

JDH 京东健康

JD Health International Inc.

京东健康股份有限公司

(於開曼群島註冊成立的有限公司) (A company incorporated in the Cayman Islands with limited liability)

股份代號 Stock Code: 6618



2022

中期報告
Interim Report



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CORPORATE INFORMATION

Board of Directors

Executive Director

Enlin Jin (金恩林) (*Chief Executive Officer*)

Non-Executive Directors

Richard Qiangdong Liu (劉強東) (*Chairman*)

Qingqing Yi

Lei Xu (徐雷) (*Resigned on April 7, 2022*)

Lijun Xin (辛利軍) (*Resigned on April 7, 2022*)

Sandy Ran Xu (許冉) (*Resigned on April 7, 2022*)

Independent Non-Executive Directors

Xingyao Chen (陳興堯)

Ling Li (李玲)

Jiyu Zhang (張吉豫)

Ying Wu (吳鷹) (*Appointed on April 7, 2022*)

Audit Committee

Xingyao Chen (陳興堯) (*Chairperson*)

Jiyu Zhang (張吉豫)

Ling Li (李玲) (*Appointed on April 7, 2022*)

Sandy Ran Xu (許冉) (*Resigned on April 7, 2022*)

Remuneration Committee

Ling Li (李玲) (*Chairperson*) (*Re-designated as Chairperson on April 7, 2022*)

Enlin Jin (金恩林) (*Appointed on April 7, 2022*)

Ying Wu (吳鷹) (*Appointed on April 7, 2022*)

Xingyao Chen (陳興堯) (*Resigned on April 7, 2022*)

Sandy Ran Xu (許冉) (*Resigned on April 7, 2022*)

Nomination Committee

Richard Qiangdong Liu (劉強東) (*Chairperson*)

Jiyu Zhang (張吉豫)

Ying Wu (吳鷹) (*Appointed on April 7, 2022*)

Ling Li (李玲) (*Resigned on April 7, 2022*)

Company secretary

Ming King Chiu (趙明璟)

Authorized representatives

Enlin Jin (金恩林)

Ming King Chiu (趙明璟)

Auditor

Deloitte Touche Tohmatsu

Certified Public Accountants

Registered Public Interest Entity Auditor

Registered office

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Beijing 101111

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Causeway Bay

Hong Kong

Legal advisors

As to Hong Kong law and United States law

Skadden, Arps, Slate, Meagher & Flom and affiliates

As to PRC law

Shihui Partners

As to Cayman Islands law

Maples and Calder (Hong Kong) LLP

Principal share registrar and transfer office

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

Hong Kong share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wan Chai
Hong Kong

Principal bankers

Bank of China Limited, Head Office
China Construction Bank Corporation
Standard Chartered Bank (China) Limited

Stock code

6618

Company website

<https://ir.jdhealth.com>

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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, and (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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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 RMB'000 (Unaudited)	2021 RMB'000 (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	1,210,653	665,301

(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.

Management Discussion and Analysis (Continued)

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	16,668,028	18,980,432

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).

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.

Management Discussion and Analysis (Continued)

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 of 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 (as vendor) pursuant to which JD.com 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 report, 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.

Management Discussion and Analysis (Continued)

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
Total	2,540	100.0

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

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

The total 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. Our PRC subsidiaries and consolidated affiliated entities determined their functional currency to be Renminbi. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of our entities. 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.

OTHER INFORMATION

Directors' and chief executives' interests and short positions in shares and underlying shares and debentures of the Company or any of its associated corporations

As of June 30, 2022, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate % of holding ⁽⁷⁾
Enlin Jin (金恩林)	Beneficial owner ⁽¹⁾	565,519 ^(L)	0.02
Richard Qiangdong Liu (劉強東)	Interest in a controlled corporation ⁽²⁾ ; Beneficial owner ⁽³⁾	2,193,455,829 ^(L)	69.01
Xingyao Chen (陳興堯)	Beneficial owner ⁽⁴⁾	7,211 ^(L)	0.00
Ling Li (李玲)	Beneficial owner ⁽⁵⁾	7,211 ^(L)	0.00
Jiyu Zhang (張吉豫)	Beneficial owner ⁽⁶⁾	7,388 ^(L)	0.00

Notes:

- (1) Includes Mr. Enlin Jin (金恩林)'s entitlement to receive up to 244,727 Shares pursuant to the exercise of options granted to him under the Pre-IPO ESOP, subject to the conditions (including vesting conditions) of those options; and up to 85,001 Shares pursuant to the vesting of the Award Shares granted to him under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.
- (2) Mr. Richard Qiangdong Liu (劉強東) controls more than 50% of the voting power of JD.com, which wholly owns JD Jiankang. JD Jiankang holds 2,149,253,732 Shares.
- (3) Includes Mr. Richard Qiangdong Liu (劉強東)'s entitlement to receive up to 44,202,097 Shares pursuant to the exercise of options granted to him under the Pre-IPO ESOP, subject to the conditions (including vesting conditions) of those options.
- (4) Includes Mr. Xingyao Chen (陳興堯)'s entitlement to receive up to 5,394 Shares pursuant to the vesting of the Award Shares granted to him under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.
- (5) Includes Ms. Ling Li (李玲)'s entitlement to receive up to 5,394 Shares pursuant to the vesting of the Award Shares granted to her under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.
- (6) Includes Dr. Jiyu Zhang (張吉豫)'s entitlement to receive up to 5,394 Shares pursuant to the vesting of the Award Shares granted to her under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.
- (7) The percentages are calculated on the basis of 3,178,400,261 Shares in issue as of June 30, 2022.
- (8) (L) denotes a long position in the Shares.

Other Information (Continued)

(ii) Interests in the underlying shares of associated corporations of the Company

The Company has been granted (i) a certificate of exemption from strict compliance with Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO) to the directors or chief executives of the Company who is/are also a director or chief executive of JD.com (the “**Common Directors/Chief Executives**”) with respect to their disclosure of interest, and short positions, in any shares in JD.com and associated corporations of the Company which are subsidiaries of JD.com (the “**Associated Corporations**”), and (ii) a waiver from strict compliance with Practice Note 5 and paragraphs 41(4) and 45 of Part A of Appendix 1 to the Listing Rules such that the Common Directors/Chief Executives will not be required to disclose their interests and short positions in any shares or underlying shares in the Associated Corporations in accordance with Part XV of the SFO (collectively, the “**DI Waivers**”). Further details regarding the waiver and exemption in relation to disclosure of interests information (including the conditions of such waiver and exemption) are set out in the section headed “Waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and exemption in relation to disclosure of interests information” in the Prospectus.

Except as specifically noted, the following table sets forth the directors’ or chief executives’ beneficial ownership of JD.com’s Class A ordinary shares and Class B ordinary shares as of June 30, 2022.

Beneficial ownership is determined in accordance with the rules and regulations of the U.S. SEC. In computing the number of shares beneficially owned by a person and the percentage ownership and voting power percentage of that person, JD.com has included shares and associated votes that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares and associated votes, however, are not included in the computation of the percentage ownership of any other person. Ordinary shares held by a shareholder are determined in accordance with JD.com’s register of members.

	Ordinary Shares Beneficially Owned*				% of Aggregate voting power ⁽⁴⁾
	Class A ordinary shares	Class B ordinary shares	Total ordinary shares	% of Beneficial ownership	
Directors and Executive Officers					
Richard Qiangdong Liu (劉強東)	36,134,550 ⁽¹⁾	368,007,423 ⁽¹⁾	404,141,973 ⁽¹⁾	12.9 ⁽¹⁾	74.1 ⁽²⁾⁽³⁾

Other Information (Continued)

Notes:

- # For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of the Class A ordinary shares and Class B ordinary shares as a single class.
- * Beneficial ownership information disclosed herein represents direct and indirect holdings of entities owned, controlled or otherwise affiliated with the applicable holder as determined in accordance with the rules and regulations of the U.S. SEC.
- (1) Represents (i) 368,007,423 Class B ordinary shares directly held by Max Smart Limited ; (ii) 11,487,275 ADSs (equivalent to 22,974,550 Class A ordinary shares) directly held by Max Smart Limited; and (iii) Mr. Richard Qiangdong Liu's entitlement to receive up to 13,160,000 Class A ordinary shares pursuant to the exercise of options granted to him under the Pre-IPO ESOP that vest within 60 days after June 30, 2022. Max Smart Limited is a British Virgin Islands company beneficially owned by Mr. Richard Qiangdong Liu through a trust and of which Mr. Richard Qiangdong Liu is the sole director. The ordinary shares beneficially owned by Mr. Richard Qiangdong Liu do not include 19,091,634 Class B ordinary shares held by Fortune Rising Holdings Limited, a British Virgin Islands company, as described in note (2) below.
- (2) The aggregate voting power includes the voting power with respect to the 19,091,634 Class B ordinary shares held by Fortune Rising Holdings Limited. Mr. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited and he may be deemed to beneficially own the voting power with respect to all of the ordinary shares held by Fortune Rising Holdings Limited in accordance with the rules and regulations of the U.S. SEC, notwithstanding the facts described in note (3) below.
- (3) Fortune Rising Holdings Limited holds the 19,091,634 Class B ordinary shares for the purpose of transferring such shares to the plan participants under JD.com's share incentive plan, and administers the awards and acts according to JD.com's instruction. Fortune Rising Holdings Limited exercises the voting power with respect to these shares according to JD.com's instruction. Fortune Rising Holdings Limited is a company incorporated in the British Virgin Islands. Mr. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited.
- (4) The percentage is calculated on the basis of 3,130,475,303 ordinary shares outstanding as of June 30, 2022.

The following table lists out the interests of Directors or chief executives (who are not entitled to the DI Waivers) in JD.com, JD Logistics and China Logistics Property Holdings Co., Ltd. ("CNLP"), all of which are associated corporations of the Company that are also subsidiaries of JD.com (i.e. fellow subsidiaries), as of June 30, 2022:

Name of Director	Associated corporation	Nature of Interest	Number of shares	% of Interest in associated corporation
Enlin Jin (金恩林)	JD.com	Beneficial owner ⁽¹⁾	2,832 ^(L)	0.00
Enlin Jin (金恩林)	JD Logistics	Beneficial owner	28,000 ^(L)	0.00
Richard Qiangdong Liu (劉強東)	JD Logistics	Beneficial owner ⁽²⁾ ; Interest in a controlled corporation ⁽³⁾	4,291,457,805 ^(L)	65.06
Richard Qiangdong Liu (劉強東)	CNLP	Interest in controlled corporation ⁽⁴⁾	4,023,202,734 ^(L)	115.80 ⁽⁵⁾
Ling Li (李玲)	JD.com	Interest of spouse ⁽⁶⁾	32,806 ^(L)	0.00
Ling Li (李玲)	JD Logistics	Interest of spouse ⁽⁷⁾	49,000 ^(L)	0.00

Other Information (Continued)

Notes:

- (1) Includes Mr. Enlin Jin (金恩林)'s entitlement to receive up to 2,194 shares in JD.com pursuant to restricted share units under the share incentive plan of JD.com.
- (2) Includes Mr. Richard Qiangdong Liu (劉強東)'s entitlement to receive up to 82,655,588 shares in JD Logistics pursuant to options under the share incentive plan of JD Logistics.
- (3) Jingdong Technology Group Corporation, which holds 4,192,271,100 shares in JD Logistics, is wholly-owned by JD.com. As of June 30, 2022, Mr. Richard Qiangdong Liu (劉強東) is interested in approximately 74.1% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings.
- (4) These interests comprise of (i) 3,418,044,158 shares of CNLP and (ii) 605,158,576 shares underlying CNLP's convertible bonds listed on the Stock Exchange in long position directly held by JD Property Group Corporation ("**JD Property**") which is owned as to 77.24% by JD.com, all such convertible bonds remain outstanding as of June 30, 2022. As of June 30, 2022, Mr. Richard Qiangdong Liu (劉強東) is interested in approximately 74.1% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings. On July 14, 2022, JD Property has completed the compulsory acquisition of the remaining shares of CNLP not already acquired by JD Property and as a result, the shares of CNLP have been withdrawn from listing on the Stock Exchange with effect from July 15, 2022. For details, please refer to the announcement of JD.com dated July 14, 2022 in relation to the completion of the compulsory acquisition of CNLP.
- (5) The percentage is calculated on the basis of 3,474,283,058 shares in issue of CNLP as of June 30, 2022.
- (6) Represents 32,806 shares in JD.com directly held by Mr. Dingbo Xu (許定波). Ms. Ling Li (李玲) is the spouse of Mr. Dingbo Xu, she is deemed to be interested in the shares in JD.com in which Mr. Dingbo Xu is interested.
- (7) Represents 49,000 shares in JD Logistics directly held by Mr. Dingbo Xu (許定波). Ms. Ling Li (李玲) is the spouse of Mr. Dingbo Xu, she is deemed to be interested in the shares in JD Logistics in which Mr. Dingbo Xu is interested.
- (8) (L) denotes a long position in the Shares.

Save as disclosed above, as of June 30, 2022, none of the Directors and chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

Other Information (Continued)

Substantial shareholders' interests and short positions in Shares and underlying Shares

As of June 30, 2022, the persons other than the Directors, whose interests have been disclosed in this interim report, had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Number of ordinary Shares	Approximate % of holding ⁽²⁾
JD Jiankang ⁽¹⁾	Beneficial owner	2,149,253,732 ^(L)	67.62
JD.com ⁽¹⁾	Interest in controlled corporation	2,149,253,732 ^(L)	67.62

Notes:

- (1) JD Jiankang is wholly-owned by JD.com. Under the SFO, JD.com is deemed to be interested in and control the 2,149,253,732 Shares held by JD Jiankang.
- (2) The percentages are calculated on the basis of 3,178,400,261 Shares in issue as of June 30, 2022.
- (3) (L) denotes a long position in the Shares.

Save as disclosed herein, as of June 30, 2022, no person, other than the Directors whose interests are set out in this interim report, had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Share option schemes

1. Pre-IPO ESOP

The Pre-IPO ESOP was approved and adopted by the Company on September 14, 2020, as amended from time to time.

Purpose

The purpose of the Pre-IPO ESOP is to promote the success and enhance the value of the Company by linking the personal interests of the members of the Board, employees and consultants to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Shareholders. The Pre-IPO ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of its recipients upon whose judgment, interest and special effort the successful conduct of the Company's operation is largely dependent.

Eligible participants

Persons eligible to participate in the Pre-IPO ESOP include employees, consultants and all members of the Board, as determined by a committee authorized by the Board (the "Committee").

Maximum number of Shares

The maximum aggregate number of underlying shares which may be issued pursuant to all awards under the Pre-IPO ESOP is 238,805,970 Shares as of September 14, 2020 that are reserved under the Pre-IPO ESOP.

Other Information (Continued)

As of June 30, 2022, outstanding options representing 68,561,827 underlying Shares, representing approximately 2.16% of the issued share capital of the Company, were granted to eligible participants pursuant to the Pre-IPO ESOP. Details of the Pre-IPO ESOP are set out in Note 18 to the condensed consolidated financial statements.

No further Award will be granted under the Pre-IPO ESOP.

Period of the Pre-IPO ESOP

The Pre-IPO ESOP commenced on September 14, 2020 and will expire on September 14, 2030. Upon expiry of the Pre-IPO ESOP, no Award may be granted pursuant to the Pre-IPO ESOP; any awards that are outstanding shall remain in force according to the terms of the Pre-IPO ESOP and the applicable award agreement.

Exercise price

The exercise price per Share subject to an option shall be determined by the Committee and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the Shares.

The exercise price per Share subject to an option may be amended or adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by applicable laws, rules and regulations, a downward adjustment of the exercise prices of options mentioned in the preceding sentence shall be effective without the approval of the Shareholders or the approval of the affected participants.

Further details of the Pre-IPO ESOP are set out in the section headed “Statutory and General Information — Share Incentive Plan” of Appendix IV to the Prospectus.

Details of the outstanding options granted to the Directors under the Pre-IPO ESOP for the six months ended June 30, 2022 are as follows:

Name	Role	Date of Grant	Vesting Period ⁽¹⁾	Exercise Price (per Share)	Outstanding as of January 1, 2022	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as of June 30, 2022
Directors								
Enlin Jin (金恩林)	Executive Director and Chief Executive Officer	October 1, 2020	0-6 years	US\$0.0000005	333,047	88,320	—	244,727
Richard Qiangdong Liu (劉強東)	Non-executive Director and chairman of the Board	October 15, 2020	1-6 years	US\$0.0000005	44,202,097	—	—	44,202,097
Other grantees in aggregate		October 1, 2020	0-10 years	US\$0.0000005	28,820,703	3,827,010	878,690	24,115,003
Total					73,355,847	3,915,330	878,690	68,561,827

Other Information (Continued)

Note:

- (1) The exercise period of the options granted under Pre-IPO ESOP shall commence from the vesting commencement date of the relevant options and end on the 10th anniversary of the grant date, subject to the terms of the Pre-IPO ESOP and the share option award agreement signed by the grantee.

2. Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to the written resolutions of the Shareholders passed on November 23, 2020.

Purpose

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Selected participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 312,708,211 Shares, being no more than 10% of the Shares in issue on the Listing Date (the "**Option Scheme Mandate Limit**") (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares to be issued under the Pre-IPO ESOP and grants under the Post-IPO Share Award Scheme). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

Other Information (Continued)

As of June 30, 2022, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 312,708,211 Shares, representing 9.84% of the issued share capital of the Company.

Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Remaining life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme is valid and effective for a period of 10 years commencing from the Listing Date and up to December 8, 2030. The remaining life of the Post-IPO Share Option Scheme is over 8 years.

Option period

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board or its delegate(s) may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

The Board or its delegate(s) has the discretion to determine the minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved before it can be exercised in whole or in part.

Exercise price

Pursuant to the Post-IPO Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option at the price determined by the Board or its delegate(s) provided that it shall be not less than the greater of (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

Further details of the Post-IPO Share Option Scheme are set out in the section headed “Statutory and General Information — Share Incentive Plan” of Appendix IV to the Prospectus.

3. Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme was adopted pursuant to the written resolutions of the Shareholders passed on November 23, 2020.

Other Information (Continued)

Purpose

The purpose of the Post-IPO Share Award Scheme is to align the interests of Eligible Persons' (as defined below) with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

Eligible participants

Any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (an "**Eligible Person**" and, collectively "**Eligible Persons**") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an award. However, no individual who is resident in a place where the grant, acceptance or vesting of an award pursuant to the Post-IPO Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO Share Award Scheme.

Award

An award gives a selected participant a conditional right, when the Award Shares vest, to obtain the Award Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the award in Shares, the cash equivalent from the sale of the Award Shares. An award includes all cash income from dividends in respect of those Shares from the date the award is granted to the date the award vests. For the avoidance of doubt, the Board or its delegate(s) at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

Granting of awards

The Board may, from time to time, grant awards to a selected participant by way of an award letter. The award letter will specify the grant date, the number of Award Shares underlying the award, the vesting criteria and conditions, the vesting date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of the grant of an award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

Maximum number of Shares to be awarded

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 312,708,211 Shares without Shareholders' approval (the "**Post-IPO Share Award Scheme Limit**") subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

As of June 30, 2022, outstanding Award Shares representing 45,276,907 underlying Shares, representing approximately 1.42% of the issued share capital of the Company, were granted to eligible participants pursuant to the Post-IPO Share Award Scheme Limit.

Limit for each participant

Under the Post-IPO Share Award Scheme, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant but unvested under the Post-IPO Share Award Scheme.

Termination

The Post-IPO Share Award Scheme shall terminate on the earlier of:

- (a) the end of the period of ten years commencing on the Listing Date except in respect of any non-vested Shares granted hereunder prior to the expiration of the Post-IPO Share Award Scheme, for the purpose of giving effect to the vesting of such Shares or otherwise as may be required in accordance with the provisions of the Post-IPO Share Award Scheme; and
- (b) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Post-IPO Share Award Scheme, and provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Shares already granted to a selected participant.

Further details of the Post-IPO Share Award Scheme are set out in the section headed "Statutory and General Information — Share Incentive Plan" of Appendix IV to the Prospectus.

Other Information (Continued)

Details of the outstanding Award Shares granted to the Directors and other grantees under the Post-IPO Share Award Scheme for the six months ended June 30, 2022 are as follows:

Name	Role	Date of Grant	Vesting Period	Outstanding as of January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as of June 30, 2022
Directors								
Enlin Jin (金恩林)	Executive Director and Chief Executive Officer	April 1, 2021	1-4 years	113,334	—	28,333	—	85,001
Xingyao Chen (陳興堯)	Independent non-executive Director	July 16, 2021	0-3 years	5,394	—	—	—	5,394
Ling Li (李玲)	Independent non-executive Director	July 16, 2021	0-3 years	5,394	—	—	—	5,394
Jiyu Zhang (張吉豫)	Independent non-executive Director	July 16, 2021	0-3 years	8,091	—	2,697	—	5,394
Other grantees in aggregate		January 1, 2021 to April 1, 2022	0-6 years	52,585,567	2,398,595	8,348,649	1,459,789	45,175,724
Total				52,717,780	2,398,595	8,379,679	1,459,789	45,276,907

Use of net 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) 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.

Other Information (Continued)

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

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 HK\$
		Highest price paid HK\$	Lowest price paid HK\$	
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
Total	16,216,850			714,728,243

Other Information (Continued)

Save as disclosed in this report, 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.

Compliance with the Corporate Governance Code

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. The Company has adopted and complied with all the applicable code provisions of the Previous CG Code before 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 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 the Auditor.

Other Information (Continued)

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.

Interim Dividends

The Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2022.

Changes in information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

Ying Wu (吳鷹) resigned (i) as a director of HyUnion Holdings Co., Ltd. (SZSE: 2537) effective on April 21, 2022; and (ii) as a director of BEST Inc. (NYSE: BEST) effective on May 6, 2022.

Save as disclosed in this interim report, there were no changes in information of the Directors that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the last published annual report.

Important events after the reporting date

Save as disclosed above, there were no other significant events affecting the Company which occurred after June 30, 2022 and up to the date of the Company’s 2022 interim results announcement released on August 23, 2022.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the Board of Directors of JD Health International Inc.

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of JD Health International Inc. (the “**Company**”), its subsidiaries and consolidated affiliated entities (collectively referred to as the “**Group**”) set out on pages 31 to 60, which comprise the condensed consolidated statement of financial position as of June 30, 2022 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income/(loss), condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 23, 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	20,225,212	13,637,832
Cost of revenue		(15,810,653)	(10,330,373)
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	5	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	9	(48,566)	(40,531)
Profit/(loss) before income tax	6	377,346	(345,302)
Income tax expense	7	(154,388)	(108,911)
Profit/(loss) for the period		222,958	(454,213)
Profit/(loss) for the period attributable to:			
Owners of the Company		223,552	(455,144)
Non-controlling interests		(594)	931
		222,958	(454,213)
		RMB	RMB
		(Unaudited)	(Unaudited)
Earnings/(loss) per share			
Basic	8	0.07	(0.15)
Diluted	8	0.07	(0.15)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(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

	Notes	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (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	9	463,418	511,749
Financial assets at fair value through profit or loss	10	653,085	666,663
Deferred tax assets		107,921	95,857
Prepayments, other receivables and other assets	11	743,869	735,820
Total non-current assets		2,234,404	2,296,737
Current assets			
Inventories	12	3,627,328	3,041,245
Trade and note receivables	13	809,563	368,084
Prepayments, other receivables and other assets	11	475,003	280,720
Financial assets at fair value through profit or loss	10	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
Total current assets		50,610,696	45,705,480
Total assets		52,845,100	48,002,217

Condensed Consolidated Statement of Financial Position (Continued)

	Notes	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	17	11	11
Treasury shares	17	(43,708)	(50,636)
Reserves		61,888,899	59,618,857
Accumulated losses		(19,491,287)	(19,714,839)
Equity attributable to owners of the Company		42,353,915	39,853,393
Non-controlling interests		596	1,190
Total equity		42,354,511	39,854,583
Liabilities			
Non-current liabilities			
Deferred tax liabilities		8,887	8,887
Lease liabilities		120,789	133,715
Total non-current liabilities		129,676	142,602
Current liabilities			
Trade payables	14	7,065,201	5,485,066
Tax liabilities		172,194	118,808
Contract liabilities	4	546,509	395,412
Financial liabilities at fair value through profit or loss	16	95,972	98,743
Lease liabilities		73,514	67,554
Accrued expenses and other payables	15	2,407,523	1,839,449
Total current liabilities		10,360,913	8,005,032
Total liabilities		10,490,589	8,147,634
Total equity and liabilities		52,845,100	48,002,217

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Notes	Share capital	Treasury shares	Share premium	Contribution reserve	Statutory reserves	Other reserves ¹	Accumulated losses	Sub-total	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2021 (audited)		11	—*	55,632,709	768,023	13,606	1,453,254	(18,616,760)	39,250,843	501	39,251,344
(Loss)/profit for the period		—	—	—	—	—	—	(455,144)	(455,144)	931	(454,213)
Other comprehensive loss for the period		—	—	—	—	—	(365,925)	—	(365,925)	—	(365,925)
Total comprehensive (loss)/income for the period		—	—	—	—	—	(365,925)	(455,144)	(821,069)	931	(820,138)
Share-based payment expenses	18	—	—	—	—	—	1,121,348	—	1,121,348	—	1,121,348
Exercise of share options	18	—	—*	41,170	—	—	(41,170)	—	—*	—	—*
As of June 30, 2021 (unaudited)		11	—*	55,673,879	768,023	13,606	2,167,507	(19,071,904)	39,551,122	1,432	39,552,554
As of January 1, 2022 (audited)		11	(50,636)	56,241,734	768,023	38,178	2,570,922	(19,714,839)	39,853,393	1,190	39,854,583
Profit/(loss) for the period		—	—	—	—	—	—	223,552	223,552	(594)	222,958
Other comprehensive income for the period		—	—	—	—	—	1,901,387	—	1,901,387	—	1,901,387
Total comprehensive income/(loss) for the period		—	—	—	—	—	1,901,387	223,552	2,124,939	(594)	2,124,345
Share-based payment expenses, surplus of tax effects	18	—	—	—	—	—	983,418	—	983,418	—	983,418
Exercise of share options and vesting of RSUs ²	18	—	6,928	896,778	—	—	(903,706)	—	—	—	—
Repurchase of shares	17	—	(607,835)	—	—	—	—	—	(607,835)	—	(607,835)
Cancellation of shares	17	—*	607,835	(607,835)	—	—	—	—	—	—	—
As of June 30, 2022 (unaudited)		11	(43,708)	56,530,677	768,023	38,178	4,552,021	(19,491,287)	42,353,915	596	42,354,511

* less than RMB1,000.

1. Other reserves consist of share-based payment expenses, surplus of tax effects, from the deemed contribution of JD.com, Inc., share awards under the Company's share award schemes and exchange differences on foreign currency translation recognized in other comprehensive income/(loss).

2. RSU is defined in Note 8.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	2,273,464	1,950,636
Income tax paid	(109,928)	(177,271)
Interest received	92,579	160,536
Net cash generated from operating activities	2,256,115	1,933,901
INVESTING ACTIVITIES		
Placement of restricted cash	(14,227)	(25,698)
Withdrawal of restricted cash	25,351	38,600
Placement of term deposits	(3,944,440)	(18,844,070)
Maturity of term deposits	4,030,920	5,149,440
Purchase of financial assets at fair value through profit or loss	(3,600,000)	(3,850,000)
Maturity of financial assets at fair value through profit or loss	715,062	2,531,819
Purchases of property and equipment	(21,376)	(22,699)
Purchases of intangible assets	—	(4,580)
Payments for right-of-use assets	(1,825)	(186)
Net cash used in investing activities	(2,810,535)	(15,027,374)
FINANCING ACTIVITIES		
Principal portion of lease payments	(19,051)	(23,934)
Interest paid	(4,625)	(2,225)
Repurchase of shares	(607,835)	—
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	16,668,028	18,980,432

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2022

1. General information and basis of preparation

1.1 General information

The Company was incorporated in the Cayman Islands in November 2018 as an exempted company registered under the laws of the Cayman Islands. The addresses of the registered office and principal place of business of the Company are stated in the section “Corporate Information” of the interim report.

The Company acts as an investment holding company, its subsidiaries and consolidated affiliated entities (collectively the “**Group**”), engage 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 People’s Republic of China (the “**PRC**”).

JD Jiankang Limited is the immediate parent company of the Company and owned by JD.com, Inc., which is the Company’s ultimate parent company. JD.com, Inc., its subsidiaries and consolidated affiliated entities, excluding the Group, are collectively referred to as “JD Group”.

The issued shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

1.2 Basis of preparation

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 condensed consolidated financial statements do not include all the notes of the type normally included in an annual financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), as set out in the 2021 annual report of the Group released on April 27, 2022 (the “**2021 Annual Report**”).

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is different from the Company’s functional currency of United States dollars (“**USD**”). The management adopted RMB as the presentation currency as the management controls and maintains the performance and financial position of the Group based on RMB.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2022

2. Summary of 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.

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.

3. Segment information

The Group's chief operating decision maker, who has been identified as the Chief Executive Officer (the "CEO"), reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and no other discrete financial information is provided to the CEO. Hence, the Group has only one reportable segment.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

4. Revenue

(a) Disaggregation of revenue from contracts with customers

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Type of goods or services:		
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
Timing of revenue recognition:		
A point in time	19,967,929	13,486,785
Overtime	257,283	151,047
	20,225,212	13,637,832

(b) Contract liabilities

The Group collected payments in advance from customers primarily for sales of pharmaceutical and healthcare products and marketplace service fees. The Group has recognized the following liabilities related to contracts with customers under "contract liabilities":

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Contract liabilities	546,509	395,412

The directors of the Company expect that all of the contract liabilities as of June 30, 2022 will be recognized as revenue within one year (December 31, 2021: within one year). The Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts of the Group are within one year or less.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

5. Finance income

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest income*	220,643	231,408

* Primarily consisted of the interest income from bank balances and term deposits.

6. Profit/(loss) before income tax

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

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (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.

7. Income tax expense

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

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

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

8. 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 (Unaudited)	2021 (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)	3,107,630	3,091,685
Basic earnings/(loss) per share attributable to owners of the Company (RMB per share)	0.07	(0.15)

(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 (Unaudited)	2021 (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)	3,107,630	3,091,685
Add: Adjustment for options and RSUs granted (thousand shares)	32,117	—
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares)	3,139,747	3,091,685
Diluted earnings/(loss) per share attributable to owners of the Company (RMB per share)	0.07	(0.15)

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

9. Investments in joint ventures

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Cost of unlisted investments in joint ventures	682,745	682,745
Share of post-acquisition loss and other comprehensive loss	(219,327)	(170,996)
	463,418	511,749

10. Financial assets at fair value through profit or loss ("FVTPL")

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Non-current:		
Equity investments in private companies	518,738	518,687
Call option	134,347	147,976
	653,085	666,663
Current:		
Wealth management products*	4,014,000	1,100,682
	4,667,085	1,767,345

* Wealth management products purchased by the Group are issued by major and reputable commercial banks. The expected rates of return range from 2.70% to 3.40% as of June 30, 2022 (December 31, 2021: 2.80% to 2.95%). The Group managed and evaluated the performance of investments on a fair value basis in accordance with the Group's risk management and investment strategy. The fair values of wealth management products within level 2 of the fair value hierarchy are based on cash flow discounted using the expected return based on observable market inputs. Wealth management products within level 3 are set out in Note 20.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

10. Financial assets at fair value through profit or loss ("FVTPL") (Continued)

The fair value of call option was estimated as of June 30, 2022 and December 31, 2021, using a Black-Scholes model, taking into account the terms and conditions of the options granted.

The following table lists the inputs to the model used:

	As of June 30, 2022 (Unaudited)	As of December 31, 2021 (Audited)
Expected volatility	51.83%	48.63%
Risk-free interest rate	2.28%	2.41%

Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to expiration. The Group estimated the risk-free interest rate based on the yield of government bond with maturity matching the time to expiration as of the valuation date. In addition to the assumptions adopted above, projections of future performance were also factored into the determination of the fair value of the call option on valuation date.

11. Prepayments, other receivables and other assets

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Non-current:		
Prepayment for property and equipment	453,138	450,000
Amounts due from a related party	269,024	257,588
Amounts due from employees*	18,102	22,528
Others	3,605	5,704
	743,869	735,820
Current:		
Advance to suppliers	291,804	175,318
Receivables related to employees' exercise of share-based awards	82,116	2,584
Recoverable value-added tax	37,504	37,157
Amounts due from related parties (Note 21)	24,705	37,599
Prepaid expense	17,402	14,026
Amounts due from employees*	9,079	8,009
Estimated return of products sold	7,484	5,996
Others	4,909	31
	475,003	280,720

* Mainly the first-home interest-free or low-interest loans provided by the Group to its employees.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

12. Inventories

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

13. Trade and note receivables

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (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
Less: allowance for expected credit loss ("ECL")	(55,746)	(44,721)
	809,563	368,084

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

13. Trade and note receivables (Continued)

The Group primarily allows a credit period of 30–60 days to certain customers. Trade receivables are settled in accordance with the terms of the respective contracts. Aging analysis of trade receivables from third parties based on invoice date is as follows:

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (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
	717,823	363,922
Less: allowance for ECL	(55,746)	(44,721)
	662,077	319,201

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. The Group does not hold any collateral over these balances.

14. 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 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (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

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

15. Accrued expenses and other payables

Accrued expenses and other payables consist of the following:

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Deposits received*	1,134,234	997,871
Amounts due to a related party (Note 21)	498,417	225,410
Advances from customers	322,564	266,559
Salary and welfare payables	126,276	163,530
Other tax payables	82,632	14,710
Payables related to employees' exercise of share-based awards	82,116	2,584
Liabilities for return allowances	7,553	5,935
Others	153,731	162,850
	2,407,523	1,839,449

* Mainly represents the deposits received from third-party merchants from the online marketplace business.

16. Financial liabilities at FVTPL

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Put option	95,972	98,743

The fair value of put option was estimated as of June 30, 2022, using a Black-Scholes model, taking into account the terms and conditions upon which the option is granted.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

16. Financial liabilities at FVTPL (Continued)

The following table lists the inputs to the model used:

	As of June 30, 2022 (Unaudited)	As of December 31, 2021 (Audited)
Expected volatility	50.37%	52.56%
Risk-free interest rate	1.79%	2.16%

Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to expiration. The Group estimated the risk-free interest rate based on the yield of government bond with maturity matching the time to expiration as of the valuation date. In addition to the assumptions adopted above, projections of future performance were also factored into the determination of the fair value of the put option on valuation date.

17. Share capital and treasury shares

Authorized

As of December 31, 2021 and June 30, 2022, the Company had an authorized share capital of USD50,000, divided into 100,000,000,000 authorized ordinary shares, with par value of USD0.0000005 each.

Issued and fully paid

	Number of ordinary shares '000	Share capital RMB'000	Treasury shares RMB'000
As of January 1, 2021 (audited) and June 30, 2021 (unaudited)	3,184,367	11	—*
As of January 1, 2022 (audited)	3,194,617	11	(50,636)
Repurchase of shares	—	—	(607,835)
Cancellation of shares	(16,217)	—*	607,835
Exercise of share options and RSUs vesting	—	—	6,928
As of June 30, 2022 (unaudited)	3,178,400	11	(43,708)

* less than RMB1,000.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended June 30, 2022

18. Share-based payments

Prior to the launch of the JD Health Share Incentive Plan, the Group did not have its own share incentive plan. The employees of the Group were eligible for a share incentive plan of JD Group (“**JD Group Share Incentive Plan**”), which included share options and RSUs. Accordingly, the Group accounted for such plans by measuring the services received from the grantees in accordance with the requirement applicable to equity-settled share-based payment transactions, and recognized a corresponding increase in equity as a deemed contribution from JD Group in accordance with IFRS 2 *Share-based Payment*.

On September 14, 2020, a pre-IPO employee share incentive plan (the “**Pre-IPO ESOP**”) was conditionally approved and adopted by the board of the Company. The maximum aggregate number of underlying shares which may be issued pursuant to all awards under the Pre-IPO ESOP is 238,805,970 shares as of September 14, 2020.

In November 2020, a post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”) and a post-IPO share awards scheme (the “**Post-IPO Share Awards Scheme**”) (collectively the “**Post-IPO ESOP**”) were approved and adopted by the Company. The Post-IPO ESOP commenced in November 2020 and is valid and effective for the period of ten years commencing on December 8, 2020, the date on which the Group were listed on the Hong Kong Stock Exchange. The Pre-IPO ESOP and Post-IPO ESOP were collectively referred to as the “JD Health Share Incentive Plan”.

The table below sets forth share-based payment expenses for RSUs and share options during the six months ended June 30, 2022 and 2021:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
RSUs	524,711	507,880
Share options	455,569	613,468
	980,280	1,121,348

18. Share-based payments (Continued)

18.1 JD Group Share Incentive Plan

JD Group granted share-based awards to eligible employees and non-employees pursuant to the share incentive plan, which was adopted in November 2014 and governed the terms of the awards.

The RSUs and share options are generally service-based and scheduled to be vested over two to ten years. One-second, one-third, one-fourth, one-fifth, one-sixth, or one-tenth of the awards, depending on different vesting schedules of JD Group Share Incentive Plan, shall be vested upon the end of the calendar year in which the awards were granted or the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight line basis at the end of the remaining calendar years or the anniversary years. Starting from the year ended December 31, 2016, certain awards had multiple tranches with tiered vesting commencement dates from 2016 to 2025, and each of the tranches is subject to a 6-year vesting schedule. Starting from 2021, certain granted RSUs are subject to vesting ratably over a 4-year vesting period from the grant dates.

The Group recognizes share-based payment expenses in its consolidated statement of profit or loss based on awards ultimately expected to vest, after considering estimated forfeitures of the Group. The number of RSUs and share options granted expected to vest has been reduced to reflect historical experience of forfeiture of certain percentage of RSUs and share options granted prior to completion of vesting period and accordingly the share based payment expenses have been adjusted.

The number of exercisable share options as of June 30, 2022 was 5,000 (December 31, 2021: 5,000).

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

18. Share-based payments (Continued)

18.1 JD Group Share Incentive Plan (Continued)

A summary of activities of the service-based RSUs is presented as follows:

	Number of RSUs	Weighted- average grant- date fair value USD
Outstanding as of January 1, 2021 (audited)	534,058	17.85
Granted	47,574	42.17
Vested	(146,026)	16.27
Transfer*	184,042	22.24
Forfeited or cancelled	(32,068)	20.56
Outstanding as of June 30, 2021 (unaudited)	587,580	21.44
Outstanding as of January 1, 2022 (audited)	589,310	21.52
Granted	17,354	32.77
Vested	(164,634)	18.54
Transfer*	136,728	27.72
Forfeited or cancelled	(119,022)	26.58
Outstanding as of June 30, 2022 (unaudited)	459,736	23.55

* The transfer represents the addition or deduction of RSUs that were previously granted to employees who transferred into or out of the Group during the reporting periods.

The estimated compensation cost of RSUs was based on the fair value of JD.com, Inc.'s ordinary shares on the date of the grant. The Group recognizes the compensation cost, net of estimated forfeitures, over the vesting term of the RSUs.

18. Share-based payments (Continued)

18.2 JD Health Share Incentive Plan

The Group grants share-based awards to eligible employees and non-employees pursuant to JD Health Share Incentive Plan, which governs the terms of the awards. The Company adopted the JD Health Share Incentive Plan, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of the Group.

In October 2020, with the approvals of the board of directors of the Company, the Company granted shares to subscribe to directors, senior management and other connected persons of the Company and other employees of the Group under Pre-IPO ESOP. This includes options granted to Mr. Richard Qiangdong Liu, the non-executive director of the Company, to acquire 53,042,516 ordinary shares of the Company according to the Pre-IPO ESOP, subject to a 6-year vesting schedule. No option has been granted for the six months ended June 30, 2022 under the Pre-IPO ESOP and the Company does not plan to grant further awards under the Pre-IPO ESOP. The exercise price of the options under the Pre-IPO ESOP is USD0.0000005 per share.

The share options and RSUs are generally scheduled to be vested between one to ten years. All, one-second, one-third, one-fourth, one-fifth, one-sixth, or one-tenth of the awards, which are with service conditions, shall be vested upon agreed dates and the remaining of the awards shall be vested on straight line basis at the anniversary years. Certain share options granted with performance conditions, shall be vested upon the end of the calendar quarter if performance conditions are met and the remaining of awards shall be vested on a straight-line basis at the end of the remaining calendar quarters if performance conditions are met. Starting from 2021, certain granted RSUs are subject to vesting ratably over a 4-year vesting period from the grant dates.

As of June 30, 2022, the total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme is 312,708,211 shares (December 31, 2021: 312,708,211). As of June 30, 2022, the total number of shares which may be issued upon vest of all RSUs to be granted under the Post-IPO Share Awards Scheme is 258,446,231 shares (December 31, 2021: 259,385,037).

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

18. Share-based payments (Continued)

18.2 JD Health Share Incentive Plan (Continued)

Share options

A summary of activities of the service-based share options is presented as follows:

	Number of share options	Weighted average exercise price USD	Weighted average remaining contractual term Year
Outstanding as of January 1, 2021 (audited)	74,026,878	0.0000005	9.8
Exercised	(4,232,474)	0.0000005	
Forfeited	(214,653)	0.0000005	
Outstanding as of June 30, 2021 (unaudited)	69,579,751	0.0000005	9.3
Outstanding as of January 1, 2022 (audited)	73,355,847	0.0000005	8.8
Exercised	(3,915,330)	0.0000005	
Forfeited	(878,690)	0.0000005	
Outstanding as of June 30, 2022 (unaudited)	68,561,827	0.0000005	8.3

The number of exercisable service-based share options as of June 30, 2022 was 962,317 (December 31, 2021: 606,617).

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

18. Share-based payments (Continued)

18.2 JD Health Share Incentive Plan (Continued)

RSUs

A summary of activities of the service-based RSUs is presented as follows:

	Number of RSUs	Weighted-average grant-date fair value HK\$
Outstanding as of January 1, 2021 (audited)	—	—
Granted	50,600,936	114.80
Vested	(600,000)	114.40
Forfeited	(209,520)	133.30
Outstanding as of June 30, 2021 (unaudited)	49,791,416	114.73
Outstanding as of January 1, 2022 (audited)	52,717,780	112.75
Granted	2,398,595	51.83
Vested	(8,379,679)	114.63
Forfeited	(1,459,789)	96.62
Outstanding as of June 30, 2022 (unaudited)	45,276,907	109.70

As of June 30, 2022, no share options and aggregated 82,981,307 RSUs were granted under the Post-IPO ESOP (December 31, 2021: nil and 80,582,712).

The fair values of the RSUs granted during the six months ended June 30, 2022 were determined based on the market value of the Company's shares at the respective grant dates.

19. 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).

20. Fair value measurement of financial instruments

Determination of fair value and fair value hierarchy

IFRS 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

20. Fair value measurement of financial instruments (Continued)

Determination of fair value and fair value hierarchy (Continued)

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value.

The level of fair value calculation is determined by the lowest level input that is significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurement within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement.

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of June 30, 2022 (unaudited)				
Assets:				
Financial assets at FVTPL	—	3,013,502	1,653,583	4,667,085
Liabilities:				
Financial liabilities at FVTPL	—	—	95,972	95,972
As of December 31, 2021 (audited)				
Assets:				
Financial assets at FVTPL	—	1,100,682	666,663	1,767,345
Liabilities:				
Financial liabilities at FVTPL	—	—	98,743	98,743

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

20. Fair value measurement of financial instruments (Continued)

Determination of fair value and fair value hierarchy (Continued)

For financial assets and liabilities measured at fair value on a recurring basis in the financial statements, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the six months ended June 30, 2022, there were no transfers among different levels of fair value measurement (six months ended June 30, 2021: nil).

Reconciliation of Level 3 fair value measurements:

	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000
As of January 1, 2021 (audited)	267,823	143,113
Addition	50,000	—
Changes in fair value		
— Fair value changes of options	(2,420)	(4,253)
As of June 30, 2021 (unaudited)	315,403	138,860
As of January 1, 2022 (audited)	666,663	98,743
Addition	1,000,000	—
Changes in fair value		
— Fair value changes of equity investments in private companies measured as financial assets at FVTPL	51	—
— Fair value changes of options	(13,629)	(2,771)
— Fair value changes of wealth management products	498	—
As of June 30, 2022 (unaudited)	1,653,583	95,972

Valuation techniques

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

20. Fair value measurement of financial instruments (Continued)

Valuation techniques (Continued)

The following table gives information about how the fair values of these financial assets (other than call option and put option, as set out in Note 10 and Note 16, respectively) are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as of		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	June 30, 2022 RMB'000	December 31, 2021 RMB'000			
Equity investments measured as financial assets at FVTPL	518,738	518,687	Level 3	A combination of observable and unobservable inputs	Discount for lack of marketability; market multiples
Wealth management products	1,000,498	—	Level 3	Income approach to use a discounted cash flow analysis with an expected rate of return	Expected rate of return

The directors of the Company consider that any reasonable changes in the key assumptions as disclosed above, in Note 10 and in Note 16, respectively, would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented.

The carrying amount of the Group's financial assets, including cash and cash equivalents, restricted cash, term deposits, trade and note receivables and other receivables and the Group's financial liabilities, including trade payables and accrued expenses and other payables, approximate their fair values.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

21. Related party transactions

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. The Group's pricing policies of the transactions with related parties are determined on the basis of mutual negotiations between the relevant parties.

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the six months ended June 30, 2022.

Name of related parties	Relationship
JD.com, Inc.	The ultimate parent company of the Company
JD Jiankang Limited	The immediate parent company of the Company
JD Group	Controlled by JD.com, Inc.
Tangshan Hongci Healthcare Management Co., Ltd. and its subsidiaries (" Tangshan Hongci ")*	A joint venture of the Company
Jingdong Technology Holding Co., Ltd. and its subsidiaries (" JD Technology ")**	An associate of JD Group, and controlled by Mr. Richard Qiangdong Liu

* The English name of Tangshan Hongci is translated from its registered Chinese name (唐山弘慈醫療管理有限公司) for identification only.

** JD Technology, formally known as Jingdong Digits Technology Holding Co., Ltd. and its subsidiaries, became an associate of JD Group since June 2020.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

21. Related party transactions (Continued)

(b) Significant transactions with related parties

Details of significant transactions with related parties recorded during the six months ended June 30, 2022 are separately shown as follows:

	Notes	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Services provided to related parties:			
Marketing services provided to JD Group		524,351	285,884
Products provided to Tangshan Hongci		39,886	—
Other services provided to JD Group		35,375	4,608
Services provided to JD Technology		1,768	987
Services and products received from related parties:			
Logistics and warehousing services received from JD Group	1	1,174,458	795,096
Technology and traffic support services received from JD Group	2	751,242	587,288
Marketing services received from JD Group	3	439,618	397,523
Payment services received from JD Group	4	94,240	85,904
Shared services received from JD Group	5	158,568	64,276
Loyalty program services received from JD Group	6	19,515	31,386
Share-based payments received from JD.com, Inc. to pay the Group's employees for the services provided	7	15,641	9,498
Services received from JD Technology	8	52,430	41,039
Others		—	11,431
Others:			
Interest income from Tangshan Hongci		11,436	11,436

Services provided to related parties

The Group provides marketing services to JD Group. The Group charges JD Group marketing service fees calculated in accordance with the underlying standard marketing service agreement.

21. Related party transactions (Continued)

(b) Significant transactions with related parties (Continued)

Services and products received from related parties

1. JD Group provides various logistics services to the Group in exchange for service fees, including but not limited to warehouse operation and storage services, domestic and international delivery services, customs registration and clearance services, standard and special packaging services and other value-added logistics services from time to time. The logistics service fees are determined after arm's length negotiations, and are charged based on a variety of factors including storage space taken and the weights and the delivery distances of the packages.
2. JD Group provides to the Group technology and traffic support services through its online platforms (e.g. www.jd.com). The technology and traffic support services primarily include user traffic support, branding activities, operational support and advertisement access for the Group's merchants and suppliers. JD Group charges commissions by applying a fixed rate on the fulfilled order volume of healthcare products and services generated through JD Group's online platforms.
3. JD Group provides marketing services to the Group. JD Group charges the Group marketing service fees calculated in accordance with the underlying standard marketing service agreement.
4. The Group, through JD Group, uses certain payment services through payment channels provided by third-party payment service providers to JD Group on a cost basis, as the related costs are first settled by JD Group and later settled in full (on a cost basis) by the Group. This allows the Group to utilize the payment services to enable efficient, safe and prompt real-time payment for its online transactions.
5. JD Group provides back-office administrative support services to the Group, including but not limited to cloud service, provision of servers, and maintenance and related customer services. The Group pays JD Group the actual costs incurred during the service process.
6. Given that the Group's businesses are operated on JD Group's platforms, the customers of the Group participate in the customer loyalty programs of JD Group and use such loyalty points across the platforms of both JD Group and the Group for the purchase of products and services. The Group pays JD Group based on the number of loyalty points it granted and unit cost.
7. JD Group grants RSUs and share options to the Group's eligible employees under JD Group Share Incentive Plan.
8. The Group uses certain payment services and other shared services provided by JD Technology in accordance with the underlying standard payment services agreement and shared services agreement.

Notes to the Condensed Consolidated Financial Statements (Continued)
For the Six Months Ended June 30, 2022

21. Related party transactions (Continued)

(c) Balances with the major related parties

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Amounts due to JD Group	498,417	225,410
Amounts due from Tangshan Hongci	305,193	272,687
Amounts due from other major related parties	24,705	37,599

The amounts due to JD Group are trade in nature, unsecured and non-interest bearing.

The amounts due from Tangshan Hongci are trade in nature, unsecured and non-interest bearing, except for a 3-year interest-bearing loan.

The amounts due from other major related parties included in prepayments, other receivables and other assets are trade in nature, unsecured and non-interest bearing.

(d) Key management personnel compensation

The remuneration of directors and other key management personnel is as follows:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries and bonuses	2,163	3,189
Share-based payments	375,291	567,121
Pension costs — defined contribution plans	54	51
Welfare, medical and other benefits	208	283
	377,716	570,644

22. Subsequent events

In June 2022, the Company entered into an agreement of assets acquisition with JD Group in relation to online and offline pet cares, at a consideration of not exceeding US\$355.4 million. As of the date of this report, this transaction has not been completed.

DEFINITIONS

“ADSs”	American Depositary Shares (each representing two Class A ordinary shares) of JD.com
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“annual active user accounts”	user accounts that made at least one purchase during the past trailing twelve months ended on the applicable date, including through <i>JD Pharmacy</i> , online marketplace and omnichannel initiative
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Auditor”	Deloitte Touche Tohmatsu, the auditor of the Company
“Award Shares”	award shares, each representing a contingent right to receive one Share, which is awarded under the Post-IPO Share Award Scheme
“Board of Directors” or “Board”	our Board of Directors
“BVI”	the British Virgin Islands
“China”, or “the PRC”	the People’s Republic of China
“Class A ordinary share(s)”	Class A ordinary shares in the share capital of JD.com with par value of US\$0.00002 each, conferring a holder of a Class A ordinary share to one vote per share on any resolution tabled at JD.com’s general meeting
“Class B ordinary share(s)”	Class B ordinary shares in the share capital of JD.com with par value of US\$0.00002 each, conferring weighted voting rights in JD.com such that a holder of a Class B ordinary share is entitled to 20 votes per share on any resolution tabled at JD.com’s general meeting
“Company”, “our Company”, “the Company”, or “JD Health”	JD Health International Inc. (京东健康股份有限公司), an exempted company with limited liability incorporated in the Cayman Islands on November 30, 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

Definitions (Continued)

“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely the Onshore Holdco and its respective subsidiaries
“Contractual Arrangement(s)”	the series of contractual arrangements entered into between, among others, the Onshore Holdco and its respective subsidiaries
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to JD Jiankang, JD.com, Mr. Richard Qiangdong Liu (劉強東), Max Smart Limited and Fortune Rising Holdings Limited
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 of the Listing Rules, as amended from time to time
“Director(s)”	the director(s) of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the Consolidated Affiliated Entities from time to time
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRSs”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“JD.com”	JD.com, Inc., one of our Controlling Shareholders, a company incorporated in the BVI on November 6, 2006 and subsequently redomiciled to the Cayman Islands on January 16, 2014 as an exempted company registered by way of continuation under the laws of the Cayman Islands and the shares of which are listed on the Main Board (stock code: 9618) under Chapter 19C of the Listing Rules and the ADSs of which are listed on Nasdaq under the symbol “JD”
“JD Group”	JD.com and its subsidiaries and consolidated affiliated entities, excluding our Group
“JD Jiankang”	JD Jiankang Limited, a company incorporated in the BVI on April 24, 2019, wholly-owned by JD.com and one of our Controlling Shareholders

Definitions (Continued)

“JD Logistics”	JD Logistics, Inc., JD.com’s logistics business that provides integrated supply chain logistics solutions and services to JD.com and third-party business partners across a wide range of industries, and the shares of which are listed on the Main Board (stock code: 2618)
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	December 8, 2020, the date on which the Shares were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“New CG Code”	the amendments to the Previous CG Code that came into effect on January 1, 2022, as set out in Appendix 14 of the Listing Rules
“Onshore Holdco”	Suqian Jingdong Tianning Jiankang Technology Co., Ltd. (宿遷京東天寧健康科技有限公司), a company established in the PRC on June 10, 2019 and our Consolidated Affiliated Entity
“Post-IPO Share Award Scheme”	the post-IPO share award scheme adopted by our Company on November 23, 2020
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on November 23, 2020
“Pre-IPO ESOP”	the pre-IPO employee share incentive plan adopted by our Company on September 14, 2020
“Previous CG Code”	the Corporate Governance Code (version up to December 31, 2021) set out in Appendix 14 of the Listing Rules

Definitions (Continued)

"Prospectus"	the prospectus of the Company dated November 26, 2020
"Reporting Period"	six months ended June 30, 2022
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US\$0.0000005 each
"Shareholder(s)"	holder(s) of our Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US\$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. SEC"	the Securities and Exchange Commission of the United States
"%"	per cent

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