeted Product Launch Business helps pharmaceutical companies increase sales while monitoring the life cycle of relevant products, continuously providing market feedback to our pharmaceutical partners to further improve products and develop marketing and promotion strategies based on this information. In 2023, we have cooperated with about 500 pharmaceutical companies to promote their products, covering more than 10 pharmaceutical companies of sales exceeding RMB10 million and 15 products of sales exceeding RMB10 million.



Pharmaceutical Companies Cooperating with YSB in Targeted Product Launch Business



Targeted Product Launch Business Provides One-stop Marketing and Distribution Services

Pharmaceutical manufacturers are directly connected through the Targeted Product Launch Business system without going through the traditional multi-level agency mechanism. This reduces costs and improves efficiency. Targeted Product Launch Business provides pharmaceutical companies with an intuitive online selection and settlement system, enhancing cooperation efficiency. Additionally, leveraging its nationwide distribution network and marketing platform, YSB provides robust support for pharmaceutical product promotion and distribution.

With our extensive big data reserves, YSB has sharp and clear insights into the market. We can accurately grasp key dimensions such as price sensitivity, taste sensitivity, and brand sensitivity, providing an important judgment basis for market strategy. Furthermore, with the high-intensity exposure effect formed by platform traffic, YSB assists pharmaceutical companies in reaching target customers accurately.

With YSB's industrial platform network channels in the external market and ground promotion teams covering various provinces and cities, we provide pharmaceutical companies with three-dimensional and personalised sales services. Targeted Product Launch Business system meets the diversified needs of upstream merchants, helping pharmaceutical companies to win the upper hand in upstream market competition and achieve efficient product promotion and market coverage.

Empower each other for mutual growth

Protecting the legitimate rights and interests of employees

► Compliant employment

YSB always adheres to relevant laws and regulations, such as the *Company Law of the People's Republic of China* and the *Labour Law of the People's Republic of China*, and has continuously improved internal policies, such as the *Human Resources Management Policy* to safeguard the legal rights and interests of employees and applicants in aspects such as recruitment, salary, promotion opportunities and working hours, etc.

We follow international guidelines such as the *United Nations Universal Declaration of Human Rights* and core conventions of the International Labour Organization, firmly opposing all kinds of employment discrimination. In recruitment, onboarding, training, promotion, and rewards, we treat employees fairly and justly regardless of gender, age, ethnicity, region, religious belief, and cultural background. During recruitment, we adhere to the principle of fairness. Candidates undergo multiple rounds of interviews with their direct superiors, department heads, and HR before joining the Company. They also undergo regular comprehensive assessments after joining the Company to ensure the fairness and professionalism of the recruiting process. Furthermore, we have established various talent recruitment channels, including cooperation with recruitment platforms, campus recruitment, and employee referrals, to attract outstanding talent and improve matchmaking between positions and talent.

We strictly prohibit the employment of child labour, forced labour, and labour enslavement and resist any form of violence, intimidation, bullying, and harassment. After candidates pass the interview, with their consent and in compliance with personal privacy and information security, we conduct background checks on candidates to verify the authenticity of their qualifications. To ensure that all aspects of the employment process are in compliance with the law, we encourage relevant staff to report any non-compliance to their designated HRBPs (Human Resources Business Partners) in the departments or supervisors in a timely manner for investigation and action. In the event of any violations, we immediately conduct investigations and take corrective actions as necessary. In 2023, the Company did not experience any incidents related to forced labour, employment of child labour, or employee complaints related to human rights. Furthermore, we strictly comply with laws and regulations regarding working hours, compensation and benefits, and holiday protection, safeguarding employees' basic rights and interests.



► Remuneration

YSB always adheres to the principles of fairness, impartiality, and transparency in compensation, strictly implements relevant national laws, regulations, and management norms, formulates and implements relevant compensation policies, and follows the principle of equal pay for equal work regardless of gender. We promise that employee remuneration will not differ due to factors unrelated to work experience and performance, such as gender, age, or ethnicity.

Under the premise of employees providing normal labour, we provide corresponding compensation based on the *Labour Contract* and *Compensation Confirmation Form* signed by both parties and provide benefits such as meal subsidies, high-temperature subsidies, communication subsidies, transportation subsidies, and housing subsidies to alleviate employees' life pressures as much as possible. Additionally, we have offered marriage and childbirth bonuses to send blessings and care to employees at significant moments in their lives.

We have also established a sound compensation adjustment mechanism, conducted regular assessments of the market and industry environments, employee performance, and the personal growth of employees, and set targeted adjustment strategies for employees based on roles. For example, considering the characteristics of sales positions, the Market Sales Department employees are offered opportunities for quarterly salary adjustments and promotions to provide them with timely incentives and competitive compensation and benefits. According to the 2023 share incentive plan, employees who meet the tenure requirements and demonstrate outstanding performance have the opportunity to be granted share incentives. We hope to inspire employees' enthusiasm about long-term dedication, thereby truly achieving "Empower Each Other for Mutual Growth".

► Employee communication

We actively listen to the voices of employees and have established multiple feedback channels to ensure that employees' opinions and suggestions can be addressed in a timely and effective manner. Each department has HRBP, and employees can report problems to BP for help. In the interview with supervisors in the quarterly/annual performance appraisal process, employees can summarise their work periodically and receive recognition of their work from their supervisors during the interview to help team development and self-improvement.

In addition, we have also set up a reporting mailbox through which employees can give feedback. Whether anonymous or real-name, we will protect the whistleblowers' information and deal with the report's content seriously.

In 2023, we celebrated the eighth anniversary of the YSB, creating a relaxed and pleasant atmosphere in the form of a cocktail party. This activity was the celebration of our eighth anniversary, aiming at strengthening communication and exchanges among employees, enhancing mutual understanding and promoting teamwork. In this way, we hope to listen to employees' voices, pay attention to their needs, stimulate their enthusiasm for work, and further enhance the cohesion and centripetal force of the Company.

► Occupational health and safety

YSB always regards the safety and health of employees as one of our most important responsibilities and constantly improves the occupational health and safety management system to ensure that every employee works healthily and safely in a good working environment.

According to the relevant national laws and regulations such as the *Work Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, and the occupational safety management system issued by the International Organisation for Standardisation (ISO), YSB has formulated the *Warehouse Safety Management Policy of Leyo Pharm*, and the *6S Office Management Measures of Leyo Pharm*, achieving comprehensive coverage of all warehouse of the Company.

We have formulated the Warehouse Safety Management Policy of Leyo Pharm to strictly regulate the safety management of warehouses. There is a safety management project team in each warehouse, which is responsible for implementing and supervising the safety management of the warehouse. The subsidiary company's general manager, warehouse manager and logistics manager are responsible for managing warehouse safety at different levels. The health and safety performance within the scope of their responsibilities is linked to their performance. In addition, all departments and provinces/regions have designated HRBP, who are responsible for paying attention to the safety and health of employees. Once work-related injuries and sick leave occur, HRBP will pay attention and follow up in time to ensure that employees' legitimate rights and interests are protected.

In accordance with the requirements of national GSP management, we set up health records for employees who handle pharmaceutical products and conduct annual physical tests. Fire drills are conducted regularly in the warehouse to enhance employees' emergency evacuation skills.

In order to further reduce the incidence of work-related injuries, the Company will continue to pay attention to and improve the occupational health and safety management system and strive to achieve the goal of zero industrial injuries.

We care about our employees' physical and mental health and provide a series of security measures for them, including procurement medical and industrial injury insurance for every full-time employee and industrial injury insurance for interns and rehired retired employees. In special circumstances, such as team building and intensive development, we will purchase short-term accident insurance to achieve comprehensive safety protection.



| Leyo launched its first Safety Month event

From November 1 to November 30, 2023, Leyo launched its first Safety Month activity, during which the Human Resources Department and the Logistics Centre jointly released the Warehouse Safety Management Policy of Leyo Pharm V2.0 and conducted safety training for all employees. Various channels, such as safety slogans, safety badges, and safety bulletin boards, were utilised to promote a safety culture. Themed activities such as safety knowledge quizzes, safety magnifiers, advocacy for safety production, and safety knowledge competitions were organised to promote awareness of safety regulations and advocate the concept of "safety first", enhancing employees' accident prevention and emergency response skills.



Employee care and development

Talent training and career development

YSB attaches great importance to the development of talent and is committed to building a high-quality and efficient talent team. We continue to improve the mechanism of talent training and echelon construction, as well as reserve and cultivate talents purposefully and systematically, to ensure sufficient human support for the Company's sustainable development and maintain the vitality of the enterprise.



Leyo Pharm was awarded "Best Employer of 2023" by Zhilian Recruitment

Career development

YSB is committed to providing employees with broad career development opportunities so that every employee can realise his or her personal value in the right position. To open up the channel of talent development, we have formulated the *Management Measures of the Post and Rank Policy*, clarify the competence standards of employees, and provide a clear development direction for employees.

In order to stimulate the internal vitality of the enterprise and maintain our competitiveness, we have implemented a timely job rotation system to provide opportunities for employees to hone their skills and improve their abilities in different positions, thus fostering a healthy talent competition internally. We comprehensively assess the performance of employees in a fair and impartial manner. According to the past performance, abilities and willingness of employees, combined with various assessment methods such as employee self-assessment and 360 all-around assessments, the dual talent assessment and promotion are conducted by the HR administrative departments and the head of the department where the employee works. This ensures that employees' career development receives adequate attention, stimulating their enthusiasm and innovation at work.



Employee training

Highlighted Training Programmes

Projects such as Class 8-1, Sunflower, and Dandelion encompass a comprehensive system, ranging from strategy to execution, performance improvement to digitisation, and leadership to process management. These projects empower students at all levels and positions systematically, promote the organisation's intrinsic growth, and repeatedly build a team that is more capable, adept, and courageous in competition.



Employee care

YSB advocates the concept of "healthy life, happy work". The Company strictly abides by the *Labour Law of the People's Republic of China* and provides attendance benefits such as sick leave, personal leave, funeral leave, paid annual leave, marriage leave and maternity leave on the basis of statutory holidays to balance the work and life of employees.

Employee benefits

YSB values the physical and mental health of employees by offering a diverse range of recreational activities, including yoga, table tennis, badminton, basketball, and more. By formulating the policy of "Points Redemption for Gifts", we aim to encourage employees to actively participate in recreational activities and prevent workplace sub-health.



- Company anniversary celebration
- Programmer's Day

Anniversaries



Exclusive benefits for important moments

- Onboarding celebration
- Employee birthday party
- Wedding/birthday gifts, blessing posters
- Parents' meeting leave



Holiday celebrations

- Celebration activities for major festivals such as International Women's Day, Dragon Boat Festival, and Mid-Autumn Festival.



Various types of subsidies

- Data traffic subsidy, travel subsidy, relocation subsidy, high-temperature subsidy, meal subsidy, team building allowance

We provide a variety of caring activities for employees, pay attention to their life and growth, and enhance their sense of happiness, belonging and team cohesion.

“Win Together, Grow Together” Thanksgiving Activity

On Thanksgiving Day of 2023, we launched a special campaign encouraging colleagues to express their feelings to their “Win Together, Grow Together” partners. They expressed their gratitude to their colleagues in the form of greeting cards. We believe that everyone’s small sharing can promote the team’s progress and personal growth. Colleagues actively shared warm stories of their own experiences and how they integrated the concept of “living seriously and working happily” into their daily work.

We planned the “Win Together, Grow Together” experience market, which not only provided rich and engaging cultural activities, but also designed interactive cooperative games such as pitching and shuttlecock kicking, aiming at promoting communication and cooperation among employees through these exciting activities.



Creative Group Photo



Activity Scene

Employee engagement survey

We attach great importance to the satisfaction and demands of employees and actively formulate targeted management strategies and improvement plans. Leyao Group regularly conducts employee engagement surveys every year to comprehensively evaluate the performance of employees in all aspects. According to the employee engagement analysis survey results, specific rectification requirements and implementation plans are put forward for key departments.

Leyo Pharm 2023 Engagement Survey

The 2023 Employee Engagement Survey covered all office employees, and 2,454 responses to the questionnaire were collected. The survey results indicate an overall score of 4.10, which is 0.27 points higher than 2022. The overall organisation type is characterised as motivational, as it can motivate employees to complete the tasks assigned by the organisation.

► Create a workplace with diversity, equity and inclusion

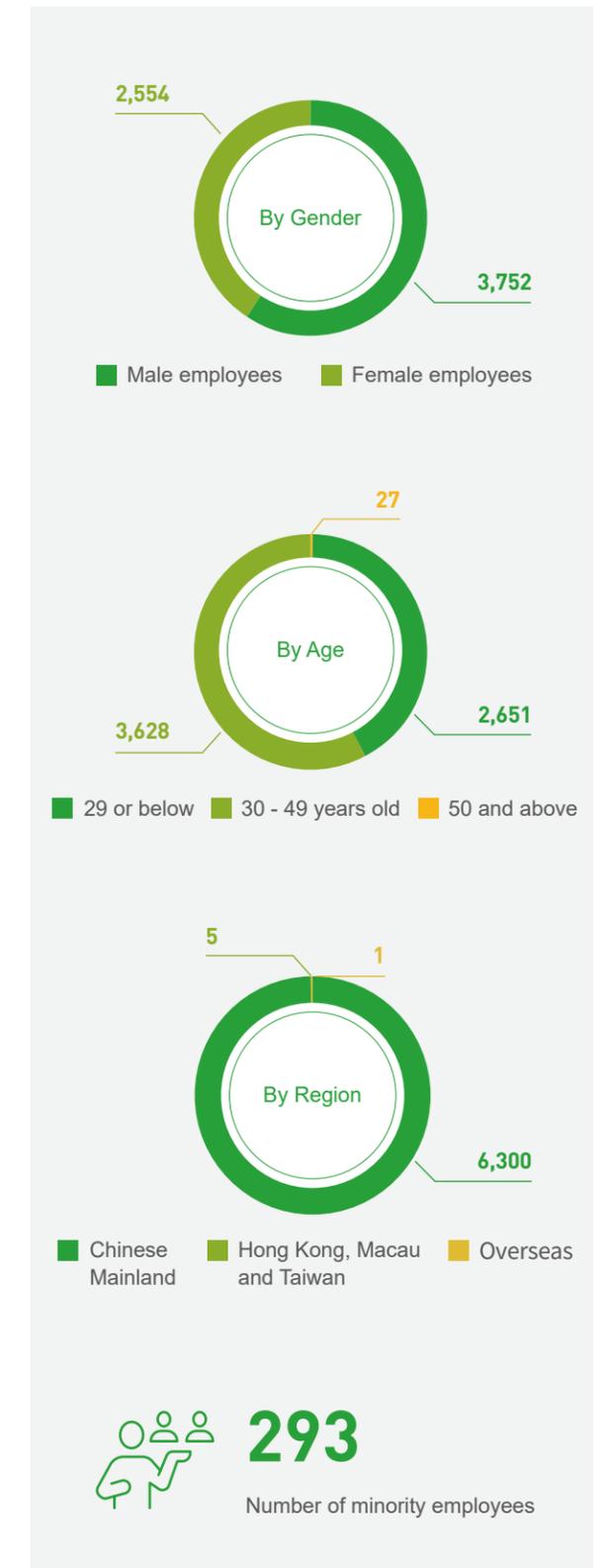
YSB actively promotes flat management, advocates gender equality, respects individual differences, and strives to cultivate a diversified talent pool to create a workplace culture with diversity, equity, and inclusion.

We uphold the principle of equity and ensure fairness in hiring, compensation incentives, and promotions without discrimination based on race, colour, ancestry, age, gender, sexual orientation, religion, disability, ethnicity, national origin, military service status, marital status, pregnancy, etc. In the recruitment process, we require interviewers to follow the principles of fairness and impartiality and avoid asking questions involving personal sensitive information. We are committed to eliminating all forms of discrimination and arbitrary dismissal of employees, continuously enhancing the inclusiveness of the work environment, and promoting sustainable talent development.

If employees find any workplace bullying, discrimination, harassment or other improper workplace behaviour, they can directly report it to the department’s HRBP or provide feedback anonymously or with their real names through the reporting email. We strictly maintain confidentiality regarding the whistleblowers and the reported content and assign dedicated personnel to investigate and follow up on the reported content.



Diversified Talent Structure



Equal workplace culture

At YSB, we always adhere to an equal and open workplace culture, which is centred around respecting the individual value of each employee and eliminating any form of identity barriers. As the helmsman of the Company, our CEO, Mr. Buzhen Zhang, leads by example and advocates for addressing each other by name rather than using hierarchical titles like "boss" or "manager". This move not only breaks the traditional concept of hierarchy but also intangibly shortens the distance between employees and leaders, making communication smoother and closer.



Women's Development Support

We focus on the needs of women in the workplace and are committed to providing equal opportunities and support at every stage of women's career development. We prioritise economic empowerment as a key direction to support women's development by creating more jobs for women and helping housewives return to the workplace to increase women's sense of achievement.

Guangxi team tends to recruit housewives aged 30-40

With the active promotion of the Guangxi team, we have launched a unique employment support project, which aims to provide housewives aged 30-40 with employment opportunities in sales positions to help them return to the workplace and realise their personal value and economic independence. These experienced women with a sense of family responsibility display unique advantages in sales positions, such as perseverance, meticulous service awareness, and a stable and mature working attitude.

Therefore, the Guangxi team has developed a comprehensive training programme to help these women quickly adapt to sales positions. Through systematic product knowledge training, sales skills guidance, regular performance appraisals, and incentives, we have successfully helped them improve their sales ability and achieve breakthroughs in personal career development.

85%

In the Guangxi team, women aged 30+ account for 85% of all female employees.

50%

Women aged 30+ accounted for 50% of new female hires in 2023.

In terms of cultural atmosphere, we give female employees a half-day off on Women's Day every year and organise Women's Day activities on March 8th to acknowledge and encourage the contributions of female employees.

"Focus on Women, Empower Development" International Women's Day

In this year's celebration of Women's Day, the Company carefully planned a series of wonderful activities for female employees with the theme of "Focus on Women, Empower Development".

In order to make every female employee feel the warmth and care of the Company, we carefully prepared various gifts to ensure that different women's personalised needs were met. These gifts included practical office supplies, exquisite skin care products, health supplements and so on, each of which reflected the Company's deep concern and respect for female employees.

In addition, we organised a small game with full participation in the form of a lottery to ensure that every employee could get a carefully prepared gift. These games were not only interesting but also made female employees feel the Company's attention and care for them in a relaxed and pleasant atmosphere.



Poster for Women's Day

Commitment to social welfare

Free medical consultation for public welfare

YSB collaborated with community service stations to provide free medical consultation for the public welfare

In November 2023, YSB visited sanitation workers in Guangzhou Chigang Sub-district, providing financial support to 30 sanitation workers representatives. Additionally, in collaboration with the Chigang Sub-district Community Health Service Station, medical employees conducted free medical consultations. YSB's CloudDiagnos business provided POCT equipment for this joint free medical consultation. At the event, medical employees measured the blood pressure, blood sugar, blood lipid, and uric acid levels of sanitation workers while also answering their questions about common health issues. They provided personalised medical advice based on individual conditions, allowing the workers to better understand their health status and grasp practical healthcare methods.



Medical employee measured the blood pressure of sanitation workers

Rural revitalisation

In response to the national rural revitalisation strategy, YSB has actively fulfilled social responsibilities by contributing to rural development through various means such as aid donations, industry support, and scholarships. In recent years, we have participated in various donations for rural revitalisation, focusing on assisting impoverished households and donating pharmaceutical and healthcare supplies.

Meanwhile, we focus on revitalising rural industries by exploring local pharmaceutical-related industrial projects, establishing connections with upstream and downstream partners, and assisting in financing to address unemployment issues in the surrounding areas.

Moreover, we also prioritise the development of rural education. A total of RMB675,000 has been invested in student financial aid donations to support students from impoverished areas in their education.

Highlights



RMB675,000

Invested in student financial aid donations in the past three years.

Appendix

ESG KPI Disclosure

Data List

ESG Indicators	Unit	2023
Environmental indicators		
Greenhouse gas emissions and intensity¹		
Total Greenhouse gas emissions (Scope 1 and Scope 2)	tCO ₂ e	10,917.89
Direct Greenhouse gas emissions (Scope 1) ²	tCO ₂ e	127.79
Indirect Greenhouse gas emissions (Scope 2) ³	tCO ₂ e	10,790.11
Greenhouse gas emission intensity (Scope 1 and Scope 2)	tCO ₂ e/business income (RMB10,000)	0.006
Hazardous waste		
Fluorescent tube	Ton	0.04
Printer cartridge	Ton	0.32
Waste pharmaceutical products	Ton	40.80
Medical wastewater	Ton	7.20
Total hazardous waste	Ton	48.36
Hazardous waste density	Kg/business income (RMB 10,000)	0.028
Non-hazardous waste		
Office Paper	Ton	7.56
Packaging materials - Plastic	Ton	295.11
Packaging materials - Paper	Ton	3,171.17
Waste printed receipt	Ton	27.32
Total non-hazardous waste	Ton	3,501.17
Non-hazardous waste density	Ton/business income (RMB 10,000)	0.002

ESG Indicators	Unit	2023
Total energy consumption and density²		
Petrol	Litre	4,166.64
Natural gas	m ³	54,721.10
Purchased electricity	kWh	17,746,884.70
Total energy consumption	MWh	18,376.33
Total energy consumption density	MWh/business income (RMB10,000)	0.011
Total water consumption and density		
Office and domestic water consumption	Ton	48,664.77
Water consumption density	Ton/business income (RMB10,000)	0.029
Social indicators		
Total number of employees		
Total number of employees	Person	6,306
By form of employment		
Number of full-time employees	Person	6,225
Number of part-time employees	Person	81
By gender		
Total number of male employees	Person	3,752
Total number of female employees	Person	2,554
By age		
Total number of employees aged 29 and below	Person	2,651
Total number of employees aged between 30 and 49	Person	3,628
Total number of employees aged 50 and above	Person	27
By rank		
Total number of senior management employees	Person	4
Total number of middle management employees ⁴	Person	783
Total number of primary employees	Person	5,519

ESG Indicators	Unit	2023
By region		
Number of employees from Chinese Mainland	Person	6,300
Number of employees from Hong Kong, Macau and Taiwan	Person	5
Number of overseas employees	Person	1
Employee turnover rate⁵		
Employee turnover rate	%	28.96%
By gender		
Turnover rate of male employees	%	29.13%
Turnover rate of female employees	%	28.70%
By age		
Turnover rate of employees aged 29 and below	%	33.31%
Turnover rate of employees aged between 30 and 49	%	25.91%
Turnover rate of employees aged 50 and above	%	25.93%
By category		
Turnover rate of management employees	%	18.55%
Turnover rate of primary employees	%	30.44%
By region		
Turnover rate of employees from Chinese Mainland	%	28.92%
Turnover rate of employees from Hong Kong, Macau and Taiwan	%	80.00%
Turnover rate of overseas employees	%	0.00%
Work-related fatality and death		
Number of work-related fatalities ⁶	Person	0
Number of work-related injuries	Number	10
Total number of days lost due to work-related injury	Day	914
Employee training		
Total number of trained employees	Person	6,040

ESG Indicators	Unit	2023
Trained employees as a percentage of total employees	%	95.78%
Total training hours of employees	Hour	46,285
Average training hours of employees	Hour	7.34
By gender		
Percentage of male trained employees	%	60%
Percentage of female trained employees	%	40%
Average hours of training for male employees	Hour	7.57
Average hours of training for female employees	Hour	9.23
By rank		
Percentage of trained management employees	%	6.72%
Percentage of trained primary employees	%	93.21%
Average hours of training for management employees	Hour	3.93
Average hours of training for primary employees	Hour	4.15
Number of suppliers		
Total number of suppliers	Number	10,880
By region		
Number of suppliers from Chinese Mainland	Number	10,860
Number of suppliers from Hong Kong, Macao and Taiwan and overseas	Number	20
Product liability		
Product and service complaints	Number	19,376
Product and service complaint resolution rate	%	100%
Internal product quality review	Number	142
External product quality review	Number	65
Number of product safety and quality trainings for employees	Number	73
Number of participants in product safety and quality training for employees	Person	2,884

ESG Indicators	Unit	2023
Number of products recovered for safety and health reasons	Batch	483
Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	0.1%
Number of responsible marketing training for sales personnel	Number	18
Number of information security and privacy protection training for employees	Number	8
Number of participants in information security and privacy protection training for employees	Person	2,751
Information security incident	Number	0
Privacy breach incident	Number	0
Product development		
Cumulative number of patents granted	Number	17
Cumulative number of copyrights	Number	39
Cumulative number of domains	Number	8
Community investment		
Public charity investment	RMB10,000	48.5
Governance indicators		
Anti-corruption		
Number of anti-corruption trainings for boards of directors and employees	Number	1
Number of corruption cases initiated or concluded	Number	0

Notes

- The primary emissions of YSB are greenhouse gas emissions, which are generated from vehicle fuels and the purchase of electric power produced from fossil fuels.
- Direct carbon dioxide emissions from petrol and natural gas are calculated with reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions from Public Building Operation Units (Enterprises) (Trial) issued by the General Office of the National Development and Reform Commission.
- Indirect carbon dioxide emissions from purchased electricity and heat are calculated with reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions from Public Building Operation Units (Enterprises) (Trial) issued by the General Office of the National Development and Reform Commission. The power emission factor refers to the standard of Notice on the Management of Greenhouse Gas Emission Reporting of Power Generation Enterprises from 2023 to 2025.
- Middle-level management includes department heads, project managers, regional and subsidiary heads, and some junior management positions, such as managers and team leaders.
- Employee turnover ratio = The number of full-time regular employees who left voluntarily/the number of full-time regular employees at the end of the year. The statistics on the number of departures include employees who voluntarily left and terminated their employment relationship, and do not include employees who left during the probationary period.
- The number of work-related deaths in the past three years (including in the Reporting Period) is 0.

ESG Report Guide Content Index

Level	Key Performance Indicators	Corresponding Sections of the Report
A1	Emissions	
General disclosure	Information on: (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	"Dual Carbon" Goal Leads Green Development
A1.1	The types of emissions and respective emissions data	ESG KPI Disclosure
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ESG KPI Disclosure
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ESG KPI Disclosure
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ESG KPI Disclosure
A1.5	Description of emission target(s) set and steps taken to achieve them.	"Dual Carbon" Goal Leads Green Development
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	"Dual Carbon" Goal Leads Green Development
A2	Use of Resources	
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	"Dual Carbon" Goal Leads Green Development
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	ESG KPI Disclosure
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	ESG KPI Disclosure
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	"Dual Carbon" Goal Leads Green Development
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	"Dual Carbon" Goal Leads Green Development
A2.5	Total packaging material used for finished products (in tons) and, if applicable, per unit produced.	"Dual Carbon" Goal Leads Green Development
A3	The Environment and Natural Resources	
General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	"Dual Carbon" Goal Leads Green Development
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	"Dual Carbon" Goal Leads Green Development
A4	Climate Change	
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	"Dual Carbon" Goal Leads Green Development

Level	Key Performance Indicators	Corresponding Sections of the Report
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	"Dual Carbon" Goal Leads Green Development
B1	Employment	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Partnership Responsibility and Common Development
B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	ESG KPI Disclosure
B1.2	Employee turnover rate by gender, age group and geographical region.	ESG KPI Disclosure
B2	Health and Safety	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Partnership Responsibility and Common Development
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	ESG KPI Disclosure
B2.2	Lost days due to work injury.	ESG KPI Disclosure
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Partnership Responsibility and Common Development
B3	Development and Training	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Partnership Responsibility and Common Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	ESG KPI Disclosure
B3.2	The average training hours completed per employee by gender and employee category.	ESG KPI Disclosure
B4	Labour Standards	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Partnership Responsibility and Common Development
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Partnership Responsibility and Common Development
B4.2	Description of steps taken to eliminate such practices when discovered.	Partnership Responsibility and Common Development
B5	Supply Chain Management	
General disclosure	Policies on managing environmental and social risks of the supply chain.	Partnership Responsibility and Common Development
B5.1	Number of suppliers by geographical region.	ESG KPI Disclosure
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Partnership Responsibility and Common Development

Level	Key Performance Indicators	Corresponding Sections of the Report
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Partnership Responsibility and Common Development
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	"Dual Carbon" Goal Leads Green Development Partnership Responsibility and Common Development
B6	Product Responsibility	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	To Make Quality Medical Care and Good Medicine Accessible to All Technology Empowerment and Innovation Leadership
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	ESG KPI Disclosure
B6.2	Number of products and service related complaints received and how they are dealt with.	ESG KPI Disclosure
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Technology Empowerment and Innovation Leadership
B6.4	Description of quality assurance process and recall procedures.	To Make Quality Medical Care and Good Medicine Accessible to All
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Technology Empowerment and Innovation Leadership
B7	Anti-corruption	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Steady Governance and Efficient Operation
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	ESG KPI Disclosure
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Steady Governance and Efficient Operation
B7.3	Description of anti-corruption training provided to directors and staff.	Steady Governance and Efficient Operation
B8	Community Investment	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	To Make Quality Medical Care and Good Medicine Accessible to All
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	To Make Quality Medical Care and Good Medicine Accessible to All
B8.2	Resources contributed (e.g. money or time) to the focus area.	To Make Quality Medical Care and Good Medicine Accessible to All ESG KPI Disclosure

Feedback Form



Thank you for reading this Report. We sincerely hope that you can comment on this Report and make valuable comments to help us continue to improve.

If you have any comments or suggestions on the environmental, social and governance of YSB, please fill in the form below and email esg@ysbang.cn to submit your valuable opinions. or you can directly scan the QR code on the left for online feedback.

Feedback Form for 2023 Environmental, Social and Governance Report of YSB Inc.

1. Do you think this Report highlights important information about the environmental, social and governance aspects of YSB?

Very good Fairly good Just okay Not very good Very poor

2. Do you think the information and indicators disclosed in this Report are clear, accurate and complete?

Very good Fairly good Just okay Not very good Very poor

3. Do you find that the organisation and style of this Report can help you read?

Very good Fairly good Just okay Not very good Very poor

4. Which part of the content are you most interested in?

- Steady Governance and Efficient Operation
- To Make Quality Medical Care and Good Medicine Accessible to All
- Technology Empowerment and Innovation Leadership
- "Dual Carbon" Goal Leads Green Development
- Partnership Responsibility and Common Development
- Others _____

5. What other information do you think you need to know that is not reflected in this Report? (Optional)

6. Do you have any suggestions for our future ESG reports? (Optional)
