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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of JD Health International Inc. (the “**Company**” or “**JD Health**”) is pleased to announce the audited consolidated results of the Company, its subsidiaries and the consolidated affiliated entities (collectively, the “**Group**”) for the year ended December 31, 2021 (the “**Reporting Period**”). These annual results have been reviewed by the audit committee of the Company (the “**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 consolidated affiliated entities, excluding our Group.

FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-on- year change (%)
	2021 RMB’000	2020 RMB’000	
Revenue	30,682,267	19,382,568	58.3
Gross profit	7,197,282	4,917,298	46.4
Loss before income tax	(901,491)	(17,072,141)	(94.7)
Loss for the year	(1,072,818)	(17,234,897)	(93.8)
Non-IFRS profit for the year ⁽¹⁾	1,402,095	732,117	91.5

(1) We define “non-IFRS profit” as profit or loss for the year, excluding certain reconciling items as set out in the section headed “Non-IFRS Measures.” We exclude these items because they are either non-operating in nature and not indicative of our core operating results and business outlook, or do not generate any cash outflows.

CEO STATEMENT

To our shareholders:

2021 marked the beginning of China's 14th Five-Year Plan period (2021-2025) and the value of "Internet + Healthcare" was validated once again against the backdrop of normalized prevention and control of COVID-19. In addition, the healthcare-related policies and regulations released by the relevant authorities during the year have delivered a clear message. Under the policy guidance, the "Internet + Healthcare" industry will achieve stronger and higher-quality growth in a better regulated market environment in the future.

In particular, the State Council outlined the vision and defined the goal for digital economy development through the official release of the "14th Five-Year Plan for Digital Economy Development" at the start of 2022. On the one hand, it reiterated the value of "Internet + Healthcare" for the digital economy, regarding it as a new form of business that should be prioritized and encouraged for the development of digital industrialization. On the other hand, it also made clear requirements for the digitalization of the traditional medical and health services industry.

Over the past year, under the guidance of the relevant policies and regulations, and adhering to long-term value, JD Health consistently enhanced its capabilities by opening its "retail pharmacy + healthcare service" ecosystem, assisted the upstream, midstream and downstream entities in the industry in their digital transformation, and thus providing quality healthcare services to a wider group of people. In addition, by offering professional supply chain and technology solutions, we served a growing number of local government departments and medical institutions, which accelerated the digital transformation of the healthcare industry and promoted the deeper integration and development of China's digital and real economy.

We recently reinforced the business philosophy of the Company: trust-based value creation centered on customer's health. In the future, we will always keep this concept in mind and strive to pursue our mission of "becoming the go-to health management platform for everyone in China". Following the national development goal of "healthy China", we will continue to build an integrated online and offline healthcare ecosystem based on our user's needs. Shouldering the mission of serving people's healthcare needs and facilitating inclusive healthcare for the whole society while pursuing quality growth of our business, we have been committed to creating long-term and sustainable value for shareholders and society.

Creating social value comprehensively

JD Health is committed to providing quality healthcare services for users, and actively practices its social responsibilities as a healthcare enterprise. In the face of the normalized prevention and control of COVID-19, we implemented quick response measures with flexible applications of pandemic prevention and control based on our experiences, and comprehensively upgraded our emergency response and normalized assistance mechanisms for the unexpected disasters in order to ensure the supply of medicines and medical protective equipment under special circumstances and meet the needs of the public for health consultation in a timely manner. In addition, by creating innovative service models and public welfare mechanisms, we made a great effort to address the healthcare needs of more public groups, such as patients with rare diseases and people who live in rural areas.

We are committed to applying the practical achievements of inclusive healthcare to people's urgent needs and desires. We have won the trust of more consumers and partners by creating multi-dimensional and multifaceted value for users, the industry and society.

Constantly improving professional service capabilities

In 2021, JD Health continued to improve its capabilities within the realms of healthcare supply chain and online healthcare services. With regard to the healthcare supply chain, we innovated the follow-up and patient services model for chronic disease patients based on their needs, and improved our ability to ensure medication safety and manage cold chain operation, striving to offer more inclusive healthcare product offerings and more convenient and professional healthcare services. Furthermore, we reached strategic cooperation and deepened our cooperation with leading domestic and international pharmaceutical enterprises and actively promoted omnichannel digital operation in order to accelerate the digital transformation of the industry.

With regard to healthcare services, we connected and provided access to more high-quality medical resources, enabling efficient and convenient professional healthcare services for millions of users. We also worked with top-notch experts and renowned doctors to explore the Internet-based specialized medical service model and improve our chronic disease management capabilities. As one of our strategic products, which integrates our medical service resources and supply chain capabilities, our JD family doctor service has become a new service entry point for family health management. By connecting with offline healthcare providers, we can provide users with access to medical checkups, medical aesthetics, dental services, nucleic acid testing, vaccine appointments and other healthcare services in more convenient ways.

Accelerating the digital transformation of the industry

We are committed to building an "Internet + Healthcare" service ecosystem with all parties in the industry. We leveraged our core capabilities and resources in supply chain networks, technology and marketing operation to support ecosystem partners such as governments, medical institutions and enterprises, in order to jointly promote the digital transformation and application of information technology in the healthcare industry. In addition, we have made breakthroughs in various scenarios and expanded our service capabilities by providing smart solutions to a wider user base. For example, we offered health management solutions to corporate clients, and provided primary medical and health services for local residents.

For governments and medical institutions, we helped optimize the medical service resource allocation within the region through a digitalized supply chain, and achieved information interconnectivity in a flexible and efficient manner. For example, we helped launch the National Medical Security Information Platform in Suqian City, which covered all the designated medical institutions and designated pharmacies in Suqian, making it the first city in East China to launch the national medical security information platform.

For our partners, we have launched a number of digital marketing projects. We provided digital solutions through an innovative service model, including omnichannel marketing and patient management. In addition, leveraging our capabilities in supply chain, technology and resources, we worked with partners to promote the integration and digital transformation of the pharmaceutical supply chain, and jointly built a new ecosystem of "Internet + Medicine."

Thoroughly practicing the business philosophy of trust-based value creation centered on customer's health

Looking back at 2021, JD Health stayed true to its original aspiration of “solving industry pain points and creating social value.” We have earned more trust from consumers and partners by consistently creating social value and assisting in achieving inclusive healthcare. We have further reinforced our business philosophy after more than one year of operations since our public listing. Delivering trusted and user-centric healthcare services will guide the strategic direction of JD Health.

Accessing quality healthcare services is essential to people's livelihood. We understand that the establishment of service standards serves as a cornerstone of the industry's sound development. Therefore, we built a medication safety system covering various drug use cases and the entire process before, during and after drug purchase. By formulating medication safety standards stricter than industry regulatory standards and higher than the industry average, we have established medication safety mechanisms suitable for online and offline integrated healthcare services. In addition, we led the formation of the JD Health Internet Medical Expert Committee (京東健康互聯網醫療專家委員會), aimed at fostering the formulation of Internet specialist diagnosis and treatment standards, and medical quality control standards, to better serve our users with trusted healthcare services.

Looking ahead in 2022, the healthcare industry will usher in a wave of development opportunities to further improve service quality and industry efficiency. In terms of policies, the enhanced regulations will lead the “Internet + Healthcare” industry to achieve sound development. In terms of the industry environment, the service scenarios and service models will be further iterated and upgraded under the prevailing trend of digital economy development, whether as part of the evolving Internet healthcare ecosystem, or for the digital upgrading and transformation of the traditional healthcare industry. In terms of user awareness, more users have developed the habit of seeking healthcare products and services online in the normalized prevention and control of COVID-19.

As a subsidiary of JD Group, JD Health is also rooted and growing in the real economy. Our integrated online and offline business model is operated through *JD Pharmacy* and our supply chain cooperation with all the participants including many pharmaceutical and health product manufacturers, medical institutions, and retail pharmacies. Based on the philosophy of JD Group, we will make continual investments in businesses serving the real economy and promote the high-quality development and in-depth integration of the digital economy and the real economy.

Facing ever-changing market demands and industry landscape, we are firmly grounded on the strategic positioning of creating 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 will make our best effort to deliver trusted healthcare services and achieve user-centric value creation, better serve our users, reward our shareholders and contribute to the society.

Enlin Jin

Chief Executive Officer

March 28, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As pandemic control and prevention became part of our lives, the convenience of “Internet + Healthcare” services have given rise to more layered and diversified needs from users. At the same time, the introduction and continuous improvement of industry regulatory policies and guidelines have offered industry participants clearer paths to follow, allowing them to lead the high-quality development of the industry on the premise of well-defined supervision bottom lines. In this context, some cities and provinces have taken initiatives to roll out pilot projects as demonstration cases. For example, the establishment of Electronic Prescription Centers in Shenzhen and Hainan have strengthened information interconnectivity, and are expected to expand on a greater scale across the country. We believe that the online healthcare industry will achieve a higher-quality and faster growth in today’s better regulated market environment.

As a leading healthcare enterprise, 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 strategically deploy resources in the health and wellness industry to set the stage for future growth. Our strategy over the past year was to create a technology-driven platform that centers on the supply chain of pharmaceutical and healthcare products, and strengthened by healthcare services, encompassing a user’s full life span for all healthcare needs. With a continued focus on the retail pharmacy business, healthcare services and smart healthcare solutions, we are committed to offering our users accessible, convenient and high-quality yet affordable pharmaceutical and healthcare products and services. We also accelerated our cooperation with upstream and downstream enterprises across the industry value chain, aimed at building a complete health and wellness ecosystem and jointly promoting the deep integration of China’s digital economy and real economy in the health and wellness industry.

Our business maintained strong growth momentum in 2021, driven by our growing user base and improved user stickiness. During the Reporting Period, our revenue amounted to RMB30.7 billion, representing year-on-year growth of 58.3%. By enriching product offerings and upgrading the healthcare services on our platform, we are able to continuously enhance user experience. As of December 31, 2021, our annual active user accounts reached 123.3 million, representing a net addition of 33.6 million from 2020. During the Reporting Period, we further developed our service capabilities, and our average daily consultation volume grew rapidly to more than 190,000.

Retail pharmacy

Our retail pharmacy business offers high-quality pharmaceutical and healthcare products including OTC drugs, prescription drugs, and medical devices and supplies, as well as health supplements and tonics. By combining direct sales, online marketplace and omnichannel initiatives, and leveraging our digital and intelligent supply chain, we provide users with an integrated one-stop experience. At the same time, we have achieved immense scale with a wider range of product offerings while maintaining stringent quality control and competitive pricing, to further gain users’ trust.

Direct sales

Our direct sales business operates mainly through *JD Pharmacy*. During the Reporting Period, *JD Pharmacy* continued to expand its pharmaceutical product selection and built a comprehensive pharmaceutical and healthcare supply chain network. We now cover full scenarios by leveraging JD Group's digital and intelligent infrastructure and in-depth cooperation with pharmaceutical companies and healthcare product suppliers. Meanwhile, we continued to improve our one-stop pharmaceutical and healthcare service capabilities by providing a variety of specialized services in areas such as patient education and patient management. During the Reporting Period, our direct sales business maintained solid growth, with revenue amounting to RMB26.2 billion, representing year-on-year growth of 56.1%. We further improved our supply chain management capabilities and efficiency to better serve our users with superior experiences. As of December 31, 2021, we had utilized JD Logistics's 19 drug warehouses and more than 400 non-drug warehouses nationwide, and achieved next-day delivery for 80% of our direct-sales pharmaceutical orders.

As an industry-leading platform, we continued to enhance the accessibility of new and specialty drugs by improving our supply chain and service capabilities. During the Reporting Period, a number of global pharmaceutical companies debuted their new and specialty drugs on our platform, providing cutting-edge innovative treatment solutions for patients in China. Those included 百匯澤[®] (Pamiparib Capsules), a new Class I drug independently developed by BeiGene, Takeda's Firazyr[®] (Icatibant Acetate Injection) to treat acute attacks of hereditary angioedema (HAE), and Roche's innovative anti-influenza drug Xofluza[®] (Baloxavir Marboxil Tablets). In order to continuously improve the accessibility of new and specialty drugs, our capabilities in "directly operated cold chains" that cover more than 200 cities across China, enabled us to further expand the variety of drugs available on our platform. In addition, we have opened offline DTP ("Direct to Patient") pharmacies in more regions as part of our continuous exploration of the innovative service model of "Medication + Healthcare Services". With our integrated online and offline supply chain capabilities, we are able to provide users with higher-quality healthcare products and superior user experience.

We launched strategic partnerships with world-leading pharmaceutical companies and became one of the key online platforms to develop their online distribution channels and speed up digital operations. During the Reporting Period, we deepened our strategic cooperation with renowned domestic and overseas pharmaceutical companies such as UCB China, Sanofi China, Guilong Pharmaceutical, Novartis Pharmaceuticals, Gilead Sciences and BeiGene. By launching several care centers, we began providing specialized healthcare services including patient management and follow-up services to better serve our users. As of December 31, 2021, we had launched 12 care centers covering more than 24 diseases including diabetes, hepatitis, nutrition-related diseases and other diseases, which has greatly improved patient compliance. During the Reporting Period, we also explored market growth opportunities centered on the entire life cycle of pharmaceutical products. For example, we partnered with CROs (contract research organizations) and many pharmaceutical companies to establish the 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 facilitate patients finding clinical trial projects online and expedite the research and development of new drugs.

During the Reporting Period, aimed at ensuring medication safety, we utilized our advanced technology to build a system covering various drug use cases that span the entire process before, during and after drug purchases. For example, we initiated an AI-based risk evaluation and management system (「藥品風險評價及管理體系」) featuring cutting-edge technologies including image and text recognition. The system improved the effectiveness of risk control and ensured medication safety.

We deeply understand that accelerating the establishment of standards serves as the cornerstone of sound industry development. With the guidance of regulations and policies, we strengthened our services capabilities and jointly formulated strict quality standards with our partners and brands. During the Reporting Period, we collaborated with the Chinese Academy of Inspection and Quarantine and industry leaders to create product standards and certification systems based on national standards and pharmacopoeias. These quality standards cover various products including cordyceps sinensis, Ejiao (colla corii asini), saffron and others. We also empowered our partners with competitive service strategies and development opportunities, as well as jointly launched the JD Health Food For Special Medical Purpose (FSMP) Initiative (京東健康特醫食行動) with brands to bring users customized family doctor services. We further innovated our health management solutions by connecting hundreds of monitoring devices with online healthcare services, expanding the range from blood pressure meters and glucose meters to include oxygen machines, respirators, sleep meters, ECG monitors, etc., further improving the user experience on our platform.

Online marketplace and omnichannel initiative

Leveraging our large and growing user base, our online marketplace has attracted more third-party merchants to join, forming a strong synergy with our direct sales business and providing users with a wider selection of products. During the Reporting Period, we continued to upgrade our marketplace operating system for merchants to enhance their digital marketing efficiency and operational capabilities, as well as improve their performance. As of December 31, 2021, we had more than 18,000 third-party merchants using our online marketplace.

During the Reporting Period, we further enhanced our supply chain capabilities through the operation of omnichannel initiatives, and provided users with more options in terms of product offerings, prices and delivery services. We worked closely with local merchants to provide users with flexible delivery options, which greatly met the urgent needs of users to purchase drugs at home. Leveraging our supply chain capabilities, we provided online follow-up visits for chronic disease patients in Guangzhou and enabled social insurance payments for drug purchases. To further improve user experience and operating efficiency, we utilized our digital system to better match user demand with our various fulfillment methods, such as merchant self-operated delivery, platform delivery and intracity delivery. As of December 31, 2021, we had partnered with proximately 50,000 merchants to provide 24/7 on-demand delivery services for users in more than 300 cities across China.

Healthcare services

We provided users with enriched healthcare services and continued to upgrade our integrated online and offline healthcare service experience. In 2021, we continued to improve our professional service capabilities by establishing a healthcare services ecosystem covering full scenarios. During the Reporting Period, we collaborated with more renowned doctors and jointly built specialist medical centers; cultivated our family doctor products to improve user experience and further expanded service scenarios; and strengthened our cooperation with merchants and service providers to fulfill diversified healthcare needs for more users in early cancer screening, oral health, medical checkups and medical aesthetics.

Online hospital services

In an effort to provide users with comprehensive healthcare services, we continued to explore an innovative model to bring quality healthcare services to users throughout the prevention, treatment and rehabilitation process. During the Reporting Period, we established nine specialist medical centers, including an infection and hepatic diseases center, brain nutrition center and dermatology center. As of December 31, 2021, the total number of JD Health's specialist medical centers had reached 27, attracting hundreds of experts and top-notch doctors to join. By gaining access to more high-quality medical resources, our external doctor team has covered over 15,000 hospitals and our average daily online consultation volume exceeded 190,000 during the Reporting Period.

To promote high-quality development of the online healthcare industry and improve online service capabilities, we took the lead in forming the JD Health Internet Medical Expert Committee (京東健康互聯網醫療專家委員會). We invited 27 academic leaders from our specialist medical centers and more than 30 chief physicians and associate chief physicians from Class 3-A hospitals across China to serve as members of the first expert committee. In promoting the development of service quality control standards and frameworks for online specialized disease diagnosis and treatment, we expected our efforts to accelerate the standardized development of online medical services. During the Reporting Period, together with medical experts of diabetes and psychiatric specialties, we thoroughly participated in the formulation of “the Chinese expert consensus on Relieving Type 2 Diabetes” and “the expert consensus on online diagnosis and treatment for psychiatric specialty,” fueling the application of research results into practice and enhancing JD Health's brand influence within the physician community.

Our family doctor services integrate with our online healthcare service capabilities, which we have accumulated over the years. We aim to introduce a new health concept and service ecosystem for users. We offer convenient daily healthcare management and medical services in the way of family doctor services and help users to develop a new healthy lifestyle. During the Reporting Period, our family doctor service continued to optimize product experience by launching mobile phone and video conferencing consultation services, for people not familiar with or having no easy access to the mobile Internet. We continued to integrate our medical sources and service capabilities through our JD family doctor service, thus expanding into more use cases and scenarios. For example, our JD family doctor service is now available on some high-speed trains, providing 24/7 online health consultation for passengers in need. In addition, we empowered the local communities in the Haizhu District, Guangzhou and the Mentougou District, Beijing to build their own family doctor systems in the exploration of a new public health model for communities.

During the Reporting Period, we continued to innovate and bring more quality healthcare services to all family members. As one of the first online pet hospitals launched in China, leveraging our technology and supply chain capabilities, we partnered with veterinarians and offline specialist pet hospitals to provide integrated online and offline service experiences to our users. By the end of 2021, we had more than 5,000 professional veterinarians, providing pet owners with 24/7 online healthcare consultation services including online video conferencing consultation, health advisory and interpretation of medical examination reports.

We are working with our partners to provide consumer healthcare services including medical checkups, early screening of severe illness, aesthetic medicines, dental care, nucleic acid testing, vaccination appointments, gene testing and more, helping our users to better manage their health. Through collaborations with New Horizon Health, Genetron, GI Genomics and other brands, we offer a wider variety of early cancer screening services, covering high-incidence diseases such as liver cancer, stomach cancer, colon cancer, cervical cancer and breast cancer. Leveraging our closed-loop healthcare service ecosystem, we provided users with a full range of services including outpatient appointments, follow-up checkups and aftercare services. During the Reporting Period, we launched the “E-enterprise Health APP” (E企健康app), a digitalized health management platform, providing comprehensive medical and healthcare services and a full range of pharmaceutical and healthcare products to our corporate clients.

Smart healthcare solutions and digital health

During the Reporting Period, leveraging our strengths in supply chain and digital technology, we provided comprehensive digital solutions to local governments, medical institutions and corporate clients. By extending our “Internet + Healthcare” services, we promoted the informatization of the regional health system and facilitated the digital transformation of the industry.

We worked with multiple public hospitals on various smart hospital projects. During the Reporting Period, we jointly built an internet hospital with the First Affiliated Hospital of the Henan University of Chinese Medicine, providing patients with online and offline integrated medical services. As of the end of 2021, the hospital had nearly 150,000 registered patients, covering 31 provincial-level administrative regions across China. It helped to ease the difficulties for local residents getting medical care during the flooding and the pandemic in 2021. On top of these efforts, we also joined hands with Peking University Shougang Hospital, First Teaching Hospital of Tianjin University of Traditional Chinese Medicine, Cangzhou Central Hospital and Taicang First People’s Hospital and other Class 3-A hospitals to build internet hospitals and provide “Internet + Healthcare” services.

Furthermore, we have made progress in assisting the digitalization of regional healthcare systems and facilitating health information sharing. During the Reporting Period, we helped with the launch of the National Healthcare Security Information Platform in Suqian City, serving 5.29 million residents with social healthcare insurance through complete coverage of 3,347 designated medical institutions and drug stores. It has significantly improved the medical care and drug purchase experience of the insured residents.

Public welfare and corporate social responsibility

We are committed to fulfilling social responsibilities and participating in the development of inclusive healthcare systems. Specifically, starting with addressing the pain points of the industry and the public, more resources will be deployed toward people’s well-being, public welfare and industrial infrastructure. We also joined ecosystem partners for shared development, promoting industry standardization and compliance while earning more trust from our consumers and partners by continuously creating social value.

During the Reporting Period, leveraging our supply chain capabilities, technology and medical resources, we formally launched the “JD Health Public Welfare Platform.” The platform helped mobilize resources from our partners and improve the efficiency of resource allocation, providing public aid, medical advice, medical assistance and online consultations for people in need. Among others, in order to alleviate the difficulties of patients with rare diseases in receiving proper diagnosis and medications, we established the Rare Diseases Care Center (罕見病關愛中心) and JD Health Rare Diseases Charity Fund, creating a one-stop solution comprising treatment and care, medication, insurance and public welfare.

During the Reporting Period, we improved our emergency response mechanism to safeguard people’s livelihood by facilitating prompt response for pandemic control assistance and people’s urgent needs. In 2021, we consistently assisted in local pandemic control and timely disaster relief of affected areas. For example, faced with the unexpected heavy rainstorm in the Henan Province, we immediately took action to assist the flooded area. We launched free 24-hour online consultation services, donated supplies, established offline medical aid teams for on-site medical treatment, and assisted local partners to recover after the flood.

Prospects

As society adjusts to a new normal of pandemic management, and with rising health awareness, more personalized healthcare needs continue to emerge. As an industry-leading healthcare enterprise, we remain committed to further opening up our capabilities within the “retail pharmacy + healthcare service” ecosystem and expanding cooperation with upstream and downstream partners in the industry. By continuously improving the supply chain and healthcare services capabilities, we strive to achieve shared growth and development with our partners.

For the retail pharmacy business, we believe that there will be ample room for future growth. We are committed to creating a service-oriented pharmacy business while strengthening our supply chain capabilities. Meanwhile, the gradually improved and regulated market environment has further expanded the growth potential of the online retail pharmaceutical market, bringing enormous value to our business, especially in light of our long-term compliance efforts in this field.

With respect to healthcare services, we will leverage our core capabilities and resources in healthcare services, health management and consumer healthcare services, providing multilayered and diversified healthcare services to more consumers. We will continue to promote the development of special medical centers, enrich our healthcare service offerings, strengthen cooperation with consumer medical institutions, and drive the growth of internet pet hospitals and other innovative businesses, offering more trustworthy healthcare services to users in need. We are convinced that with the gradual implementation of policies and regulations, the development of the online healthcare services will gain momentum with deeper participation from all parties involved including users, doctors and hospitals.

Supported by the rapid development of the digital economy during the “14th Five-Year Plan” period, we, on the one hand, will continue to expand the scope and depth of online healthcare services and accelerate its integration with the real economy, setting a new sample for online healthcare services as part of the broader digital industrialization. On the other hand, leveraging our strengths in the supply chain and digital technology, we aim to accelerate the transformation of the healthcare industry.

Under the guidance of relevant policies and regulations for the online healthcare sector, JD Health is committed to cultivating long-term value and sharing the same goals with our partners. We will further expand inclusive medical care services to each of our users and facilitate the digital transformation for enterprises across the industry value chain. Furthermore, we will promote and support the development of primary care, especially in rural areas and ensure deep integration between the digital economy and the real economy in China.

FINANCIAL REVIEW

Revenue

Our revenue increased by 58.3% from RMB19.4 billion in 2020 to RMB30.7 billion in 2021. The increase in our total revenue was primarily due to the increase by 56.1% in product revenue from sales of pharmaceutical and healthcare products from RMB16.8 billion in 2020 to RMB26.2 billion in 2021. Such growth on product revenue was primarily driven by an increase in the number of active user accounts and additional purchases from existing user accounts, the increasing online penetration of pharmaceutical and healthcare products sales, and 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 72.7% from RMB2.6 billion in 2020 to RMB4.5 billion in 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 62.4% from RMB14.5 billion in 2020 to RMB23.5 billion in 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 and healthcare business.

Gross profit and gross profit margin

As a result of the foregoing, we recorded, a gross profit of RMB4.9 billion in 2020, representing a gross profit margin of 25.4%, and a gross profit of RMB7.2 billion in 2021, representing a gross profit margin of 23.5%. 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 50.4% from RMB2.0 billion in 2020 to RMB3.0 billion in 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 10.3% in 2020 to 9.8% in 2021.

Selling and marketing expenses

Our selling and marketing expenses increased by 48.7% from RMB1.4 billion in 2020 to RMB2.1 billion in 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 decreased from 7.4% in 2020 to 7.0% in 2021.

Research and development expenses

Our research and development expenses increased by 46.6% from RMB609.1 million in 2020 to RMB892.9 million in 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 3.1% in 2020 to 2.9% in 2021.

General and administrative expenses

Our general and administrative expenses increased by 381.3% from RMB527.2 million in 2020 to RMB2,537.1 million in 2021, primarily attributable to an increase of employee benefit expenses including share-based payment expenses. General and administrative expenses as a percentage of revenue increased from 2.7% in 2020 to 8.3% in 2021.

Finance income

Our finance income increased to RMB457.6 million in 2021, primarily due to an increase of interest earnings from bank balances and term deposits.

Fair value changes of convertible preferred shares

We recorded a loss on fair value changes of convertible preferred shares of RMB17.5 billion in 2020 which was primarily due to an increase in the per share fair value of convertible preferred shares, as a result of an increase in our Company’s equity value. The Company was successfully listed on the Main Board of the Hong Kong Stock Exchange (the “**Listing**”) on December 8, 2020 (the “**Listing Date**”). On the Listing Date, all convertible preferred shares have been converted into ordinary shares on a conversion ratio of 1:1.

Income tax expense

Our income tax expense increased by 5.3% from RMB162.8 million in 2020 to RMB171.3 million in 2021, primarily due to the increase of taxable income, partially offset by the impacts of deferred income tax.

Loss for the year

As a result of the foregoing, we incurred a loss of RMB1.1 billion and RMB17.2 billion in 2021 and 2020, respectively.

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 it helps 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 or loss for the year, excluding share-based payment expenses, one-off listing expense, fair value changes of financial assets and liabilities at fair value through profit or loss (“FVTPL”) except for those generated from wealth management products, fair value changes of convertible preferred shares and tax effects on non-IFRS adjustments. We exclude these items because they are either non-operating in nature and not indicative of our core operating results and business outlook, or do not generate any cash outflows.

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.

We exclude one-off listing expense as this item, which arises from activities relating to the Listing, is one-off and non-recurring.

Fair value changes for financial assets and financial liabilities at FVTPL except for those generated from wealth management products represent gains or losses from fair value changes on equity investments measured at fair value. Multiple valuation techniques and key inputs are used to determine the fair values of these investments. The reconciling item is non-cash in nature and not related to our normal activities.

We account for the convertible preferred shares as financial liabilities at FVTPL. The fair value of convertible preferred shares has been determined by using the income approach and is affected primarily by the changes in our equity value. The convertible preferred shares automatically converted into ordinary shares upon the completion of the Listing, and no further loss or gain on fair value changes is expected to be recognized afterwards. The reconciling item is non-cash, non-recurring and does not result in cash outflow.

The following table reconciles the most directly comparable financial measure, which is loss for the year calculated and presented in accordance with IFRSs, to the non-IFRS profit for 2021 and 2020:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Reconciliation of loss to non-IFRS profit:		
Loss for the year	(1,072,818)	(17,234,897)
Add:		
Share-based payment expenses	2,579,709	380,299
— <i>Fulfillment expenses</i>	134,225	34,087
— <i>Selling and marketing expenses</i>	37,941	7,308
— <i>Research and development expenses</i>	98,865	26,499
— <i>General and administrative expenses</i>	2,308,678	312,405
Fair value changes of convertible preferred shares	—	17,539,858
One-off listing expense	—	63,658
Reversal of:		
Fair value changes for financial assets and financial liabilities at FVTPL except for those generated from wealth management products	(68,210)	(16,801)
Tax effects on non-IFRS adjustments	(36,586)	—
	<hr/>	<hr/>
Non-IFRS profit for the year	1,402,095	732,117
	<hr/> <hr/>	<hr/> <hr/>

Liquidity and capital resources

For the year ended December 31, 2021, we funded our cash requirements primarily from cash generated from operating activities. Our cash and cash equivalents represent cash and bank balances. We had cash and cash equivalents of RMB32.3 billion and RMB17.3 billion as of December 31, 2020 and 2021, respectively.

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

	Year Ended December 31,	
	2021	2020
	RMB'000	<i>RMB'000</i>
Net cash generated from operating activities	3,430,720	3,699,464
Net cash used in investing activities	(17,752,152)	(7,842,584)
Net cash (used in)/generated from financing activities	(163,653)	32,028,687
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(14,485,085)	27,885,567
Cash and cash equivalents at the beginning of the year	32,270,792	4,965,272
Effects of foreign exchange rate changes on cash and cash equivalents	(533,412)	(580,047)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	17,252,295	32,270,792
	<hr/> <hr/>	<hr/> <hr/>

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 Listing.

Net cash generated from operating activities

In 2021, our net cash generated from operating activities was RMB3.4 billion, which was primarily attributable to our loss of RMB1.1 billion, as adjusted by (i) non-cash and non-operating items, which primarily consisted of share-based payment expenses of RMB2.6 billion, and (ii) changes in working capital, which primarily resulted from an increase in trade payables of RMB2.6 billion and an increase in accrued expenses and other payables of RMB0.6 billion, partially offset by an increase in inventories of RMB1.3 billion.

In 2020, our net cash generated from operating activities was RMB3.7 billion, which was primarily attributable to our loss of RMB17.2 billion, as adjusted by (i) non-cash and non-operating items, which primarily consisted of fair value changes of convertible preferred shares of RMB17.5 billion and share-based payment expenses of RMB0.4 billion, and (ii) changes in working capital, which primarily resulted from an increase in trade payables of RMB2.4 billion, an increase in accrued expenses and other payables of RMB0.5 billion and a decrease in prepayments, other receivables and other assets of RMB0.4 billion, partially offset by an increase in inventories of RMB0.5 billion.

Net cash used in investing activities

In 2021, our net cash used in investing activities was RMB17.8 billion, which was primarily attributable to placement of term deposits of RMB42.7 billion, purchase of financial assets at FVTPL of RMB3.7 billion, partially offset by maturity of term deposits of RMB25.3 billion and maturity of financial assets at FVTPL of RMB3.8 billion.

In 2020, our net cash used in investing activities was RMB7.8 billion, which was primarily attributable to placement of term deposits of RMB6.7 billion, purchase of financial assets at FVTPL of RMB5.4 billion, payments for investment in joint ventures of RMB0.7 billion, partially offset by maturity of financial assets at FVTPL of RMB3.8 billion, maturity of term deposits of RMB1.3 billion.

Net cash (used in)/generated from financing activities

In 2021, our net cash used in financing activities was RMB163.7 million, which was primarily attributable to the payment to issuance costs payables of RMB70.1 million for the Listing and a purchases of RMB56.3 million for ordinary shares by a trustee of the Company's share awards scheme on market to satisfy share awards to be vested in subsequent periods.

In 2020, our net cash generated from financing activities was RMB32.0 billion, which was primarily attributable to net proceeds from issuance of ordinary shares of RMB25.8 billion and proceeds from issuance of convertible preferred shares of RMB6.5 billion.

Gearing ratio

As of December 31, 2021, we had no outstanding borrowings. Therefore, the gearing ratio is not presented herein.

Significant investments held

We did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of December 31, 2021) during the year ended December 31, 2021.

Future plans for material investments and capital assets

As of December 31, 2021, we did not have other plans for material investments and capital assets.

Material acquisitions and/or disposals of subsidiaries and affiliated companies

For the year ended December 31, 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 our employees dedicated to our business and operations categorized by function as of December 31, 2021.

Function	Number of Employees	% of Total
Procurement	2,284	69.1
Sales and Marketing	352	10.7
Research and Development	577	17.5
General and Administrative	92	2.7
Total	3,305	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 People's Republic of China (the "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 employee benefit expenses, including share-based payments expenses, for the year ended December 31, 2021 were RMB3.4 billion, as compared to RMB1.0 billion for the year ended December 31, 2020, representing a year-on-year increase of 238.9%.

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 ("RMB"). 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. In addition, we have intra-group balances with several subsidiaries denominated in foreign currency which also expose us to foreign currency risk.

During the year ended December 31, 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 December 31, 2021, we did not have any material contingent liabilities or guarantees.

Borrowings

As of December 31, 2021, we had no outstanding borrowings.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	30,682,267	19,382,568
Cost of revenue	(23,484,985)	(14,465,270)
Gross profit	7,197,282	4,917,298
Fulfillment expenses	(2,999,105)	(1,994,740)
Selling and marketing expenses	(2,133,841)	(1,434,587)
Research and development expenses	(892,913)	(609,068)
General and administrative expenses	(2,537,116)	(527,188)
Other gains	145,149	47,443
Finance income	457,569	149,116
Finance costs	(5,999)	(3,416)
Fair value changes of convertible preferred shares	—	(17,539,858)
Impairment losses under expected credit loss model, net of reversal	(38,352)	(117)
Share of results of joint ventures and an associate	(94,165)	(77,024)
Loss before income tax	(901,491)	(17,072,141)
Income tax expense	(171,327)	(162,756)
Loss for the year	(1,072,818)	(17,234,897)
(Loss)/income for the year attributable to:		
Owners of the Company	(1,073,507)	(17,234,363)
Non-controlling interests	689	(534)
	(1,072,818)	(17,234,897)
	<i>RMB</i>	<i>RMB</i>
Loss per share		
Basic and diluted loss per share	(0.35)	(7.80)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year	(1,072,818)	(17,234,897)
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	22,034	64,633
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation from functional currency to reporting currency	(879,029)	866,592
Other comprehensive (loss)/income for the year	(856,995)	931,225
Total comprehensive loss for the year	(1,929,813)	(16,303,672)
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	(1,930,502)	(16,303,138)
Non-controlling interests	689	(534)
	(1,929,813)	(16,303,672)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS		
Non-current assets		
Intangible assets	25,391	28,498
Property and equipment	42,480	17,652
Investment in an associate	482	675
Investments in joint ventures	511,749	605,721
Financial assets at fair value through profit or loss	666,663	267,823
Right-of-use assets	218,295	97,355
Deferred tax assets	95,857	21,689
Prepayments, other receivables and other assets	735,820	250,366
	<hr/>	<hr/>
Total non-current assets	2,296,737	1,289,779
	<hr/>	<hr/>
Current assets		
Inventories	3,041,245	1,732,390
Trade and note receivables	368,084	75,036
Prepayments, other receivables and other assets	280,720	555,338
Financial assets at fair value through profit or loss	1,100,682	1,507,713
Term deposits	23,637,103	6,524,900
Restricted cash	25,351	38,600
Cash and cash equivalents	17,252,295	32,270,792
	<hr/>	<hr/>
Total current assets	45,705,480	42,704,769
	<hr/>	<hr/>
Total assets	48,002,217	43,994,548
	<hr/> <hr/>	<hr/> <hr/>
EQUITY AND LIABILITIES		
Equity		
Share capital	11	11
Treasury shares	(50,636)	—*
Reserves	59,618,857	57,867,592
Accumulated losses	(19,714,839)	(18,616,760)
	<hr/>	<hr/>
Equity attributable to owners of the Company	39,853,393	39,250,843
Non-controlling interests	1,190	501
	<hr/>	<hr/>
Total equity	39,854,583	39,251,344
	<hr/>	<hr/>

* less than RMB1,000.

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities		
Non-current liabilities		
Deferred tax liabilities	8,887	—
Lease liabilities	133,715	61,410
	<hr/>	<hr/>
Total non-current liabilities	142,602	61,410
	<hr/>	<hr/>
Current liabilities		
Trade payables	5,485,066	2,899,599
Income tax payables	118,808	132,182
Contract liabilities	395,412	179,462
Financial liabilities at fair value through profit or loss	98,743	143,113
Lease liabilities	67,554	28,568
Accrued expenses and other payables	1,839,449	1,298,870
	<hr/>	<hr/>
Total current liabilities	8,005,032	4,681,794
	<hr/>	<hr/>
Total liabilities	8,147,634	4,743,204
	<hr/>	<hr/>
Total equity and liabilities	48,002,217	43,994,548
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL INFORMATION

General information and basis of preparation of consolidated financial statements

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 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 the Listing Date.

The consolidated financial statements are presented in RMB.

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (the “**IASB**”). The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Application of new and amendments to IFRSs

In the current year, the Group has applied Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform — Phase 2* and Amendments to IFRS 16 *Covid-19-Related Rent Concessions* issued by IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Group’s consolidated financial statements. In addition, the Group has early adopted the Amendment to IFRS 16 *COVID-19-Related Rental Concessions beyond June 30, 2021*.

The Group applied the agenda decision of the IFRS Interpretations Committee of IASB issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realizable value of inventories.

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Revenue

Disaggregation of revenue from contracts with customers:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
<i>Type of goods or services:</i>		
Product revenue:		
Sales of pharmaceutical and healthcare products	26,177,177	16,773,547
Service revenue:		
Marketplace, advertising and other services	4,505,090	2,609,021
Total	<u>30,682,267</u>	<u>19,382,568</u>
<i>Timing of revenue recognition:</i>		
A point in time	30,225,217	19,148,744
Overtime	457,050	233,824
Total	<u>30,682,267</u>	<u>19,382,568</u>

Loss before income tax

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of inventories sold	23,412,436	14,330,050
Employee benefit expenses	3,389,810	1,000,348
Expenses of logistics and warehousing services*/**	1,804,480	1,252,080
Promotion and advertising expenses	1,289,829	886,073
Expenses of technology and traffic support services provided by JD Group**	1,271,666	908,163
Expenses of payment services*/**	269,492	201,411
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	63,169	27,221
Auditor's remuneration	6,800	11,000
Provision for impairment of inventories	(22,695)	81,963

* Primarily consist 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:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Current income tax:		
PRC EIT	226,964	183,247
Deferred income tax	(55,637)	(20,491)
	<u> </u>	<u> </u>
Total	<u>171,327</u>	<u>162,756</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

	Year ended December 31,	
	2021	2020
Loss for the year attributable to owners of the Company (RMB'000)	(1,073,507)	(17,234,363)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>3,094,892,683</u>	<u>2,208,523,703</u>
Basic loss per share attributable to owners of the Company (RMB per share)	<u>(0.35)</u>	<u>(7.80)</u>

(b) Diluted loss per share

For the years ended December 31, 2021 and 2020, 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 year ended December 31, 2021 was the same as basic loss per share of the year (2020: the same as basic loss per share of the corresponding year).

Financial assets at FVTPL

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Non-current:		
Equity investments in private companies	518,687	107,745
Call option	147,976	160,078
	<u>666,663</u>	<u>267,823</u>
Current:		
Wealth management products	1,100,682	1,507,713
	<u>1,767,345</u>	<u>1,775,536</u>

Inventories

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Products	3,105,307	1,819,147
Less: impairment provision	(64,062)	(86,757)
	<u>3,041,245</u>	<u>1,732,390</u>

Trade and note receivables

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables from third parties	363,922	79,634
Note receivables	33,784	1,771
Trade receivables from a related party	15,099	—
Less: allowance for expected credit loss (“ECL”)	(44,721)	(6,369)
	<u>368,084</u>	<u>75,036</u>

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

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	297,709	71,412
3 to 6 months	37,647	1,685
6 to 12 months	17,678	1,744
Over 12 months	10,888	4,793
	<u>363,922</u>	<u>79,634</u>
Less: allowance for ECL	(44,721)	(6,369)
	<u>319,201</u>	<u>73,265</u>

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 December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	4,439,590	2,066,689
3 to 6 months	939,555	750,321
6 to 12 months	105,921	82,589
	<u>5,485,066</u>	<u>2,899,599</u>
Total	<u>5,485,066</u>	<u>2,899,599</u>

Dividends

No dividend was paid or declared for ordinary shareholders of the Company for the year ended December 31, 2021, nor has any dividend been proposed since December 31, 2021 (2020: nil).

COMPLIANCE WITH 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 year ended December 31, 2021, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (version up to December 31, 2021) (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2021.

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 throughout the year ended December 31, 2021

SCOPE OF WORK OF THE COMPANY'S AUDITORS

The figures in respect to the Group's consolidated results for the year ended December 31, 2021 as set out in the preliminary announcement have been agreed by the Company's independent auditor, Messrs. Deloitte Touche Tohmastu (the "**Auditor**"), to the amounts set out in the audited consolidated financial statements of the Group for the year ended December 31, 2021. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

AUDIT COMMITTEE

The Company has established an 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 audited consolidated financial statements of the Group for the year ended December 31, 2021 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the Auditor.

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 year ended December 31, 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, except that 657,607 ordinary shares were purchased by a trustee of the Company's share awards scheme on market to satisfy share awards to be vested in subsequent periods.

FINAL DIVIDEND

The Board did not recommend the distribution of a final dividend for the year ended December 31, 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 listing 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 of the date of this announcement, the Group has utilized approximately RMB1.1 billion out of the net proceeds from the Listing for working capital and general corporate purposes, which were used as intended. RMB24.6 billion of the net proceeds remain to be utilized.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 annual report of the Group for the year ended December 31, 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. Enlin Jin
Executive Director

Hong Kong, March 28, 2022

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