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JDH 京东健康

JD Health International Inc.

京东健康股份有限公司

(A company incorporated in the Cayman Islands with limited liability)

(Stock Code: 6618)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of JD Health International Inc. (the “**Company**” or “**JD Health**”) is pleased to announce the unaudited consolidated results of the Company, its subsidiaries and the consolidated affiliated entities from time to time (collectively, the “**Group**”) for the six months ended June 30, 2021 (the “**Reporting Period**”). These interim results have been reviewed by the Company’s Audit Committee.

In this announcement, “we”, “us”, and “our” refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above). In addition, “JD Group” refers to JD.com, Inc. (NASDAQ: JD; HKEX: 9618) and its subsidiaries, including JD Logistics, Inc. (“**JD Logistics**”) (HKEX: 2618), and its consolidated affiliated entities, excluding our Group.

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Year-on-
	2021	2020	year change
	RMB’000	RMB’000	(%)
Revenue	13,637,832	8,777,490	55.4
Gross profit	3,307,459	2,217,567	49.1
Loss before income tax	(345,302)	(5,257,325)	(93.4)
Loss for the period	(454,213)	(5,360,915)	(91.5)
Non-IFRS profit for the period ⁽¹⁾	667,135	370,802	79.9

(1) We define “non-IFRS profit” as profit/(loss) for the period, excluding share-based payment expenses and fair value changes of convertible preferred shares. We exclude these items because they are not expected to result in future cash payments that are recurring in nature and they are not indicative of our core operating results and business outlook.

The Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

As a subsidiary of JD Group, JD Health has its roots in the real economy, grows with the real economy and serves the real economy. The development direction and business philosophy of JD Health are different from that with traditional internet “platform model” in nature. We have established various online and offline integrated businesses, including JD Pharmacy, JD Health Internet Hospital and Pharmacy Alliance, and through our connected supply chain, we connect with various industrial enterprises, healthcare institutions, offline pharmacies, medical aesthetic service providers, dental clinics and other upstream, midstream and downstream enterprises. In addition, adhering to the proposition of JD Group, we continue to invest in businesses serving the real economy and promote the integration of digital technology and the real economy, so as to boost the total factor productivity.

Recently, regulatory authorities have strengthened the regulation on the industry, which is believed to shift gears in order to speed up the growth of the industry. Firstly, the government continues to provide long-term support to the development of the industry. Various policies promulgated recently provide strong support to the development of the industry. The annual session of the National People’s Congress and the Chinese People’s Political Consultative Conference for the first time in the Government Work Report suggested to promote the standardized development of “Internet + Healthcare”. The standardization of the industry is part of progress of the development of “Internet + Healthcare”. At the national conference on the medical reform held in July 2021, it was suggested that an emphasis should be placed on speeding up the construction of regional medical centers and county medical communities, promoting traditional Chinese medicine, building teams of doctors for rural areas and supporting and encouraging the development of the “Internet + Healthcare” industry. Under the background, market participants of the health and wellness industry have strived to speed up their digitalization, resulting in the expansion and fragmentation of the healthcare industry and the enrichment and upgrade of healthcare products and services. Built on the good momentum, the health and wellness industry is gathering pace in transformation.

Moreover, the growth driver of the industry remains unchanged. “Internet + Healthcare” industry shows its long-term value. As the pandemic prevention and control measures became part of daily routines, and with China’s continuous economic growth, consumption upgrade and population aging, people have come to realize the importance of health for their own well-being. In addition, development in technologies such as big data, cloud computing, AI and other digital technologies facilitated the digitalization of healthcare services, and thus improved the efficiency of the overall healthcare industry. Coupled with convenient and high-quality experiences, online healthcare services have been increasingly trusted and utilized by users.

As a leading online healthcare platform, our mission is to become the go-to health management platform for everyone in China. With this aim, we continue to strengthen our business foundation and make strategic deployment in the health and wellness industry for the future. Our strategic position is to create a technology-driven platform that centers on the supply chain of pharmaceutical and healthcare products and is strengthened by healthcare services, encompassing a user’s full life span for all healthcare needs. We are committed to offering our users easily accessible, convenient, high-quality yet affordable pharmaceutical and healthcare products and services. To achieve this goal, we will closely follow policies and guidance from regulators and will put great efforts in three areas. Firstly, we will continue to tap our core businesses of retail pharmacy and online healthcare services,

building a one-stop online health management platform. Secondly, we will serve the real economy and promote the upgrade of the industry through our digital technology capabilities in order to create greater value for all participants in the industrial chain. Thirdly, we will strive for innovation and make contribution to the society, assuming our social responsibilities, so as to become an excellent, caring and trustworthy enterprise.

We maintained solid growth in the first half of 2021. During the Reporting Period, our total revenue amounted to Renminbi (“**RMB**”) 13.6 billion, representing a year-on-year growth of 55.4%. Through expanding our product offerings and improving the healthcare services on our platform, we are able to expand our service coverage to more enterprises, including medium, small and micro-sized enterprises, and to grassroots and rural households effectively at low cost and high efficiency. The Company serves the real economy by passing through the advantages brought by the policies, whereby bringing benefits to every user. As of June 30, 2021, the number of our active user accounts in the past 12 months reached 109 million, representing a net addition of over 18.8 million as compared with the number of our active user accounts in the 12 months ended December 31, 2020. The increasing number and stickiness of users have become the key growth drivers of our business growth. During the Reporting Period, we further improved our healthcare services and recorded an average daily consultation volume of over 160,000 in the first half of the year, a solid growth momentum despite the high base from last year.

Retail pharmacy

Our retail pharmacy business maintains healthy growth. We are a pioneer in transforming the supply chain of pharmaceutical and healthcare products in China (“**China**” or “**PRC**”). By combining direct sales, online marketplace and omnichannel initiatives, we provide users with an integrated one-stop shopping experience covering full scenario and users’ full life span. At the same time, we have achieved immense scale with a wider range of products while maintaining competitive pricing and stringent quality control, thus gaining users’ trust. Our retail pharmacy business offers high-quality pharmaceutical and healthcare products including prescription drugs, OTC drugs, medical devices and supplies, as well as health supplements and tonic products. As of June 30, 2021, there were more than 40 million SKUs available on our platform.

Direct sales

In addition to assisting in online sales of merchants, we are committed to creating value for the development of the industry with our supply chain management capabilities. Our direct sales business operates mainly through JD Pharmacy, and we have gradually established a supply chain network with leading pharmaceutical companies and healthcare product suppliers. Leveraging our growing brand recognition and effective supply chain management capabilities, our direct sales business has maintained healthy growth. During the Reporting Period, our product revenue amounted to RMB11.8 billion, representing a year-on-year increase of 52.9%. In addition, our inventory turnover days continued to decrease as a result of improving operational efficiency. By leveraging JD Logistics’ cold chain capabilities and extensive logistics network, we are able to provide superior fulfillment services to our customers covering a broad range of pharmaceutical and healthcare products. As of June 30, 2021, we utilize JD Group’s 17 drug warehouses and over 350 non-drug warehouses nationwide.

We closely and strategically cooperated with leading global pharmaceutical companies during the Reporting Period. We deepened our cooperation with UCB China and became its strategic partner in distributing Zyrtec (cetirizine hydrochloride tablet and drops), an anti-allergic drug of UCB China. We facilitated the expansion and maintenance of multiple sales channels of Zyrtec including online channel, offline small and medium sized chain pharmacies as well as individual pharmacies. We also officially launched the AstraZeneca direct sales flagship store, Sanofi direct sales flagship store and other brand stores in order to provide more convenient and professional online and offline integrated healthcare services to patients with chronic diseases. In addition, a number of pharmaceutical companies chose to launch their new drugs online through our platform, including 百匯澤® (pamiparib capsule), a class I new drug independently developed by BeiGene launched through JD Pharmacy in May 2021. We also partnered with CROs (contract research organizations) and many pharmaceutical companies to establish JD Health Clinical Trial Patient Recruitment Center (京東健康臨床試驗患者招募中心) in an effort to speed up the research and development process of new drugs and the process of new drug approval and market launch of new drugs. In addition, we stepped up our efforts for offline channel deployments. In order to address the offline market and further improve the accessibility of new and specialty drugs, we have opened offline pharmacies near hospitals and DTP (“Direct to Patient”) pharmacies in many regions. With our integrated online and offline supply chain capabilities, we are able to provide users with convenient, high-quality and comprehensive healthcare services.

Leveraging the strength of JD Group in digital and intelligent social supply chains, we have provided our brand partners with professional and efficient supply chain solutions by integrating drug warehousing and transportation processes, providing trustworthy and reliable pharmaceutical products to our users. During the Reporting Period, we reached strategic cooperation with Sanofi China, Guilong Pharmaceutical and other domestic and overseas pharmaceutical companies. We also upgraded our strategic cooperation with Novartis Pharmaceuticals. In order to address the specific needs for supply chains from certain special drugs, during the Reporting Period, we partnered with JD Logistics to establish “direct sales cold chains” capabilities that cover 100 cities in 12 provincial-level administrative regions across China. With such capabilities, JD Pharmacy was able to expand its business into special drugs such as drugs for rare diseases. During the Reporting Period, a number of cold chain products of Eli Lilly and Company, Novartis, Sanofi and other brands became accessible through JD Pharmacy.

During the Reporting Period, we further explored the diversified demands of our target users by enriching our product offerings and providing users with more customized products. We provided brand companies with customized value-added services to create greater economic value. To meet the diversified needs of users, we provided new growing momentum to enterprises and promoted the consumption upgrade and manufacturing transformation by leveraging our digital technology and providing customized value-added services to brands to tailor make their products to the individual needs of users. We introduced a facial mask with designs inspired by Chinese New Year, a facial mask with essential oil, fragrance sanitizing gel, antibacterial hand cream and other customized products. We empowered brands of nutritious and tonic products and medical devices by combining products and customized services. During the Reporting Period, we directly cooperated with places of origin and introduced dried fish maw, Ejiao (colla corii asini), cordyceps sinensis and other tonic products. By selecting quality products at the source and shortening the supply process based on JD Group’s supply chain advantage, we make cost-effective and reliable products more available to users. During the Reporting Period, we launched a customized bluetooth

blood pressure monitor jointly with Yuwell Medical, a global family healthcare management expert. Through data analysis, the product can provide integrated healthcare services including daily inspection, early risk alert and reminder for follow-up consultation for patients with cardiovascular and cerebrovascular diseases.

Online marketplace and omnichannel initiative

Our online marketplace and our direct sales business complement each other. Leveraging our brand recognition and huge user base, we have attracted more third-party merchants that offer a greater variety of products to our users and serve as a supplement to JD Pharmacy. Our marketplace platform allows both chain and individual pharmacies and healthcare product merchants to sell pharmaceutical and healthcare products through our platform. As of June 30, 2021, there were approximately 14,000 third-party merchants on our online marketplace platform.

Our omnichannel initiative is a location-based service to meet users' needs for on-demand delivery services, addressing urgent medication needs. As of June 30, 2021, our omnichannel initiative covered more than 300 cities in China offering our users various express delivery options, including same-day, next-day, 30-minute and 24/7 on-demand delivery services.

We assisted medium-, small- and micro-sized enterprises in reducing costs and enhancing efficiency with technology. During the Reporting Period, "JD Health Pharmacy Alliance" as an offline retail pharmacy collaborative project of JD Health, has provided one-stop omnichannel solutions for offline partnered retail pharmacies through a series of digital and intelligent innovative tools to achieve the connection among manufacturers, distributors, drug stores and users. As of June 30, 2021, JD Health Pharmacy Alliance has over 500 stores covering the primary markets of nearly 200 counties in 17 provincial administrative regions. In April 2021, we successfully held the second "Online PharmExpo" which has upgraded from an online sales and exhibition platform to a digital marketing and trading platform with the scope and depth of services further expanded.

Online healthcare services

We continue to upgrade our online healthcare services to provide enriched healthcare services and products, including online hospital services, family doctor services, consumer healthcare services and intelligent healthcare services. During the Reporting Period, we further optimized our deployment of specialist medical centers and improved family doctor products by introducing customized health management service packages for different populations, so as to offer multilayered and diversified healthcare services to more consumers. We also collaborate with hospitals and the government to provide smart healthcare solutions based on internet and technology to accelerate digitalization of the healthcare industry.

Online hospital services

Our online hospital services cover the whole process before, during and after consultation. We also seek innovation for specialized diseases treatment in the mode of online hospital services and focus on the integration of prevention, treatment and recovery. By leveraging our technology and operation capability, we precisely match doctors and hospitals with patients and improve healthcare service efficiency to offer accessible and convenient healthcare services. As of

June 30, 2021, we had over 130,000 in-house and external doctors and medical experts, covering over 12,000 hospitals. Our average daily online consultation volume for the first half of the year continued to increase to over 160,000.

With the growth and development of our business ecosystem, other than offering comprehensive and superior user experiences, we have also acquired more quality healthcare resources through the establishment of specialist medical centers, and enhanced the development of specialist medical treatment and other areas, so as to provide professional and precise healthcare services to our users. During the Reporting Period, we successively established 6 new specialist medical centers, including geriatrics center, ophthalmology center and neurology center. As of the end of June, the number of specialist medical centers under JD Health was 24. With the participation of Wang Jianye, head of the National Geriatrics Center; Li Lingjiang, chairman of the Chinese Society of Psychiatry; Shen Kunling, honorary chairman of the Pediatrics Branch of the Chinese Medical Association; Qi Haimei, chairman of Smart Medical Care Expert Committee of Chinese Elderly Healthcare Association and other leading experts and top doctors in China, we have become one of the online healthcare platforms with the most comprehensive service system in the industry. Combined with online healthcare services and specialized disease treatment, the specialist medical centers of JD Health can provide users with more effective and precise services throughout the whole process from the prevention and treatment to the recovery of special diseases.

We also explored the innovative model of internet hospitals with medical institutions and medical groups. During the Reporting Period, through entering into cooperation agreements with Sumian Doctor Group (Shenzhen) Co., Ltd., Shanghai G.I HealthCare Consultation Co., Ltd., Peking University Medical Brain Health, PKU HEALTHCARE TAIRAN and Psychiatric Specialist Alliance of Shanxi Province, we were connected with many doctors in Class 3-A hospitals across China in all-round, precise and fast way. Moreover, by running specialist medical centers targeted at special diseases and providing MDT (“multidisciplinary team”) consultations, we provided users and patients with online and offline integrated healthcare services.

Family doctor

Our family doctor service integrates our online healthcare service capabilities accumulated over the years. We aim to introduce a new health concept and ecosystem, and offer daily healthcare and medical services in the way of family doctor services as a new healthy lifestyle.

During the Reporting Period, our family doctor service continued to diversify and enrich its product matrix by launching service packages targeting different populations, suiting their consumption patterns. We launched products targeting elderly patients using easy-to-use mobile phone or video conferencing for consultation. We also launched service packages including sleep assistance services targeting people with sleeping difficulties and children growth service that facilitates the healthy growth of children. We will continue to diversify and expand our family doctor products by launching new services focused on various fields including chronic diseases, postnatal rehabilitation and mental health.

Our family doctor service also expanded its services into scenarios including intelligent hardware, health insurance, and primary general family doctor contracting system. During the Reporting Period, we promoted the integration with intelligent remote monitoring devices such as intelligent glucose meters. Upon authorization and activation from users, we can provide users with quality remote chronic disease management services effectively.

Consumer healthcare service

We facilitated the integration of online and offline channels for enterprises to achieve new growth momentum through technology empowerment. Users can enjoy convenient access to a variety of consumer healthcare service providers on our platform and make use of physical exams, aesthetic medicines, dental care, nucleic acid testing, vaccination and other services through such offline service providers.

In order to provide more high-quality early cancer screening services, we further strengthened cooperation with upstream brands during the Reporting Period. We cooperate with New Horizon Health to focus on “Internet + Early cancer screening” healthcare service for people with diabetes or obesity who have high risk of colon cancer to establish a closed-loop model of online and offline integrated chronic disease management. We also cooperate with Genetron, a leading precision medication company in China, to focus on liver cancer and lung cancer. We have jointly built a service system that covers early cancer screening, molecular typing, medication guidance and drug tolerance monitoring.

During the Reporting Period, as for aesthetic medicine, we entered into strategic cooperation with So-Young, a leading internet aesthetic medicines platform in China, according to which, both sides will use technological and medical resources to promote information transparency and effective linkage in the aesthetic medicines industry, accelerate the development of quality aesthetic medicines, and build a comprehensive aesthetic medicines service system. As for the dental and oral sector, we reached strategic cooperation with IDSO Dental Alliance, according to which, both sides will collaborate in an all-round way on e-commerce and the supply chain centering on oral and dental healthcare, and further enhance our online healthcare service platform. As for vaccine reservation, we launched the “Vaccine and Health Comprehensive Management Scheme for Children” with Pfizer China to promote education on pneumococcal disease, enhance public knowledge of vaccine, popularize disease prevention knowledge and digitalize vaccine reservation to establish a more professional and convenient disease prevention system and enhance disease prevention in primary regions.

Smart healthcare solutions

In respect of smart healthcare solutions, leveraging our supply chain and technology capabilities, we provide comprehensive solutions and patient-centered, online and offline integrated smart solutions throughout the entire medical process for local governments, hospitals and pharmacies, and achieve connectivity among medical institutions in a flexible and efficient manner. We also empower medical workers with digital tools to facilitate their provision of more efficient and high-quality diagnosis and treatment services, hence providing patients with better medical experience and continuously promoting medical service innovation. In addition, leveraging our own and JD Group’s leading technologies, we also help hospitals improve daily operation efficiency and meet their needs for patient management. We develop various AI applications to optimize healthcare processes including consultation, prescription renewal and medication management to build prescription pre-vetting rules to ensure medication safety.

During the Reporting Period, the AI-based prescription vetting center based on the new cloud structure and multi-tenant model commenced online operation in 10 community medical institutions in Haidian District of Beijing. With the application of AI technology, the AI-based prescription vetting center provides functions including pre-prescription review, prescription review, rational medication, prescription vetting for TCM slices. The AI-based prescription vetting center solves the basic problems of pharmacists in primary regions such as inconsistent level and standard of prescription review and low efficiency of medication services through centralized management, centralized review and centralized circulation of prescriptions within the region. Pilot operations have been expanded to the region and a new regional model of medication services with the application of AI technology has been promoted. In addition, we have established connection with the prescription review system of the community hospitals in Beijing. Based on the massive information processed by JD Health, its comprehensive and accurate processing ability as well as the automatic and intelligent sets of rules for prescription review, our system can conduct pre-prescription review and search for drug instructions to improve the quality of prescription by community hospitals and facilitate rational medication.

Through continuous integration of our resources and technical service capabilities, we work with various organizations including medical institutions to explore innovative application of offline quality medical resources in online healthcare scenarios, in order to improve service experience of users as well as the overall efficiency of medical treatment and management of hospitals. During the Reporting Period, we launched the JD Internet Hospital of the First Affiliated Hospital of Henan University of CM, jointly built by JD Health and The First Affiliated Hospital of Henan University of CM. Being the first traditional Chinese Medicine internet hospital in Henan, the platform features an integrated online and offline medical service model that covers the whole process before, during and after consultation, providing users in Henan and other parts of the country with online consultation, drug delivery, health management advisory, follow-up visits and other services.

To help traditional pharmacies grasp the opportunities arising from the new consumption trend and ease their difficulties in customer acquisition, operation and profit making, we leveraged our technological and digital capabilities to provide one-stop solutions for the upgrade and digitalization transformation of traditional pharmacies during the Reporting Period. We also organized a series of innovative activities and online operation training programs to help pharmacies reduce cost, enhance efficiency and achieve innovation and development.

Leveraging our digitalization and informatization technology, we cooperate with local governments to facilitate the establishment of primary medical system to improve people's health. During the Reporting Period, we entered into a strategic cooperation agreement with the People's Government of Haizhu District of Guangzhou to establish the "Healthy Haizhu" model, which provides convenient "Internet + Family Doctor" health management services, enhancing the quality of health service products. We launched Diabetes Glucose Monitoring Map Project in Guangdong Province together with Guangdong Provincial Center for Disease Control and Prevention, so as to achieve home-stay glucose monitoring for patients with diabetes using IoT and big data technology. This enhanced the efficiency of remote management and follow-up visits of diabetes patients by medical staff, exploring the practice of the "Internet + Diabetes Management" service model.

In response to the “Healthy China Campaign,” JD Health continues to step up efforts on strategic deployment of our business. We will leverage our core capabilities such as AI, big data and supply chain to provide high-quality pharmaceutical and healthcare products and professional healthcare services to our users, and to provide our partners with greater market and development opportunities. Aimed at improving the people’s health, JD Health will fully consolidate its corporate resources and bring its strengths into full play. Centering around users and patients, we will further promote innovation of healthcare business, allowing users to enjoy more accessible, convenient, high-quality and affordable healthcare products and services. We are committed to becoming the “go-to health management platform,” helping people to pursue a high-quality and healthy lifestyle.

Corporate Social Responsibility

Adhering to the concept of solving pain points of the industry and creating social value, JD Health is always committed to performing its corporate social responsibilities. Since the outbreak of the pandemic last year, we have been devoted to fighting the pandemic, and continued to support the regular pandemic prevention and control during the year. In the first half of the year, we upgraded our emergency response mechanism in order to safeguard people’s livelihood by making prompt response to unexpected disasters, including free 24-hour medical hotline, arranging for medicine and resources in case of any emergency and assigning medical rescue teams. In addition, in order to alleviate the difficulties of patients with rare diseases in receiving proper diagnosis, we established the Rare Disease Care Center (罕見病關愛中心) and created a one-stop solution platform covering treatment, medicine, insurance and charity in the first half of the year. In recent years, the government has promulgated a series of supporting policies on rare disease. JD Health is committed to making contribution by leveraging our social influences. Cooperating with pharmaceutical enterprises, industry associations and public welfare institutions, we provide medicine to patients with rare diseases and introduce cold-chain logistics for rare disease medicine to enhance its accessibility. We have established the “Rare Disease Charity Fund” in cooperation with public welfare institutions to encourage donations from merchants on JD’s platform, which has greatly accelerated the development of the rare disease prevention and rescue system. In addition, we also set up several care centers for patients with single disease (單病種患者關愛中心) with an aim to provide disease education and management services to patients. As part of our initial efforts, nine care centers were launched for patients with diabetes, hepatitis, nutrition related disease and other diseases. The aforesaid efforts are only a few examples of our actions and JD Health is always committed to fulfilling its social responsibilities. We strive to fulfill our mission and create greater value for the society, gaining the respect and trust of consumers and partners.

Prospects

An outstanding enterprise has to keep improving its performance and most importantly, making more contribution to the society development. In the future, in response to the government policies and guidance, we will leverage our business advantages to provide solutions to address the difficulties and pain points of the real economy and facilitate the achievement of targets under the “Healthy China 2030”. We will place a high importance on compliant operation. We will actively assume our social responsibilities by stepping up our investment to support the digitalization in rural areas, enhancing their medical treatment level. Furthermore, by strengthening the collaboration between our business and the real economy, we will improve the efficiency of the industry chain through technology innovation and facilitate online and offline integration for enterprises. Moreover, we will strive to provide accessible, convenient and affordable healthcare products and services for the sake of public health.

Following to the changes in consumption habit of users and the acceleration in the digitalization of the industry, our retail pharmacy business has significant growth potential. In the future, as a leading online healthcare platform, we will leverage our strong supply chain and platform operation capabilities to create an ecosystem that combines retail pharmacies and healthcare services. We will cooperate with our brand partners to provide supports to the primary pharmacy alliance and offer comprehensive services to medium, small, and micro-sized enterprises and expand the geographical coverage of our services so as to serve all segments in the real economy and thus improve the accessibility of pharmaceutical and healthcare products.

In terms of healthcare services, through continuously exploring the “Internet + Healthcare” scenarios and integrating with the professional capabilities of offline medical institutions, we have gradually consolidated our capabilities in online healthcare, consumer healthcare and smart healthcare services with medical institutions and jointly developed an ecosystem to provide users with comprehensive online and offline services covering health screening, disease prevention, consultation, follow-up visits and recovery. In the future, we are aiming to comprehensively upgrade our healthcare service capabilities through expanding our specialist medical centers and exploring healthcare services scenarios, so as to better serve customers’ demand for multi-layered and diversified healthcare services, and to offer a comprehensive practice plan for our doctors and experts by introducing them to traffic enhancement measures and intelligent tools.

In terms of health management, we will provide users with more diversified healthcare solutions targeting various groups. Leveraging our family doctor services, we will continue to extend our health management services. In the future, we will continue to upgrade our family doctor services by cultivating family doctor products targeting various groups and opening up our services in more scenarios. We will also cooperate with local governments to empower the primary general family doctor contracting system with our platform and smart tools. Regarding physical exams, we will launch an employee health management system for corporate customers. We will also improve the user experience in vaccination by introducing appointments services for broader vaccine categories, and to cooperate with the government and vaccine producers to introduce a one-stop service platform offering disease education, vaccine education and vaccination appointments for the public.

Our real economy enterprise nature and digitalized technology capabilities are the key drivers of our sustainable growth. Adhering to JD Group’s business philosophy, JD Health has its roots in the real economy, grows with the real economy and serves the real economy. In the future, we will continue to enhance the cooperation with upstream and downstream partners in the healthcare value chain by further opening up our supply chain, technology and healthcare service capabilities and under the guidance of government policies, to achieve mutual development with consumers, industry, partners, society and the environment.

FINANCIAL REVIEW

Revenue

Our revenue increased by 55.4% from RMB8.8 billion for the six months ended June 30, 2020 to RMB13.6 billion for the six months ended June 30, 2021. The increase in our total revenue was primarily due to an increase by 52.9% in product revenue from sales of pharmaceutical and healthcare products from RMB7.7 billion for the six months ended June 30, 2020 to RMB11.8 billion for the six months ended June 30, 2021. Such growth on products revenue was primarily driven by an increase in the number of active user accounts and additional purchases from user accounts, the increasing online penetration of pharmaceutical and healthcare products sales, the enrichment in product offering, and our rising brand awareness as we continue to invest in marketing activities.

Service revenue from online marketplace, digital marketing and other services increased by 73.0% from RMB1.1 billion for the six months ended June 30, 2020 to RMB1.9 billion for the six months ended June 30, 2021. The increase in our service revenue was primarily due to (i) an increase in digital marketing service fees primarily attributable to an increase in the number of advertisers on our platform, in line with the continuous growth of transactions in our platform, and (ii) an increase in commission fees and platform usage fees primarily attributable to an increase in the sales volume and the number of third-party merchants on our online marketplace.

Cost of revenue

Our cost of revenue increased by 57.5% from RMB6.6 billion for the six months ended June 30, 2020 to RMB10.3 billion for the six months ended June 30, 2021. The increase was primarily due to an increase in the sales volume of our pharmaceutical and healthcare products through JD Pharmacy, which was in line with the growth of our retail pharmacy business.

Gross profit and gross profit margin

As a result of the foregoing, we recorded a gross profit of RMB2.2 billion for the six months ended June 30, 2020, representing a gross profit margin of 25.3%, and a gross profit of RMB3.3 billion for the six months ended June 30, 2021, representing a gross profit margin of 24.3%. The decrease in the gross profit margin was primarily due to a change in the product mix and sales promotions.

Fulfillment expenses

Our fulfillment expenses increased by 49.5% from RMB911.0 million for the six months ended June 30, 2020 to RMB1,361.9 million for the six months ended June 30, 2021. The increase was primarily due to (i) an increase in expenses of logistics and warehousing services, due to an increase in the usage of logistics services along with more products sales and warehousing services as more warehouses utilized, (ii) an increase in employee benefit expenses for employees involved in fulfillment activities, due to an increase in employee headcount of fulfillment activities, (iii) an increase in expenses of payment services, and (iv) an increase in other fulfillment expenses, including customer service expenses, all of which were in line with the continued growth of our business.

Fulfillment expenses as a percentage of revenue decreased from 10.4% for the six months ended June 30, 2020 to 10.0% for the six months ended June 30, 2021.

Selling and marketing expenses

Our selling and marketing expenses increased by 79.7% from RMB544.4 million for the six months ended June 30, 2020 to RMB978.2 million for the six months ended June 30, 2021. The increase was primarily due to (i) an increase in our promotion and advertising expenses, which was primarily due to the increased marketing efforts to promote our retail pharmacy business, online healthcare services and other new initiatives, and (ii) an increase in expenses of technology and traffic support services provided by JD Group. Selling and marketing expenses as a percentage of revenue increased from 6.2% for the six months ended June 30, 2020 to 7.2% for the six months ended June 30, 2021.

Research and development expenses

Our research and development expenses increased by 44.4% from RMB278.2 million for the six months ended June 30, 2020 to RMB401.8 million for the six months ended June 30, 2021. The increase was primarily attributable to (i) an increase in research and development (“R&D”) headcount as we continued to invest in top-notch R&D talents with industry expertise, and (ii) an increase in expenses of technology and traffic support services provided by JD Group. Research and development expenses as a percentage of revenue decreased from 3.2% for the six months ended June 30, 2020 to 2.9% for the six months ended June 30, 2021.

General and administrative expenses

Our general and administrative expenses increased from RMB84.6 million for the six months ended June 30, 2020 to RMB1,122.8 million for the six months ended June 30, 2021, primarily attributable to an increase in share-based payment expenses. General and administrative expenses as a percentage of revenue increased from 1.0% for the six months ended June 30, 2020 to 8.2% for the six months ended June 30, 2021.

Finance income

Our finance income increased to RMB231.4 million for the six months ended June 30, 2021, primarily due to an increase in interest income from bank balances and term deposits.

Loss for the period

As a result of the foregoing, we incurred a loss of RMB5,360.9 million for the six months ended June 30, 2020 and a loss of RMB454.2 million for the six months ended June 30, 2021, primarily due to a loss of RMB5,705.3 million on fair value changes of convertible preferred shares for the six months ended June 30, 2020 and share-based payment expenses of RMB1,121.3 million for the six months ended June 30, 2021.

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with International Financial Reporting Standards (the “IFRSs”), we also use non-IFRS profit as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We believe non-IFRS profit facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which our management considers non-indicative of our operating performance.

We believe non-IFRS profit provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of non-IFRS profit may not be comparable to similarly titled measures presented by other companies. The use of non-IFRS profit has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define non-IFRS profit as profit/(loss) for the period, excluding share-based payment expenses and fair value changes of convertible preferred shares. We exclude these items because they are not expected to result in future cash payments that are recurring in nature and they are not indicative of our core operating results and business outlook. We account for share-based payment expenses with employees and non-employees based on the grant-date fair value of the equity instrument issued by JD.com, Inc. and by the Company. The reconciling item is non-cash and does not result in cash outflow, and the adjustment has been consistently made during the six months ended June 30, 2021. In addition, we account for the convertible preferred shares as financial liabilities at fair value through profit or loss. The convertible preferred shares automatically converted into ordinary shares upon the completion of the listing of the shares on the Main Board of the Hong Kong Stock Exchange (the “**Listing**” or “**Global Offering**”), and no further loss or gain on fair value changes is expected to be recognized afterwards.

The following table reconciles the most directly comparable financial measure (loss for the period) calculated and presented in accordance with IFRSs for the six months ended June 30, 2021 and 2020 to the non-IFRS profit:

	For the six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Reconciliation of loss to non-IFRS profit:		
Loss for the period	(454,213)	(5,360,915)
Add:		
Share-based payment expenses	1,121,348	26,466
— <i>Fulfillment expenses</i>	49,927	8,543
— <i>Selling and marketing expenses</i>	14,105	(991)*
— <i>Research and development expenses</i>	36,252	7,800
— <i>General and administrative expenses</i>	1,021,064	11,114
Fair value changes of convertible preferred shares	—	5,705,251
	<u>667,135</u>	<u>370,802</u>
Non-IFRS profit for the period	<u>667,135</u>	<u>370,802</u>

* The Company periodically revises its estimates of the number of options and share awards that are expected to vest ultimately. The impact of the revision of the estimates, is recognized in profit and loss, with a corresponding adjustment to the share-based payments reserve.

Liquidity and Capital Resources

Our cash and cash equivalents represent cash and bank balances. We had cash and cash equivalents of RMB19.0 billion and RMB32.3 billion as of June 30, 2021 and December 31, 2020, respectively.

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

	For the Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Net cash generated from operating activities	1,933,901	359,667
Net cash used in investing activities	(15,027,374)	(3,097,063)
Net cash (used in)/generated from financing activities	(26,159)	907,651
	<u>(13,119,632)</u>	<u>(1,829,745)</u>
Net decrease in cash and cash equivalents	(13,119,632)	(1,829,745)
Cash and cash equivalents at the beginning of the period	32,270,792	4,965,272
Effects of foreign exchange rate changes on cash and cash equivalents	(170,728)	64,793
	<u>(170,728)</u>	<u>64,793</u>
Cash and cash equivalents at the end of the period	<u>18,980,432</u>	<u>3,200,320</u>

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities and the net proceeds received from the Global Offering. We currently do not have any other plans for material additional external financing.

Net Cash Generated from Operating Activities

Net cash generated from operating activities primarily comprises our loss for the period and non-cash and non-operating items, and adjusted by changes in working capital.

For the six months ended June 30, 2021, net cash generated from operating activities was RMB1,933.9 million. Our cash generated from operations was primarily attributable to our loss of RMB454.2 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of share-based payment expenses of RMB1,121.3 million, and (ii) changes in working capital, which primarily resulted from an increase in trade payables of RMB1,678.1 million, an increase in accrued expenses and other payables of RMB403.5 million, and a decrease in prepayments, other receivables and other assets of RMB333.0 million, partially offset by an increase in inventories of RMB1,074.9 million.

For the six months ended June 30, 2020, net cash generated from operating activities was RMB359.7 million, which was primarily attributable to our loss of RMB5,360.9 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of fair value changes of convertible preferred shares of RMB5,705.3 million, impairment provision for inventories of RMB74.7 million and share-based payment expenses of RMB26.5 million; and (ii) changes in working capital, which primarily resulted from an increase in trade payables of RMB1,292.7 million and an increase in contract liabilities of RMB101.7 million, partially offset by an increase in inventories of RMB782.4 million, a decrease in accrued expenses and other payables of RMB359.0 million and an increase in prepayments, other receivables and other assets of RMB299.8 million.

Net Cash Used in Investing Activities

For the six months ended June 30, 2021, net cash used in investing activities was RMB15.0 billion, which was primarily attributable to placement of term deposits of RMB18.8 billion, purchase of financial assets at fair value through profit or loss of RMB3.9 billion, partially offset by proceeds on maturity of financial assets at fair value through profit or loss of RMB2.5 billion and proceeds on maturity of term deposits of RMB5.1 billion.

For the six months ended June 30, 2020, net cash used in investing activities was RMB3.1 billion, which was primarily attributable to placement of term deposits of RMB1.4 billion, purchase of financial assets at fair value through profit or loss of RMB1.0 billion and payment for the investment in a joint venture of RMB667.9 million.

Net Cash (Used in)/Generated from Financing Activities

For the six months ended June 30, 2021, net cash used in financing activities was RMB26.2 million, which was primarily attributable to the principal portion of lease payments of RMB23.9 million.

For the six months ended June 30, 2020, net cash generated from financing activities was RMB907.7 million, which was primarily attributable to net proceeds from issuance of convertible preferred shares of RMB168.9 million and advance from JD Group of RMB755.0 million.

Gearing Ratio

As of June 30, 2021, we had no outstanding borrowings. Therefore, the gearing ratio is not presented herein.

Significant Investments Held

In April 2020, we entered into a series of agreements with Tangshan Hongci Healthcare Management Co., Ltd. (“**Tangshan Hongci**”) and its shareholders, pursuant to which we injected approximately RMB668 million in cash to Tangshan Hongci for an equity interest of 49% in June 2020.

Save as disclosed in this announcement, the Group did not make or hold any significant investments (including any investment in an investee company with a value of 5 per cent, or more of the Group’s total assets as at June 30, 2021) during the six months ended June 30, 2021.

Future Plans for Material Investments and Capital Assets

As of June 30, 2021, we did not have other plans for material investments and capital assets.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

As of June 30, 2021, we did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies.

Employee and Remuneration Policy

The following table sets forth the numbers of full-time staff dedicated to our business and operations categorized by function as of June 30, 2021.

Function	Number of Staff	% of Total
Procurement	1,684	65.4
Sales and Marketing	300	11.6
Research and Development	529	20.5
General and Administrative	63	2.5
Total	2,576	100.0

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time.

The Company also has a pre-IPO employee share incentive plan, a post-IPO share option scheme and a post-IPO share award scheme.

The total remuneration expenses, including share-based payment expenses, for the six months ended June 30, 2021 were RMB1,528.4 million, as opposed to RMB254.1 million for the six months ended June 30, 2020, representing a year-on-year increase of 501.6%.

Foreign Exchange Risk

The functional currency of our entities incorporated in the Cayman Islands, British Virgin Islands and Hong Kong is the United States dollar (“USD”). Our PRC subsidiaries and consolidated affiliated entities determined their functional currency to be Renminbi. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of our entities.

During the six months ended June 30, 2021, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant.

Contingent Liabilities

As of June 30, 2021, we did not have any material contingent liabilities or guarantees.

Save as disclosed in this announcement and as at the date of this announcement, there were no other significant events that might affect the Group since June 30, 2021.

Borrowings

As of June 30, 2021, we had no outstanding borrowings.

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue	13,637,832	8,777,490
Cost of revenue	(10,330,373)	(6,559,923)
	<hr/>	<hr/>
Gross profit	3,307,459	2,217,567
Fulfillment expenses	(1,361,921)	(911,008)
Selling and marketing expenses	(978,182)	(544,375)
Research and development expenses	(401,785)	(278,175)
General and administrative expenses	(1,122,809)	(84,648)
Other gains/(losses)	33,299	(1,887)
Finance income	231,408	60,327
Finance costs	(2,409)	(1,745)
Fair value changes of convertible preferred shares	—	(5,705,251)
Impairment losses under expected credit loss model, net of reversal	(9,831)	477
Share of results of joint ventures and an associate	(40,531)	(8,607)
	<hr/>	<hr/>
Loss before income tax	(345,302)	(5,257,325)
Income tax expense	(108,911)	(103,590)
	<hr/>	<hr/>
Loss for the period	(454,213)	(5,360,915)
	<hr/> <hr/>	<hr/> <hr/>
(Loss)/income for the period attributable to:		
Owners of the Company	(455,144)	(5,358,752)
Non-controlling interests	931	(2,163)
	<hr/>	<hr/>
	(454,213)	(5,360,915)
	<hr/> <hr/>	<hr/> <hr/>
	RMB	RMB
	(Unaudited)	(Audited)
Basic and diluted loss per share	(0.15)	(2.49)
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Loss for the period	<u>(454,213)</u>	<u>(5,360,915)</u>
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	8,276	1,686
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation from functional currency to reporting currency	<u>(374,201)</u>	<u>(41,555)</u>
Other comprehensive loss for the period	<u>(365,925)</u>	<u>(39,869)</u>
Total comprehensive loss for the period	<u><u>(820,138)</u></u>	<u><u>(5,400,784)</u></u>
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(821,069)	(5,398,621)
Non-controlling interests	<u>931</u>	<u>(2,163)</u>
	<u><u>(820,138)</u></u>	<u><u>(5,400,784)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of June 30, 2021 <i>RMB'000</i> (Unaudited)	As of December 31, 2020 <i>RMB'000</i> (Audited)
ASSETS		
Non-current assets		
Intangible assets	28,962	28,498
Property and equipment	28,143	17,652
Investment in an associate	630	675
Investments in joint ventures	565,235	605,721
Financial assets at fair value through profit or loss	315,403	267,823
Right-of-use assets	133,253	97,355
Deferred tax assets	9,722	21,689
Prepayments, other receivables and other assets	271,640	250,366
	1,352,988	1,289,779
Current assets		
Inventories	2,837,196	1,732,390
Trade and note receivables	184,869	75,036
Prepayments, other receivables and other assets	271,948	555,338
Financial assets at fair value through profit or loss	2,821,779	1,507,713
Term deposits	20,026,310	6,524,900
Restricted cash	25,698	38,600
Cash and cash equivalents	18,980,432	32,270,792
	45,148,232	42,704,769
Total assets	46,501,220	43,994,548
Equity		
Share capital	11	11
Reserves	58,623,015	57,867,592
Accumulated losses	(19,071,904)	(18,616,760)
	39,551,122	39,250,843
Equity attributable to owners of the Company	39,551,122	39,250,843
Non-controlling interests	1,432	501
Total equity	39,552,554	39,251,344

	As of June 30, 2021 <i>RMB'000</i> (Unaudited)	As of December 31, 2020 <i>RMB'000</i> (Audited)
Liabilities		
Non-current liabilities		
Lease liabilities	79,418	61,410
Total non-current liabilities	<u>79,418</u>	<u>61,410</u>
Current liabilities		
Trade payables	4,577,713	2,899,599
Income tax payables	51,855	132,182
Contract liabilities	366,407	179,462
Financial liabilities at fair value through profit or loss	138,860	143,113
Lease liabilities	36,059	28,568
Accrued expenses and other payables	1,698,354	1,298,870
Total current liabilities	<u>6,869,248</u>	<u>4,681,794</u>
Total liabilities	<u>6,948,666</u>	<u>4,743,204</u>
Total equity and liabilities	<u><u>46,501,220</u></u>	<u><u>43,994,548</u></u>

The Company acts as an investment holding company. The Group engages in a comprehensive “Internet + Healthcare” ecosystem, providing pharmaceutical and healthcare products, internet healthcare, health management, intelligent healthcare solutions to the customers, and a variety of marketing services to the business partners. The Group’s principal operations and geographic markets are in the PRC.

As set out in 2020 annual report published on April 23, 2021, the Company entered into a subscription agreement for the series A preference shares (the “**Series A Preference Shares**”) financing with certain third-party investors (the “**Series A Share Subscription Agreements**”) in May 2019; and the Group entered into a series of continuing connected transaction arrangements (the “**CCT Arrangements**”) with JD Group in November 2020, in respect of which the Group has complied with the disclosure requirements of the Listing Rules. The Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on December 8, 2020 (the “**Listing Date**”).

The condensed consolidated financial statements are presented in RMB, which is different from the Company’s functional currency of USD. The management adopted RMB as the presentation currency as the management controls and maintains the performance and financial position of the Group based on RMB.

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (the “IFRSs”), International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”).

Segment information

The Group operates a comprehensive “Internet + Healthcare” ecosystem, providing pharmaceutical and healthcare products, internet healthcare, health management and intelligent healthcare solutions to the customers.

The Group’s chief operating decision maker, who has been identified as the Chief Executive Officer (the “CEO”), reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and no other discrete financial information is provided to the CEO. Hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reports. As the Group’s non-current assets are all located in the PRC and most of the Group’s revenue are derived from the PRC, no geographical information is presented. During the six months ended June 30, 2021, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group’s revenue (six months ended June 30, 2020: nil).

Revenue

Disaggregation of revenue from contracts with customers:

	Six months ended June 30,	
	2021	2020
	RMB’000	RMB’000
	(Unaudited)	(Audited)
<i>Type of goods or services:</i>		
Product revenue:		
Sales of pharmaceutical and healthcare products	11,761,841	7,693,261
Service revenue:		
Marketplace, advertising and other services	1,875,991	1,084,229
Total	<u>13,637,832</u>	<u>8,777,490</u>

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Timing of revenue recognition:		
A point in time	13,486,785	8,682,679
Overtime	151,047	94,811
	<hr/>	<hr/>
Total	13,637,832	8,777,490
	<hr/> <hr/>	<hr/> <hr/>

Loss before income tax

Loss before income tax has been arrived at after charging/(crediting):

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of inventories sold	10,328,538	6,464,009
Employee benefit expenses	1,528,392	254,068
Expenses of logistics and warehousing services ^{*/**}	838,667	591,328
Promotion and advertising expenses	600,390	319,751
Expenses of technology and traffic support services provided by JD Group ^{**}	587,288	424,124
Expenses of payment services ^{*/**}	127,894	94,918
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	25,810	8,591
Expenses related to other support services [*]	9,210	9,459
(Reversals)/provision for impairment of inventories	(29,862)	74,665

* Primarily consisted of the services provided by JD Group.

** Prior to the launch of CCT Arrangements, terms and pricing policies of these transactions entered into by JD Group for the Group or between JD Group and the Group were established based on the terms stipulated in the Series A Share Subscription Agreements. Upon and after the launch of CCT Arrangements, the majority of the transactions between JD Group and the Group are continuing connected transactions and recognized based on the terms stipulated in CCT Arrangements.

Income tax expense

The income tax expense of the Group is analyzed as follows:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current income tax:		
PRC enterprise income tax	96,944	122,257
Deferred income tax	11,967	(18,667)
	<u> </u>	<u> </u>
Total	<u>108,911</u>	<u>103,590</u>

Loss per share

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

(a) Basic loss per share

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Audited)
Loss for the period attributable to owners of the Company (RMB'000)	(455,144)	(5,358,752)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>3,091,684,930</u>	<u>2,149,253,732</u>
Basic loss per share attributable to owners of the Company (RMB per share)	<u>(0.15)</u>	<u>(2.49)</u>

(b) Diluted loss per share

As the Group incurred losses for the six months ended June 30, 2021, the potential ordinary shares were excluded in the calculation of the diluted loss per share as their effect would result in a decrease in loss per share, which is anti-dilutive. Accordingly, diluted loss per share for the six months ended June 30, 2021 was the same as basic loss per share of the period (six months ended June 30, 2020: the same as basic loss per share of the corresponding period).

Investments in joint ventures

	As of June 30, 2021 <i>RMB'000</i> (Unaudited)	As of December 31, 2020 <i>RMB'000</i> (Audited)
Cost of unlisted investments in joint ventures	682,745	682,745
Share of post-acquisition loss and other comprehensive loss	(117,510)	(77,024)
	<hr/>	<hr/>
At the end of the period	565,235	605,721
	<hr/> <hr/>	<hr/> <hr/>

Financial assets at fair value through profit or loss

	As of June 30, 2021 <i>RMB'000</i> (Unaudited)	As of December 31, 2020 <i>RMB'000</i> (Audited)
Non-current:		
Equity investments in private companies	157,745	107,745
Call option	157,658	160,078
	<hr/>	<hr/>
	315,403	267,823
	<hr/>	<hr/>
Current:		
Wealth management products	2,821,779	1,507,713
	<hr/>	<hr/>
	3,137,182	1,775,536
	<hr/> <hr/>	<hr/> <hr/>

Inventories

	As of June 30, 2021 <i>RMB'000</i> (Unaudited)	As of December 31, 2020 <i>RMB'000</i> (Audited)
Products	2,894,091	1,819,147
Less: impairment provision	(56,895)	(86,757)
	<hr/>	<hr/>
	2,837,196	1,732,390
	<hr/> <hr/>	<hr/> <hr/>

Trade and note receivables

	As of June 30, 2021 <i>RMB'000</i> (Unaudited)	As of December 31, 2020 <i>RMB'000</i> (Audited)
Trade receivables from third parties	194,638	79,634
Less: allowance for expected credit loss (“ECL”)	(16,200)	(6,369)
Note receivables	6,431	1,771
	<hr/> 184,869 <hr/>	<hr/> 75,036 <hr/>

Aging analysis of trade receivables from third parties based on invoice date is as follows:

	As of June 30, 2021 <i>RMB'000</i> (Unaudited)	As of December 31, 2020 <i>RMB'000</i> (Audited)
Within 3 months	159,983	71,412
3 to 6 months	20,728	1,685
6 to 12 months	8,643	1,744
Over 12 months	5,284	4,793
	<hr/> 194,638 <hr/>	<hr/> 79,634 <hr/>
Less: allowance for ECL	(16,200)	(6,369)
	<hr/> 178,438 <hr/>	<hr/> 73,265 <hr/>

The Group held notes received for future settlement of trade receivables with insignificant amount. The Group continues to recognize their full carrying amounts at the end of each reporting period. All notes received by the Group are with a maturity period of less than one year.

Trade payables

Trade payables primarily consist of payables to suppliers.

The credit period of trade payables is mainly ranging from 30 to 60 days. An aging analysis of the trade payables based on the invoice date is as follows:

	As of June 30, 2021 <i>RMB'000</i> (Unaudited)	As of December 31, 2020 <i>RMB'000</i> (Audited)
Within 3 months	4,425,939	2,066,689
3 to 6 months	125,598	750,321
6 to 12 months	26,176	82,589
	<hr/>	<hr/>
Total	<u>4,577,713</u>	<u>2,899,599</u>

Dividends

No dividends had been paid or declared by the Company for the six months ended June 30, 2021, nor has any dividend been proposed since June 30, 2021 (six months ended June 30, 2020: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company was incorporated in the Cayman Islands on November 30, 2018 with limited liability, and the shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on December 8, 2020.

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders of the Company (the "**Shareholders**"). Throughout the six months ended June 30, 2021, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the "**Corporate Governance Code**") and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors’ dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code for the six months ended June 30, 2021.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee comprises three members, namely Xingyao Chen (陳興堯), Jiyu Zhang (張吉豫) and Sandy Ran Xu (許冉), with Xingyao Chen (陳興堯) (being our independent non-executive Director with the appropriate professional qualifications) as chairperson of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2021 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and Deloitte Touche Tohmatsu, the auditor of the Company (the “**Auditor**”).

The Auditor has reviewed this announcement and the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2021 in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

OTHER BOARD COMMITTEES

In addition to the audit committee, the Company has also established a nomination committee and a remuneration committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended June 30, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the Hong Kong Stock Exchange.

INTERIM DIVIDEND

The Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2021.

USE OF PROCEEDS

With the Shares listed on the Hong Kong Stock Exchange on the Listing Date, the net proceeds from the Global Offering (following full exercise of the Over-allotment Option, as defined in the prospectus of the Company dated November 26, 2020 (the “**Prospectus**”)) were approximately RMB25.7 billion after deducting underwriting commissions and offering expenses paid or payable, which will be utilized for the purposes as set out in the Prospectus.

There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. As at the date of this announcement, the Group has utilized approximately RMB1.0 billion out of the net proceeds from the Listing for working capital and general corporate purposes, which were used as intended.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at ir.jdhealth.com. The interim report of the Group for the six months ended June 30, 2021 will be published on the aforesaid websites of the Hong Kong Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

By order of the Board
JD Health International Inc.
Mr. Lijun Xin
Executive Director

Hong Kong, August 24, 2021

As at the date of this announcement, the Board comprises Mr. Lijun Xin as the executive Director, Mr. Richard Qiangdong Liu, Mr. Lei Xu, Ms. Sandy Ran Xu, Ms. Pang Zhang and Mr. Qingqing Yi as non-executive Directors, and Mr. Xingyao Chen, Ms. Ling Li and Dr. Jiyu Zhang as independent non-executive Directors.