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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, 2022

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 (collectively, the “**Group**”) for the six months ended June 30, 2022 (the “**Reporting Period**”). These interim 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 its consolidated affiliated entities, excluding the Group.

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Year-on-year change (%)
	2022 RMB’000 (Unaudited)	2021 RMB’000 (Unaudited)	
Revenue	20,225,212	13,637,832	48.3
Gross profit	4,414,559	3,307,459	33.5
Profit/(loss) before income tax	377,346	(345,302)	N/A
Profit/(loss) for the period	222,958	(454,213)	N/A
Non-IFRS profit for the period ⁽¹⁾	1,210,653	665,301	82.0

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2022 is a crucial year for China's implementation of its "14th Five-Year Plan", and the digital medical and healthcare services epitomized by "Internet + Healthcare" is playing an increasing role in promoting health for all and the development of the healthcare industry.

In the first half of 2022, various medical and health policies and regulations were promulgated by the relevant authorities of China to support the innovative development of digital healthcare services. Specifically, the issue of 14th Five-Year Plan for the Development of the Digital Economy (「十四五」數字經濟發展規劃) specified the importance of "Internet + Healthcare" and prioritized it as a new business model to be fostered for the digital economy. The 14th Five-Year Plan for National Health (「十四五」國民健康規劃) called on more effort to, among others, enhance the digitalization and interconnectivity of national health information and to promote the development of internet hospitals and online chronic diseases management solutions. To underpin the sound development of the internet diagnosis and treatment system, the *Administrative Measures of Internet Diagnosis and Treatment Services (Trial)* (互聯網診療監管細則 (試行)) served as guidance and outlined further regulations to support the high-quality development of the internet healthcare industry. The consultation process for *The Implementation regulations for the drug Administration Law* (revised draft for comments) (藥品管理法實施條例 (修訂草案徵求意見稿)) has been completed, fully reflecting the principle of "integrated supervision" for online and offline participants, and at the same time it helped to secure a more regulated and orderly industry environment for online sales of prescription drugs. We are deeply aware that, guided by industry policies and regulations, the innovative application of digital healthcare services is gaining a foothold at a faster pace and evolving in a more regulated manner. Under these directives, digital healthcare services will be able to make greater contributions to improving healthcare services and fulfilling people's growing needs for better healthcare and well-being.

In the first half of 2022, JD Health stayed committed to its strategic positioning. Guided by the business philosophy of "trust-based value creation centered on customer's health", we focused on our core businesses, including retail pharmacy, healthcare services, smart healthcare solutions and digital health. We offered our users more comprehensive, better quality, and affordable healthcare services while creating value with our partners. During the Reporting Period, we sustained strong growth momentum and recorded total revenue of RMB20.2 billion, representing a year-on-year growth of 48.3%. We maintained a quality growth of active users by optimizing our product offerings and user experience through refinement management. As of June 30, 2022, our annual active user accounts reached 131.3 million, representing a year-on-year net increase of 22.7 million. During the Reporting Period, we continued to strengthen our medical and healthcare service capabilities, and the average consultation volume exceeded 250,000 per day.

Retail pharmacy

For our retail pharmacy business, we continued to maximize the synergies between direct sales and our online marketplace and omnichannel business, further enhancing our integrated online and offline service capabilities. Furthermore, we optimized our one-stop experience of “Medication + Healthcare Services” by expanding product offerings and enhancing professional service capabilities through user education, disease management and pharmaceutical services.

Direct sales

Our direct sales business serves as the foundation for the high-quality growth of our retail pharmacy business. Leveraging JD Group’s logistic network, we continued to strengthen the cooperation with upstream pharmaceutical companies and healthcare product suppliers, comprehensively improving our pharmaceutical and healthcare supply chain capabilities. During the Reporting Period, our direct sales business sustained strong growth momentum, with revenue amounting to RMB17.5 billion, representing a year-on-year growth of 48.6%. As of June 30, 2022, we had utilized JD Logistics’ 20 drug warehouses and over 450 non-drug warehouses nationwide. Furthermore, our “directly operated cold chains” networks covered over 240 cities across China, enabling us to enrich the variety of drugs available on our platform and solidify our fulfillment capabilities. During the Reporting Period, we further enhanced our integrated online and offline services. Our offline DTP (“**Direct to Patient**”) pharmacies have expanded to 26 provincial-level administrative regions, gradually connecting the online and offline membership systems to deliver a more professional and efficient one-stop experience to our users.

Leveraging our advanced supply chain capabilities, we continued to extend our lead in the industry, with the focus on expanding our online sales network and service capabilities with new and specialty drugs and anti-pandemic drugs. During the Reporting Period, a number of domestic and global pharmaceutical companies debuted new and specialty drugs on *JD pharmacy*. These included Xuanfei Baidu (宣肺敗毒) particles, an innovative anti-pandemic TCM product of Buchang Pharma, CIBINQO[®] (Abrocitinib Tablets), Pfizer’s innovative drug to treat moderate to severe atopic dermatitis, and CoPlavix[®] (Clopidogrel Bisulfate and Aspirin Tablets), Sanofi China’s innovative drug for the treatment of cardiovascular diseases. We accelerated the process of introducing cutting-edge innovative treatment solutions for patients in China and continued to improve the accessibility of new and specialty drugs. During the Reporting Period, JD Health collaborated with a number of companies that were among the first in China to receive approval from China’s National Medical Products Administration, including Beijing Hotgen Biotech, WANTAI BioPharm and LEPU Technology, and became their first online distribution channels to sell COVID-19 antigen self-testing products in China. By leveraging our technological capabilities, we also developed a digital service and information platform which greatly facilitated the process of information collection and the submission of result reports for communities and medical institutions.

We have formed in-depth cooperation with a large number of domestic and global leading pharmaceutical companies. In doing so, we have become an important partner for many pharmaceutical brands to accelerate their digital operation and carry out digital innovation. During the Reporting Period, we officially launched online flagship direct-sales stores for several pharmaceutical companies, including Novartis, BeiGene, Lunan Pharmaceutical and Hengrui

Pharmaceuticals, providing professional and efficient one-stop services to more chronic disease patients. Meanwhile, we cooperated with Tongrentang Technology, Qilu Pharmaceutical and Grand Pharma to conduct the “Real World Study” project encompassing the entire life cycle of pharmaceutical products in order to promote the development of clinical research and patient diagnosis and treatment. We also joined hands with Takeda, GILEAD and SALUBRIS on the “Innovative Payment” projects to build a multi-layered payment system to lighten users’ medical payment burdens. In addition, 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), improving research efficiency and accelerating the trial process for new drugs. The JD Health Clinical Trial Patient Recruitment Center had over 400 ongoing phase I–III clinical trial projects as of June 30, 2022.

We continued to develop a comprehensive system to improve medication safety, covering our users’ full drug-use scenarios. During the Reporting Period, we upgraded the JD Pharmacy Single Disease Care Centre (京東大藥房單病種關愛中心) and provided professional pharmaceutical care and services, which increased the days of therapy (DOT) per patient by 62% on average and significantly improved patient adherence. By collaborating with clinical pharmacists, we officially launched the online pharmaceutical care services, providing patients with one-stop access to personalized services at an affordable price. We will further strengthen users’ at-home service experience by offering follow-up services and medication management through upgraded pharmaceutical services.

During the Reporting Period, we continued to focus on consumers’ refined and specialized needs for health supplements and tonic products by introducing diversified health consumption scenarios. We organized Super Offerings Day (超級品類日) sales promotions for vitamins, probiotics, supplements for 3H (hypertension, hyperglycemia, and hyperlipidemia) prevention and control and food for special medical purposes (FSMP). We provided users with access to health information and nutrition advice by launching a nutrition encyclopedia and Microblog. Meanwhile, we upgraded our online health services, which enabled users to consult with a dietitian before purchasing products across 59 nutrition and healthcare categories and 31 tonic categories. During the Reporting Period, we strategically partnered with global-leading brands, including Tongrentang Health and By-Health to offer comprehensive digital marketing solutions.

Online marketplace and omnichannel initiative

Our online marketplace business provides users with a wider selection of products, complementing the direct sales business. During the Reporting Period, we empowered our merchants to strengthen their operating capabilities on all fronts by offering multi-dimensional data analysis tools. Thanks to a series of commercial initiatives and refined operations, over 400 partnered merchants on our platform doubled their sales volume year-on-year during the 618 promotion season, benefiting from work resumption and users’ rising demand.

Our omnichannel initiative is not merely to meet users' urgent medication needs but also carries social responsibility to support operation and production resumptions when our society adapts to the new normal of pandemic management. During the Reporting Period, we further enhanced our collaboration with offline merchants, especially with local-chains and independent pharmacies, to jointly build a more comprehensive on-demand delivery network offering diversified delivery options and consequently improving user experience and operational efficiency. As of June 30, 2022, we partnered with over 60,000 merchants and provided 24/7 on-demand delivery services for users in more than 400 cities across China.

Healthcare services

We have built an innovative healthcare service ecosystem that integrates online medical consultations and services, family health management and consumer healthcare services while continuously improving our online and offline service capabilities. We continued to upgrade and optimize our product experience and introduce more convenient medical and healthcare service products to meet the users' diversified demands across a variety of scenarios. During the Reporting Period, we continued to enhance our family doctor service capabilities and our proactive health assessment and healthcare solution services were well recognized by users. In addition, we strengthened our collaborations with consumer medical brands and service providers to offer users personalized and diversified in-store and door-to-door services.

Online and offline integrated medical services

We continued to connect doctors and hospitals to provide users with professional, authoritative and reliable online medical services. At the same time, we remained dedicated in creating innovative specialty services covering the entire medical journey of disease prevention, treatment and rehabilitation. During the Reporting Period, we officially launched three consultation services, namely "Expert Consulting", "Instant Consultation with JD Doctors", and "Nighttime Consultation" to further address users' diversified needs in different scenarios. We offered professional, user-oriented and convenient online medical services to a growing user base while optimizing the service process and user experience. During the Reporting Period, our average daily online consultation volume exceeded 250,000.

By continuing to equip doctors with smart tools and promoting the establishment of working standards and quality control for online diagnosis and treatment, we improved the efficiency while ensuring compliance in medical practice, further enhancing JD Health's influence within the doctor community. In terms of quality assurance of medical services, we established platform standards based on national policies but with more stringent requirements across multiple dimensions, including qualification standards, standard establishment, training and assessment, and quality control and supervision.

During the Reporting Period, by collaborating with health management specialists including Chinese medicine practitioners, dietitians and psychological consultants, we upgraded JD family doctor services and provided more comprehensive and effective health management services to our users. On the basis of medical consultation services, we provided users with one-on-one health evaluations and customized health management solutions in areas such as diet and nutrition, exercise advice and sleep schedules while maintaining regular follow-up visits.

Our consumer healthcare business provides a broad portfolio of health services, including health checkups, genetic testing, medical aesthetics, dental care, vaccines and maternity, ophthalmology services, psychological consultation, rehabilitation and traditional Chinese medicine physical therapy through in-store and door-to-door services. As of June 30, 2022, we attracted over 1,000 service providers to our platform, offering access to 40,000 offline stores in over 500 cities and regions nationwide. During the Reporting Period, we further improved our full-cycle service capability of early screening for critical illnesses and launched services such as home self-examination, report interpretation, outpatient appointment, and rehabilitation management. We also introduce early cancer screening insurance services in collaboration with Allianz JD and brands such as New Horizon Health, BGI Genomics, Colosafe and Biochain to improve the accessibility of early cancer screening and effectively reduce the medical expenditures for patients.

JD Health pet hospital has garnered the attention and recognition of our users and business partners since its launch in 2021. We continued to explore diversified services in the fields of pet diet, disease prevention and treatment, healthcare advice and pet behavior training as we develop our pet healthcare business. During the Reporting Period, we entered into an acquisition agreement with JD Group primarily for the operating rights of pet health-related categories, including pet prescription drugs/prescription diet, pet nutrition, pet deworm, pet milk powder, pet oral, ear and eye cleaning products, etc. Building on our existing online pet medical services, JD Health has created an online closed-loop of “medical care + healthcare products” business model, offering users a comprehensive one-stop healthcare solution for pets.

Smart healthcare solutions and digital health

During the Reporting Period, we continued to enhance and integrate customized and digital smart solutions based on the extensive experience and operational capabilities we accumulated serving our users, and have become an important partner for the ongoing digital transformation and operation upgrades of many clients, including medical institutions, governments and enterprises.

To support hospitals in achieving high quality and innovative development, we entered into a strategic partnership with Beijing Ditan Hospital Capital Medical University to facilitate the establishment of an internet hospital, which greatly improved access to hospital services, optimized medical resource allocation, and created stronger bonds between the hospital, doctors, and patients. Meanwhile, we jointly built the internet hospital with Cangzhou Central Hospital, making it one of the first internet hospitals in Hebei Province to be officially connected with the social healthcare insurance system, enabling social insurance payment for online follow-up consultations, and medication purchases and home delivery services.

During the Reporting Period, we officially released the enterprise health strategy for corporate customers. By integrating five key capabilities, including physical examination and testing services, medical services, pharmaceuticals and wellness products, health management services, and insurance services, we offered corporate customers a full range of customized online and offline employee health management and medical services, covering multiple solutions including corporate emergency rescue management, employee weight management, and employee mental health management. We have entered into strategic co-operations with China National Petroleum Corporation, China Telecom, FAW-Volkswagen, Yili Group and Bank of Communications, among other enterprises. We have also partnered with multiple companies to launch the Employee Health Care Initiative (企業員工健康關愛行動), facilitating these companies to better manage their employees' health through the establishment of employee health risk assessments and early warning mechanisms.

Public welfare and corporate social responsibility

Leveraging JD Group's "responsible supply chain", JD Health actively fulfills its corporate social responsibility and has always deeply integrated its business value with industrial and social values.

During the Reporting Period, we continued to improve our emergency response mechanism. Throughout the pandemic lockdowns, we urgently launched the Medication Help Registration Platform (藥品求助登記平台) to address the pressing medication needs of patients with chronic conditions, fully utilizing the social value of the digital and smart pharmaceutical supply chain. Taking Shanghai as an example, our platform has received more than 100,000 requests from individuals with chronic conditions within the first two months of its introduction. We have fulfilled over 90% of requests, assisting the public to the greatest extent possible, with issues such as insufficient or interrupted medicine supply.

During the Reporting Period, we further developed the collaboration mechanisms of JD Health's public welfare projects and provided one-stop medical and healthcare public welfare services by partnering with various social groups. For example, we collaborated with UNAIDS to donate health supplies to women's community organizations to support HPV and HIV prevention. We also cooperated with the China Social Assistance Foundation and Beijing Social Work Development Center for Facilitators to launch the "Caring for Working Moms Initiative", with the aim of providing the target groups with medical assistance. Teaming up with the China Birth Defects Intervention and Assistance Foundation, we launched the PKU Special Medical Food Subsidy Public Welfare Project, providing special medical food subsidies for children with PKU (Phenylketonuria) in the Xinjiang Uygur Autonomous Region. We further enhanced our service capabilities of "JD Health Rare Disease Care Center" and expanded the assistance scale and scope of the "JD Health Rare Disease Charity Fund".

Prospects

As an industry-leading healthcare service enterprise, we will continue to strengthen our professional competencies within the realms of healthcare supply chain and online healthcare services. Moreover, we will further promote our open ecosystem strategy and deepen our collaborations with upstream and downstream value chain partners in an effort to provide the public with easily accessible, convenient and affordable healthcare products and services.

For the retail pharmacy business, we believe that the industry's growth potential is far from being fully tapped, especially as the industry is currently undergoing a critical period of digital transformation. Leveraging our advantageous core business model combining direct sales, online marketplace and omnichannel initiative, we will further improve our one-stop professional experience of "retail pharmacy + healthcare service" and digital and intelligent supply chain capabilities while exploring greater opportunities with our partners. With regard to healthcare services, we will continue to develop an integrated online and offline healthcare service ecosystem and offer trustworthy medical and healthcare services to people in need. By establishing our comprehensive services matrix of medical consultations, family health management and consumer healthcare, we will offer more diversified and high-quality healthcare services to a wider variety of user groups. We will further optimize our medical and healthcare services and product offerings, providing efficient and professional digital and smart solutions for doctors, hospitals and relevant government agencies.

Guided by the 14th Five-Year Plan for National Health, we will always adhere to the business philosophy of "trust-based value creation centered on customer's health". On one hand, we will continue to promote the innovation of medical and healthcare services with application to diverse scenarios, satisfying the users' needs throughout their entire life cycle, bringing superior integrated online and offline experience to every user. On the other hand, by opening up our supply chain capabilities within the digital healthcare service ecosystem and co-creating value with a wide range of partners throughout the industry value chain, we are committed to achieving unified value across users, the industry and society at large, so as to accelerate the implementation of the "Healthy China 2030" vision.

FINANCIAL REVIEW

Revenue

Our revenue increased by 48.3% from RMB13.6 billion for the six months ended June 30, 2021 to RMB20.2 billion for the six months ended June 30, 2022. The increase in our total revenue was primarily due to an increase by 48.6% in products revenue from sales of pharmaceutical and healthcare products from RMB11.8 billion for the six months ended June 30, 2021 to RMB17.5 billion for the six months ended June 30, 2022. 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, and the enrichment in product offering.

Service revenue from online marketplace, digital marketing and other services increased by 46.2% from RMB1.9 billion for the six months ended June 30, 2021 to RMB2.7 billion for the six months ended June 30, 2022. 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 of third-party merchants on our online marketplace.

Cost of revenue

Our cost of revenue increased by 53.1% from RMB10.3 billion for the six months ended June 30, 2021 to RMB15.8 billion for the six months ended June 30, 2022. 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 RMB3.3 billion for the six months ended June 30, 2021, representing a gross profit margin of 24.3%, and a gross profit of RMB4.4 billion for the six months ended June 30, 2022, representing a gross profit margin of 21.8%. 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 43.0% from RMB1,361.9 million for the six months ended June 30, 2021 to RMB1,948.2 million for the six months ended June 30, 2022. The increase was primarily due to (i) an increase in expenses of logistics and warehousing services as a result of an increase in the usage of logistics services along with more products sales and warehousing services as more warehouses were utilized, (ii) an increase in employee benefit expenses for employees involved in fulfillment activities. Fulfillment expenses as a percentage of revenue decreased from 10.0% for the six months ended June 30, 2021 to 9.6% for the six months ended June 30, 2022.

Selling and marketing expenses

Our selling and marketing expenses decreased by 4.6% from RMB978.2 million for the six months ended June 30, 2021 to RMB933.3 million for the six months ended June 30, 2022. The decrease was primarily due to an optimization in our promotion and advertising strategy. Selling and marketing expenses as a percentage of revenue decreased from 7.2% for the six months ended June 30, 2021 to 4.6% for the six months ended June 30, 2022.

Research and development expenses

Our research and development expenses increased by 21.2% from RMB401.8 million for the six months ended June 30, 2021 to RMB486.8 million for the six months ended June 30, 2022. The increase was primarily attributable to (i) an increase in employee benefit expenses for employees involved in research and development activities, 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 2.9% for the six months ended June 30, 2021 to 2.4% for the six months ended June 30, 2022.

General and administrative expenses

Our general and administrative expenses decreased by 12.2% from RMB1,122.8 million for the six months ended June 30, 2021 to RMB986.2 million for the six months ended June 30, 2022, primarily attributable to a decrease of share-based payment expenses. General and administrative expenses as a percentage of revenue decrease from 8.2% for the six months ended June 30, 2021 to 4.9% for the six months ended June 30, 2022.

Finance income

Our finance income decreased by 4.7% from RMB231.4 million for the six months ended June 30, 2021 to RMB220.6 million for the six months ended June 30, 2022, primarily due to a decrease of interest earnings from bank balances and term deposits.

Income tax expense

Our income tax expense increased by 41.8% from RMB108.9 million for the six months ended June 30, 2021 to RMB154.4 million for the six months ended June 30, 2022, primarily due to the increase of taxable income, partially offset by the impacts of deferred income tax.

Profit/(loss) for the period

As a result of the foregoing, we incurred a loss of RMB454.2 million for the six months ended June 30, 2021 and a profit of RMB223.0 million for the six months ended June 30, 2022.

Non-IFRS Measure

To supplement our condensed 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 from company to company by eliminating potential impacts of items which our management considers not indicative of our core operating performance such as non-cash or nonrecurring items, and certain impact of investment transactions.

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.

The following table reconciles the most directly comparable financial measure, which is profit or loss for the period, calculated and presented in accordance with IFRSs to the non-IFRS profit for the six months ended June 30, 2022 and 2021:

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reconciliation of profit/(loss) to non-IFRS profit:		
Profit/(loss) for the period	222,958	(454,213)
Adjusted for:		
Share-based payment expenses	980,280	1,121,348
— <i>Fulfillment expenses</i>	67,963	49,927
— <i>Selling and marketing expenses</i>	23,398	14,105
— <i>Research and development expenses</i>	51,124	36,252
— <i>General and administrative expenses</i>	837,795	1,021,064
Fair value changes for financial assets and financial liabilities at fair value through profit or loss (“FVTPL”) except for wealth management products ⁽¹⁾	10,807	(1,834)
Tax effects on non-IFRS adjustments	(3,392)	—
Non-IFRS profit for the period	<u>1,210,653</u>	<u>665,301</u>

(1) Represents 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.

Liquidity and capital resources

For the six months ended June 30, 2022, 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 RMB16.7 billion and RMB17.3 billion as of June 30, 2022 and December 31, 2021, respectively.

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

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	2,256,115	1,933,901
Net cash used in investing activities	(2,810,535)	(15,027,374)
Net cash used in financing activities	(631,511)	(26,159)
Net decrease in cash and cash equivalents	(1,185,931)	(13,119,632)
Cash and cash equivalents at the beginning of the period	17,252,295	32,270,792
Effects of foreign exchange rate changes on cash and cash equivalents	601,664	(170,728)
Cash and cash equivalents at the end of the period	<u>16,668,028</u>	<u>18,980,432</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 (following full exercise of the Over-allotment Option as defined in the prospectus of the Company dated November 26, 2020 (the “**Prospectus**”)).

Net cash generated from operating activities

For the six months ended June 30, 2022, net cash generated from operating activities was RMB2.3 billion, which was primarily attributable to our profit for the period of RMB0.2 billion, as adjusted by (i) non-cash and non-operating items, which primarily consisted of share-based payment expenses of RMB1.0 billion, and (ii) changes in working capital, which primarily resulted from an increase in trade payables of RMB1.6 billion, partially offset by an increase in trade and note receivables of RMB0.5 billion.

For the six months ended June 30, 2021, net cash generated from operating activities was RMB1.9 billion, which was primarily attributable to the loss for the period of RMB0.5 billion, as adjusted by (i) non-cash and non-operating items, which primarily consisted of share-based payment expenses of RMB1.1 billion, and (ii) changes in working capital, which primarily resulted from an increase in trade payables of RMB1.7 billion, an increase in accrued expenses and other payables of RMB0.4 billion, and a decrease in prepayments, other receivables and other assets of RMB0.3 billion, partially offset by an increase in inventories of RMB1.1 billion.

Net cash used in investing activities

For the six months ended June 30, 2022, net cash used in investing activities was RMB2.8 billion, which was primarily attributable to placement of term deposits of RMB3.9 billion, purchase of financial assets at FVTPL of RMB3.6 billion, partially offset by maturity of term deposits of RMB4.0 billion and maturity of financial assets at FVTPL of RMB0.7 billion.

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 FVTPL of RMB3.9 billion, partially offset by proceeds on maturity of financial assets at FVTPL of RMB2.5 billion and proceeds on maturity of term deposits of RMB5.1 billion.

Net cash used in financing activities

For the six months ended June 30, 2022, net cash used in financing activities was RMB631.5 million, which was primarily attributable to the repurchase of shares of RMB607.8 million and the principal portion of lease payments of RMB19.1 million.

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.

Gearing ratio

As of June 30, 2022, 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 at June 30, 2022) during the six months ended June 30, 2022.

Material acquisitions and/or disposals of subsidiaries and affiliated companies

On June 29, 2022, the Company (as purchaser) entered into a sale and purchase agreement with JD.com, Inc. (as vendor) pursuant to which JD.com, Inc. has conditionally agreed to sell or procure the sale of by its relevant affiliates, and the Company has conditionally agreed to purchase or procure the purchase of by its relevant affiliates, certain assets, at a consideration of not exceeding US\$355.4 million (equivalent to approximately RMB2.4 billion). Further details are disclosed in the announcement of the Company dated June 29, 2022.

Save as disclosed in this announcement, we did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies during the six months ended June 30, 2022.

Future plans for material investments and capital assets

Save as disclosed above, as of June 30, 2022, we did not have other plans for material investments and capital assets.

Employee and remuneration policy

The following table sets forth the numbers of employees dedicated to our business and operations categorized by function as of June 30, 2022:

Function	Number of Employees	% of Total
Procurement	1,646	64.8
Sales and Marketing	305	12.0
Research and Development	497	19.6
General and Administrative	92	3.6
	<u>2,540</u>	<u>100.0</u>

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 payment expenses, for the six months ended June 30, 2022 were RMB1.5 billion, as compared to RMB1.5 billion for the six months ended June 30, 2021.

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 six months ended June 30, 2022, 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, 2022, we did not have any material contingent liabilities or guarantees.

Borrowings

As of June 30, 2022, we had no outstanding borrowings.

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue	20,225,212	13,637,832
Cost of revenue	(15,810,653)	(10,330,373)
	<hr/>	<hr/>
Gross profit	4,414,559	3,307,459
Fulfillment expenses	(1,948,219)	(1,361,921)
Selling and marketing expenses	(933,296)	(978,182)
Research and development expenses	(486,797)	(401,785)
General and administrative expenses	(986,159)	(1,122,809)
Other income, gains/(losses), net	161,079	33,299
Finance income	220,643	231,408
Finance costs	(4,873)	(2,409)
Impairment losses under expected credit loss model, net of reversal	(11,025)	(9,831)
Share of results of an associate and joint ventures	(48,566)	(40,531)
	<hr/>	<hr/>
Profit/(loss) before income tax	377,346	(345,302)
Income tax expense	(154,388)	(108,911)
	<hr/>	<hr/>
Profit/(loss) for the period	222,958	(454,213)
	<hr/> <hr/>	<hr/> <hr/>
Profit/(loss) for the period attributable to:		
Owners of the Company	223,552	(455,144)
Non-controlling interests	(594)	931
	<hr/>	<hr/>
	222,958	(454,213)
	<hr/> <hr/>	<hr/> <hr/>
	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)
Earnings/(loss) per share		
Basic	0.07	(0.15)
Diluted	0.07	(0.15)
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	222,958	(454,213)
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(56,733)	8,276
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	1,958,120	(374,201)
Other comprehensive income/(loss) for the period	1,901,387	(365,925)
Total comprehensive income/(loss) for the period	2,124,345	(820,138)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	2,124,939	(821,069)
Non-controlling interests	(594)	931
	2,124,345	(820,138)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of June 30, 2022 <i>RMB'000</i> (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
ASSETS		
Non-current assets		
Property and equipment	46,618	42,480
Right-of-use assets	199,500	218,295
Intangible assets	19,746	25,391
Investment in an associate	247	482
Investments in joint ventures	463,418	511,749
Financial assets at fair value through profit or loss	653,085	666,663
Deferred tax assets	107,921	95,857
Prepayments, other receivables and other assets	743,869	735,820
	2,234,404	2,296,737
Current assets		
Inventories	3,627,328	3,041,245
Trade and note receivables	809,563	368,084
Prepayments, other receivables and other assets	475,003	280,720
Financial assets at fair value through profit or loss	4,014,000	1,100,682
Term deposits	25,002,547	23,637,103
Restricted cash	14,227	25,351
Cash and cash equivalents	16,668,028	17,252,295
	50,610,696	45,705,480
Total assets	52,845,100	48,002,217

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued

	As of June 30, 2022 <i>RMB'000</i> (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
EQUITY AND LIABILITIES		
Equity		
Share capital	11	11
Treasury shares	(43,708)	(50,636)
Reserves	61,888,899	59,618,857
Accumulated losses	(19,491,287)	(19,714,839)
	<hr/>	<hr/>
Equity attributable to owners of the Company	42,353,915	39,853,393
Non-controlling interests	596	1,190
	<hr/>	<hr/>
Total equity	42,354,511	39,854,583
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Non-current liabilities		
Deferred tax liabilities	8,887	8,887
Lease liabilities	120,789	133,715
	<hr/>	<hr/>
Total non-current liabilities	129,676	142,602
	<hr/>	<hr/>
Current liabilities		
Trade payables	7,065,201	5,485,066
Tax liabilities	172,194	118,808
Contract liabilities	546,509	395,412
Financial liabilities at fair value through profit or loss	95,972	98,743
Lease liabilities	73,514	67,554
Accrued expenses and other payables	2,407,523	1,839,449
	<hr/>	<hr/>
Total current liabilities	10,360,913	8,005,032
	<hr/>	<hr/>
Total liabilities	10,490,589	8,147,634
	<hr/>	<hr/>
Total equity and liabilities	52,845,100	48,002,217
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

General information and basis of preparation of condensed 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.

The condensed consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand (’000) except when otherwise indicated.

The condensed consolidated financial statements have been prepared in accordance with 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”).

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on January 1, 2022 for the preparation of the condensed consolidated financial statements:

Amendments	Content
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

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

Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2021.

Revenue

Disaggregation of revenue from contracts with customers is analyzed as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Type of goods or services:</i>		
Product revenue:		
Sales of pharmaceutical and healthcare products	17,482,012	11,761,841
Service revenue:		
Marketplace, advertising and other services	2,743,200	1,875,991
	20,225,212	13,637,832
<i>Timing of revenue recognition:</i>		
A point in time	19,967,929	13,486,785
Overtime	257,283	151,047
	20,225,212	13,637,832

Profit/(loss) before income tax

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

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	15,724,029	10,328,538
Employee benefit expenses	1,516,937	1,528,392
Expenses of logistics and warehousing services*	1,227,050	838,667
Promotion and advertising expenses	379,193	600,390
Expenses of technology and traffic support services provided by JD Group*	751,242	587,288
Expenses of payment services*	170,200	127,894
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	50,984	25,810
Provision/ (reversals) for impairment of inventories	18,026	(29,862)

* Primarily consisted of the services provided by JD Group.

Income tax expense

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

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	163,314	96,944
Deferred tax	(8,926)	11,967
	<u>154,388</u>	<u>108,911</u>

Earnings/(loss) per share

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

(a) Basic earnings/(loss) per share

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owners of the Company (RMB'000)	223,552	(455,144)
Weighted average number of ordinary shares in issue (thousand shares)	<u>3,107,630</u>	<u>3,091,685</u>
Basic earnings/(loss) per share attributable to owners of the Company (RMB per share)	<u>0.07</u>	<u>(0.15)</u>

(b) Diluted earnings/(loss) per share

For the six months ended June 30, 2021, 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. For the six months ended June 30, 2022, the share options and restricted share units (“RSUs”) granted by the Company have potential dilutive effect on the earnings per share.

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owners of the Company (RMB'000)	<u>223,552</u>	<u>(455,144)</u>
Weighted average number of ordinary shares in issue (thousand shares)	3,107,630	3,091,685
Add: Adjustment for options and RSUs granted (thousand shares)	<u>32,117</u>	<u>—</u>
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares)	<u>3,139,747</u>	<u>3,091,685</u>
Diluted earnings/(loss) per share attributable to owners of the Company (RMB per share)	<u>0.07</u>	<u>(0.15)</u>
Financial assets at fair value through profit or loss (“FVTPL”)		
	As of	As of
	June 30,	December 31,
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current:		
Equity investments in private companies	518,738	518,687
Call option	<u>134,347</u>	<u>147,976</u>
	<u>653,085</u>	<u>666,663</u>
Current:		
Wealth management products	<u>4,014,000</u>	<u>1,100,682</u>
	<u>4,667,085</u>	<u>1,767,345</u>

Inventories

	As of June 30, 2022 <i>RMB'000</i> (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
Products	3,709,416	3,105,307
Less: impairment provision	(82,088)	(64,062)
	<u>3,627,328</u>	<u>3,041,245</u>

Trade and note receivables

	As of June 30, 2022 <i>RMB'000</i> (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
Trade receivables from third parties	717,823	363,922
Trade receivables from a related party	36,169	15,099
Note receivables	111,317	33,784
	<u>809,563</u>	<u>368,084</u>
Less: allowance for expected credit loss (“ECL”)	(55,746)	(44,721)
	<u>809,563</u>	<u>368,084</u>

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

	As of June 30, 2022 <i>RMB'000</i> (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
Within 3 months	621,804	297,709
3 to 6 months	67,210	37,647
6 to 12 months	17,402	17,678
Over 12 months	11,407	10,888
	<u>717,823</u>	<u>363,922</u>
Less: allowance for ECL	(55,746)	(44,721)
	<u>662,077</u>	<u>319,201</u>

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, 2022 <i>RMB'000</i> (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
Within 3 months	6,754,329	4,439,590
3 to 6 months	253,782	939,555
6 to 12 months	57,090	105,921
	7,065,201	5,485,066

Dividends

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period (six months ended June 30, 2021: none).

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**"). The Company has adopted and complied with all the applicable code provisions of the Corporate Governance Code (the "**Previous CG Code**") as set out in Appendix 14 to Listing Rules before the amendments to the Corporate Governance Code (the "**New CG Code**") came into effect on January 1, 2022, throughout the Reporting Period. The requirements under the New CG Code would apply to corporate governance reports for financial year commencing on or after January 1, 2022.

The Board will continue to regularly review and enhance its corporate governance practice of the Company to ensure compliance and alignment with the latest measures and standards set out in the New CG 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 throughout the six months ended June 30, 2022.

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 Ling Li (李玲), with Xingyao Chen (陳興堯) (being our independent non-executive Director with the appropriate professional qualifications) as chairperson of the Audit Committee. Ling Li (李玲) was appointed to, and Sandy Ran Xu (許冉) resigned from, the Audit Committee on April 7, 2022.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2022 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 the condensed consolidated financial statements of the Group for the six months ended June 30, 2022 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, 2022, the Company repurchased and subsequently cancelled certain shares on the Hong Kong Stock Exchange. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid
		Highest price paid	Lowest price paid	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
April 2022	3,325,350	48.00	42.90	153,007,453
May 2022	12,453,300	48.00	38.05	540,792,193
June 2022	438,200	48.00	47.05	20,928,597
	<u>16,216,850</u>			<u>714,728,243</u>

Save as disclosed in this announcement, during the six months ended June 30, 2022, 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, 2022.

USE OF NET PROCEEDS

With the shares listed on the Hong Kong Stock Exchange on December 8, 2020, the net proceeds from the Global Offering (following full exercise of the Over-allotment Option) were approximately RMB25.7 billion (the “**Net Proceeds**”) 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 and expected time of full utilization as previously disclosed in the Prospectus.

The following table sets forth a summary of the utilization of the net proceeds as of June 30, 2022:

Purpose	Net proceeds (RMB million)	Unutilized amount as of January 1, 2022 (RMB million)	Amount utilized for the six months ended June 30, 2022 (RMB million)	Unutilized amount as of June 30, 2022 (RMB million)
Use for business expansion, including further developing our retail pharmacy business and online healthcare services, enhancing user growth and engagement and promoting brand awareness	10,288	10,288	—	10,288
Research and development	7,716	7,716	—	7,716
Potential investments and acquisitions or strategic alliances	5,144	5,144	—	5,144
Working capital needs and general corporate purpose	2,573	1,517	608	909
Total	25,721	24,665	608	24,057

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, 2022 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, August 23, 2022

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