



Making People Physically and Mentally Healthier

# YYIFENG PHARMACY

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# **About the Report**

Yifeng Pharmacy 's 2024 Environmental, Social and Governance (ESG) Report (hereinafter referred to as the "Report") is the second ESG report independently published by Yifeng Pharmacy Chain Co., Ltd. and all the branches and subsidiaries (hereinafter referred "Yifeng Pharmacy", "the Company" or "we"). The Report aims to comprehensively present our ESG goals, management strategies, practices and achievements in 2024 to our stakeholders.



# Scope of the Report

The time scope covered by the Report is consistent with that of the 2024 Annual Report, namely from January 1, 2024, to December 31, 2024 (hereinafter referred to as "2024" or the "Reporting Period").

Unless otherwise specified, the disclosure scope of the Report is the same as that of the Annual Report, covering all subsidiaries and affiliated companies within the listed entity of Yifeng Pharmacy. The environmental performance data covers the self-owned drugstores operated by Yifeng Pharmacy throughout 2024, Hengxiutang Pharmaceutical Co., Ltd. (hereinafter referred to as "Hengxiutang"), logistics centers over which it has operational control rights, staff canteens, and offices. To enhance the integrity of the Report content, some content or descriptions may extend beyond the above-mentioned disclosure or time scope.



# **Basis of Preparation**

The Report is prepared in accordance with the Shanghai Stock Exchange of Issuing the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial) (hereinafter referred to as the "Guidelines for Sustainability Report"), and with reference to the Global Reporting Initiatives Sustainability Reporting Standards (hereinafter referred to as the "GRI Standards") issued by the Global Sustainability Standards Board.



# Information of the Report

The information used in the Report has been obtained from official documents, internal statistics and public information of Yifeng Pharmacy. The Board of Directors of Yifeng Pharmacy commits that there are no false records, misleading statements or material omissions and they are responsible for the authenticity, accuracy and completeness of the Report. The Report was approved by the Board of Directors of the Company on April 28, 2025.



# Access to the Report

The Report is prepared in both Simplified Chinese and English and is published in electronic form. In the event of any discrepancy between the two versions, the Chinese version shall prevail. The electronic version of the Report can be accessed and downloaded from our official website (https://www.yfdyf.cn) and the website of the Shanghai Stock Exchange website (http://www.sse.com.cn) .



# Feedback

If you have any comments or suggestions about the Report, please email us at ir@yfdyf.com. Your feedback is important in helping us to continually improve our sustainable development management and practice.

# **About Us**

# **Company Profile**

Yifeng Pharmacy (stock code: 603939) was founded in June 2001. For 24 years, we have been dedicated to the pharmaceutical retail industry and are the first large-scale pharmaceutical retailer listed on the Shanghai Stock Exchange. As a leader in China's healthcare industry, Yifeng Pharmacy has successively developed healthcare related business models such as pharmaceutical retail and wholesale, production and sales of Chinese herbal medicine, chronic disease management, Internet hospital, medical project investment and medical technology development. We continuously optimize our commodity supply chain and category structure, improve the new pharmaceutical retail system, actively promote digital transformation, and build an efficient logistics and distribution system to provide high-quality services to a large number customers and ensure their health and safety.





14,684 drugstores

(including 3,812 franchise stores)



104 million serviced members



40,018 employees



70,000+ drug SKU



Since establishment, adhering to the concept of "affordability and professionalism" and "orienting everything towards customer value", we have been committed to innovating and transforming our business model with a customer-centric approach, and continuously providing health solutions for customers' well-being. In the future, we will continue to enhance our core competitiveness, practice the concept of corporate sustainable development, and build a leading brand of chain pharmacies that is trusted by customers and respected by society, to make contributions to social development.

# **Development Milestones**



# 2012

· Yifeng Pharmaceutical Logistics Park was inaugurated.

# \_\_\_ 2011

- The restructuring into Yifeng Pharmacy Chain Co., Ltd. was completed.
- · The investment in large-scale information and logistics management system marks the first step in technology-driven empowerment.
- The acquisition of full ownership of Shanghai Kaixin Pharmacy marks the beginning of mergers and acquisitions for expansion.

# -- 2003

• The supply chain was reformed to create a business model that seeks win-win results for "customers, pharmaceutical factories and Yifeng Pharmacy" as a pioneer in the industry.

# \_\_ 2002

· Hunan Yifeng Pharmacy Chain Co., Ltd. was established, laying the foundation for cross-regional and cross-provincial operations.

# \_\_ 2001

• Yifeng Pharmacy Changde Binhu Road Store was opened, pioneering the "affordable medicine supermarket model" in the five provinces of the Central South China.

# 2013

- Yifeng Pharmacy's e-commerce platform was successfully launched and put into operation.
- The reconstruction project of the store management system began.

# \_ 2014

· Yifeng Pharmacy was awarded "Champion of China's Pharmaceutical Retail Operation".

# - 2015

· Yifeng Pharmacy was officially listed, becoming Chinese first retail chain pharmacy listed on the mainboard of the Shanghai Stock Exchange.

# \_\_ 2018

• Xinxing Pharmacy, the leading chain pharmacy in Hebei Province, was acquired for RMB 1.384 billion, making it the largest merger & acquisition deal of domestic retail pharmacy chains in the history.

# \_ 2019

- Sales of Yifeng Pharmacy exceeded RMB 10 billion.
- The subsidiary, Heng Xiu Tang Pharmaceutical Co., Ltd., was established.

# 2024

- MSCI ESG rating has reached A.
- It was selected into the "Top 500 Most Valuable Chinese Brands 2024" list released by GYBrand.
- It successfully issued 1.797 billion yuan worth of convertible bonds.

# 2023

- · "Strategy Innovation and Organizational Transformation "campaign was launched.
- First selected in Focus Media · Hurun Most Valuable China Brands 2023.
- Became the enterprise with the highest brand value in the national drug retail industry.

# 2022

- Over 10,000 Yifeng Pharmacy stores opened nationwide.
- Selected into the "Top 100 Most Valuable Main Board Listed Companies in China" list.

# 2020

- · Yifeng Pharmacy has reached its 20th anniversary.
- It has been ranked among the top 100 Chinese listed companies for three consecutive years.
- Following the approval of the licence for Yifeng Internet Hospital in Hainan, a remote diagnosis and treatment centre was established.

# **Honors and Recognition**

# **Association Qualification**

China Medical Pharmaceutical Material Association

**Executive Vice** President Unit

Retail Branch of the China Association of Pharmaceutical Commerce

Vice President Unit

**Hunan Pharmaceutical Profession Association** 

Executive Vice President Unit

**Hunan Pharmaceutical Distribution Industry Association** 



# Honors of the Year

2024 Hurun China 500

Hurun China

Changxing Gold Award - 2024 China Pharmacy Gathering Award

> China Drugstore All Partners Show (CDAPS)

Ranked second in the "2024 Top 100 List of Comprehensive Competitiveness in Pharmaceutical Retail", and honored as the "Pharmaceutical Retail Profitability Champion 2024"

> The 17th China Health Ecology Organization (2024 CPEO)

2023 Top 10 Chinese Drug Retailers in Total Sales, Demonstrative DTP Specific Drug Store, Outstanding Pharmacy Service Cases of Drug Retailers, and Outstanding Cases of Benefiting Agriculture

> The 20th Annual Conference of China Retail Pharmacy and the 5th China Specialty Pharmacy Development Forum

Ranked third in the "Top 100 Comprehensive Strength Ranking of China's Pharmacy Chain Stores in 2023 - 2024"

> Medical and Health Industry Symbiosis Conference (MHS)

Ranked third in the "Top 100 Ranking of China's Pharmacy Value List in 2023 - 2024"

China Drug Store

Ranked third in the "2023-2024 China Drug Retail Chain Enterprises with Excellent Performance"

2024 PHCF (China Pharma & Healthcare Conference and Fair) Pharmaceutical Retail Digitalization Leader, National DTP **Excellent Unit** 

2024 Wuzhen Health Conference and the 3rd China OTC Conference



Pharmaceutical Retail Profitability Champion 2024



Ranked second in the "2024 Top 100 List of Comprehensive Competitiveness in Pharmaceutical Retail"

# Message from the Chairman

As a key pillar of public well-being, the pharmaceutical retail industry should unite all efforts and work relentlessly to support the "Dream of Health". With the acceleration of China's ageing society and the deepening of public health awareness, the health consumption landscape has become increasingly diverse and fragmented, placing higher expectations on the product structure and service models of retail pharmacies. Looking back at 2024, all our employees remained true to our original aspiration. With more determined efforts, a stronger belief, and a more proactive service attitude, we have explored innovative paths that align with the development of the times. Through diverse social responsibility practices, we have led industry contributions, shaping a blueprint for societal health with a sustainable development approach. We march forward through transformation and is determined to become a benchmark enterprise that is responsible for public health, social welfare, the nation's future, and the natural environment.



# "Building a solid defense with compliance practices."

Compliance management is not only the fundamental guarantee for a company's stable operation but also a vital tool for maintaining market order and a solemn commitment to public safety. We maintain reasonable decision-making through a clear governance structure, standardize pharmaceutical procurement channels. We ensure suppliers have complete qualifications, regulate drug storage and maintenance, and medications in strict accordance with regulations. We also adhere to the business ethics bottom line in advertising, financial regulations, and employee conduct. Our strict internal regulatory system ensures the precise implementation of medical insurance policies, enhancing customers' understanding of these policies through convenient services and knowledge dissemination. We actively communicate with medical insurance departments to support the safe use and rational allocation of insurance funds. Additionally, we have established a robust data security and customer privacy protection management system, strengthened digital consumption technology safeguards, promoted industry self-regulation, and built public trust.



# "Offering reliable medicine for shared health"

Contributing to the protection of customers' rights and interests and health education is our inescapable corporate mission. Providing more accessible and inclusive medical services to our customers is the solid foundation of our development. Having deeply integrated the "strategy of controllable highquality medicines" into our development blueprint, we have established a quality system with standardized sources and excellent therapeutic efficacy. We are striving to become the most trusted and preferred pharmacy in the hearts of the public. At the same time, we emphasize community contributions by offering professional, warm services and organizing community health seminars and public welfare activities to impart health knowledge and life wisdom. Committed to ongoing public welfare, we aim to improve people's knowledge about health. To ensure stable medication supply, we focus on supply chain management and safety. We conduct rigorous on-site inspections, random checks, and tiered management to ensure the safety and control of each step, collectively contributing to the healthy and sustainable development of the industry.



# "Caring for employees to build Yifeng monument"

Optimizing employment practices, creating a warm work environment for every employee, establishing a sound incentive mechanism, and offering extensive training and development platforms are our promises and responsibilities toward employees. These practices are also key to build a talent hub within the Company. We have implemented an employee care program, conducted a "2024 Growth and Care/Stress Relief Survey," and established the "Yi" Fund for employee care. By doing so, we encourage employees to engage in diverse community activities to enhance their sense of belonging and well-being. At the same time, we deepen our commitment to humanistic care by promoting corporate culture, optimizing office facilities and task allocation, and strengthening workplace mental health management. Attuned to industry trends and individual aspirations, we implement customized training plans and promote a "management + professional" career path, uncovering and cultivating the potential of our employees.



# "Painting a blue sky through green actions"

We are deeply concerned with the balance and harmony of the natural ecosystem, proactively embracing environmental challenges, and steadily pushing for a profound transformation toward a green, lowcarbon enterprise. We are implementing green initiatives, including building solar photovoltaic systems in logistics parks and installing smart energy meters in stores, fulfilling our commitment to natural resources. We continuously deepen the green pharmaceutical concept and collaborate with suppliers to advance packaging optimization and drug recycling, contributing to the circular economy.

We closely align with the trends of the times, actively embrace sustainable development strategies, and explore the deeper logic of ESG value creation. We are fully committed to integrating sustainable development principles into our business management and expansion, reshaping our long-term competitiveness. Looking to the future, we will continue to demonstrate our corporate responsibility with concrete actions, striving for new peaks and contributing to the creation of a healthier, greener, and more harmonious society.

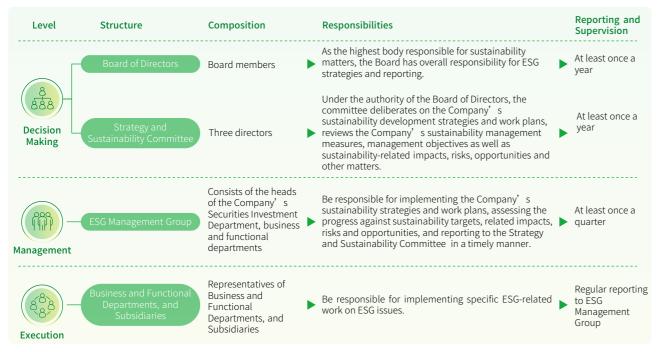
> Chairman, Yifeng Pharmacy Co., Ltd. Gao Yi

# Sustainable Development Management

Yifeng Pharmacy actively practices the concept of sustainable development, continue to strengthen the involvement of the Board of Directors and are committed to improving ESG governance. In addition, we actively communicate with stakeholders to jointly explore the planning of sustainable development strategies, promoting the deep integration of business decisions, sustainable development concepts and the needs of all parties. In this way, we aim to realize the long-term value of the business.

# **Sustainability Governance Structure**

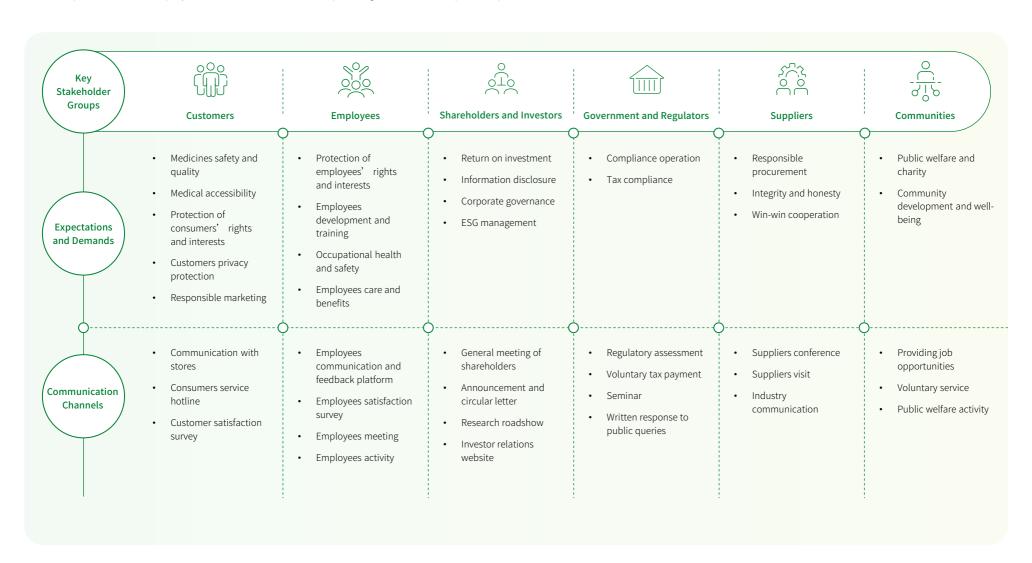
With a clear organizational structure and standardized institutional requirements, Yifeng Pharmacy ensures the strategic leader role and deep involvement of Board of Directors in sustainability issues. We explicitly stipulate that the Board of Directors is responsible for overseeing the impacts, risks and opportunities related to the Company's sustainable development. We have also established a Strategy and Sustainability Committee under the Board of Directors, which is responsible for deliberating and making decisions on major sustainability issues. The composition, scope of responsibilities and tasks have been defined in accordance with the Rules of Procedure for the Strategy and Sustainability Committee of the Board of Directors. In order to support the work of the Strategy and Sustainability Committee, we have established an ESG Management Group that includes senior management, to ensure the effective implementation of our sustainability efforts.





# **Stakeholder Communication**

Yifeng Pharmacy is committed to building long-term relationships of mutual trust with all stakeholders. Based on a normalized communication mechanism, we are able to understand and sort out the real needs of all stakeholders and their real expectations of the Company. This serves as the cornerstone for practicing sustainable development responsibilities.



# **Double Materiality Assessment**

As a key step in the management of sustainability matters and disclosure preparation, Yifeng Pharmacy conducted double materiality assessment of ESG issues in 2024. We have developed an assessment process, scoring methodology and ranking model based on the Guidelines for Sustainability Report, as well as methodological interpretation and coaching from experts, to assess our environmental and social impacts and our exposure to sustainability-related financial risks and opportunities.



# **Assessment Method and Assumptions**

Based on our materiality assessment results from previous years and considering the complexity of quantifying the sustainability-related impacts, risks and opportunities in our business, our double materiality assessment this year was based on qualitative considerations, supplemented by quantitative assessment where practicable. In the future, we will continue to pay attention to the updates of the SSE Guidelines for Sustainability Report, improve our double materiality assessment process and methodology, and continue to prudently apply quantitative assessment tools to reasonably obtain the concerns and views of our stakeholders, so as to provide a scientific basis for our sustainability planning and even business decisions

# Scope

In relation to our own operations, we assess the impact on the environment and society, as well as sustainability risks and opportunities for our business. In our assessment of impact materiality, we take into account positive and negative impacts, actual and potential impacts related to ESG issues. In our assessment of financial materiality, we assess positive and negative impacts, actual and potential risks and opportunities for our business.

# ◆ Stakeholder Engagement

Due to the far-reaching impact of the application of the double materiality principle on our management and disclosure matters, the numerous ESG issues involved, and the fact that some parts of the assessment require accessors to have a certain level of industry understanding, we invited a wide range of internal and external stakeholders to participate in the impact materiality assessment, while restricting the stakeholders for the financial materiality assessment to a limited number of internal senior management and external sustainability experts.

# Score

When evaluating the "severity" of impacts, we assess and score based on the scale and scope of impacts, i.e., we comprehensively assess the extent of impacts on human beings or the environment, the breadth of impact coverage, and the time and economic costs of remediating the damages, etc. When evaluating the "likelihood of occurrence" of impacts, we score according to the probability of potential impacts occurring within five years. The weight of impact "severity" and "likelihood of occurrence" is 1:1.

In assessing the scale of financial impact, we use a percentage of FY2023 pre-tax profit as a threshold. In assessing the "likelihood of occurrence" of a financial risk or opportunity, we score it based on its probability of occurrence within five years. The weight of financial impact "scale" and "likelihood of occurrence" is 1:1.

# Threshold

We set the materiality threshold at "material", meaning that impacts, risks and opportunities and their associated ESG issues that are ultimately assessed as material.

# **Assessment Process**

We conduct materiality assessments of ESG issues through stakeholder research, industry analysis and expert consultation, and further analyze the impact, risks and opportunities through interviews with senior management and experts.

Based on the 21 issues set out in the Guidelines for Sustainability Report and taking into account the GRI criteria, ESG rating concerns, national policies, as well as Yifeng Pharmacy's geographic location, industry background, business activities, business relationships and strategic development direction, 29 issues in the three areas, namely the Environment, Society, and Economy and Governance, have been identified and preliminarily analyzed for their related impacts, risks and opportunities. We send questionnaires developed by third party agencies to government and regulators, shareholders and investors, customers, employees, and suppliers to understand the impacts of different issues, and set thresholds around the severity and likelihood of impact to identify ESG issues of impact materiality. Through one-on-one interviews and questionnaires developed by third-party agencies, we collect opinions from senior management on the scale and likelihood of the financial impact of the issue on the business, and invite external experts to assess the financial materiality of the issue in the context of current policy analysis and industry insights. The materiality assessment results have been reviewed by the Strategy and Sustainability Committee and approved by the Board of Directors. Based on the assessment results, we have reviewed the Company's sustainability strategy and goal-setting, and reviewed our management mechanisms for material sustainability-related impacts, risks and opportunities to ensure the effectiveness of our internal mechanisms. We have also made targeted disclosures in accordance with the priority of the assessment results to ensure that we respond to the concerns of various parties appropriately.

Materiality Assessment Process of ESG Issues



# **Assessment Results**

The double materiality assessment results showed that customer health and safety, medical accessibility and inclusion, data security and customer privacy protection, supply chain management and security, franchisee management, compliance management, protection of consumers' rights and interests & health education, employment practices, and training and development are our most material sustainability issues. Among them, customer health and safety is of both impact materiality and financial materiality. Currently, we face customer health risks in terms of drug quality and medication accuracy, which may lead to a crisis of customer trust and regulatory penalties, etc., and in turn affect the Company's financial position, operations results and cash flows, and therefore customer health and safety is at the core of our business operations. In the future, as drug quality requirements tighten and medication accuracy increases, customer health and safety will have a significant impact on our revenues, costs and long-term strategy.

As a retail pharmacy chain, we must place customer health and safety at the core of our strategy and decision-making to ensure the stability of drug quality and supply. Shouldering the responsibility and vision of national health, we are committed to enhancing the medical accessibility and inclusion, optimizing supply chain management to ensure the continuity of medicine supply while meeting different customer needs through reasonable pricing and diversified choices. We ensure the consistency of service in stores through standardized processes and quality control, and focus on the protection of consumers' rights and interests & health education to enhance the public's health awareness through consultation with pharmacists, and health lectures. Compliance management is the cornerstone of sound development of the enterprise. We strictly abide by laws and regulations related to drugs, maintain the safety of the medical insurance fund, and protect customer information. At the same time, employees are the vehicle through which we achieve our strategic goals. In terms of employment practices and employee development, we create a fair workplace, safeguard employees' rights and interests, and use training and career planning to help our employees' personal growth and service professionalism. In terms of community contribution and national welfare, we advocate medicine for the benefit of the people, and promote community health awareness through community activities and health education.

# **Financial Materiality**

Materral



- Anti-commercial bribery anticorruption
- Innovation-driven development
- Anti-unfair competition

- Corporate governance
- · Stakeholder communication
- Procurement practices
- Franchisee management
- Compliance management

- Medical accessibility and inclusion
- Data security and customer privacy protection
- Supply chain management and security

- · Energy utilization
- Addressing climate change
- Equal treatment to small and medium-sized enterprises
- Due diligence

ess relevant

- Pollutant discharge
- Ecosystem and biodiversity protection

- · Occupational health and safety
- Community contribution
- · Diversity, equity and inclusion
- Rural revitalization
- Waste treatment
- Circular economy
- Environmental compliance management
- · Water resources utilisation

- Protection of consumers' rights and interests & health education
- · Employment practices
- Training and development

Less relevant

Relevant

Material

Impact Materiality



The following table shows the impacts, risks and opportunities of material issues, and the measures and actions taken to monitor, prevent, manage and control them are detailed in subsequent chapters:

# Impacts, risks, and opportunities

# Actions

# Customer health and safety



Impact: Customer health and safety is the lifeline of the pharmaceutical industry. With the rising transparency of drug information, increasing supervision by the FDA, and escalating customer demand for the efficacy of drugs and the safety of the purchasing process, store pharmaceutical services have shifted from basic retail service competition to exclusive health brand value, and high-value-added health customization services have become the key to reshaping the market.

Pharmaceutical Care for All:

Safeguarding National Health

**Risk:** Quality issues of goods or services directly threaten the health and safety of customers, which may lead to large-scale recalls of goods, lawsuits or regulatory penalties, seriously damage brand reputation, lead to loss of customers, plummet of sales, or even trigger a cash flow crisis.

Opportunity: Strict quality control (e.g., third-party testing) is the benchmark for companies to establish a safe brand image. By developing additional customized services such as health monitoring services (e.g., medication reminder, side effect warning), we can effectively enhance customer stickiness and promote the long-term sustainable development of our business.

# Medical accessibility and inclusion



Impact: As the concept and demand for medication becomes more and more popular, accessibility and inclusion are reshaping the landscape of the pharmaceutical retail industry. Guaranteed efficacy of medicines is no longer a single requirement, and people are beginning to pursue convenience, functionality and economic value

Pharmaceutical Care for All:

Safeguarding National Health

**Opportunity:** Based on years of industry foundation, we can improve the accessibility of medicines and win a higher market share through policy support, broadening retail channels and market sinking for reducing the difficulty of purchasing medicines. At the same time, we can meet the market's expectation of inclusion by restructuring supply chain efficiency and introducing Al consultation.

# Data security and customer privacy protection



Impact: Digital technology plays an important role in the pharmaceutical retail industry, and potential data security and privacy protection will directly affect the Company's operational risk prevention and control and customer trust base.

to Strengthen Governance Foundations

Executing

**Risk:** Privacy protection in the pharmaceutical retail industry has evolved from a "compliance burden" to a "trust asset". While the risk of information leakage can be reduced by building a full-life cycle data security system and participating in the development of industry standards, with the evolution of big data, industries with personal information will inevitably face increased vulnerability and the risk of privacy leakage

**Opportunity:** Data security and privacy protection can be transformed into a competitive advantage through systematic management initiatives from the inside out, such as certification of data security and protection systems and internal personnel operation management, thereby building a trust economy and consolidating core competitive barriers in the digital health market.

# Protection of consumers' rights and interests & Health education



Impact: Protection of consumers' rights and interests & health education is becoming a key driver of industry transformation and upgrading. Health education promotes the transition from "selling drugs" to "health management". Strengthening health education and enhancing consumers' health literacy can promote the proper use of medicines and enhance brand loyalty.

Pharmaceutical Care for All: Safeguarding National Health

**Risk:** There are certain professionalism and compliance risks in protecting consumers' rights and interests, such as misrepresentation of health popularization content, sales clerks misleading customers to purchase healthcare products instead of medicines may violate laws and regulations as well as medical ethics, which will in turn affect corporate reputation. Meanwhile, the establishment of a 24-hour pharmacist consultation hotline and the development of an AI medication assistant system require continuous technical and economic investment, which will increase operating costs.

# Impacts, risks, and opportunities

# Actions

Opportunity: The Company needs to find a balance between "depth of expertise" and "temperature of service", and enhance consumer comfort and brand loyalty by strengthening the traceability management of medicines (e.g., the "one item, one code" system) and providing guidance on medication by licensed pharmacists. The Internet hospital platform accesses e-prescription services to solve the pain point of purchasing medication for chronic diseases.

# Supply chain management and security



**Impact:** With the globalization and network development of the supply chain, the complexity of supply chain management is increasing. The stability of the entire supply chain network can be enhanced and systemic risks can be reduced through risk management. The establishment of cooperative relationships based on trust and win-win situation and the promotion of synergy between upstream and downstream enterprises in the supply chain can promote mutual development.

Pharmaceutical Care for All: Safeguarding

National Health

**Risk:** Problems with the quality of goods may lead to production stagnation and a decline in sales. Natural disasters, such as earthquakes and floods, may lead to transportation disruptions, affecting logistics and transportation, causing delays in the supply chain and untimely supply of medicines to stores.

**Opportunity:** By optimizing supply chain management, cost reduction and efficiency improvement can enhance the competitiveness of enterprises. Guaranteed security promotes cooperation among supply chain members in business models, technological innovation and other aspects, and enhances overall competitiveness.

# **Employment practices**



Risk: For the retail industry, there is instability in the labor market. Illegal employment practices and unequal treatment by enterprises may lead to employee turnover and legal disputes, which directly affect business operation. As competition in the talent market intensifies, companies need to invest more resources to attract and retain outstanding talent.

Achieving Win-Win Results and Realizing

the Value of

Talents

Opportunity: By establishing long-term and stable employment relationships, companies can enhance employee loyalty and engagement, and promote talent development. A stable workforce not only improves management efficiency, but also reduces labor costs. At the same time, good employment practices can enhance the company's social image and brand value, attracting more talented people to join, forming a closed loop and laying a solid foundation for the company's sustainable development.

# Training and development



Impact: Employee training and development have a far-reaching impact on enterprises. Employees' professional skills and knowledge can be updated through training, so that they can adapt to job requirements more efficiently and achieve personal value. At the same time, enterprise-led training can further promote the development of services towards high quality and standardization, further iterating the industry's pharmaceutical service standards.

Achieving Win-Win Results and Realizing the Value of Talents

**Opportunity:** Investment in training and development strengthens organizational effectiveness. By developing employees with a high degree of professionalism and flexibility, enterprises can better adapt to market changes and seize new business opportunities. At the same time, training contributes to the implementation of corporate strategies and the realization of long-term goals, and provides a pool of talent for the company's sustainable development.

<sup>&</sup>lt;sup>1</sup> Considering the industry in which Yifeng Pharmacy operates, its strategic planning and operational realities, we define time horizons as: short-term (0-1 year); medium-term (1-5 years); and long-term (more than 5 years).



# Executing Duties with Full Commitment to Strengthen Governance Foundations

Yifeng Pharmacy considers corporate governance and compliance operations as the central pillars of the Company's sustainable development. We continuously refine our corporate governance framework to maintain competitiveness in complex and evolving business environment. At the same time, we are committed to eliminating unfair competition practices including false advertising and trade secret infringement, to safeguard our operational resilience, sustainability and compliance throughout our business operation. By strictly adhering to laws and regulations, we continue to strengthen our internal control mechanisms and uphold the baseline of compliant operations, thereby laying a solid foundation for the Company's enduring prosperity and success.

# **Corporate Governance**

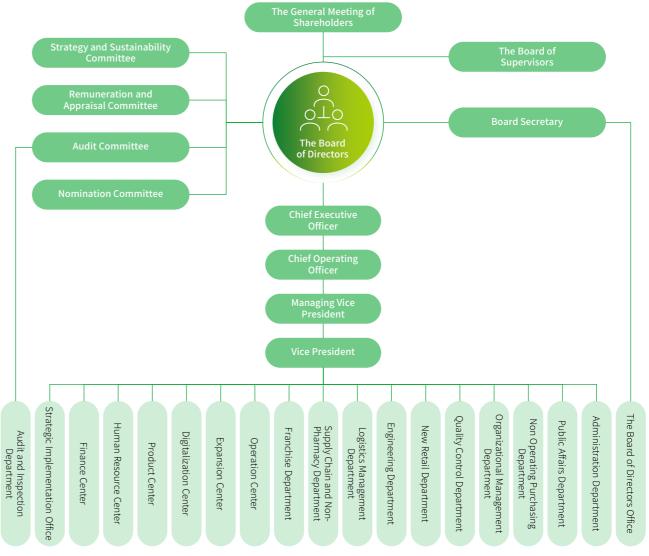
Yifeng Pharmacy strictly complies with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, and other relevant laws and regulations, as well as the Articles of Association, the Rules of Procedure for the General Meeting of Shareholders, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Board of Supervisors and other internal policies. We continue to improve the governance structure and enhance the governance performance in accordance with these laws and policies. Meanwhile, Yifeng Pharmacy maintains proactive investor engagement and communication and ensures timely disclosures of operational updates, effectively safeguarding investor rights and interests.

# **Governance Structure**

The Company has established a governance structure consisting of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and management, and has defined their responsibilities and authorities, to achieve the balance and coordination of authority and improve the efficiency of corporate governance.

The General Meeting of Shareholders is the supreme authority and determines the strategic business and investment plans of the Company. The Board of Directors reports to the General Meeting of Shareholders and is the ultimate responsible body for the Company's business and management performance. The Board of Supervisors is composed of shareholder representatives and employee representatives. It monitors directors' and executives' duty performance and safeguards collective shareholder interests. The management executes business operations under the Board directives and maintains strict compliance with statutory obligations.

In 2024 12 5 meetings of the meetings of the general meetings of shareholders Board of Directors Board of Supervisors.



Organizational Structure

The Board of Directors has a Strategy and Sustainability Committee, a Remuneration and Appraisal Committee, an Audit Committee and a Nomination Committee. The Board of Directors actively fulfills its responsibilities, operates in a standardized manner and makes scientific decisions, earnestly safeguarding the overall interests of the Company and the interests of its shareholders. The members of the specialized committees of the Board of Directors scrupulously carry out their work under the aegis of the Board of Directors in strict compliance with the respective rules of procedure of each specialized committee. They are committed to jointly upholding the interests of the company and all its shareholders.

## In 2024 The Board of Directors The four committees of the Board of Directors deliberated on and heard or held reviewed and heard or approved a total of reviewed a total of approved reviewed **68** proposals **27** proposals 15 reports 14 reports 11 meetings

# Composition of the Board of Directors

Committed to building a professional team of directors., the Company fully considers the director candidates' educational background, work experience, professional quality and other factors when electing or replacing directors. And the Company confirms that the candidates comply with the Articles of Association, the Measures for the Administration of Independent Directors of Listed Companies and relevant laws and regulations, and the candidates should have the qualifications and ability to serve as our directors and independent directors.

# As at the reporting date



the Board of Directors had 9 directors, including 3 independent directors from the management, accounting and legal functions respectively.

# Information Disclosure

Yifeng Pharmacy actively take the responsibility of information disclosure of a listed company, ensures that the information disclosed is true, accurate and timely, to protect the legitimate rights and interests of stakeholders. In accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Regulations on Information Disclosure of Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other relevant laws and regulations, we have formulated the Information Disclosure Affairs Management Policy and the Yifeng Pharmacy Registration and Management Policy for Informants of Insider Information, to clarify the duties of information disclosure obligors and fulfill information disclosure obligations.

During the Reporting Period:



178 interim reports and 4 periodic reports were issued



Our information disclosure performance received an **A** rating from the Shanghai Stock Exchange for **eighth** consecutive years



# **Investor Communication**

We have formulated the Investor Relations Management Policy to standardize the Company's investor relations management, and effectively protect the legitimate rights and interests of investors. We follow the four basic principles of compliance, equality, initiative, and honesty and trustworthiness, and carry out investor relations management by employing diverse channels, platforms, and methods.

We organize shareholder meetings, investor briefings, roadshows, analyst meetings, receptions, discussions and exchanges through our website, new media, hotline, fax, emails, and investor education bases. Those activities help us to actively communicate with investors on our production, operation, finance and other related information.

# In 2024



we participated in more than 30 brokerage strategy meetings, held 3 large-scale investor telephone exchanges, and attended 3 online investor performance presentations by the exchange. And we received more than 150 investor surveys online and offline, receiving more than 1,000 investors throughout the year, carrying out long-term, stable and frequent communication with all kinds of investors.





Investor Reception Day Event

# "I Am a Shareholder": Investors Visiting Listed Companies



On December 9, 2024, we invited investors from different investment backgrounds to participate in the "I Am a Shareholder: Investors Visiting Listed Companies" Investor Education Event, which was organized by the Shanghai Stock Exchange, the Guotai Junan Securities Investor Education Base and the Guotai Junan Securities Hunan Investor Education Base. At the site, we introduced ourselves and the industry to investors in detail, and conducted direct and in-depth exchanges with them, outlining a clear blueprint for the development of the Company for investors.

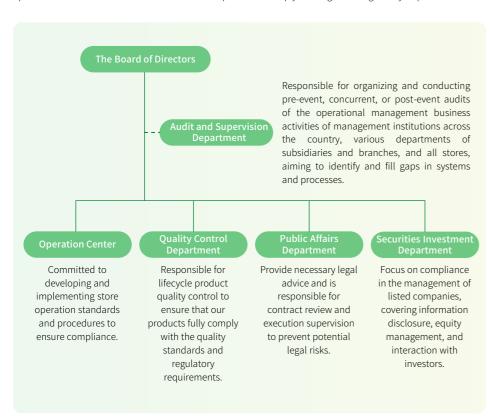


# **Compliance Operation**

Yifeng Pharmacy has fully fulfilled its compliance obligations, and has formulated the Measures for the Identification of Administrative Penalty Responsibility of Yifeng Pharmacy and other polices, aiming at building a sound compliance system, clearly defining the compliance responsibilities of employees at all levels, strengthening internal supervision and risk control capabilities, and abiding by business ethics. In this way, we can ensure the legitimacy and standardization of our business, so as to lay a solid foundation for the sustainable development of the Company.

# **Compliance Management**

We have established a compliance responsibility structure to comprehensively monitor and guide our operational activities and ensure that all business processes comply with legal and regulatory requirements.



Compliance Responsibility Structure

# **Integrity and Anti-Corruption**

Yifeng Pharmacy adheres to the strict code of business conduct and ethics, and continuously optimizes and improves its integrity management system. We have formulated a series of rules and regulations, including but not limited to anti-corruption, anti-unfair competition and whistleblower protection policies, to ensure the transparency and impartiality of the Company's operations. We actively advocate and promote the fostering of the integrity and anti-corruption culture, and work together with our employees and partners to create an honest and clean business environment. In 2024, we have not received any major commercial bribery or embezzlement penalties, nor have we been involved in any major related litigation cases.

# **Integrity Management System**

We have developed the Yifeng Pharmacy Employees' Integrity and Self-Discipline Management Regulations, the Yifeng Pharmacy Code of Conduct for the Ten "Red Line" Behaviors and the Whistleblower Reward Management Measures of Yifeng Pharmacy. These regulations detail the requirements for integrity and selfdiscipline, as well as penalties for violations, and apply to all our employees and suppliers.

To promote the effective operation of our integrity management system, and ensure that our business practices are consistent with the code of ethics and legal requirements, we have established a supervision structure for integrity, consisting of the Board of Directors, the Audit and Supervision Department and the branches and subsidiaries. The Chairman of the Board is in charge of maintaining the Company's business ethics and anticorruption efforts. Furthermore, we establish an Integrity and Self-Discipline Supervision Committee, chaired by the Chairman.



Integrity and Self-Discipline Supervision Committee





# **Audit and Inspection**

We continue to improve the internal control system and enhance the Company's risk control ability. Through audit and special inspection, we audit periodic financial reports and operational data of the Company every year, aiming at ensuring the truth, completeness and accuracy of the data. And we require regular rectification of identified and potential risk points to ensure the effective operation of the Company's internal control system.

In terms of the overall audit of the Company, we carry out audits on different focuses and key tasks of all business operations every month according to the annual audit plan. We have included the routine operation norms and anti-fraud activities of the stores in the scope of the monthly routine audit, ensuring 100% stores have received audition. In 2024, we developed a detailed monthly audit plan and we conducted a comprehensive audit of violations and fraud in various fields such as manpower, procurement, commodities, and quality management starting from the audit process and daily operations.

In 2024, we developed a detailed monthly audit plan Quality Procurement Comprehensive audit of violations and fraud Manpower

In terms of special audits, we also conduct regular audits of the Company's business ethical standards and anti-corruption policies to ensure full compliance with relevant requirements by all employees. For our business, we conduct audits and assessments of donations and sponsorships to prevent corruption risks. Specifically, for material donations, we require advance declaration and assessment, and include relevant information such as donation agreements and vouchers in the necessary items for approval. In terms of employees in key positions, we conduct sampling audits on relevant work processes of employees in key positions such as cost control and financial control with potential corruption risks. We require all employees in such positions to sign integrity agreements to avoid corruption incidents as much as possible.

In 2024



we conducted a comprehensive corruption risk assessments of stores in 10 provinces, with a coverage rate of

100%

We also pay attention to the business practices of our partners. In 2024, we actively carried out due diligence activities and in-depth visits to key partners including customers and suppliers. And we conducted comprehensive assessments of potential cooperation risks on multiple dimensions such as business status, market reputation and financial soundness to help us make more informed decisions about future business partnerships and ensure more sustainable business development.





# **Anti-Corruption Initiative**

We attach great importance to anti-corruption management, report to the Board of Directors on anti-corruption work from time to time, and actively promote anti-corruption activities to create a clean workplace atmosphere. As a member of the Sunshine Integrity Alliance, we not only actively participate in the various anti-corruption actions initiated by the Alliance, but also strictly implement the blacklist system of the Alliance in the recruitment process. We refuse to hire any individuals who are on the violation list, in order to jointly maintain a clean and self-disciplined business environment with the Alliance. In 2024, we participated in the professional training "From Experts to Masters: Advanced Class of Corporate Anti-Fraud Investigation Practices" organized by the Sunshine Integrity Alliance, aiming at further improving our anti-corruption management and response, ensuring that our business operations are more transparent and compliant, and that we lay a solid foundation of integrity for the long-term development of the Company. At the same time, we reported to the Board of Directors on anti-corruption work results, and conducted anti-corruption training and seminars, and other forms of anti-corruption activities for all employees (The company does not involve contractors.) and business partners. These training sessions cover anti-corruption policies and analyze relevant judicial cases.

In 2024



All employees (including directors) have participated in ethical standards training, reaching 100% of training coverage.

In addition, to further strengthen the code of business ethics, we require procurement employees to use the mobile phones distributed by the Company, and ban any form of bribery, commercial violations and other acts with any suppliers, service providers and contractors that have business and economic exchanges with the Company. We require all newly introduced suppliers to sign the Integrity and Self-Discipline Letter which includes the code of business ethics in the necessary conditions for supplier access, fully guaranteeing compliance and stability of the supply source. Also, we have always adhered to the basic anti-corruption principle and made it clear that all partners must strictly comply with anti-corruption requirements.

In 2024



100% of our suppliers signed Integrity and Self-Discipline Letter.



# **Whistleblowing Management**

In order to standardize our complaint and whistleblowing processes, guidelines and management regulations, we have issued the Whistleblower Reward Management Measures of Yifeng Pharmacy to encourage employees and stakeholders to expose any misconduct that may harm the Company's interests. To protect the privacy and safety of whistleblowers and avoid any form of retaliation or adverse impact from whistleblowing, the Yifeng Pharmacy Employees' Integrity and Self-Discipline Management Regulations stipulate that whistleblowers can report and expose any violations anonymously, to jointly create a fair, transparent and clean working environment.

# **Whistleblowing Channels**



Hotline: 0731-89953931



Email: sjb@yfdyf.com





# **Medical Insurance Compliance**

Yifeng Pharmacy always regards basic medical insurance (BMI) compliance as an important basis for running long-term and stable business. We strictly follow the requirements of national and local medical security policies, and have established a sound medical insurance compliance management system. Specifically, we have set up a Medical Insurance Risk Control Department and formulated the Yifeng Pharmacy Medical Insurance Designated Retail Pharmacy Management Policy. From pharmacist management, medicine procurement, sales and inventory management to medical insurance settlement information management, we comprehensively standardize all operational processes to ensure the efficient operation and standardized development of medical insurance services.



# **Management of Medicine Procurement** and Supply Covered by Medical Insurance

We procure medicines in strict accordance with the catalog of medicines covered by national medical insurance system to implement compliance in medicine selection. We enhance collaborations with relevant manufacturers, actively incorporate pharmaceuticals covered under the government BMI scheme, and improve the "dual-channel" medicine use management mechanism. To improve the ability to guarantee medicine supply, we have established a daily monitoring mechanism for the provision of medicines covered by medical insurance, aiming to strengthen the detailed management of the provision and use of such medicines and ensure that medicine supply is adequate and full process compliant.



# Benefiting the People with Medical Insurance, and Price Governance

We keep a close eye on the price adjustments of medicines covered by medical insurance to keep our online and offline medicine prices in line with these changes and actively promote the effective connection between commercial medical insurance (such as the Huimin Insurance) and basic medical insurance, so as to provide more comprehensive protection for patients and effectively reduce the burden of medical



# **Prescribing Compliance Management**

In terms of Internet hospital prescribing management, as at the end of the Reporting Period, we had 8 self-built Internet hospitals, 110 selfowned clinics, and co-operated with more than 30 other Internet hospitals (including 5 tertiary grade-A public hospitals), with more than 1,000 multi-site co-operative medical practitioners, to safeguard prescribing professionalism from the source. Meanwhile, we have established a prescription evaluation and assessment mechanism for prescribing doctors to ensure their compliance in prescribing. On the pharmacist's review of prescriptions, our system configures a rational medicine use rule database in accordance with the medical insurance policy, and we also purchase and call the Tencent Medical Rational Drug Use System for third-party judgement of weekly prescriptions.



# Digital Management of Medical Insurance Risk Control

We have established a digital early warning system for medical insurance risk control, enabling real-time monitoring through the rule database to detect excessive medicine use, medicine use beyond limits, medicine use beyond price restriction, medicine use beyond age restriction and repeated or unreasonable medicine use. In addition, we continue to promote the construction of the product traceability system by integrating medicine traceability codes, and ensure that all coded medicines should be scanned, only medicines with traceability codes can be procured, accepted and settled, and medicines with repeated traceability codes can not be settled. This has effectively prevented illegal acts such as reselling returned medicines and medicine swapping, and ensured medicine sources and flows are clear, and the responsibility can be traced.



# Medical Insurance Risk Prevention and **Fund Security**

We attach great importance to the prevention and control of medical insurance risks and have established and improved the risk prevention and control system and the self-inspecting and self-correcting assessment system. We prohibit illegal medicine circulation and medical insurance card fraud, to effectively safeguard the security of medical insurance funds. For ethnomedicines, medical institution preparations and traditional Chinese medicine decoction pieces, we continue to strengthen standardized management, optimize access rules, refine the standards and procedures for including them in the scope of medical insurance payment, and strictly control access to safeguard the rational and efficient use of medical insurance funds. At the same time, we strictly abide by the medical insurance payment standards and standardize the medical insurance card swiping process. to reduce disputes caused by improper operation while improving service efficiency. In the medical insurance reimbursement process, we skillfully use the medical insurance information system to ensure the accuracy of data. We also actively promote medical insurance policies to enhance customers' awareness of safe use of medical insurance. In addition, we maintain close communication with the national medical insurance departments and actively cooperate with their inspections and oversight to guarantee that the internal management meets the regulatory requirements.





# **Medical Insurance Compliance Training**

In order to adapt to the ever-changing medical security policy, we regularly organize employee training to learn relevant laws and regulations such as the Regulation on the Supervision and Administration of the Use of Medical Security Funds. We also carry out specific medical insurance system operation training such as traceability code collection training to enhance the compliance awareness of all employees.

# Special training on "Compliant Operations for Medical Insurance Protection"

On June 12, 2024, Yifeng Pharmacy held a special training on "Compliant Operations for Medical Insurance Protection" at its headquarters. The management of the headquarters and branches studied two documents: Letter on Taking Special Actions of "Selling in Online Stores, Checking Drug Prices, Comparing Data, and Ensuring Governance" and Letter on Verifying and Dealing with Drug Price Risks Facing Retail Pharmacies Designated for Medical Insurance (2024 Q1). The focus was on the interpretation of the medical insurance policies in the documents. They also studied the upcoming unannounced inspection matters of the National Healthcare Security Administration, focusing on the inspection content and data extraction content for designated retail pharmacies. This training increased management's awareness of medical insurance compliance and further enhanced their supervisory capabilities, ensuring that our entire system remains committed to standardized operations while actively conducting self-inspection and rectification. In this way, we are able to maintain a high level of vigilance and long-term attention to the security of medical insurance funds.



Special Training on "Compliant Operations for Medical Insurance

Going forward, we will continue to deepen medical insurance compliance management and actively adapt to the dynamic changes in medical insurance policies. We will optimize digital monitoring tools, strengthen intelligent monitoring and early warning, and realize real-time monitoring of the entire process. Meanwhile, we will expand cooperation with high-quality medical institutions, improve the compliance and professionalism of prescription sources, and continue to improve the medicine use rule database and prescription review mechanism to safeguard scientific and standardized medicine use. Additionally, we will further strengthen the medical insurance policy and practice management training for all employees to enhance their compliance awareness and professional skills. We will also maintain close communication with regulators and actively cooperate with their inspections and oversight to ensure that internal management meets the requirements of the compliance policy. Through high-standard management and the application of advanced technology, we are committed to promoting the development of the medical insurance compliance system and maintaining the security of medical insurance funds to provide patients with higher-quality and more efficient medical insurance services.

# **Information Security and Customer Privacy**

We strictly adhere to 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, and the Personal Information Protection Law of the People's Republic of China. Furthermore, we have formulated internal policies applicable to all our business lines and subsidiaries, including the Measures for Yifeng Pharmacy Data Security Management, the Yifeng Pharmacy Service Agreement, the Guidelines for the Safe Usage of Data of Yifeng Pharmacy Members, and the Measures for Yifeng Pharmacy Project Information Security Management, aiming at creating a secure and reliable data environment. In order to better adapt to the latest legal requirements and market changes, we updated the Yifeng Pharmacy Personal Information Protection Policy during the Reporting Period, to help us further improve our privacy standards and better protect each customer's personal information.

In addition, we are actively applying for information security system certifications to further strengthen the information security guarantee. In 2024, our Equal Protection 3.0 Certification remains in effect continuously. And we are currently planning to engage an external auditing firm to conduct a comprehensive and independent information security audit of our Internet Hospital, and optimizing our hardware and software systems based on audit recommendations to improve their confidentiality and usability. By the end of the Reporting Period, we have not experienced any data breaches.

# **Information Security Management Structure**

We have built a three-tier information security management structure consisting of the Information Security Committee, the Information Security Executive Office, and the Information Security Manager and the Board of Directors has ultimate responsibility for the Company's information security. Among them, the Information Security Committee is mainly responsible for the Company's privacy and data security related work. The Information Security Executive Office implements the annual information security plan and program. And the Information Security Manager leads the information security management of all our departments.



Information Security Committee

- Formulating the Company's overall information security strategy and policy
- Drafting data management policies and security classification standards and requirements at the Company
- Supervising the data security status and management effectiveness across the Company, and coordinating cross-departmental data security management
- · Driving the establishment of data security management team and fostering a culture of strong awareness of data security in the Company



Information Security **Executive Office** 

- · Assisting the Information Security Committee in implementing information security strategy, including proposing annual plans and implementation schemes
- Carrying out regular inspection, assessment, and evaluation on data security management situation across the Company, and providing improvement requirements and recommendations for rewards and punishment
- · Coordinating emergency response to and treatment of major data security risks and incidents across the Company



Information Security Manager

- Determining the strategy and focus of data security management according to the respective business
- Reviewing and confirming the compliance of data security policies and process standards
- Leading the implementation of important measures for data security management, and inspecting and supervising the data security status and management effectiveness of business

The Information Security Management Structure

To properly evaluate employees' contributions to information security and motivate them to protect information security, we use the target management, 360-degree evaluation, and results-oriented evaluation methods for personnel evaluation, considering into workload, efficiency, security incident handling ability, and technical and management skills. We regularly evaluate the contribution of relevant employees to achieve overall supervision of information security work and effective progress of information security work.

# **Information Security Audit**

To better identify and prevent internal and external data security risks, and to strengthen data security management, we have issued security management measures for internal and external data and clarified information security audit work. Internally, we conduct an information security audit every two years and have formulated the Software Information Security Function Standard requiring our software testing departments to test whether the software meets the information security design standard and whether has an information security function. The standard also requires us to check whether the software is capable of information encryption and desensitization. At the same time, we published the Measures for Yifeng Pharmacy Project Information Security Management, and require a comprehensive assessment of suppliers' information security capabilities. The assessment covers whether suppliers have conducted the following activities: providing information security awareness training for employees, signing confi. dentiality agreements, and passing system penetration tests, to verify the compliance of outsourced data and strengthen the data security management of the outsourced system.

# **Information Security Emergency Response** Mechanism

To improve our ability to prevent and respond to information security emergencies, we have formulated the Emergency Management Policy for Computer System of Yifeng Pharmacy and the Emergency Plan for Computer and Network Information Security of Yifeng Pharmacy. Both proactive and reactive measures are in place. We have taken measures to prevent information security incidents, standardized and improved the security awareness and emergency response skills of our employees, and enhanced the data security protection of customers and the Company. At the same time, we have established measures for responding to information security incidents such as data leaks, to ensure that we have the ability to passively respond to similar emergencies and the stability of the Company's business and maintain customer confidence.

# **Information Security Training**

We have provided popular and customized information security training to increase our employees' data security awareness and skills. While providing basic information security knowledge for all employees (The Company does not involve contractors.) to strengthen their information security awareness, we conduct professional information security training for employees in positions such as R&D personnel. The goal is to improve their professional skills and strengthen the Company's information security management capability. We also have information security exams for various types of training, and have expanded the scope of the quarterly corporate culture exam to include information security content, thereby deepening employees' understanding of information security to improve their information security skills. In 2024, we conducted seven information security training sessions for new employees.

# **Privacy Protection**

Fully understanding the need for and importance of protecting our customers' personal information, we have made protecting our customers' privacy a top priority in our business operations. Our access control and encryption techniques are in place. We have developed security management processes and control measures for information technology systems, employees, and suppliers, and have implemented privacy measures in product development, technology development, and customer serving, to ensure the confidentiality and integrity of our information systems and to better protect the privacy of our customers.

We strictly regulate the process of collecting customers' personal information, including strictly controlling access rights, encrypting the transmission and storage of customers' private information, and logging all access and operations. We undertake not to rent, sell or provide personal data to any third party except for the purpose of providing specific customer services. We commit to deleting data after a defined amount of time and does not collect personal data from third parties. We also never unlawfully collect personal information from third parties. At the same time, we clearly inform customers about the reasons for collecting their personal information, the purpose of use, how the information will be processed, etc., to ensure that we obtain customers' consent and authorization during the information collection process. We also provide customers with the right of access, rectification and deletion of individuals' data. In addition, we require all employees and data vendors to sign a Confidentiality Agreement and require vendors to comply with our privacy policies and conduct data compliance inspections of vendors to further strengthen customer privacy.

We have also built a complete set of information security technology library, which includes firewall, VPN, fortress machine, log audit system, anti-virus system, network audit system, terminal management system, data encryption system, and other key technologies. The information security technology library can ensure the security of customers' personal information to the greatest extent when we provide services. By the end of the Reporting Period, we did not receive any complaints related to breaches of customer privacy or loss of customer





# **Health Sustainability Framework**

Yifeng Pharmacy steadfastly upholds the "family-trusted medicines" standard, establishing confidence through scientific governance, clear strategies, robust risk controls, and defined operational goals. We implement comprehensive safeguards for Chinese pharmaceutical safety and consumer rights and are committed to becoming a trusted health partner worthy of national reliance.

# Governance

To ensure transparent decision-making, efficient execution, and robust oversight, we have established a scientific quality governance framework. The Board of Directors bears ultimate responsibility for the compliance and effectiveness of product and service quality. The Quality Management Department, as a dedicated functional unit, oversees the operation of the Quality Management System. Through a three-tier linear management structure spanning headquarters, branch offices, and retail outlets, quality management standards are uniformly implemented across all retail terminals. Concurrently, we have formed a Quality Management Leadership Group composed of department heads from headquarters. This Group ensures full-process quality control in procurement, storage, and sales operations. Every tablet and every bottle of medicine strictly complies with national quality standards. Additionally, we provide customers with professional, reasonable, and precise pharmaceutical services through this integrated management approach.

Team competence serves as the critical foundation for ensuring effective Quality Management System (QMS) operations. We mandate rigorous professional qualifications for quality management personnel: Department heads at both headquarters and branches must hold licensed pharmacist certifications with minimum 3 years' experience in pharmaceutical quality management; All quality management staff require college-level diplomas or higher in pharmacy, traditional Chinese medicine, or related disciplines. This qualification framework ensures the team possesses comprehensive expertise and practical capabilities to proactively address quality and safety risks throughout operations.

We have established a mechanism integrating training with performance evaluation to ensure the efficacy of quality management operations. Annual systematic training sessions encompassing all employees are conducted, covering Good Supply Practices for Pharmaceutical Products (GSP), pharmaceutical expertise, Quality Management System documentation and other specialized technical topics. To drive continuous professional development, we incorporate critical quality metrics, including quality incident resolution, product quality evaluation, and expiration management into quality personnel's performance appraisals. Accountability tracing mechanisms are clearly defined, with a merit-based incentive system implemented to holistically strengthen the team's oversight responsibilities and operational capabilities.

# **Strategy**

We have integrated the Controllable Premium Strategy into our organizational framework, continuously refining and developing premium pharmaceutical portfolios including proprietary brands, exclusive formulations, and co-developed products with manufacturers. Building upon our pharmaceutical foundations in both Western and traditional Chinese medicine, we are expanding into herbal wellness products, nutraceuticals, health monitoring devices, personal care items and health-oriented consumer goods. This strategic expansion delivers carefully curated products characterized by reliable quality assurance, clinically validated efficacy, cost-performance optimization and controlled distribution channels. Our holistic health solutions prioritize three core commitments quality and safety compliance, specialized professional expertise and compassionate service delivery.



For details on our Controllable Premium Strategy, refer to sections "Quality and Efficacy Assurance", "Regulated Pharmaceutical Channels" and "Professional Service Delivery" in this chapter.

# Impacts, Risks and Opportunities Management

Quality Risk Mitigation serves as the cornerstone of our governance framework for managing health and safety impacts, risks, and opportunities. We have established a Quality Risk Management (QRM) Framework aligned with stringent standards, supported by the Yifeng Pharmacy Quality Risk Management Protocol, which systematically evaluates, communicates, controls, and reviews quality and safety risks throughout the product/service lifecycle. The Quality Assurance Department retains unilateral veto authority during audits to reject products failing quality inspections or violating packaging compliance standards.

Management Plan

The Quality Management Department formulates the quality risk management plan and distributes it to department heads for confirmation.

**Risk Identification** 

Pharmaceutical quality control personnel conduct risk identification, analysis, and categorization across all product lifecycle stages using proactive or retrospective approaches. the Quality Management Department then performs risk rating analysis and secondary verification.

**Risk Assessment** 

Based on the assessed quality risks, the Quality Management Department devises control and preventive measures, mandates effective implementation of risk mitigation actions by relevant departments, and periodically evaluates the effectiveness of these measures to ensure risks are reduced to acceptable levels.

**Risk Review** 

The Quality Management Leading Group conducts at least one annual review of risk management outcomes and the acceptability of residual risks.

Product Quality Risk Control Mechanism

We are concurrently advancing digital quality risk management through an intelligent monitoring system that oversees risks across the entire supply chain, including procurement, storage, sales, and returns. The system automates the identification, monitoring, and control of quality-related risks such as blocking transactions beyond authorized business scopes, alerting for nearing-expiry products, prohibiting procurement and sales of expired items and restricting distribution and sales of non-compliant goods. This technology enables real-time risk monitoring and automated intervention to ensure operational compliance and quality safety.

# **Metrics and Targets**

In accordance with the Yifeng Pharmacy Quality Policy and Objective Management System, we establish annual quality policies and management objectives, breaking down objectives into departmental and role-specific targets through a tiered implementation plan to fulfill responsibilities for customer health and safety. For critical quality management goals, the Quality Management Department conducts comprehensive monitoring of implementation progress via internal audits. Meanwhile, to fully achieve quality objectives, we strictly monitor and evaluate employee compliance with the Quality Management System. Through annual departmental evaluations and quarterly store assessments, quality management practices are integrated into daily workflows, ensuring effective operation and continuous improvement of the system. This drives steady enhancements in safeguarding customer health and safety. In 2024, all annual quality management objectives were successfully attained.



# Quality Management Objectives in 2024



- All online and offline businesses were operated in compliance with laws and regulations
- All distributed pharmaceutical products met quality standards, with a 100% compliance rate in market inspections.
- The Measures for Quality Supervision and Management of Medicine Distribution and Use was strictly implemented to ensure the effective operation and continuous improvement of our Quality Management System.

# **Guaranteeing Quality** and Efficacy

Yifeng Pharmacy adheres to the principle that "Quality is the foundation of Yifeng", placing the highest priority on medicine quality and safety. We strictly comply with laws and regulations such as the Drug Administration Law of the People's Republic of China, the Good Supply Practice for Pharmaceutical Products, and the Measures for Quality Supervision and Management of Medicine Operation and Use, as well as regulatory requirements in the jurisdictions where our directly managed and franchise stores operate. We have established and implemented internal policies and standards covering all operational processes, proactively fulfilling our social responsibilities and mission as a leading enterprise in the pharmaceutical retail industry. In 2024, we revised internal policies including the Yifeng Pharmacy Internal Audit Policy on Quality Management System, the Yifeng Pharmacy Inspection and Evaluation Policy on Implementation of Quality Management System, the Yifeng Pharmacy Medicine Acceptance Management Policy, the Yifeng Pharmacy Medicine Storage and Maintenance Management Policy and the Yifeng Pharmacy Medicine Delivery Review and Management Policy, further advancing the standardization, refinement, and specialization of quality management.

# **Medicine Quality Management System**

We have established a comprehensive quality management system covering the entire medicine lifecycle, spanning procurement, acceptance and warehousing, storage, outbound logistics, in-store display, after-sales services, and product recalls. This system rigorously enforces regulatory requirements to ensure compliance, safety, and efficiency across production, distribution, and sales, thereby delivering reliable medicines. We conduct in-house testing for all of Heng Xiu Tang's own-produced medicines by batch, and for products from other suppliers, we screen key varieties for sampling and then commission a third-party organization to test them. For items with potential risks, we implement timely measures including sampling verification, quality investigations, and recalls to safeguard the medicine quality and safety all round.

In 2024, no major quality or safety incidents related to products or services occurred.

# Medicine Procurement

We have established and implemented the Yifeng Pharmacy Supplier Quality Assurance System Evaluation Criteria, Yifeng Pharmacy's Supply Units and Sales Personnel, First Purchased Variety Review Management Policy and other relevant regulations, consistently adhering to the principle of prioritizing qualification verification. Comprehensive qualification reviews are conducted for suppliers, product categories, and supplier sales personnel. Through on-site inspections and document verification, we rigorously evaluate suppliers' production quality systems and sustainable supply capabilities, strictly controlling product quality at the source. Cooperation is initiated only after ensuring compliance with our high standards.

We apply the approach of "centralized procurement at headquarter and local procurement at subsidiaries" for medicine procurement, and adopt different procurement modes according to the attributes of the medicines, taking the reliability of the procurement channel, the competitiveness of the price and the satisfaction rate of the products in the stores as the core indexes, so as to ensure that the quality of the medicines is guaranteed, the channel can be traced, and the price is affordable.



# Acceptance and Inspection

We strictly implement the Yifeng Pharmacy Medicine Acceptance Management Policy and Yifeng Pharmacy Acceptance Procedure and other regulations to inspect the appearance, packaging, labelling, instructions and other contents of the medicines in accordance with the sampling standards, and scan and check the traceability codes of medicines. And we will directly return to the supplier, if any medicines do not meet the sampling standards or have quality issues, so as to ensure the quality of the products.



# Medicine Storage

We strictly implement the Yifeng Pharmacy Medicine Storage and Maintenance Management Policy and operating procedures to ensure that medicines are stored in the appropriate warehouses according to their packaging and storage requirements. Additionally, we conduct monthly maintenance inspections, maintain maintenance records, and utilize a computerized system to automatically track and control the expiration dates of inventory medicines. Measures such as near-expiry alerts and automatic sales suspension for expired products are implemented to ensure in-stock medicine quality.







# **Medicine Delivery**

We strictly implement the Yifeng Pharmacy Medicine Delivery Review and Management System and relevant operating procedures, follow the principles of "first-produced products to be sold first and products with closer expiration date to be sold first", manage the delivery order according to the batch numbers and required that outbound medicines must be accompanied by supporting documents such as medicine inspection reports and registration certificates of imported medicines. Through comprehensive verification of outbound medicines and their packaging, we ensure that all dispatched medicines meet the criteria, including accurate quantity, quality compliance and clear labeling to ensure the quality and compliance of outbound medicines.

# In-store Acceptance

Medicines at the stores are uniformly distributed by the headquarter warehouse. When the medicines are delivered, each store performs the quality acceptance process in strict accordance with the relevant provisions of the Yifeng Pharmacy Store Medicine Acceptance Management Policy and the operating procedures to ensure that the packaging and quality of the medicines received meet the requirements, so as to ensure the quality of medicines sold at retail stores.

# In-store Display

All directly managed and franchise stores are required to display medicines in accordance with the relevant provisions of the Yifeng Pharmacy Store Medicine Display Management Policy to classify medicines according to their physical and chemical properties and the storage requirements. Besides, the stores shall carry out regular maintenance and inspection of the quality the medicines strictly in accordance with the Yifeng Pharmacy Store Medicine Maintenance and Inspection Management Policy and the Yifeng Pharmacy Medicine Expiration Date Management Policy, so as to ensure that any quality problems can be discovered and properly handled in a timely manner.



# Medicine Recall

We have established the Yifeng Pharmacy Unqualified Products Management Policy and the Yifeng Pharmacy Medicine Recall Management Policy against medicines that have been sold and found to have serious quality problems, and set up a sound quality management system for products recall, recovery and return. Meanwhile, we have implemented control measures on prohibition of medicine distribution and sales in computer systems, requiring stores to strictly comply with regulations to remove medicines with quality issues from shelves, thereby preventing any pharmaceuticals with questionable quality from entering the market. This ensures the containment of unqualified products at the source and comprehensive quality risk management, and effectively safeguards medicine safety of consumers.

# After-sales Service

We display signs such as the supervision telephone number of the National Medical Products Administration and the service convention of Yifeng Pharmacy at eye-catching places in each store. Moreover, we have also set up a 24-hour service hotline (4008879908) and a customer opinion book for customers to express their opinions on our products and services through various channels. Pursuant to the Yifeng Pharmacy Quality Complaint Management Policy, we have also established a customer complaint file and set up a special team with designated personnel, to ensure that all feedback and complaints can be properly responded to in an effective and timely manner.



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We conduct annual audits of our quality management system. Additionally, when significant changes occur in key elements of the system, or when major issues arise with product quality or service standards, we initiate special internal quality audits. These audits enable timely corrective actions and process improvements to ensure all products and services consistently meet our standards.



# **Medicine Expiration Date** Management

We have established the Yifeng Pharmacy Medicine Expiration Date Management Policy, creating a whole-process management system covering expiration date monitoring to product disposal. Stores are strictly prohibited from selling medicines with less than 30 days remaining in their validity period or expired items. Monthly prioritized maintenance is conducted for near-expiration products, with detailed reports submitted for coordination specialists to assess return feasibility and organize redistribution. For products within three months of expiration, redistribution is discontinued, and mandatory removal from shelves and reporting as losses are required one month prior to expiration to eliminate circulation of expired medicines. Leveraging our digital management system, automated expiration monitoring enforces controls like sales blocks and alert triggers for near-expiration inventory, ensuring timely resolution of validity-related issues at store level.

Under the Yifeng Pharmacy Unqualified Products Management Policy and the Yifeng Pharmacy Store Return Procedures for Unqualified Products, medicines nearing expiration within 30 days and expired medicines returned by stores will be consolidated into the unqualified products inventory. These items are then transferred by the warehouse to contracted environmental service providers for secure destruction as regulated waste.

We implement regular expiration date checks through a systematic inspection process for store merchandise. Should expired products (including promotional items) be identified during inspections, both directly involved personnel and supervisory employees will be held jointly accountable, with responsibility assigned to specific individuals.

# **Expiring Medicines**

- Products with an expiration date of 12 months are considered expiring products if they will expire within less than 4 months.
- Products with an expiration date of 18 months or above are considered expiring products if they will expire within less than 6 months.

# **Medicines in Warning Period**

- Products with an expiration date of 12 months are considered to be in warning period if they will expire within less than 6 months.
- Products with an expiration date of 18 months are considered to be in warning period if they will expire within 9 months.

# **Pharmacovigilance Management**

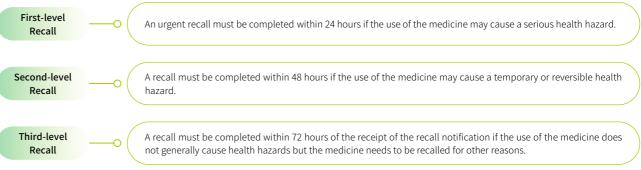
We have established a comprehensive pharmacovigilance system with specialists in our offline stores dedicated to pharmacovigilance, assessing and analyzing adverse medicine reactions, medication errors and medicine damage events in a timely manner, and making records and reports in accordance with the prescribed procedures. In any situation where a medicine needs to be recalled, the medicine recall procedure shall be immediately initiated, so as to ensure the safety management of medicines.

Meanwhile, we proactively conduct medication safety education. Through professional medication guidance, organized patient education lectures and similar initiatives, we work to prevent medication-related safety issues. This provides patients with comprehensive professional support in medication use, treatment, and auxiliary medical care, further safeguarding their medication safety and protecting their health rights and interests.

# Medicine Emergency and Recall

We have developed the Yifeng Pharmacy Medicine Emergency Response Plan, establishing a whole-process emergency management mechanism from prevention to response and post-event review. We formed a Medicine Safety Emergency Leadership Team led by the CEO, with clearly defined departmental responsibilities for monitoring, addressing, and summarizing emergencies. Upon occurrence of an incident, the Team immediately activates the emergency plan, implements urgent control measures including product recalls, consumer notifications, and treatment coordination, while providing real-time updates on progress. Following resolution, the Quality Management Department submits a summary report analyzing causes and proposing improvements to enhance the emergency plan and further reduce medicine risks.

We strictly regulate the whole process management of medicine recall, formulate and implement the Yifeng Pharmacy Medicine Recall Management Policy and Yifeng Pharmacy Medicine Recovery Management Policy. We classify medicine recalls into three levels according to the severity of the potential quality and safety risks of the medicines and set different deadlines for the recalls. Also, we require each store to notify purchasers immediately upon the receipt of recall notification to return the medicines with potential problems, and to stop selling the medicines at all stores. Besides, the stores are required to report the situation of the recalled medicines to the National Medical Products Administration or to notify the medicine manufacturer of the recalls within the designated time limits, and to carry out the subsequent treatment of the recalled medicines based on the different results confirmed by the National Medical Products Administration. The Quality Management Department shall record the whole process of the recall and establish a recall file, including the cause of the recall, the quantity of suspension and recovery, and the treatment result for inspection. We ensure that we hold individuals accountable and keep refining the accountability system to prevent the recurrence of such incidents.



Definitions of Medicine Expiration Date

Medicine Recall System

# **Regulating Channels for Medicines**

We prioritize stable operation of the pharmaceutical supply chain as our core mission and set the transparent, safe and traceable sources of drugs as the goal, ensuring the comprehensive integration of delivery timelines, product quality, and cost control into our supplier management. And we consider explicit contractual requirements such as quality risks, channel risks, and compliance obligations in supplier agreements. In accordance with the requirements of the Drug Administration Law of the People's Republic of China, the Good Supply Practice for Drugs (GSP), and the Good Manufacturing Practice for Drugs (GMP), Yifeng Pharmacy has formulated a series of supplier management policies, such as the Yifeng Pharmacy Quality Management System External Audit Management Policy and the Yifeng Pharmacy Supplier Quality Assurance System Evaluation Criteria, so as to establish a sound and efficient supplier management system and strengthen the solid defense of public health.

# **Supply Chain Management** Structure

Yifeng Pharmacy has established a dedicated Supply Chain Management Department to holistically address risk management across all operational scenarios. This framework integrates secondary functions including procurement, logistics distribution, and warehouse management, while maintaining independent yet collaborative operational models between merchandise management and purchasing departments, thereby strengthening organizational support for supply chain governance.

We mandate that supply chain professionals possess pharmaceutical expertise alongside specialized competencies in logistics management and information technology. Their responsibilities encompass overseeing category planning, driving category strategies, managing supplier relationships, advancing cost-reduction innovations, and implementing digital procurement systems, to ensure medicine safety compliance and optimized supply chain operations. In Addition, key performance metrics such as inventory turnover rates and supply chain efficiency are incorporated into employee evaluations, with corresponding incentive measures implemented based on performance assessments to effectively advance management objectives.

# **Supply Chain Risk Management**

We conduct in-depth identification of potential risks within the supply chain and comprehensively assess their latent impacts to proactively formulate response strategies, thereby enhancing risk resilience. This approach forges robust safeguards for unimpeded distribution channels and constructs multidimensional supply chain architecture with fortified source reliability.

Improving the safety and efficiency of the supply chain helps to improve the quality of service, ensuring the medicine safety for customers and promoting access to medicines.

Supply chain optimization and upgrading requires initial investment, which may increase financial costs in a short term.



- · Enhancing supply chain security and mutual redundancy has emerged as a critical industry trend. By advancing automation capabilities and optimizing operational management, we can effectively enhance supply chain efficiency, reduce operational costs and strengthen business continuity.
- · The establishment of regional warehousing and distribution networks, coupled with multi-warehouse operations and coordinated regional logistics integration, enables us to improve responsiveness to supply chain disruptions and proactively address market fluctuations and demand variations, thereby reinforcing corporate competitiveness.
- · Through targeted supply chain optimization initiatives, we can substantially mitigate inventory overstocking, accelerate inventory turnover rates, achieving measurable improvements in operational efficiency and financial performance.

Impacts, Risks and Opportunities of Supply Chain Management





To effectively manage supply chain impacts, risks and opportunities and to achieve medicine channels control, we:



- · Implement rigorous source control by strictly vetting supplier qualifications and medicine quality to prevent unqualified products from entering distribution channels;
- · Define precise supplier admission criteria to methodically identify and select high-quality partners;
- Develop an integrated evaluation system with tiered classification protocols, and conduct regular multidimensional supplier assessments to deploy tailored strategies based on performance metrics;
- · Promote digital-intelligent transformation across supply chains to enhance operational agility and responsiveness;
- Adopt localized procurement strategies with dual-sourcing protocols to mitigate supply chain disruption risks;
- · Coordinate upstream and downstream resources and make every effort to ensure medicines are in stock, reliable and safe;
- · Enhance data monitoring of inventory and production capacity through the whole management process, prioritize critical product delivery, identify proactive risk and address mitigation planning;
- Expand the manufacturing sites in a timely manner to ensure production capacity, resolve the supply issues of raw materials and products in advance, and actively reserve alternative suppliers to enhance the stability of the supply chain.

We actively engage in industry exhibition, professional forums, and symposiums, collaborate with peers and partners to examine supply chain risk landscapes and exchange actionable mitigation strategies, collectively driving systematic enhancements in risk governance frameworks across the industry and strengthen industrywide contingency capabilities, thereby ultimately establishing resilient foundations for the stable and sustainable development of supply chain ecosystems.



# **Supplier Admission Management**

We consistently prioritize source control as a critical component of supply chain governance, and have formulated internal regulatory frameworks such as the Yifeng Pharmacy's Supply Units and Sales Personnel, First Purchased Variety Review Management Policy and build up the stringent supplier admission system. These mechanisms establish clear procurement evaluation metrics for new suppliers, encompassing corporate scale, quality assurance capabilities, delivery capabilities, and post-sales service competencies.

During supplier qualification assessments, we adopt a prudent approach through holistic evaluation of potential operational risks, legal disputes, and quality-related complaints. Mandatory submission of industry certifications ensures full compliance with international quality standards and regulatory mandates, thereby enhancing supply chain transparency and traceability.



# **Assessment and Evaluation of Suppliers**

To sustain pharmaceutical quality at premium levels, we established a comprehensive supplier assessment and evaluation framework supported by internal governance policies including Yifeng Pharmacy Supplier Quality Assurance System Evaluation Criteria and Chinese Medicine Bidding and Quality Assessment Guidelines of Yifeng Pharmacy. These policies standardize vetting procedures, clarify requirements for supplier competencies and certifications, and ensure timely and accurate maintenance of supplier databases, enabling systematic resolution of quality or supply chain issues and compliant management of regulatory changes, ultimately reducing risk of supply chain and enhancing supply chain efficiency and product integrity.

We have established a comprehensive supplier evaluation system for all-round and multi-dimensional assessment and evaluation of supplier capabilities. We evaluate suppliers through on-site audition, quality comparison inspection and curative effect and quality perception to evaluate suppliers' performance, to realize our philosophy of "". Under the triple quality evaluation system, we conduct comprehensive preliminary assessments of suppliers prior to on-site inspections. Evaluations are based on multidimensional criteria including corporate scale, operational history, operational efficacy of quality assurance systems, product quality reputation, and pricing competitiveness. Following in-depth evaluations through this system, suppliers identified with substantial quality risks will face immediate procurement suspension alongside explicit corrective action requirements. Concurrently, we conduct thorough risk assessments on existing products sourced from such suppliers and rigorously verify compliance with mandated corrective measures.

On-Site Visits

The Quality Control Management Department will send dedicated personnel to implement unannounced inspections to the potential suppliers, and assess and rank the quality management system of suppliers according to key inspection points set out in the GMP, so as to understand the actual condition of the enterprise.



Ouality Comparison and Inspection

We monitor and correlate key indicators, including content, related substances, heavy metals, solubility, content uniformity, friability, and carry out result comparison among products of the same category.

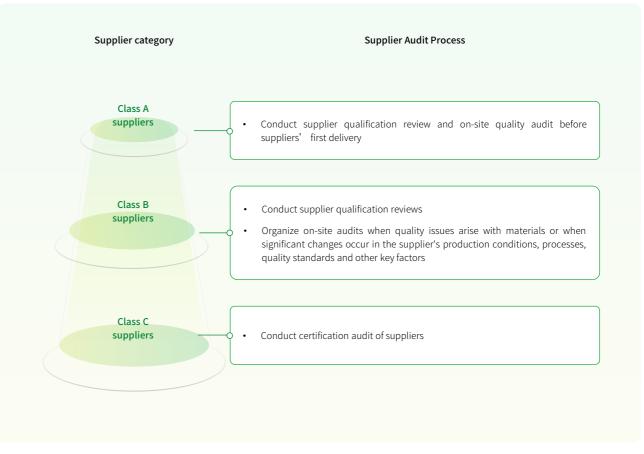


Reviews on Efficacy and Quality Perception

The Quality Control Management Department invites the stores' health advisors to conduct paper questionnaires or online surveys on th perception of product efficacy, appearance quality, package and brand.

Quality Evaluation Mechanism

We implement category-specific quality reviews through regular evaluations and annual quality assessments to maintain an approved supplier roster, ensuring stable pharmaceutical supply chains with reliable product efficacy. Our supplier qualification process prioritizes partnerships with suppliers demonstrating both regulatory compliance and proactive sustainability commitments, thereby mitigating environmental risks while advancing green, equitable supply chain development. In the semi-annual evaluations in July 2024, we terminated contracts with three underperforming suppliers and conducted intensified on-site audits for critical partners.



Material Supplier Audit Process

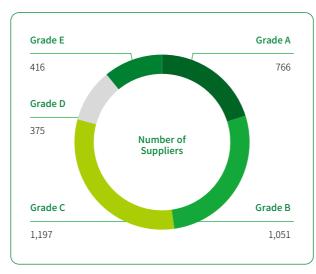
To further ensure suppliers' strict adherence to our quality standards system, we conduct annual quality training for all suppliers covering product compliance resolution and quality specifications, aiming to elevate their operational quality management proficiency.



# **Supplier Classification and Tier** Management

To achieve refined management of suppliers, we have implemented a scientific quality risk rating mechanism, annually conducting dynamic management and evaluations of suppliers. According to the rating system, we established evaluation metrics based on the quality characteristics of various medicines and assigned specific weights to different quality criteria. Based on these metrics, suppliers are subsequently stratified into five grades (A, B, C, D, E), with each grade corresponding to distinct risk levels, thereby visually reflecting their compliance levels through this stratification framework.

We implement differentiated management strategies for suppliers across grades. Grade A suppliers (Tier 1 suppliers) receive expanded collaboration opportunities and preferential terms to incentivize sustained quality excellence. For Grades B and C suppliers, we enhance communication channels and implement improvement-focused guidance to drive operational optimization. Grades D and E suppliers with high risks undergo intensified compliance monitoring, with partnership restrictions or discontinuation protocols activated when necessary. This tiered management enables targeted performance interventions, improving managerial responsiveness while ensuring supply chain reliability through calibrated quality controls.



Grades of Suppliers in 2024

# Digitalization and Localization of Supply

To enhance supply chain efficiency and advance security objectives, in 2024 we focused on digitalization and localization as dual core priorities. We have strengthened supply chain digitalization capabilities through system upgrades introducing functions such as delayed delivery tracking reports and inventory turnover analytics, enabling real-time operational visibility and data-driven stock management insights for proactive risk mitigation. Simultaneously, optimized supplier contract renewal alerts with automated escalation protocols has streamlined workflows, ensuring uninterrupted operations through timely administrative coordination. These coordinated enhancements in digital governance and contractual oversight facilitate agile decisionmaking while maintaining secure, resilient supply chain ecosystems.

Concurrently, we actively implemented localized procurement strategies by cultivating partnerships with regional high-quality suppliers, effectively shortening supply cycles while mitigating risks inherent in transportation and intermediary processes. This approach significantly enhanced supply chain reliability, providing robust operational support for sustained business growth.





# **Providing Health Services**

Yifeng Pharmacy maintains customer-centric operations and is committed to setting up a benchmark for the health services of the society. We adhere to the original intention of "making people physically and mentally healthy", and meet the diversified needs of our customers through a scenario-based service mode, ranging from pharmacy services, preventive health care, medication tracking, chronic disease management, healthy life consultancy to all-around health management solutions. With our professional service system, rigorous marketing standards and omnichannel interactive experience, we not only provide our customers with safe, professional and caring services, but also promote the continuous improvement of the health level of all people through innovative practices, demonstrating our long-term commitment and responsibility to the health of the society.

# **Professional and Accurate Servicing**



# Our Service Philosophy

Yifeng Pharmacy adheres to the service philosophy of professionalism and compassions, promotes the "peak-end experience" mode and implements the principles of "Three Dos" and "Three Nos". Guided by the principle of "selflessness and altruism", we mandate employees to provide condition-specific medication guidance and personalized recommendations according to their needs with explicit rationale, providing customers with attentive and professional guidance on medication and health management by building a comprehensive service system, so as to win the trust and recognition of our customers. Our expansive network continues expanding through new store openings and existing stores optimizations. Combined with our own stores and online platform, we have formed an integrated online and offline health service mode.



# **Our Service Team**

Over 95% of frontline employees across our retail outlets hold degrees in medical or pharmaceutical disciplines. We take "precise medication" as the starting point, requiring frontline health consultants to accurately recommend medicines that meet the needs of customers according to their illnesses. Meanwhile, leveraging big data analytics to optimize therapeutic suggestions, we ensure rational medicine taking and optimized purchasing experiences. To enhance consultation professionalism and accuracy, we have implemented a structured training infrastructure with sustained investment, cultivating grassroots personnel into certified pharmacists capable of providing specialized medicine guidance and wellness counseling, and regularly trains, supervises, and evaluates store employees on relevant standardized requirements. For core therapeutic medicines targeting prevalent conditions (e.g., antihypertensives, hypoglycemic medicines), we have developed a professional knowledge repository that delivers scientifically validated combination therapy examples to employees, enhancing their expertise in promoting rational and safe medicine practices. Complementing this, our Yifeng Pharmacy Store Member Management Incentive Program refines motivational mechanisms to stimulate the service motivation of the frontline empoyees, driving continuous service capability improvements for delivering more precise and attentive client care.



# **Our Membership System**

We have established a multi-tiered membership system offering omnichannel, full-scenario, and lifecycle-spanning health management services centered around members. We launched the "88" member benefits, including 8 professional member services (e.g. tea for members, traditional Chinese medicine decoction service, etc.) and 8 exclusive benefits (e.g. member discounts, points redemption, health advisor, etc.), and facilitate digital engagement through the Enterprise WeChat platform by delivering personalized one-on-one medicine consultations and professional followups, empowering members to foster robust health awareness and sustainable habits.

We have intensified professional pharmaceutical services by focusing on chronic non-communicable disease (NCD) management. Through customized NCD management plans, we provide customers with professional medication guidance, medication reminder, disease course management, health check, health education and other services to enhance customers' knowledge of diseases and self-management capabilities, improve medication adherence, and thus effectively promote health for all.



## **Safeguarding Consumer Rights and Interests**

Customer satisfaction remains Yifeng Pharmacy's unwavering pursuit. We actively listen to customer voices through comprehensive satisfaction surveys while maintaining multi-channel, efficient complaint resolution mechanisms to ensure prompt issue addressing and satisfactory experiences for all patrons. Through responsible marketing practices in daily operations, we guarantee customers access to accurate product information, professional medication guidance, and equitable transaction environments, thereby safeguarding consumers' rights to know, to choose and to health and winning our enduring trust and support from customers.



### **Customer Satisfaction Survey**

We conduct quarterly customer satisfaction surveys across all regional stores, gaining insights into customers' genuine feedback through multiple evaluation dimensions including the Net Promoter Score (NPS), core operational indicators (encompassing service attitude, professionalism, in-store environment, checkout service, complimentary customer services, product availability, medicine quality and pricing, etc.), and the implementation status of key touchpoints in the peak-end experience. Additionally, we incorporate competitive benchmarking to holistically assess our performance within the local market. Based on the survey results, we analyze customer opinions thoroughly, compile the quarterly NPS Survey Report, carry out quarter-on-quarter and cross-sectional analysis of each for each evaluation indicator, and summarize common customer concerns. We formulate targeted improvement programs to continuously improve service quality. In 2024, we collected between 12,000 to 13,000 customer satisfaction survey responses quarterly and achieved an overall customer satisfaction score approaching 80 points.

To further enhance customer satisfaction, we continuously refined the Yifeng Pharmacy 100% Customer Satisfaction Improvement Program. This included introducing an incentive mechanism to motivate employees to deliver services exceeding expectations, thereby creating trusted customer experiences. Simultaneously, we intensified employee training programs across all stores, covering 27 customer dissatisfaction problem scenarios throughout the year to enhance employees professionalism and service capabilities, driving the transition from reactive problem-solving to proactive delivery of quality services.



### **Customer Complaint Handling**

We attach great importance to the management of customers' complaints and have set up two main channels for receiving complaints, namely the "400 Call Center" and "Online Customer Service", as well as mailbox, official WeChat accounts, media accounts and other channels, through which customers can provide feedbacks conveniently. We have a special responsibility system and designate a special person to deal with complaints against different departments to ensure that each complaint is handled in a timely and effective manner. When customers dial in for complaints or submit complaints online, we record basic information in detail including the specific time, location, content of the incident, claims of the complaint, and customers' contact information. We then determine the response approach to be taken based on the nature of the complaint, and ensure that a final solution will be provided within 48 hours.

We implement a tiered management system for all customer complaints, establishing corresponding response and resolution mechanisms based on complaint categories. All investigation and handling procedures strictly adhere to the Yifeng Pharmacy Customer Complaints and Adverse Reaction Handling Management Procedures, encompassing customer communication, on-site inspections, product verification, and medicine quality reassessments. Should product quality issues be identified, we initiate product recalls to safeguard consumer rights while providing timely updates to customers regarding resolution outcomes to ensure satisfaction. Following complaint closure, we conduct internal reviews to analyze complaint patterns, resolution approaches, and data trends. These insights are consolidated into case studies distributed to all stores, preventing recurrence of similar issues.

#### 2024



The average waiting time for customer service calls was 36 seconds (system-prompted the incoming customer waiting time), the average response time was 5 seconds (when the system prompts an incoming call, it is answered within 5 seconds on average), and the problem resolution rate was 87%.

### **Responsible Marketing**

We strictly comply with relevant laws and regulations including the Advertising Law of the People's Republic of China, the Measures for Quality Supervision and Management of Medicine Distribution and Use, and the Measures for Supervision and Administration of Medicine Circulation. Upholding compliance as the fundamental principle in medicine promotion, we have established a rigorous and systematic compliance review system and approval processes to ensure truthful and objective promotional content across both directly-operated and franchise stores. All medicine promotions strictly adhere to package insert information, accurately presenting therapeutic effects, adverse reactions, contraindications, and precautions, while prohibiting exaggerated efficacy claims or downplaying potential adverse reactions to ensure that the truthfulness and compliance of the publicity content is comprehensively safeguarded. A dedicated team centrally produces promotional campaigns, seasonal marketing materials, and advertisements for all directly-operated and franchise stores and all materials undergo professional vetting before distribution to stores.

Additionally, we conduct regular internal audits of responsible marketing practices, performing centralized reviews of all external promotional materials to guarantee legal and regulatory compliance in our public-facing content. To further enhance employees' marketing capabilities and service proficiency, the Company implements responsible marketing training programs for all employees, reinforcing compliance awareness and standardized service protocols.

Throughout 2024, no major violations related to product/service information and labeling or marketing activities occurred within our operations.

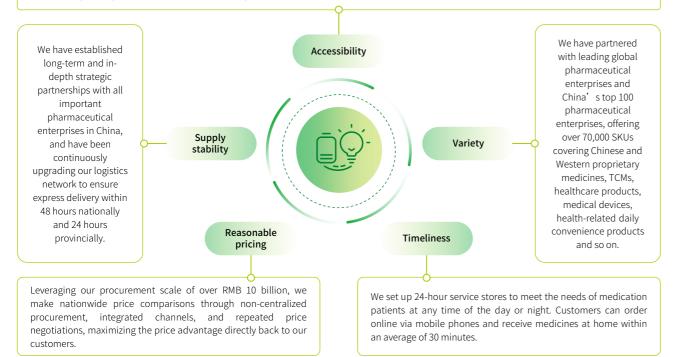


## Smooth Medical Network

As a leading chain pharmacy in China, Yifeng Pharmacy focuses on providing customers with high-quality, cost-effective and easy-to-buy medicines, as well as reliable pharmaceutical services. We adhere to the business philosophy of "fair pricing with professional service", and always put customer needs first. We continuously explore the diverse healthcare needs of our customers. Based on the conventional form of pharmacy, we have opened traditional Chinese medicine (TCM) clinics, diagnosis room of TCM practitioner, outpatient departments, in-store clinics, Internet healthcare services and Heng Xiu Tang TCM factory, gradually extending our business to the diagnosis and treatment and upstream industries. In this way, we aim to provide comprehensive healthcare solutions for public well-being.

Amidst the increasing chain rate and market concentration in the pharmaceutical retail industry, Yifeng Pharmacy adheres to the development strategy of "holding regional focuses and performing steady expansion", and continues to improve the breadth and depth of store network through a diversified expansion model of "new store + merger and acquisition + franchise" to meet the real-time needs of customers. Meanwhile, we continuously expand the online and offline business layout, and expect to enhance consumer experience through scale effect. We strive to provide customers with more accessible and high-quality goods and services that perform well in accessibility, variety, timeliness, reasonable pricing, and supply stability.

While expanding our offline stores and establishing a modernized logistics network, we actively promote the development of online stores and Internet hospital to provide customers with one-stop medical service at home.



### **Building Our Retailing Network**

Yifeng Pharmacy attaches great importance to the construction of the retail network, adopting an online and offline omnichannel layout to accurately reach all types of customers. On the offline side, we are advancing a "fleet-type" store layout, focusing on covering 10 provinces and cities in Central South China, East China, and North China, with 42 prefecture-level cities and more than 130 county-level cities included. On the online side, we are continuously improving the traditional and new retail systems, including 4 intelligent retail channels which are B2C, O2O, APP + Mini Program, and Construction of Private Domain, as well as new retail channels like Internet hospital and eprescribing. These efforts represent our vision of providing customers with more cost-effective and convenient goods and services. Meanwhile, to promote the influence of our brand philosophy, operation model and social value, we have opened up direct-operated franchise opportunities. While providing franchisees with stable operation supports, we ensure that customers enjoy more accessible goods and services.



### As of December 31, 2024:

14,684

(including franchise stores)

26

95

9,728

flagship regional stores

central stores

small-sized community stores

1.023

259

medium-sized community stores "dual-channel" BMI designated outlets

318

4,600+

600+

DTP specialized pharmacies

outpatient integrated management pharmacies

24-hour service stores

688

100+

3,812

hospitaladjacent stores

traditional Chinese and Western medicine clinics franchise stores

10,000+

(including franchise stores)

8 self-built

Internet hospitals

20

new cooperation Internet hospitals

2 Internet hospitals under construction

## Layout of Offline Retailing



We have established an offline retailing network covering many cities and business districts, based on the population structures and customer demands in different regions. This network forms a "fleet-type" layout centered on flagship stores, regional central stores, medium-sized community stores, and small-sized community stores. In flagship and regional central stores, we focus on providing a "one-stop" service with a full range of products. In medium- and small-sized community stores, we focus on the accessibility to medicines by offering a variety of medicines in different areas, providing community residents with more accurate goods and services as they needed.

Meanwhile, with "thoughtful service + new retail" as the strategic core, we continue to build specialty medicine stores (DTP specialized pharmacies), "dual-channel" BMI designated outlets, special and chronic diseases medical insurance coordinated stores, hospital-side stores, and 24-hour service stores. We have established a full-course management system that covers pre-medication diagnosis, continuous treatment, rehabilitation management and follow-up tracking. We assign chronic disease management specialists to DTP specialized pharmacies to provide professional target management, health monitoring, medication guidance, and health education, helping customers with chronic diseases enhance their disease awareness and selfmanagement capabilities. In addition, believing in the principle of prioritizing our customers, our 24-hour service stores provide self-pickup and home delivery services within a vicinity of 3km, while hospital-adjacent stores are located within 100 meters of hospitals. These stores provide customers with better, faster, and more convenient medicine purchase experience.

To further promote pharmaceutical accessibility, we have opened township franchise stores in Hunan, Hubei, Jiangsu, Jiangsu and Guangdong provinces, effectively expanding the channels for health services in the grassroots market. Through this multi-level network layout, we ensure that the medication needs of different populations are accurately met, while promoting comprehensive regional market coverage.





### **Online Retailing Channels**

We continue to innovate in the development of online retail, exploring more new functions and models. Centered on customer relationship management and big data, we are advancing a new ecological medicine retail platform based on a membership system, Internet-based medical services, and health management. We are actively developing online diagnosis and treatment, chronic disease management, as well as online and offline health steward and family doctor services. Our online sales model relies on the Company's logistics distribution center and physical stores. Customers place orders online, and the goods are then delivered by the Company's logistics or physical stores. This not only enhances the convenience of purchasing but also expands the range of choices available to customers.

















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In terms of B2C and O2O retailing channels, we have

successfully entered mainstream platforms such as Tmall, JD.com, Pinduoduo, Meituan, Ele.me, and Douyin. We ensure that customers receive their goods online ordered within 30 minutes, effectively addressing the issue of "difficulty in purchasing medicines and urgency in using them".

To enable customers have the most affordable goods and benefits whether they shop online or offline, our APP + Mini Program synchronizes online and offline goods inventories, ensuring consistency in membership, pricing, and promotions on all platforms. Additionally, we continuously enrich our online goods offering by incorporating more thirdparty drop-shipping or imported goods.

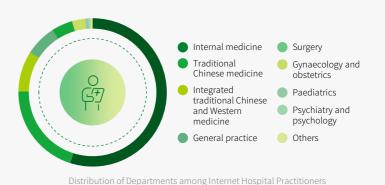




As for the construction of private domain community, we not only provide professional medication advice but also create a health exchange platform to facilitate customers to obtain medication information, health knowledge, and wellness tips anytime. Customers can also share their experience with others who have similar needs for their health in the communities. At the same time, the system records customers' test data and carries out chronic disease management. We provide online health consultation through the corporate WeChat platform. Salesmen push health care and medication guidance to customers according to their needs, ensuring that customers can obtain personalized services anytime and anywhere. Based on precise recommendations of membership data, we effectively improve the efficiency of medication reminders and health management. Considering members' diseases, medication, and benefits, we customize communication content and frequency to ensure that the proactive communication occurs no more than once a week.



In terms of Internet hospital operations, we have already laid out in several provincial capitals, including Hunan, Jiangxi, Jiangsu, Shijiazhuang, Tianjin, and Guangdong, covering multiple departments such as internal medicine, traditional Chinese medicine, integrated traditional Chinese and Western medicine, surgery, and gynecology and obstetrics.



By signing contracts with more than 1,000 multi-site medical practitioners and recruiting professional pharmacists, we have established a multidisciplinary medical team to offer services such as professional health consultations, online consultations, family doctors, and chronic disease management services.

Through a variety of management measures, we ensure that the Internet hospitals effectively realize borderless closed-loop medical services.

Compliance management We have established a strict medical compliance system and built a multi-license Internet hospital management system and an Internet hospital risk control system. We have realized the connection and regulatory data upload between our self-built Internet hospital and third-party Internet hospitals, ensuring the compliance of prescriptions and the pass rate of quality inspection reach 99%.

Consultation and prescription

We have launched a consultation and prescription system that supports text and image/video consultation, doctor management, and integration with online stores, serving over 13,000 stores.

Data support

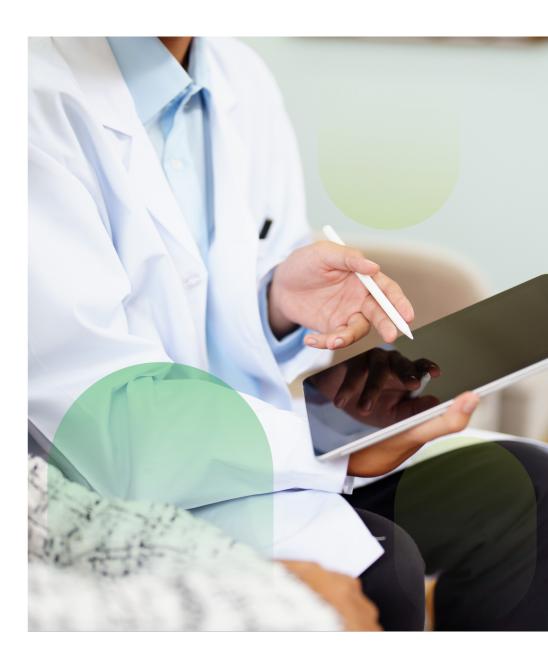
By improving the electronic medical record system and the big data analysis platform, we promote the interconnectivity of medical data, provide data support for medical decision-making, and ensure data security through telemedicine and encryption technologies.

Diagnosis and treatment response

To enhance the patient experience, we have optimized the diagnosis and treatment process and established a rapid response mechanism. Optimized system has reduced the proportion of abnormal orders to 1% and the rejection rate to 3.5%.

Assessment and motivation

We have implemented a full-time doctor assessment program and a multi-site medical practitioner subsidy program, assessing doctors from multiple dimensions such as medical quality and patient satisfaction to motivate them to improve service







### **Unified Franchisee Management**

the lifecycle management of business

archiving, thereby ensuring financial

bills entry, inquiry, review, and

compliance for franchisees.

distribution management to

quality.

effectively control cost and ensure

As a pioneer in pharmaceutical retailing industry, Yifeng Pharmacy is committed to safeguarding the physical and mental well-being of our customers by providing quality pharmaceutical retailing and professional pharmacy services, while conveying the brand value of trustworthiness and the concept of comprehensive health services. The selection of franchisees is crucial. We give priority to franchisees with experience in pharmaceutical retail, a practicing pharmacist's qualification certificate, and strong financial capabilities. We ensure that they have sufficient start-up capital and financial stability to cover initial investments such as store rent, decoration, and inventory procurement. Franchisees must recognize and practice our brand culture and business philosophy, ensuring that they provide safe and high-quality services to customers and promoting the smooth and long-term cooperative relationship. The location of the franchise store must be in line with our market layout to maximize brand image and market influence. Before opening, a franchise store must pass the preparation review and new employee training to ensure that it meets our standards.

In terms of franchisee management, Yifeng Pharmacy always adheres to high-standard operations and fully implements the "seven unifications" management model to ensure that the franchisee' s operations are highly consistent with our brand image. Through big-data-based precise site selection and an intelligent franchising system, we have not only improved the quality of new store expansion but also achieved comprehensive management of goods, members, and operations of franchise stores. In addition, we provide all-round support for franchisees, including opening planning, product planning, operational guidance, professional training, manufacturer support, and financing consultation. We also continuously optimize the franchisee management through questionnaires, telephone follow-ups, and field research.

To ensure legal and compliant operations and safeguard the quality and safety of goods, all To ensure brand consistency, all decoration designs and basic All franchise stores are required to strictly implement franchise stores are required to obtain the relevant licenses, including the Drug Business License, decoration (renovation) construction of franchise stores are the unified management system, which includes the Business License, the Food Distribution License, and the Class II Medical Devices Recordation carried out by companies arranged and designated by us. All quality management requirements, pricing systems, Certificate, strictly implement quality control in accordance with the Drug Administration Law, the materials bearing the "Yifeng Pharmacy" logo used in and promotional policies. This ensures that franchise Good Supply Practice for Pharmaceutical Products (GSP), and internal regulations, and accept construction should be purchased from designated sites. stores have regulations to follow and standards to irregular inspections and GSP inspections. In addition, we rigorously enforce the "three checks Meanwhile, we require network cabling and the installation of adhere to. While continuously expanding sales and one severe penalty" system. Through regular inspections and strict control, we ensure that the designated video surveillance system in all franchise channels, the franchise stores can provide consumers franchise stores meet standards in terms of quality, service, and compliance. This, in turn, stores during decoration, to strengthen the subsequent with transparently priced, high-quality medicines and safeguards customers' medication safety and upholds the industry's regulatory order. management and surveillance. professional, convenient health services. Unified standards for pharmaceutical services Unified corporate identification Unified management system "Seven Unifications" Unified bill management Unified procurement and delivery Unified personnel training Unified computer system We have established unified As the sole supplier of goods, we In addition, to strengthen the operation and management of franchise We require all franchise stores to standards and processes to regulate implement unified procurement and stores, we regularly conduct standardized training programs. These include establish and use a unified computer

"Seven Unifications" Management

annual training for franchisees, training for backup store managers and

regional directors, as well as online learning courses for franchise store

initiatives are designed to assist franchisees in optimizing store operations.

employees and store manager ability improvement training. These

management system to enable the

headquarters to exercise unified

digital control over the stores.

# **Deepening Digital Intelligence Empowerment**

Yifeng Pharmacy drives the transformation of traditional operations with digital intelligence technologies, comprehensively constructs a digital operation system and an intelligent logistics distribution system, and continuously promotes the improvement of digital business operations to ensure both operational efficiency and service quality. Meanwhile, we will continue to pay attention to potential scientific and technological ethical risks, ensure that the technology application complies with ethical standards, and promote the sustainable development of digital innovation.

### **Innovation-Driven Approach**

Yifeng Pharmacy adopts "customer-centric operational services, efficient and agile supply chain capabilities, and efficient and innovative organizational talent development mechanism" as its strategy and goal for scientific and technological innovation. We strive to achieve the leading digital business operations within the industry. To achieve this goal, we reasonably allocate financial resources in line with our business operations and adopt a diversified financing strategy. Through a robust financial management system, we ensure the sustainable investment in scientific and technological innovation and maximum efficiency of fund utilization

2024



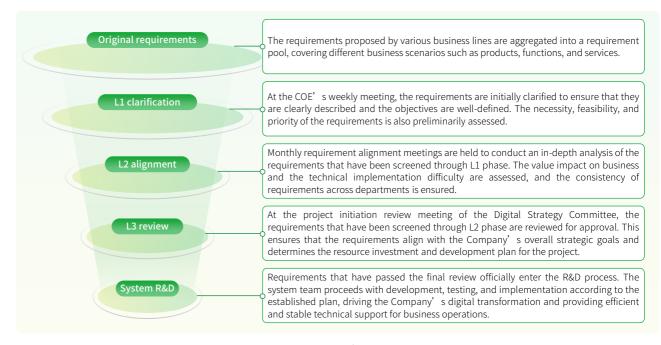
Our expenditure on innovation and R&D amounted to RMB

52.7366 million

We had a total of **323** R&D personnel.

We ensure the execution capability of our innovation business and R&D efficiency through a flexible management model and an efficient organizational structure. We have established a "Product and Business Analysis Business Partnership Model" . In this model, business analysts conduct in-depth analysis of business requirements to help product managers optimize processes and restructure business model.

Meanwhile, we have implemented a "Technical Resource Team" model, dividing the technical team into several smaller teams. Resources are allocated to these smaller teams according to business needs. This ensures that technical support is closely aligned with business objectives, thereby shaping our capabilities in product R&D support. Additionally, we have set up an IT Strategy Committee and a COE (Centre of Excellence) organization. By integrating front- and back-end collaboration and online and offline business processes, closely linking technology R&D with cross-departmental cooperation, and effectively evaluating business value to reduce decision-making waste and enhance R&D efficiency, we ensure that innovation outcomes are rapidly transformed into practical applications, driving digital transformation and optimizes production capacity.



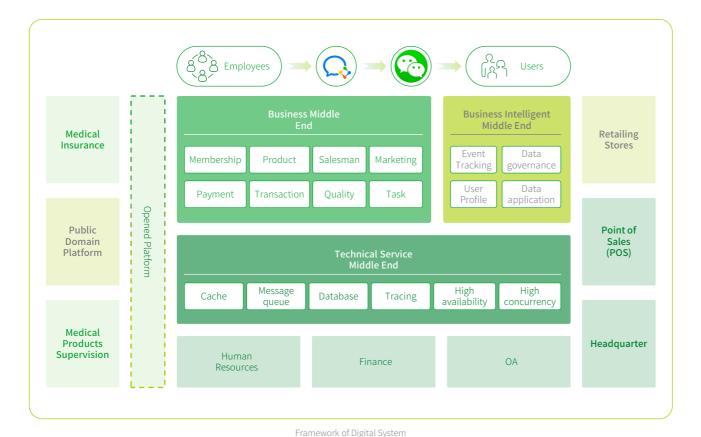
COE Operation Mechanism

In 2024, we achieved remarkable results in R&D innovation. In terms of customer service, we introduced a precise reception assistant. A billion-level member altruistic precise recommendation model was built based on the member tags and computing power of big data models. This increased the medicine matching rate by 8%-10% and the repurchase rate by 10%. In terms of employee empowerment, we developed a system for salesmen that includes targets, incentives, tasks, diagnosis, and training. This significantly improved the professional service and execution ability of salesmen, reducing the service gap between new and experienced employees within 30 days. In terms of compliant operations, we established a medical insurance risk control and supervision system based on big data models, strictly setting risk control and supervision rules in accordance with national medical insurance supervision requirements, effectively avoiding the risk of medical insurance fund theft. In terms of supply chain management, we built a supply chain center to unblock efficiency bottlenecks in each link, effectively improving store turnover, product satisfaction, and traceability transparency.

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### **Digital Operation**

At Yifeng Pharmacy, we deeply recognize that digital management methods are the key to effective management of pharmaceutical retailers, and the crucial supporter to deliver on our promises to customers. To enhance market competitiveness, we comprehensively plan our digital system, steadily promote the middle- and front-end system R&D, aiming to empower the traditional operation management through digital intelligence technology. Our digital system can support stores' operations, POS payment, medical insurance service, public domain platform, medical products supervision and so on. Internally, it can undertake various functional modules such as personnel, finance and administration of the headquarters, and realize efficient management and process optimization of internal operations while ensuring rapid and steady business development.



We continuously enhance our digital operations capabilities through key measures such as the construction of new technology frameworks, subhealth governance of systems, performance improvement of the main chain, and optimization of approval processes.

> Upgrade the system framework based on the Springboot technology architecture, optimize the R&D process, and improve system performance and development efficiency.

> Use optimized database, log analysis, network traffic, etc. to reduce system anomaly alerts by 70% and increase stability by 50%.

> Establish performance baselines for each system and conduct module-based system pressure testing to optimize the main chain performance, resolving over 50 performance issues. This ensures that the system successfully withstands peak periods during major promotions and anniversaries, and easily supports the operations of more than 30,000 stores.

> Analyze process authorization from the prospective of time consumption, value, and pass rate based on the RAPID model, and reduce and optimize nonessential process nodes to increase the approval efficiency across the entire system by 26%.

Digital Operation Enhancement Initiatives





### **Membership Digitalization**

We conduct refined member operations and precise marketing, and actively drive the development of online diagnosis and chronic disease services, in order to enhance user repurchase rates and brand loyalty. Through in-depth analysis of user profiles, we strengthen users' brand recognition and professional reliance on Yifeng Pharmacy, effectively improving consumer experience. By the end of the Reporting Period, the number of our online members has reached over 100 million.



### **Product Digitalization**

We are dedicated to building an industry-leading efficient and agile goods management system. We have successfully launched systems such as online supplier rebate, intelligent replenishment, intelligent coordination, and intelligent return. The implementation of the national rapid procurement system for medically underserved and resource-limited areas has enabled a comprehensive digital and intelligent transformation of our goods business. This has significantly increased product satisfaction rate and inventory turnover efficiency, ensuring efficient and accurate goods supply.



### **Operation Digitalization**

By leveraging new technologies and data capabilities to reshape operations, we continuously enhance the customer experience at our stores and improve operational efficiency. Through our own employees online mini program (Yidianzhang), we empower over 40,000 employees to achieve comprehensive online management of store operations, marketing, data, performance and remuneration. With the help of big data for precise site selection, we assist nearly 1,000 new stores each year in improving the quality of their expansion. At the same time, through our digital franchise management system, we support franchise stores in achieving comprehensive management of goods, members, and operations. We integrate our digital strategy throughout all business chains by constructing four major digital modules: "Employees Online, Products Online, Customers Online, and Management Online" . These modules are upgraded in alignment with the developmental needs and business scenarios of each department. They comprehensively support the efficient operation of our internal management systems, enabling us to swiftly respond to market demands and enhance overall operational efficiency.



### **New Retail Digitalization**

We adhere to integrated development and focus on developing digital products tailored to the scenarios of new retail business. We have constructed platforms such as public domain, private domain, and Internet hospitals to support our "new retail + thoughtful retail" strategic upgrade, fully facilitating the transformation of retailing digitization. By the end of the Reporting Period, over 10,000 direct-operated O2O stores have been launched online. The efficiency of picking, delivery and labor productivity are all at the industry-leading level.





### **Human Resources Digitalization**

We deeply advance the digitalization of human resources in line with the strategy of online, digital and intelligent management strategy, to comprehensively upgrade management modules such as recruitment, contracting, performance evaluation, compensation, promotion, scheduling attendance, as well as talent review and development. In 2024, we formulated and implemented a digital development plan for human resources. By coordinating the infrastructure development of the HR system, promoting the upgrade of the DHR core main system, optimizing data management applications, and refining the human resources reporting and dashboard system, we enhanced the intelligence and automation of human resources management and successfully eliminated incremental problem data and completed the governance of over 2,000 existing data entries. Meanwhile, we focused on standardized and online approach to improve the operation and maintenance management capabilities of the human resources system. We implemented strategies such as daily learning for the operation and maintenance group robot, operation and maintenance duty, and root cause resolution of operation and maintenance issues, thereby establishing a more flexible and efficient management system.



### **Financial Digitalization**

We continue to refine the integration of business and finance operations. Through the implementation of intelligent and automated management across multiple aspects including budgeting, cost control, and reimbursement, we have significantly enhanced the efficiency of financial control. This supports the Company in providing high-quality financial services and maintaining robust financial management during rapid expansion.

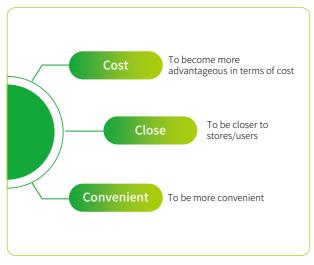


### **Logistics Digitization**

We have developed the Yifeng Transportation Management System (TMS), which covers functions such as dispatch management, freight calculation, temperature and humidity monitoring and turnover box management. We have successfully implemented end-to-end management of logistics information, ensuring both efficient logistics distribution and stable product quality.

### **Efficient Logistics Distribution**

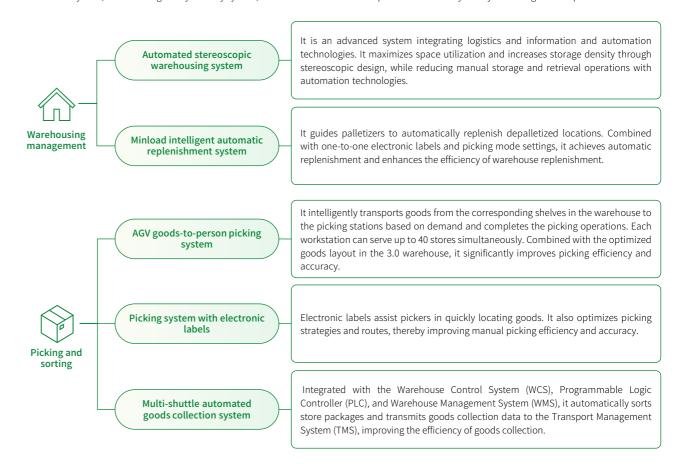
With a strong digital intelligence technology R&D and application team and in line with the Company's actual operational needs, Yifeng Pharmacy has developed a digital logistics system covering warehouse operation management, logistics transportation management and logistics operation management. We identify logistics system improvement points based on the 3C principles (Cost, Close, Convenient), to effectively enhance end-to-end service capabilities in logistics system, and live up to our commitment to customers to "deliver with care, efficiency, timeliness and perfection".

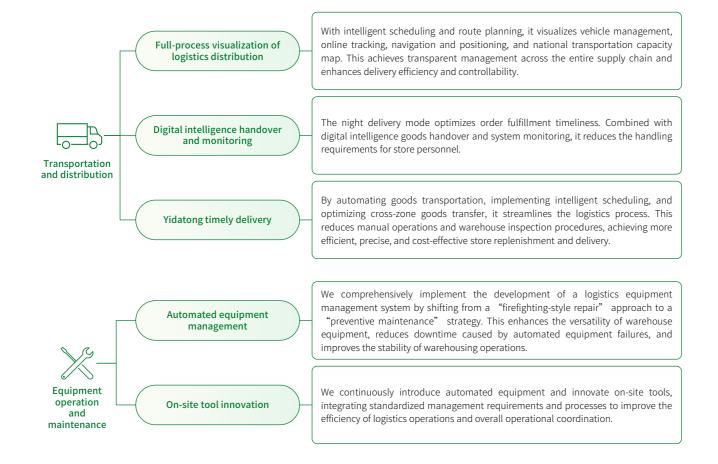


3C Principle of Logistics System Development

By the end of the Reporting Period, we have established seven modern provincial logistics centers in Hunan, Hubei, Jiangsu, Shanghai, Jiangxi, Guangdong and Hebei, as well as ten urban delivery centers in Wuxi and Huai' an, and other major cities and realized online management of production, retailing, e-commerce, and other businesses for 20 warehouses, to ensure timely and accurate delivery to all customers.

The automation of our logistics network is highly aligned with our business needs. When planning logistics centers in various locations, we fully take into account the varying medicines demand and return quantities of each retailing store to ensure effective improvements of work efficiency in goods acceptance inspection, shelving, depalletizing and picking, checking, collecting and loading, returns and other reverse logistics processes. We continue to promote the visualization and intelligent management of warehousing and logistics distribution. By introducing advanced equipment and technologies such as automatic conveyors, automatic sorting system, Automatic Guided Vehicle (AGV) goods-to-person picking system, Minload intelligent automatic replenishment system, electronic labelling, wireless radio frequency (RF) picking, acceptance system, intelligent goods collection system, full-process visualization system, and Yidatong timely delivery system, we have further enhanced operational efficiency and system integration capabilities.





In 2024, we initiated five new warehouse construction projects and gradually introduced automated equipment based on actual needs to enhance the efficiency of warehousing operations. Among them, Suqian and Hengyang warehouses have installed automated equipment such as AGVs, conveyors, and gravity flow goods collection, and have been put into operation. The automated systems in the new Wuhan warehouse, such as stereoscopic warehouse, conveyors, halved belts, and AGVs, have been basically installed and are now in the commissioning phase. Once operational, these systems are expected to significantly increase warehouse operation efficiency and further optimize supply chain operations.



### Modernized Warehouse - Sugian Warehouse Sets Sail

On December 27, 2024, Sugian Distribution Center, which covers an area of about 51.6 acres with a total construction area of about 38,000 square meters, officially opened its warehouse to send goods. The warehouse is equipped with modern equipment such as conveyors, AGV picking systems, and gravity flow goods collection systems in order to achieve a 50% increase in manpower efficiency and a 30% reduction in the handling intensity of the dispatch team, comprehensively improving the distribution efficiency and service quality of the stores in the north of Jiangsu Province.



Suqian Warehouse AGV Handling Robot

In the future, Yifeng Pharmacy will continue to adopt the most suitable management mode, equipment technologies, and operational processes tailored to own characteristics, operational stages, and business scenarios to build a more efficient and cost-effective supply chain logistics system. By these efforts, we further enhance the Company's core competitiveness and achieve healthy and sustainable development.

















# Enhancing People's Well-Being

As a pioneer in the greater health field, Yifeng Pharmacy prioritizes responsibility and fulfills its commitment to improving people's livelihood and safeguarding health through concrete actions. By providing targeted assistance and organizing a wide range of public welfare and community activities, we continuously inject momentum into public health.

## **Driving Regional Development**

Yifeng Pharmacy has taken concrete actions to closely integrate regional development with its own growth. While ensuring the reliable quality and stable supply of medicines, we prioritize purchasing TCM materials from rural farmers, with a total investment of RMB 93.37 million in 2024. Heng Xiu Tang is a core enterprise under Yifeng Pharmacy focusing on manufacturing the TCM decoction pieces. More than 70% of its raw materials are collected, planted, and processed by farmers. This has effectively helped farmers to expand sales channels and increase economic income, and stimulated the vitality of rural industrial development.



Targeted Assistance Rural Revitalization Project in Fenghuang County, Hunan Province

From 2022 to 2024, we carried out targeted assistance in Fenghuang County, Hunan Province. By signing a Siraitia grosvenorii purchase cooperation agreement worth RMB 1 million with Fenghuang Xingcun Agricultural Development Co., Ltd., a collective enterprise in Zhangpo Village, Fenghuang County, Hunan Province, we implemented targeted procurement of Siraitia grosvenorii grown locally, strongly promoting the development of the rural economy.



Signing Ceremony for Targeted Procurement of Siraitia Grosvenorii

### **Caring for Livelihoods**

Over the years, Yifeng Pharmacy has always fulfilled its social responsibility during its corporate development and has achieved remarkable results in improving people's livelihood and well-being. In the future, Yifeng Pharmacy will continue to engage in public welfare practices with a higher standpoint and greater intensity, drive the improvement of people's livelihood with professionalism and warmth, and make every effort to promote healthy and harmonious social development.



### **Expired Medicines Recycling Initiative**

To popularize the knowledge of rational medicine use, enhance medicine quality and public safety in medicine use, and reduce the environmental impact caused by disorderly medicine waste, we have continuously engaged in the collection and disposal of expired medicines.

In 2024, we partnered with the administrations for market regulation to launch the public welfare activities for the disposal of expired and ineffective medicines in family medicine boxes in stores across multiple provinces nationwide. The activities are themed by "Yifeng for Better Health, Cleaning out Expired Medicines". To encourage active public participation, each participant was given a free eco-friendly bag to celebrate the 9th anniversary of Yifeng Pharmacy's listing on the stock market. We also offered unconditional coupons to participants based on the types and quantities of expired medicines they provided. We carefully managed and registered the collected expired medicines before packaging and returning them to the warehouse. The expired medicines were then handed over to professional companies responsible for hazardous waste management for safe and eco-friendly disposal. This helps citizens to dispose of expired medicines in a scientific, safe, and environmentally friendly manner. Through these efforts, we are committed to creating a safe and healthy medication environment, thereby securing both environmental safety and public health.







### "Yifeng for Better Health" Activities

To enhance the public's awareness of scientific medication and deepen community residents' understanding of the importance of safe medication, we launched 26,000 "Yifeng for Better Health" public welfare activities in 2024 to strengthen the education and guidance of medication among community residents, benefiting more than 1.1704 million people, providing 820,000 free health tests, and delivering more than 1 million heartwarming

From April to May 2024, we held more than 5,000 activities themed by "Yifeng for Better Health, Spring Health Journey" in multiple provinces and cities, including Hunan, Hubei, Jiangsu, Jiangsi, Shanghai, Guangdong, and Hebei. We distributed spring health and scientific medication promotional materials to residents, answered their medication-related questions, and provided free blood pressure and blood glucose testing for people with chronic diseases. In the autumn of the same year, the "Yifeng for Better Health, Osmanthus Fragrans Life Festival" themed activities were carried out nationwide. A total of more than 20 large store activities and nearly 6,000 medium- and small-sized store activities were held. These included free distribution of osmanthus tea bags, public welfare gift-giving for Teachers' Day, health lectures in autumn and winter, and chronic disease health testing services. We also conducted outdoor fun interactive activities, which attracted a large number of residents. These activities conveyed the concept of a healthy life, and won widespread praise.













"Yifeng for Better Health" Activities



### **Health Running Advocacy Campaign**

We actively practice the concept of healthy life and promote mass fitness through running. In 2024, we held the "Together for a Healthier Life" healthy running activity in Changsha West Lake Park, which attracted nearly a thousand citizens. During the event, we set up supply stations along the route, and provided professional medical staff and sufficient emergency medicines to ensure the safety and health of the participants throughout

In addition, we spread the health concept to a wider population by sponsoring several marathon events. In the 2024 Changde Liuve Lake Marathon, we provided the "Yifeng Health Station" service for 15,000 runners from 9 countries including Ethiopia and Kenya, and 31 provinces, cities and districts, helping the participants to finish the race smoothly. In the same year, we donated supplies to 27 medical stations of the 2024 Shijiazhuang Marathon, fully guaranteeing the health needs of more than 30,000 participants. We call on more people to join the health running, to convey health, happiness and love through running, and to jointly build a vibrant and caring society.





Health Running Advocacy Campaign



### **Action to Support Flood-Affected Areas**

In July 2024, Pingjiang County and Huarong County in Yueyang City, Hunan Province, successively suffered from severe flood disasters due to continuous heavy rainfall. After the disaster occurred, we responded quickly by launched an emergency relief operation. Through efficient organization and arrangement, we donated more than 900 bottles of disinfectant and 150 sets of emergency medicines and living supplies to the affected areas. These supplies included Huoxiang Zhengqi water, antiviral oral liquid, Xiasangju granules, Shidishui tincture, compound Banlangen granules, and 84 Disinfectant, which were used for post-disaster disinfection and epidemic prevention as well as the public health protection. In addition, we donated medicines worth over RMB 340,000 to severely affected areas such as Anhua, Yuanjiang, and Taojiang, to fully support the frontline flood rescue efforts and help people in disaster areas to get through the difficulties. We demonstrated our corporate responsibility through concrete actions, stood together with people in disaster areas, and done our best to protect the health of the people.











Donation of Flood Relief Supplies

### **Charitable Donations**

To help passengers go home during the Spring Festival travel rush and care for the outdoor workers who protect the people in spite of cold weather, we launched the "Warm Journey Home, Safeguarded by Yifeng" charitable donation activity at the beginning of 2024. In key provinces affected by the cold wave such as Hunan, Hubei, Jiangxi, and Hebei, we organized a series of public welfare activities to send warmth to sanitation workers, bus drivers, expressway traffic police, and returning passengers, contributing our modest efforts to the Spring Festival travel. We have coordinated with tens of thousands of stores to successively distribute cold protection medicines and living supplies worth more than RMB 1.2132 million, including heat patches, ginger tea, masks, hand creams, medicines, and "heart-warming packages". We provided free collection services for people over 60 years old, children under 2 years old, and returning passengers. We also donated cold protection materials and cold resistance medicines to sanitation workers and expressway traffic police. The beneficiary population reached millions of people. These donations delivered warmth to passengers on the Spring Festival journey and outdoor workers who stick to their posts.

In addition, we also worked with Cofoe Medical to donate medical supplies worth RMB 1.3 million to support the "Healthy China Initiative · Mother Action" project of the Hunan Women and Children Development Foundation. The project aimed to help sanitation female workers and hearing-impaired mothers throughout the province. We also donated love materials worth more than RMB 550,000 to the Liuyang Red Cross Society, calling on more enterprises to actively promote the Red Cross spirit of "humanity, fraternity, and dedication". In the future, we will continue to organize such activities to extend care to various groups in society and fulfill our social responsibilities through concrete actions.



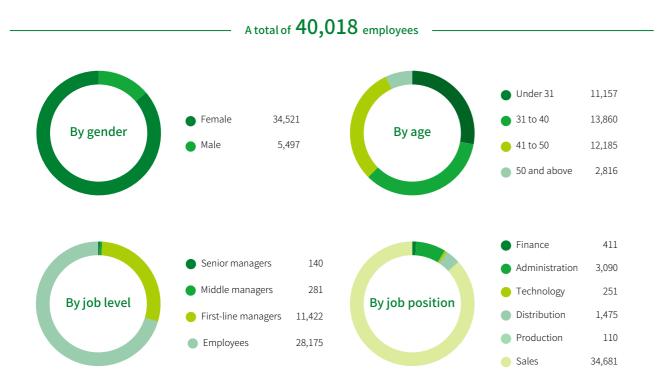
Charitable Donation Activity



# **Compliance Employment**

Yifeng Pharmacy strictly follow laws and regulations such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Provisions on the Prohibition of Child Labor, and the Provisions of the State Council on Working Hours of Workers and Staff, and has also formulated employment policies to align us with relevant regulations. We conduct recruitment with openness, fairness, and impartiality, avoiding any discriminatory words, deeds, or judgements in the selection of talents, including but not limited to discrimination based on ethnicity, race, skin color, gender, religion, and age, to create an equal, fair, diverse and inclusive workplace for employees. Meanwhile, we explicitly prohibit the employment of child labor and forced labor and oppose any form of discrimination and harassment. We require the strict verification of the personal information of applicants before the official employment. If any incidents of child labor and forced labor are discovered, we will promptly take serious actions against the responsible person depending on the severity of the situation. In 2024, we had no incidents of child labor, forced labor, discrimination or harassment.

As at December 31, 2024, we had a total of 40,018 employees, all of whom were full-time, permanent and guaranteed hourly employees and were from China (including Hong Kong, Macao and Taiwan) with a monthly turnover rate of 1.71%. Details are shown below:



We devise the talent demand plan annually to define what talents the Company and key positions seek for, so as to recruit the required personnel more accurately and efficiently. To attract more talents, we broaden the recruitment channels, including campus recruitment and social recruitment.

#### **Campus Recruitment**

We continue to implement programs such as the "Reserve Cadres Recruitment", "Emerging Store Manager" and "Internship" to cultivate fresh graduates and help them integrate into the society more quickly after graduation.

In 2024, we partnered with more than 30 universities across China to develop a three-party talent cultivation model, involving "students, universities and enterprises" . As such ,we successfully recruited more than 1.300 interns.

#### Social Recruitment

By publishing recruitment information on the mini program of "Yi Recruitment", external recruitment websites and other channels and by cooperating with government departments, we have expanded the scope of social recruitment.

In 2024, we were awarded "2024 King's ARK - Employer with Commitment to and Excellence in Talent Recruitment" by Boss Zhipin and "Outstanding Enterprise in Human Resources Digital Transformation" by Beisen. Moreover, the Company won the "Leap Award of the Year" by Liepin, the "Brilliance Creation Award for 20 Years" by Hunan University, and the "High-Quality Enterprise in Talent Attraction" by the Hunan Xiangjiang New Area Civil Affairs and Social Security Bureau. These achievements highlighted the recognition of our talent recruitment initiatives.



"2024 King's ARK - Employer with Commitment to and by Boss Zhipin



"Outstanding Enterprise in Human Resources Digital Transformation" by Beisen



"Leap Award of the Year' by Liepin



"Brilliance Creation Award for 20 Years" by Hunan University



"High-Quality Enterprise in Talent Attraction" by the Hunan Xiangjiang New Area Civil Affairs and Social Security Bureau

### Employees' Rights and Interests and **Diversity**

Guaranteeing employees' rights and interests and respecting their diversity constitute a core driver to creativity and motivation of a corporate. We value the legitimate rights and interests of employees, guarantee their freedom of association, and ensure the basic benefits and attentive care for them. At the same time, we embrace equality and diversity, bringing together employees from different backgrounds and cultures and with different professional skills to encourage employees to realize their potentials and occupational achievement.

We implement employee management standards with commitment to fairness, equity and transparency, so as to fulfill employees' rights. During the Reporting Period, we amended the Administrations for the Conclusion and Termination of the Labor Contract, refining internal policies related to employees' rights and interests, including setting legal working hours, reasonably calculating and paying overtime compensation and banning forced labor, aiming at protecting the legitimate rights and interests of employees. We also revised the Employee Leave Management Measures and the Regulations on Five Insurances and Housing Fund Management at Yifeng Pharmacy to ensuring the implementation of employees' interests on five insurances (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance), housing fund and statutory holidays. In 2024, we paid employees' five insurances, housing fund and wages in full. Also, there were no significant litigation cases involving labor disputes, nor were there any cases of impairment to employees' rights and interests due to significant operational changes.

We are committed to building a diverse, equal and inclusive workplace. We have set up positions for ethnic minorities, veterans and the disabled, providing them with flexible work arrangements and a barrier-free working environment. In 2024, we recruited 7,345 new employees, over 80% of whom were female. The number of veterans and individuals with disabilities reached 125, and more than 200 new hires came from 21 minority groups. We also encourage female employees to compete for jobs and enhance their influence in the workplace. In 2024, more than 4,100 female employees were promoted.



# **Talent Development**

Investing in employees represents an astute commitment to the company's success. We have built a complete talent development and management system revolving around employee training, career progress, performance evaluation, promotion and other key areas. It aims to open up a channel of personal growth and career progress for every employee and to boost the Company's long-term development.

### **Training and Development**

Based on the talent strategy, we identify key positions and talent needs through staff inventory, thus forming a talent pipeline consisting of outstanding employees. We cultivate excellent personnel for the long run by customizing training plans for them.

Release the annual talent demand planning and formulate corresponding recruitment, training, promotion and salary adjustment plans



Develop the talent pool and pipeline of key positions as reference for the Company's talent selection and deployment



Facilitate the development of employees for better recognition in career, clear career direction and continuous career development, to achieve their career goals

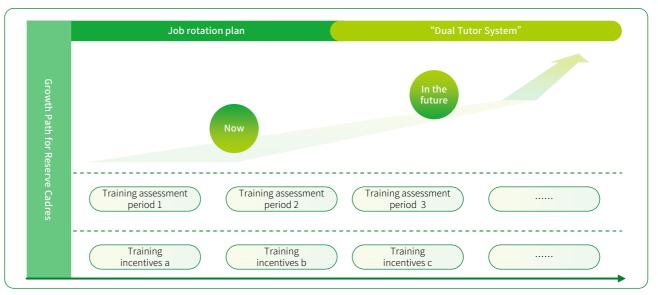
Talent Inventory Progress

### **Talent Development and Training Programs**

With a focus on talent cultivation and business empowerment, we have carried out multi-layer talent development and training programs covering different managers such as reserve ministers, potential store managers and reserve regional directors, aiming at improving the comprehensive business ability of talents and reserving excellent employees.

According to Yifeng Pharmacy's talent strategy, we have launched the "Reserve Cadre Training Program" to cultivate personnel who align their goals with the Company's. We divide the training for reserve cadres into three categories of operations, products as well as central and back office management at headquarters. Through various training cycles and corresponding incentives, we clarify the development requirements of the three kinds of reserve cadres, and motivate them to build up skills.

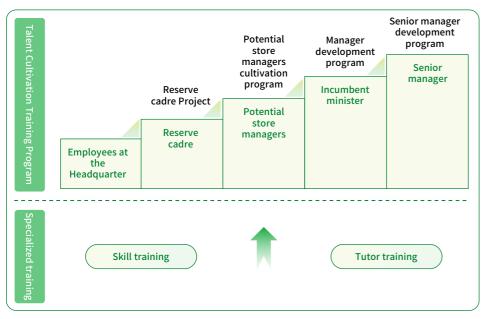
We have formulated a reserve cadre job rotation plan. By inviting outstanding employees to the cross-departmental rotation program and devising personalized rotation and training plans for them, we offer employees with cross-business rotation and front-line and regional opportunities, to help them broaden their business perspectives, thus facilitating reasonable mobility and all-around development of talents within the Company. In addition, the Company has set up a "Dual Tutor System", through which the mentor and the master deliver hands-on instruction to outstanding employees for secured personal growth.



Growth Path for Reserve Cadres

#### Y YIFENG PHARMACY

To contribute to the growth of talents, we have built a complete talent development system for employees of different levels and fields taking into account the talent review results. By providing various training programs and tools, we work to meet employees' needs for skill enhancement and encourage personal growth, to achieve the Company's goals of talent cultivation and strategic development.



Training System

### **Specialized Training**

To ensure professional enhancement for different positions and to strengthen the teaching skills of internal tutors, we have launched a series of professional expertise training courses and tutor competency enhancement courses. These training sessions provide employees with a diverse and highly specialized training content, thus meeting their personalized development needs and intensifying their professional skills and career development potential.

#### Quality Management Training and Professional Expertise and Knowledge Training in 2024

- Conducted 156 quality management training sessions for new recruits.
- 7,435 new employees participated in the quality training examination, and the passing rate was 98.62%.
- Conducted 2 offline training sessions on knowledge of good supply practices, involving 87,898 trainees.
- A total of 126,696 person-times participated in the online trainings focused on management of Medical Devices, regulations on the Traditional Chinese Medicines and so on.
- The training covered 100% of employees, business partners and franchisees.

#### **Pharmacist Cultivation**

#### In 2024

More than **4,000** employees participated in the Licensed Pharmacist Qualification Examination.

We encourage all employees to obtain the licensed pharmacist certificate. And we continuously optimize the tutor qualification exam and help employees pass the exam by assisting them in completing the exam registration and participating in the simulated tests in cooperation with tutoring institutions.



### **Training for New Employees**



Training for New Employees

We organize training activities for new employees to introduce the Company's human resources systems, attendance management systems and other policies. These efforts aim to help them quickly familiarize with and adapt to the Company's environment. Moreover, we carry out training assessment to ensure employees' understanding of these basic systems.

#### In 2024

we completed 160 training sessions for new employees, with a total of 7,345 new employees participating.



### **Training for Reserve Management Talents**



In 2024, we carried out various training activities for management talents such as reserve regional directors and potential store managers. We taught them management knowledge and practical methods, aiming at improving their leadership and collaboration spirit for the Company's long-term development.



Training for Management Talents in 2024

In 2024

we completed 228 management talents training, with a total of **9,120** person-times participated in.



Training on Corporate Culture

During the Reporting Period, we also organized corporate culture training to deepen employees' understanding of the corporate culture by explaining cases and disseminating corporate values of Yifeng Pharmacy, striving to consolidate the team cohesion.

In 2024, we conducted a total of 4,935 training events, realizing 100% employee participation, with 82.23 training hours per person and annual training expenses of RMB 4.1938 million.

### The percentage of employees trained and average training hours by gender

- 100% male employees participation, reaching an average training hours per person of 100.83 hours
- 100% female employees participation, reaching an average training hours per person of **79.27** hours

#### The percentage of employees trained and average training hours by employee category

- 100% senior management participation with an average training hours per person of **8.12** hours
- 100% middle management participation with an average training hours per person of 318.10 hours
- 100% frontline management participation with an average training hours per person of 97.75 hours
- 100% general employees participation with an average training hours per person of 73.96 hours

### **Performance Appraisal and Promotion**

We continue to improve our talent assessment system, aiming at more accurately measuring the performance and contribution of employees and effectively stimulating their motivation and creativity. In 2024, we cooperated with an international consultancy to develop the "Leadership Competence Model" . We took innovative measures to introduce the "Leadership" dimension in addition to the original four major assessment dimensions of value, generic ability, business competence and performance, to enable us to pass on the values of corporate culture and to effectively evaluate the managerial performance of high-performing, exceptional leaders. To provide employees with a clearer understanding of their performance and potential career ladder, we also offer a detailed guideline on employee assessment criteria, for the enhancement of their understanding of assessment indicators and their performance.

Yifeng Pharmacy follows the concept of "equal pay for equal work", making every effort to provide employees with market-competitive salaries. We have set up a performance-based variable pay policy for employees at all levels, to enhance business performance and energize employees to innovate. By creating a fair, reasonable and motivational compensation system, we have developed a reward mechanism for employees that is closely linked to personal growth. In this way, we can motivate them to make continuous improvement and realize personal career goals.

To fully motivate our employees, we continue to optimize the long-term incentive system and implement equity incentive plans to attract and retain key talents. We regularly grant restricted stocks to key managers and core technical staff. The registration of pre-established grants to incentive recipients has been completed and the grant has been made to more than 450 core talents.

To effectively promote the Company's sustainability strategy and goals, we link sustainability performance indicators such as supply chain sustainability and vehicle operational efficiency to existing employee compensation incentives, ensuring that all employees are responsible for the Company's sustainability goals.

#### Senior Management

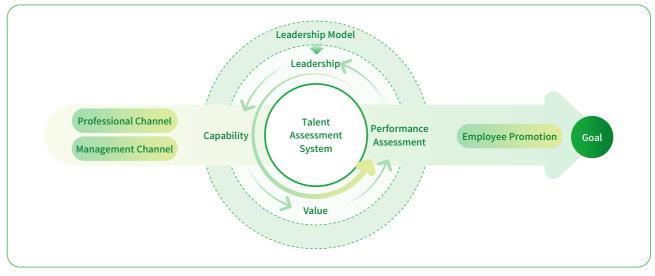
For existing and new businesses, we integrate performance assessment mechanisms (such as the KPI and OKR) with compensation incentives (such as equity incentives). This practice encourages senior executives to lead other employees in completing key tasks and goals and to innovatively implement medium- and long-term development plans, thus contributing to the Company's creative development.



### **General Employees at Stores**

Based on a fair and reasonable performance appraisal system, we have built an effective compensation incentive mechanism for general employees at stores, to stimulate their motivation and initiative.

In addition, we have developed a clear and comprehensive employee promotion system and ensure transparency and fairness in promotion by including the results of employee performance appraisal and job performance into the promotion system. And we have set up a dual-channel promotion mechanism for management and professional development. In 2024, we cooperated with an international consulting agency to upgrade the promotion channel, by optimizing the job level setting and clarifying the career ladder and development path for various positions, to strive to push forward a more scientific and reasonable talent planning and cultivation mechanism.



**Employee Development** 

# **Employee Communication and Care**

To attract and retain talents, Yifeng Pharmacy provides a variety of employee benefits, aiming to deepen their sense of belonging. The Company also sets up various forms of communication channels such as employee satisfaction surveys to gain timely insight into the core demands of employees. Through flexibly adjust management strategies based on employee feedback, we can continuously optimize employees' work experience and elevate their job satisfaction.



### **Employee Benefits**

We provide employees with non-statutory benefits, including annual medical checkups, "bring child to work" mechanism, free meals, accommodation, commuter buses, birthday benefits, and holiday benefits. Besides, we have established the Yifeng Mutual Assistance Foundation ("Yi" Fund), which aims to help employees in need and their families. During the Reporting Period, we subsidized 27 employees in need with an amount of RMB 410,000 through the "Yi" Fund.

In 2024, we organized a variety of welfare activities for employees with a cultural theme on "care for growth". These activities included traditional holiday celebrations, birthday parties, team building, and the "Yi Wisdom Pioneer" knowledge competition, aiming to strengthen employees' sense of belonging and happiness.

#### **Birthday Party for Employees**



Birthday Party for Employees

We hold monthly birthday celebrations to create a warm and enjoyable memory for the birthday employees. We carefully plan a series of creative and interesting interactive games, so that every employee can play a part in a relaxed and enjoyable atmosphere. At the same time, we prepare exquisite birthday cakes and various dishes, establishing the warm environment in the Company.

### Women's Day Activity of "Shine like Flowers"

To celebrate the 114th International Women's Day in 2024, we organized a series of activities with the theme of "Shine like Flowers". We held flower arrangement activities for female employees, and provide them with flowers, beauty meals and other benefits, to encouraged them to give full play to their potential in the workplace.





Women's Day Activity

### **Employee Communication**

We work to build an open and efficient employee communication platform, and actively collect employee feedback and suggestions via a variety of channels. We regard every piece of feedback as a valuable resource for improving management and optimizing the workplace environment. We respond quickly to employees' needs and constantly adjust and refine our management strategies to enhance the employee work experience and create an inclusive and supportive workplace.

#### "Growing with Yifeng Pharmacy", an Employee Care Application

We organize 4 employee communication sessions for each employee, on the day of onboarding, 7 days after probation, 30 days after probation and before the official transfer, in an aspiration to understand employees' feelings in each key stage.

#### "Employee Express" Application

Employees can put forward their ideas and opinions via the "Employee Express" application. The Company regularly collects feedback from employees and directly reports to the CEO, so that the management can listen to the voice of grass-roots employees.

In addition, we continue to strengthen the functions of the Human Resources Department, through which we enhance communication and connection with other business units, to help us realize information transmission among different departments for higher inter-departmental efficiency. We also organize monthly surveys on the satisfaction of the Human Resources Department, so as to obtain the needs and ideas of various business departments in a timely manner and facilitate effective communication among departments.

Our goal is to create a workplace that is inclusive and compassionate, where everyone is valued. We invite all employees to participate in the series of employee survey a every year. According to the results of the 2024 employee survey, the Net Promoter Score (NPS) satisfaction rate of store employees reached 35.1%, the satisfaction rate of the cafeteria reached 80%, the satisfaction rate of the dormitory reached 95%, and the satisfaction rate of vehicle usage reached 99%. We also conducted a "Growth and Care/Stress Relief" survey, which aimed to accurately acquire employees' perception of stress and the effectiveness of stress relief initiatives. And we will take measures to improve employees' work-life balance in response to the feedback from employee surveys.

# **Occupational Health and Safety**

The Company prioritizes occupational safety and health in business operations, and strictly abides by the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Law of the People's Republic of China on Work Safety, and the Measures for the Administration of the Diagnosis and Assessment of Occupational Diseases. We have also issued internal safety-related policies, such as the Yifeng Pharmacy Safety Management Policy and the Yifeng Pharmacy Fire Prevention and Theft Prevention Policy, so as to safeguard employees' health and safety. In the meantime, we attach great importance to the mental health of employees. By organizing diversified activities, we help them alleviate work and life pressures and intensify their stress resistance, so that they can devote themselves to work with a more optimistic mindset and achieve a sound work-life balance



### **Safety Management**

To strengthen the safety management, we have specified the objectives and responsible departments of safety management in the Safety Management Policy. We also refine the safety management requirements for the warehouse, stores, office areas and other locations to ensure that every employee can work in a safe environment. At the same time, to continuously improve the Company's all-round safety management, we have established a scientific, reasonable, comprehensive and efficient safety hazard investigation system, to prevent accidents and continuously enhance the work safety. In addition, we have purchased work-related injury insurance and workplace safety liability insurance for all employees with an amount of RMB 9.6065 million, so as to protect employees' safety. In 2024, there were no significant safety incidents.



### Safety Culture Building

We actively build a corporate safety culture and improve employees' safety awareness and emergency response capabilities by means of regular safety training and education.

### Promotion and Education Activities on Workers' Health and Safety



Education on Fire Safety

In August 2024, the Company collaborated with the Workers' Health and Safety Education Center of Hunan Province to deliver health and safety lectures to all employees. The content covered identification and prevention of basic diseases and malignant tumors, enhancement of personal immunity, CPR first aid knowledge, and prevention of heat stroke in summer.

In the same month, we organized the "Learning of the General Administrative Safety Manual" seminar to introduce safety-related norms to employees in detail. We also conducted training tests to enhance their understanding of safety knowledge.

#### Safety-related Cultural Activities at Hengxiutang



Work Safety Training

In 2024, Hengxiutang organized 22 training sessions on workshop safety as well as fire drills, aiming to enhance employees' awareness of safe production and fire safety, thereby achieving 0 production accident throughout the year.

### Mental Health

We attach great importance to the mental health of employees and help them to manage emotions and stress by launching the Employee Assistance Program (EAP), pushing articles via the "Yi Family" app and taking other

#### **Employee Assistance Program (EAP)**

Employees can have weekly one-on-one consultation and communication with professional counselors through online and offline channels. We also provide professional and effective mental health seminars for employees. In 2024, we successfully organized 4 mental health lectures covering different topics such as stress and emotion management, interpersonal relationship management, and parenting education, with more than 500 employees participating.

To foster a team of professional and dedicated "considerate teachers", we encourage employees with a strong interest in mental health education to participate. In 2024, we organized a six-month professional mental health training course for the trainees, providing them with 23 courses around theories, skills and practices. A total of 32 employees successfully completed the course.

In addition, through the self-developed "Yi Family" app, we regularly publish articles on mental health every month, working to alleviate employees' mental stress via various channels. Our goal is to enable employees to deal with work and life with an optimistic mindset, to ensure that they can enjoy a healthy and balanced life while pursuing professional fulfillment.



# **Energy and Climate Actions**

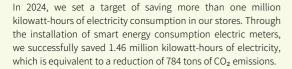
We are committed to enhancing energy efficiency to maximize environmental protection. To this end, we have established comprehensive environmental policies covering energy conservation and carbon emission management, providing clear guidelines for our operations.

### Strengthening Energy Governance

To validate our environmental performance, we have set the following measurable targets aligned with our business development roadmap and environmental concept:



#### **Energy targets**





### Key measures of energy management:

#### **Stores**

- Gradually install smart energy meters in all stores for real-time energy consumption monitoring and data-driven optimization in the future.
- Require stores not in peak business hours to implement lighting duration controls, such as using smart LED lights to improve energy efficiency and reduce unnecessary energy waste.
- Develop air conditioning energy-saving plans and upgrade air conditioning management systems with Al-driven temperature regulation based on indoor temperature to create a comfortable, low-carbon, and healthy environment.

#### Offices

- · Increase the park's photovoltaic power generation coverage, with cumulative self-generated and self-used electricity hitting 714,489 kWh, equivalent to cutting 383.39 tons of CO<sub>2</sub> emissions.
- · The Company's headquarters office area has achieved 100% photovoltaic power generation, not only saving electricity costs but also effectively optimizing energy structure.

#### Logistic centers and warehouses

- · Install smart meters in warehouses to dynamically monitor power consumption and tap the potential for energy conservation and consumption reduction;
- Retrofit warehouse lighting systems to photovoltaic power generation, reducing environmental pollution and enhancing environmental benefits;
- Post signs for material conservation inside the warehouses to raise the awareness of warehouse staff about conservation.

In 2024, our energy consumption of each category and the total energy consumption intensity are shown in the table below:

Energy Consumption <sup>2</sup>	单位	2024
Total energy consumption	tce	26,096.50
Energy consumption intensity	tce/ten million RMB	1.08
Non-renewable fuel (direct) consumption	tce	511.34
Natural gas	tce	211.03
Petrol	tce	206.08
Diesel	tce	94.23
Renewable fuel (direct) consumption	tce	87.81
Photovoltaic power generation	tce	87.81
Indirect energy consumption	tce	25,497.35
Electricity	tce	25,497.35

<sup>&</sup>lt;sup>2</sup>The calorific value conversion coefficient for the total fuel consumption refers to the General Rules for Calculation of the Comprehensive Energy Consumption (GB/T 2589 - 2020). The denominator of the energy consumption density is the operating revenue during the Reporting Period.



## **Enhancing Climate Resilience**

In recent years, global climate warming has led to frequent extreme weather events, exerting tremendous impacts on natural ecosystems, human societies, and economic activities. In alignment with contemporary priorities and national initiatives, Yifeng Pharmacy actively identifies climate change-related risks and opportunities, integrates climate-related governance and strategies into ESG management, and incorporates associated risks into the Company's risk management framework.

Climate Change-Related Risks and Response Measures

Туре	of risks	Potential Impact	Measures	Adaptability <sup>3</sup>
	Acute	Sudden heavy rainfall or flash floods may cause infrastructure damage	Develop emergency plans for extreme weather, defining roles and response procedures of each relevant department and personnel in the event of extreme weather conditions	
			Purchase property insurance to avoid significant impacts on operations due to potential financial losses	
Physical			• Upgrade and retrofit infrastructure (e.g., stores, warehouses) with enhanced flood control, drainage, and disaster resistance to maintain operations during extreme weather, to reduce losses and improve risk resilience and market competitiveness.	
risk	Chronic	Global warming and sea-level rise may affect facilities in coastal stores and warehouses and reduce employee	Optimize supply chain layout with diversified suppliers and flexible logistics to swiftly adapt to disruptions caused by extreme weather, ensuring stable medicine supply and enhancing the resilience and reliability of the supply chain and customer trust.	High
		productivity	<ul> <li>Utilize digital technologies to implement real-time monitoring and early warning systems for critical facilities in stores and warehouses to enable timely interventions. Meanwhile, we optimize inventory management and order processing workflows through digital means, reducing inventory backlogs and order delays caused by extreme weather, and enhancing operational efficiency.</li> </ul>	
	Policy and laws	Increased regulatory requirements for the disclosure of greenhouse gas-related information	<ul> <li>Maintain a high level of attention to newly issued regulatory documents, promptly identify and thoroughly analyze their compliance obligations, clarify mandatory disclosure requirements for the Company, and ensure the effective execution of these disclosure tasks</li> </ul>	Medium
	Technology	Low-carbon technology transition may increase operational costs in the short term	Develop and apply low-carbon and energy-efficient technologies to enhance operational efficiency and product quality, while creating new growth drivers and competitive advantages	Medium
Transition risk	Market	Shifts in consumer preferences toward medicines with low-carbon production and eco-friendly packaging may reduce demand for certain products	Prioritize green production and eco-friendly packaging for medicines, and align suppliers with latest consumption trends and preferences	Medium
	Reputation	Inadequate carbon reduction management may negatively impact the climate and environment, potentially leading to damage to the Company's reputation	Strengthen internal data governance and collection capability and establish robust environmental management systems to enhance operational management and efficiency	Medium

<sup>&</sup>lt;sup>3</sup>Adaptability encompasses considerations such as the time horizon of climate-related risks, the alignment with corporate strategic plans and resource allocation, and projections regarding the probability and intensity of extreme weather events.



### Climate Change-Related Opportunities and Response Measures

Type of opportunities	Potential Impact		Measures	Adaptability
Market opportunities  As global emphasis on the low-carbon economy and green development grows, market and customer demand for sustainable products is rising		•	Meet market and customer demands for green products, expand business areas, and increase market share	Medium
grows, market and customer demand for sustainable products is rising	•	Increasing the share of renewable resources utilization in the future when feasible		
Brand opportunities	Building a strong corporate image by demonstrating our commitment to environmental protection and sustainable development can help enhance brand value and strengthen trust and support from consumers and investors	•	Proactively comply with regulatory requirements, voluntarily disclose greenhouse gas emissions data, and implement effective carbon reduction measures	Medium
Financial opportunities	Access to low-interest financing through sustainability-linked loans	•	Establish sustainability management goals and implement initiatives to qualify for low- interest loans from financial institutions	Low

To mitigate and adapt to climate change impacts at the source, we have also formulated a series of carbon reduction plans covering every stage of our operations, from raw material procurement to product manufacturing, transportation, sales, and waste disposal, to holistically reduce carbon emissions.

#### Raw material procurement

- Prioritize suppliers that adopt low-carbon production practices and demonstrate strong environmental records. Encourage suppliers to provide assessment of carbon emissions, and incorporate carbon emissions as a critical criterion in supplier evaluation and selection.
- Collaborate with industry peers to promote the low-carbon transition of raw material suppliers, and collectively elevate the low-carbon standards of raw material procurement across the industry.

#### **Production operations**

- Upgrade production facilities by adopting energy-efficient equipment and processes, and optimize production line layouts to minimize energy consumption.
- Gradually increase the proportion of clean energy in our energy mix, such as installing solar panels on factory rooftops to generate solar power and supporting the adoption of renewable energy sources.

#### Transportation and logistics

- Utilize advanced logistics management systems to optimize delivery routes, reduce transportation distances and frequencies, lowering carbon emissions during transit.
- Improve vehicle load capacity and minimize empty-load rates.
- Gradually transition to new energy vehicles to reduce exhaust emissions during transportation.
- Implement energy-saving technologies, such as LED lighting, in warehouses to reduce energy consumption. Optimize inventory management to minimize overstocking and product waste, thereby lowering carbon emissions in warehousing operations.

#### Store operations

- · Retrofit most stores and distribution centers with energy-efficient upgrades, including LED lighting and high-efficiency air conditioning systems, to reduce energy consumption.
- Promote the use of biodegradable and recyclable green packaging materials to minimize packaging waste and associated carbon emissions.
- Enhance energy management by optimizing store operating hours to avoid unnecessary energy use. Deploy smart energy management systems to monitor and optimize energy consumption in real time.
- Raise customer awareness of environmental protection through promotion and guidance, encouraging eco-friendly behaviors such as bringing reusable bags, reducing single-use packaging, and choosing low-carbon products, to jointly drive carbon emission reduction.

ESG Report

To further manage carbon emissions, we have systematically reviewed our product catalogue and established a product carbon footprint assessment system that defines the scope of products and production stages requiring evaluation. We also conduct regular product carbon footprint assessments, and implement targeted reduction strategies. Moving forward, we will gradually expand the scope of product carbon footprint assessments to enhance the depth and breadth of our evaluations.

Concurrently, we actively implement energy-saving and emission-reduction initiatives, organize internal campaigns to promote low-carbon practices among employees, and provide actionable guidance to foster sustainable behaviors in the workplace. Key energy-saving and emission-reduction initiatives in 2024 are as follows:

#### Expand deployment of new energy logistics vehicles

- Partner with companies with new energy vehicles for urban distribution
- · Incentivize logistics carriers to adopt new energy vehicles for business operations

#### Implement intelligent logistics dispatch

- Optimize logistics dispatching processes by integrating smart algorithm-driven digital platforms.
   These systems enable automated daily route planning and real-time dynamic adjustments to achieve optimal delivery efficiency and maximize on-time store arrivals
- Leverage fully intelligent and automated systems that incorporate real-time traffic data, storespecific requirements, and delivery time to improve transportation fleet and routes, thereby reducing greenhouse gas emissions during transit
- Achieve a 2% reduction in delivery costs and improve on-time delivery rates by over 30%

In 2024, our emissions and intensity of greenhouse gases (GHG) by category are shown in the table below.

Greenhouse gases emissions <sup>4</sup>	单位	2024
Total greenhouse gases emissions (Scope 1+ Scope 2)	tCO₂e	112,407.36
GHG emissions intensity	tCO₂e/million RMB	4.67
GHG emissions (Scope 1) <sup>5</sup>	tCO <sub>2</sub> e	1,082.09
GHG emissions (Scope 2) <sup>6</sup>	tCO₂e	111,325.27

In the future, we will remain vigilant to physical risks such as frequent extreme weather events and transition risks driven by climate-related policy shifts. By establishing robust climate governance frameworks and risk management systems, as well as exploring opportunities for green energy adoption, we aim to comprehensively enhance the Company's resilience to climate change.

<sup>&</sup>lt;sup>6</sup> The assessment of carbon emissions from production operations, distribution and store operations has been included in the calculation of electricity consumption and Scope 2. Scope 2 greenhouse gas emissions mainly result from the purchased electricity for the Company's production and operation, as well as that used in the distribution centers and pharmacies. Among them, the grid emission factor refers to the value of 0.5366 tons of carbon dioxide equivalent per megawatt - hour in the Announcement on Releasing the Electricity Carbon Dioxide Emission Factors in 2022 of China.



<sup>&</sup>lt;sup>4</sup>The operational control method is adopted for the consolidation of greenhouse gas emissions. The company calculates the greenhouse gas emissions generated by its own operations and those of its subsidiaries over which it holds operational control. The denominator of the greenhouse gas emission density is the operating revenue during the reporting period.

<sup>&</sup>lt;sup>5</sup> The assessment of carbon emissions during the transportation and logistics stages has been included in the calculation of Scope 1. The greenhouse gas emissions in Scope 1 mainly come from the direct greenhouse gas emissions generated by the consumption of fossil fuels in the Company's operation and production processes, including natural gas, gasoline, and diesel. Among them, the emission factors refer to the Environmental Key Performance Indicator Reporting Guidelines of the HKEX and China's Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions of Public Building Operation Enterprises (Trial), and the calorific value coefficients refer to China's Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions of Public Building Operation Enterprises (Trial). The Global Warming Potential Values refer to the IPCC Global Warming Potential Values.

# **Material Use and Waste Management**

Strictly abiding by the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and the Law of the People's Republic of China on Prevention and Control of Water Pollution, we are committed to minimizing the adverse environmental impacts of waste emissions and exhaust emissions through responsible management practices. During the Reporting Period, we did not incur any material administrative penalties related to exhaust emissions, nor were we subject to criminal liabilities in this regard.

In our operational activities, the primary waste generated includes expired medications, domestic wastewater, discarded cardboard boxes from logistics and transportation.

To strengthen waste management awareness and advance progress toward sustainability goals, we have established the following waste reduction targets:



Targets for hazardous waste:

Attain a 100% recovery rate for expired medications<sup>7</sup>



#### Targets for non-hazardous waste

- Limit monthly food waste to 186 containers
- Promote the use of recyclable or biodegradable packaging materials
- Reduce cardboard box waste
- Achieve 100% reuse rate for plastic turnover boxes and pallets

Our key initiatives of waste disposal are outlined below:

#### Expired medication recovery<sup>7</sup>:

- Conduct internal audit for medication recovery.
- Designate dedicated return areas at stores to collect expired medications for centralized storage in appropriate warehouses
- Engage third-party licensed contractors to retrieve medications from designated warehouses for centralized disposal

#### Cardboard box recycling:

· All the discarded cardboard boxes are handed over to a thirdparty recycling agency for disposal, and the proper disposal rate reaches 100%

#### Food waste

- The kitchen waste is disposed of by an external third-party professional entity.
- · Office waste is thrown into the domestic waste bins and is uniformly collected and disposed of by the sanitation department.

<sup>&</sup>lt;sup>7</sup>The drug recycling refers to the process that Yifeng Pharmacy collects the drugs and entrusts them to a third-party company with professional qualifications or drug





The materials usage in 2024 is shown in the table below:

Materials usage <sup>8</sup>	Unit	2024
Materials usage	Tonne	2,720.50
Materials usage intensity	Tonne/million RMB	0.11
Package box	Tonne	438.21
Plastic containers	Tonne	42.27
Plastic turnover boxes	Tonne	485.88
Plastic pallet	Tonne	1,754.14

The exhaust emissions and intensity in 2024 are shown in the table below:

Exhaust emissions <sup>8</sup>	Unit	2024
Total exhaust emissions	Kilogram	1,184.78
Exhaust emission intensity	Kilogram/million RMB	0.05
Nitrogen oxides (NOx)	Kilogram	1,101.37
Sulfur oxides (SOx)	Kilogram	4.01
Particular matters (PM)	Kilogram	79.40

The solid waste discharge and intensity in 2024 are shown in the table below:

Solid waste discharge <sup>8、9</sup>	Unit	2024
Hazardous waste	Tonne	35,637.00
Hazardous waste intensity	Tonne/million RMB	1.48
Non-hazardous waste	Tonne	6,755.42
Non-hazardous waste intensity	Tonne/million RMB	0.28

<sup>&</sup>lt;sup>8</sup> The denominators for the density of materials used, the density of exhaust gas emissions, the density of hazardous waste, the density of non-hazardous waste, and the density of water resource consumption are all the operating revenue during the Reporting Period.

# **Water Efficiency and Wastewater** Management

We implement science-based water management practices, and actively enforce corporate water conservation regulations, to systematically improve water use efficiency. All of our sites are supplied with water from the municipal network, so there are no difficulties in obtaining water supply. In addition, while setting the targets for saving water fees in offices and stores, we also conduct meticulous monitoring and in-depth analysis of water usage on a regular basis, so as to optimize the water usage structure and processes and further reduce the water usage costs.

Key initiatives for 2024 water resource management include:



Install water-saving faucets to reduce water flow and effectively minimize water waste



Put up water-saving signs in each water using area to raise employee awareness



Optimize water usage processes, and schedule cleaning activities reasonably, avoiding large-scale cleaning during peak demand periods



Implement real-time water meter monitoring to promptly detect any anomalies in water usage



Reuse vegetable-washing water from kitchens for floor cleaning to enhance recycling efficiency

The total water consumption and intensity in 2024 are shown in the table below:

Water Consumption <sup>8</sup>	Unit	2024
Total water consumption	Tonne	4,086,346.68
Water consumption intensity	Tonne/million RMB	169.82

<sup>&</sup>lt;sup>9</sup> Hazardous waste mainly includes expired drugs and pharmaceuticals. Non-hazardous waste mainly includes general office waste, discarded traditional Chinese medicine dregs (without toxic substances), and discarded cardboard boxes.

# **Appendix: Report Index Table**

Guidelines for Sustainability Report	GRI Standards	Response
Chapter I General Provi	sions	
Article 1、Article 2、Article 3、Article 4、Article 5、Article 6、Article 7、Article 8、Article 9、Article 10	GRI 1: Foundation 2021 GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021	This Report has been prepared in strict accordance with the Guidelines for Sustainability Report to comprehensively demonstrate Yifeng Pharmacy's impacts across economic, social, and environmental dimensions.  Methodological transparency is ensured through explicit annotations of data sources, calculation methods and references, facilitating stakeholder understanding and cross-year comparability. In addition, we strictly follow the materiality principle in the preparation of this Report. For details, please refer to the "Management of Material Issues" section.
Chapter II Disclosure Fr	amework for Sustainability Informati	ion
Article 11、Article 12、 Article 13、Article 14、 Article 15、Article 16、 Article 17、Article 18、 Article 19	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021	Based on our industry and business nature, we identify sustainability-related impacts, risks and opportunities through stakeholder surveys and prioritize them. We disclose the issues of dual materiality in accordance with the four aspects specified in the Guidelines for Sustainability Report. For details, please refer to the "Management of Material Issues" section. We have established an ESG governance framework. For details, please refer to the "ESG Governance" section.
Chapter III Environment	tal Disclosure	
Section 1 Climate Respo	onse	
Article 20 Article 21 Article 22 Article 23 Article 24 Article 25 Article 26	GRI 201: Economic Performance 2016 201-2 Financial implications and other risks and opportunities due to climate change GRI 302: Energy 2016 302-1 Energy consumption within the organization	Energy and Climate Actions

Guidelines for Sustainability Report	GRI Standards	Response
Article 27 Article 28	302-2 Energy consumption outside of the organization 302-3 Energy intensity 302-4 Reduction of energy consumption 302-5 Reductions in energy requirements of products and services GRI 305: Emissions 2016 305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions 305-3 Other indirect (Scope 3) GHG emissions 305-4 GHG emissions 305-6 Emissions intensity 305-5 Reduction of GHG emissions 305-6 Emissions of ozone-depleting substances (ODS) 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
Section 2 Pollution Cont	rol and Ecosystem Protection	
Article 29 Article 30 Article 31 Article 32 Articles 33	2-27 Compliance with laws and regulations GRI 303: Water and Effluents 2018 GRI 304: Biodiversity 2016 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas 304-2 Significant impacts of activities, products and services on biodiversity 304-3 Habitats protected or restored 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations GRI 305: Emissions 2016 GRI 306: Waste 2020	Material Use and Waste Management Water Efficiency and Wastewater Management Yifeng Pharmacy consistently monitors environmental protection practices and recorded no significant environmental violations during the Reporting Period. Concurrently, we prioritize biodiversity conservation and ecosystem protection. None of our operations, whether owned, leased, or managed, are located in or near protected areas or biodiversity-rich regions outside of protected areas. All our stores and logistics centers are strategically located in commercial areas and industrial parks. This deliberate sitting approach ensures no material adverse impacts on local biodiversity or ecosystems

### YYIFENG PHARMACY

Guidelines for Sustainability Report	GRI Standards	Response
	306-3 Waste generated	
	306-4 Waste diverted from disposal	
	306-5 Waste directed to disposal	
Section 3 Resource Utili	zation and Circular Economy	
Article 34	GRI 301: Materials 2016	Energy and Climate Actions
Article 35	301-1 Materials used by weight or volume	Material Use and Waste
Article 36	301-2 Recycled input materials used	Management
Article 37	301-3 Reclaimed products and their packaging materials	
	GRI 302: Energy 2016	
	302-1 Energy consumption within the organization	
	302-2 Energy consumption outside of the organization	
	302-3 Energy intensity	
	302-4 Reduction of energy consumption	
	GRI 303: Water and Effluents 2018	
	303-1 Interactions with water as a shared resource	
	303-2 Management of water discharge- related impacts	
	303-3 Water withdrawal	
	303-4 Water discharge	
	303-5 Water consumption	
	GRI 306: Waste 2020	
	306-1 Waste generation and significant waste-related impacts	
	306-2 Management of significant waste- related impacts	

Chapter IV Social Disclosure			
Section 1 Rural Re	vitalization and Social Contributions		
Article 38	GRI 203: Indirect Economic Impacts 2016	Providing Quality Services	
Article 39	203-1 Infrastructure investments and	Driving Regional Development	
Article 40	services supported		

Guidelines for Sustainability Report	GRI Standards	Response
Section 2 Innovation-Dr	iven Development and Ethics of Science and <sup>a</sup>	Technology
Article 41 Article 42 Article 43	Not involved	Deepening Digital Intelligence Empowerment Given our industry and business nature, the issue of technology ethics is not applicable.
Section 3 Suppliers and	Clients	
Article 44	GRI 204: Procurement Practices 2016 GRI 308: Supplier Environmental Assessment 2016 308-1 New suppliers that were screened using environmental criteria 308-2 Negative environmental impacts in the supply chain and actions taken GRI 414: Supplier Social Assessment (2016) 414-1 New suppliers that were screened using social criteria 414-2 Negative social impacts in the supply chain and actions taken	Strengthening Channel Collaboration
Article 45	Not involved	Yifeng Pharmacy is fully aware of the importance of treating small and medium-sized enterprises (SMEs) fairly. There is no situation where the balance of accounts payable (including notes payable) at the end of the Reporting Period exceeds RMB 3 billion or represents more than 50% of the total assets.
Article 46	GRI 416: Customer Health and Safety 2016 416-1 Assessment of the health and safety impacts of product and service categories 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services GRI 417: Marketing and Labeling 2016 417-1 Requirements for product and service information and labeling 417-2 Incidents of non-compliance concerning product and service information and labeling	Quality and Efficacy Assurance Providing Quality Services The safety and quality of pharmaceutical products are Yifeng Pharmacy's top priority. During the Reporting Period, there were no significant violations involving the health and safety impact of products and services, as well as information and labeling.

### YYIFENG PHARMACY

Guidelines for Sustainability Report	GRI Standards	Response
Article 47	GRI 418: Customer Privacy 2016	Information Security and
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy
Section 4 Employees		
Article 48	GRI 401: Employment 2016	Compliant Employment
Article 49	401-1 New employee hires and employee turnover	Employees' Rights and Interests and Diversity
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3 Parental leave	Talent Development  Employee Communication and Care
	GRI 403: Occupational Health and Safety 2018	Occupational Health and Safety
	403-3 Occupational health services	
	403-5 Worker training on occupational health and safety	
	403-6 Promotion of worker health	
	403-9 Work-related injuries	
	403-10 Work-related ill health	
	GRI 404: Training and Education 2016	
	404-1 Average hours of training per year per employee	
	404-2 Programs for upgrading employee skills and transition assistance programs	
	404-3 Percentage of employees receiving regular performance and career development reviews	
	GRI 405: Diversity and Equal Opportunity 2016	
	405-1 Diversity of governance bodies and employees	
	405-2 Ratio of basic salary and remuneration of women to men	
	GRI 406: Non-discrimination 2016	
	406-1 Incidents of discrimination and corrective actions taken	

Guidelines for Sustainability Report	GRI Standards	Response		
Chapter V Corporate Gov	vernance Information Related to Sustainable	Development Disclosure		
Section 1 Sustainability-Related Governance Mechanisms				
Article 50	GRI 2: General Disclosures 2021	Stakeholder Communication		
	2-29 Approach to stakeholder engagement	Management of Material Issues		
	GRI 3: Material Topics 2021 3-1 Process to determine material topics	Regarding due diligence, Yifeng Pharmacy has established different functions to conduct investigations on environmental compliance, labor rights, anticorruption, and other aspects concerning the Company, our subsidiaries and business partners. Therefore, the content involved in this issue will be covered in other issues, such as supply chain management and security.		
Section 2 Commercial Be	ehaviors			
Article 51	GRI 205: Anti-corruption 2016	Compliant Operation		
Article 52	205-1 Operations assessed for risks related to corruption			
Article 53	205-2 Communication and training about anti-corruption policies and procedures			
	205-3 Confirmed incidents of corruption and actions taken			
	GRI 206: Anti-competitive Behavior 2016			
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			
Chapter VI Supplementa	ry Provisions and Interpretation			
Article 54	GRI 1: Foundation 2021	The Report has been prepared in		
Article 55		strict accordance with the Guidelines for Sustainability		
Article 56 Article 57		Report, including the index of indicators.		
Article 58		In 2024, we did not have any litigation or administrative penalties resulting from unfair competition practices.		



## Yifeng Pharmacy Chain Co., Ltd.



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