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JDH 京东健康

JD Health International Inc.

京东健康股份有限公司

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

(Stock Code: 6618)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The board (the “**Board**”) of directors (the “**Directors**”) of JD Health International Inc. (the “**Company**” or “**JD Health**”) is pleased to announce the audited consolidated results of the Company, its subsidiaries and the consolidated affiliated entities (collectively, the “**Group**”) for the year ended December 31, 2022 (the “**Reporting Period**”). These annual results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-over-year change (%)
	2022 RMB’000	2021 RMB’000	
Revenue	46,736,150	30,682,267	52.3
Gross profit	9,891,508	7,197,282	37.4
Operating loss ⁽¹⁾	(145,120)	(1,404,045)	(89.7)
Profit/(loss) before income tax	695,809	(901,491)	N/A
Profit/(loss) for the year	383,229	(1,072,818)	N/A
Non-IFRS operating income ⁽²⁾	1,959,158	1,175,664	66.6
Non-IFRS profit for the year ⁽²⁾	2,616,292	1,402,095	86.6

(1) Operating loss consists of gross profit deducting fulfillment expenses, selling and marketing expenses, research and development expenses, general and administrative expenses, and impairment losses under expected credit loss model, net of reversal.

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

CEO STATEMENT

To our shareholders:

In 2022, the meeting of the 20th National Congress of the Communist Party of China (“CPC”) was successfully held. The report delivered at the event stated that China will further its commitment to advancing the Healthy China Initiative, giving strategic priority to ensuring people’s health and improving policies on promoting public health. 2022 was a crucial year for China’s 14th Five-Year Plan and marked the beginning of a new journey toward the Second Centenary Goal. Over the past year, the fight against the pandemic and efforts to ensure adequate supplies underscored the importance of “Internet + Healthcare” amid growing public demand for online medical and healthcare services. In particular, people’s awareness of health has surged to new heights, necessitating integrated online and offline healthcare services and facilitating its entry into more households. In the past year, the Details of Administration of Internet Diagnosis and Treatment (for Trial Implementation) (互聯網診療監管細則(試行)) and the Measures for the Supervision and Administration of Online Drug Sales (藥品網絡銷售監督管理辦法) were officially put in place. The implementation of the new regulations has ensured public demand is met for online access to medicine and healthcare services, and further promoted the high-quality development of the online healthcare industry.

As a leading healthcare enterprise, JD Health has proactively responded to the changes in relevant national policies and regulations. Guided by our new business philosophy of “trust-based value creation centered on customer’s health”, we have continued to optimize customer experience and open up our capabilities within the “Retail pharmacy + Healthcare services” ecosystem to meet people’s pressing needs, as well as further promote the realization of inclusive medical care. In the process, we have maintained our focus on users’ health needs and our long-term goal of achieving high quality growth of our business, altogether aimed at creating sustainable value for our shareholders and society as a whole.

Accelerating online and offline integration to shape an innovative healthcare service system

In 2022, building on our efforts to make quality healthcare services accessible to the broader public, we collaborated with our partners to promote the digital and intelligent upgrade and transformation of the healthcare industry. In the process, we have established an innovative online and offline platform by constantly exploring new cooperation opportunities and improving our service capabilities.

Over the past year, we continued to improve our supply chain capabilities and digital marketing capabilities, bringing more quality products and services to our users while creating more value for our partners. In 2022, we forged new strategic cooperations and upgraded our existing cooperations with a number of pharmaceutical and healthcare brands. On the supply chain side, we helped pharmaceutical companies accelerate the launch of new and specialty drugs on our platform, provided consumer-to-manufacturer (“C2M”) reverse customization services and integrated healthcare service solutions to healthcare product suppliers. In addition, we further expanded the scope of our cooperations with various brands and provided value-added services such as innovative digital marketing tools and omnichannel sales solutions. Working together, we aim to offer high-quality pharmaceutical and healthcare products to our users, while exploring greater market and development opportunities with our partners.

In 2022, we continued to develop our innovative healthcare service platform to meet users' needs in a variety of scenarios. We have upgraded users' online medical service experience by launching "Instant Consultation with JD Doctors", "Nighttime Consultation" and "Expert Consulting". We have also introduced online pharmaceutical care and consultation services to further ensure medication safety. We have opened our first offline "JD Health Hearing Center", providing a one-stop experience through integrated online and offline services, including hearing aid selection, fitting and consultation services, etc.

In the past year, JD Health has accelerated the digital transformation of healthcare services through technological upgrades and offering open access to our customized and digitalized healthcare service solutions. We debuted our "Enterprise Health Strategy" and employee health service solutions to better serve our corporate customers. We also launched our "Digital and Smart Medical Services" (數智醫療) system and provided an integrated solution that covers various usage scenarios for hospitals and offline medical institutions, which promoted the integration of diverse medical scenarios across the entire medical journey.

Promoting innovative businesses and leading industry standardization

In 2022, JD Health actively promoted the development and upgrade of innovative businesses. We acquired the pet health-related assets of JD Group, which enabled us to form an online closed-loop business and provide users with both veterinarian services and healthcare products. We successfully launched the "JD Pet Health" (京東寵物健康) platform, a strategic brand upgrade of our pet health business, aiming to provide all-scenario, full-life span, one-stop pet healthcare services to our users. In terms of our retail pharmacy business, we continued to optimize the user experience by accelerating the deployment of our omnichannel initiative, which further enhanced users' recognition and loyalty to our "JD Pharmacy" brand.

During the past year, we joined forces with numerous experts, associations and partners to create certification programs and formulate a number of industrial standards, aimed at leading the high-quality development of industry standardization. In 2022, we became the first internet healthcare company to obtain the BSI ISO 27799 personal health information security management certification, demonstrating that our information security management system and private information management system adhere to international standards. In collaboration with the Chinese Academy of Inspection and Quarantine, Edible Bird's Nest Market Committee of China Agricultural Wholesale Markets Association and other industrial institutions, we formulated classification standards for wolfberries, edible bird's nests and cordyceps to promote the development of standards for the health supplements and tonics industry.

Staunch commitment to corporate social responsibility and serving people’s pressing needs

As an innovative healthcare service provider, we actively fulfill our social responsibilities leveraging our healthcare supply chain capabilities and advanced technology. We played an effective role in fighting against the pandemic and providing medical assistance to target groups. We also continued to expand our coverage of health welfare programs and maximize the efficiency of public welfare resource utilization.

“Fighting the Pandemic and Ensuring Supplies” is a significant manifestation of the social and user value created by JD Health. By the end of 2022, we had gone all out to fight the pandemic and teamed up with the Ministry of Industry and Information and over 20 local governments to ensure the supply and price stability of medicines and anti-pandemic products. In response to drug shortages, we promptly launched the “Pandemic Mutual Assistance Platform” (抗疫互助平台) to quickly and accurately match people’s medication needs, assisting nearly 1 million users during the pandemic. We also rapidly deployed anti-pandemic supplies and medical resources to nearly 160 villages in need, safeguarding people’s physical and psychological health through a joint program with the National Rural Revitalization Administration and People’s Daily. Partnered with more than 100 regional governments and local media, we jointly launched official online medical service platforms to serve local residents, which greatly alleviated pressure on offline medical institutions.

Looking into 2023, we are confident that the positive policy environment and users’ demand will further drive the development of the online healthcare industry, which will create even greater value and ultimately benefit our broader society. As always, we are firmly grounded in our strategic positioning — create a technology-driven platform that centers on the supply chain of pharmaceuticals and healthcare products and is strengthened by healthcare services, encompassing a user’s full lifespan for all healthcare needs. By adhering to our business philosophy, “trust-based value creation centered on customer’s health”, we are empowered to better serve our users, facilitate industry development, reward our shareholders and give back to our society.

Enlin Jin

Chief Executive Officer

March 22, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2022, the report to the 20th National Congress of the CPC noted that China will advance its commitments to the Healthy China Initiative, strategically prioritize people’s health and improve policies on promoting public health. Looking back on the past year, regulators and relevant authorities issued a series of policies and regulations, which reaffirmed the value of digital healthcare services. At the same time, we are keenly aware that “Internet + Healthcare” is playing an increasingly instrumental role in deepening the reform of the medical and healthcare system and fighting the COVID-19 pandemic.

In terms of macro policies, the 14th Five-Year Plan for the Development of the Digital Economy (「十四五」數字經濟發展規劃) clarified the importance of “Internet + Healthcare” to the digital economy and prioritized it as a new business format to be fostered. The 14th Five-Year Plan for National Health (「十四五」國民健康規劃) called on more efforts to enhance the digitalization and interconnectivity of national health information and to promote the development of internet hospitals, online chronic disease management solutions and smart healthcare services, specifying the need for an integrated online and offline healthcare service model that covers the pre-, during and post-consultation processes. With respect to industry regulation, the Details of Administration of Internet Diagnosis and Treatment (for Trial Implementation) (互聯網診療監管細則(試行)) and the Measures for the Supervision and Administration of Online Drug Sales (藥品網絡銷售監督管理辦法) have been released to guide the standardized and high-quality development of internet healthcare industries. In particular, to address the new pandemic prevention and control situation in December 2022, the Joint Prevention and Control Mechanism of the State Council issued the Circular on the Provision of the Internet Healthcare Services for COVID-19 (關於做好新冠肺炎互聯網醫療服務的通知), which clearly stated that internet hospitals are allowed to issue online prescriptions to treat COVID-19 related symptoms. This proved, once again, the tremendous social value of digital healthcare services in safeguarding people’s health and elevating the accessibility of healthcare services.

During the Reporting Period, our business maintained strong growth momentum and total revenue amounted to RMB46.7 billion, representing year-over-year growth of 52.3%. We further strengthened users’ mindset by enriching our pharmaceutical and healthcare product offerings and optimizing healthcare service procedures and product experiences. As of December 31, 2022, our annual active user accounts reached 154.3 million, representing a net addition of 31.0 million from 2021. During the Reporting Period, we further enhanced our healthcare service efficiency by using innovative technologies and our average daily online consultation volume grew at a faster pace to exceed 300,000.

Retail pharmacy

We continued to enhance our retail pharmacy business by combining direct sales, online marketplace and omnichannel initiatives, and further enrich our pharmaceutical and healthcare product offerings including prescription drugs, OTC drugs and medical devices, as well as health supplements and tonics. At the same time, we provided our users with a better online and offline one-stop experience and further gained users’ trust with affordable pricing and enhanced supply chain operating efficiency.

Direct sales

Our direct sales business is a key component of JD Health’s retail pharmacy. During the Reporting Period, we continued to expand our pharmaceutical and healthcare product selection, deepened our cooperation with pharmaceutical companies and healthcare product suppliers, and consistently strengthened our pharmaceutical and healthcare supply chain network for full usage scenarios. Meanwhile, we further enhanced our supply chain management efficiency by leveraging JD Group’s digital and intelligent infrastructure. During the Reporting Period, our direct sales business maintained robust growth, with revenue amounting to RMB40.4 billion, representing a year-over-year of 54.2%. As of December 31, 2022, we had utilized JD Logistics’ 22 drug warehouses and over 500 non-drug warehouses nationwide, and our capabilities in “directly operated cold chains” had reached more than 300 cities across China. During the Reporting Period, JD Pharmacy served a total of more than 100 million users and significantly improved the days of therapy (DOT) of chronic disease patients. During the Reporting Period, JD Health accelerated its efforts in executing its integrated online and offline business initiative. Our DTP (“**Direct to Patient**”) pharmacies expanded to 26 provincial-level administrative regions, with over 400 specialty drugs offerings, providing a new choice for numerous innovative pharmaceutical companies to grow their omnichannel initiatives. In addition, we opened our first hearing center in Beijing, offering professional and convenient one-stop services for the testing, fitting and purchasing of hearing aids.

In 2022, we strengthened our strategic cooperation with world-leading pharmaceutical companies and healthcare product providers, becoming one of the most important online platforms in developing omnichannel distribution and digital marketing in China. During the Reporting Period, JD Health upgraded its cooperation with hundreds of brands such as Omron, Beijing Beilu Pharmaceutical and Sanofi China, continuing to innovate and expand the scope of cooperations in areas including integrated “Products + Services (實物+服務)” health management solutions and multi-channel marketing solutions, among others, all aimed at providing better products and services to our users. During the Reporting Period, we entered into a cooperation agreement with AstraZeneca to provide multi-channel supply chain solutions for Terbutaline (Terbutaline Sulfate Tablets) and improve supply chain efficiency and drug accessibility. We also launched an online screening program for rare disease patients in cooperation with Takeda (China) during the Reporting Period and partnered with Shanghai Sine Pharmaceutical Laboratories and Beijing No. 1 Biochemical Pharmaceutical on the academic marketing project. In addition, we reached new milestones in our joint innovative payment (ePAP) program with Shenzhen Salubris Pharmaceuticals.

We are committed to making new and specialty drugs more accessible, and further improving our industry-leading online retail network while ensuring medication safety. During the Reporting Period, multiple global pharmaceutical companies debuted their new and specialty drugs on JD Pharmacy to offer more patients in China the world’s most cutting-edge treatments. These included the glucokinase activator (GKA) HuaTangNing (華堂寧[®]) (Dorzagliatin Tablets) independently developed by Hua Medicine; VITRAKVI[®] (Larotretinib Capsules), a broad-spectrum drug for precision targeted therapy developed by Bayer AG; and, Fukewei (福可維[®]) (Anlotinib Hydrochloride Capsules), a new class I drug of Chia Tai Tianqing Pharmaceutical (CTTQ). As of December 31, 2022, we had launched 15 care centers on our platform covering more than 41 disease categories including diabetes, hepatitis, nutrition-related diseases and other diseases, providing patient management and follow-up services, which has significantly improved the patient

compliance among our user group. At the same time, by launching the “Pharmacy Clinic” on our platform in cooperation with clinical pharmacists and experts, we offered our users drug use consultation and review services to ensure medication safety.

In addition, during the Reporting Period, JD Health deepened its cooperation with various nutrition and healthcare brands, achieving higher supply chain efficiency through C2M customization solutions. In 2022, we jointly launched the “Precision Nutrition Pilot Program” with 19 brands, including Tongrentang Health, By-Health and H&H Group, to provide personalized nutrition advice and customized health plans with nutrition product recommendations for different user groups. During the Reporting Period, JD Health also collaborated with the Chinese Academy of Inspection and Quarantine, the Edible Bird’s Nest Market Committee of the China Agricultural Wholesale Markets Association and other industry institutions of authority to formulate quality standards for wolfberries, edible bird’s nests and cordyceps, promoting the high-quality development of the industry.

Online marketplace and omnichannel initiative

With an extensive user base and a sound operational system, we continued to attract more third-party merchants to our online marketplace. During the Reporting Period, we focused on refining operations for vertical categories based on our industry insights and continuous exploration of consumers’ health needs, providing enhanced operations support systems and digital marketing strategies for merchants. During the 2022 Single’s Day Grand Promotion, we provided our merchants with comprehensive solutions, which comprise marketing planning, user insights and traffic analysis, to help them achieve holistic growth in brand influence and the expansion of their user bases. As of December 31, 2022, there were more than 20,000 third-party merchants on our online marketplace platform.

During the Reporting Period, we focused on developing the “quick consultation + on-demand delivery” service model to further improve users’ drug purchasing experience. Leveraging our expanded doctor and pharmacist teams, we were able to meet users’ urgent medication needs by efficiently connecting offline pharmacies and online consultation services through our platform. During the Reporting Period, we also started to operate the pharmaceutical and healthcare product category under the “JD Daojia (京東到家)” platform, which further enhanced our intracity supply chain capabilities. We also upgraded our digital system and reinforced our commitment of “as quick as 28 minutes delivery” by cooperating with “Dada Now”, which greatly supplement our on-demand delivery capacity. As of December 31, 2022, we had partnered with approximately 70,000 merchants to provide 24/7 services for users across China.

Healthcare services

Centered on user health, we continued to build an innovative, integrated online and offline medical and healthcare services system. We provide all-scenario, full-life span health management for users through a variety of medical and healthcare services, including online medical consultations and services, consumer healthcare services and health management services. We continued to invest in technology resources, upgrade and optimize service experience and processes, as well as improve our diagnosis and treatment capabilities, providing users with more convenient, user-friendly and accessible healthcare services. During the Reporting Period, we fully upgraded our

online healthcare services with the introduction of a number of innovative consultation services, and further improved our family doctor service capabilities to provide users with continuous and comprehensive healthcare service offerings. Moreover, we strengthened our cooperation with brands and service providers to explore online and offline healthcare service innovations, offering users personalized and diversified healthcare services via in-store and door-to-door services models.

Integrated online and offline medical services

We constantly explored medical service model innovations and service quality improvements to provide users with convenient, efficient and reliable online healthcare services. During the Reporting Period, we continued to optimize our user-oriented service process and further expand our service offering by launching “Instant Consultation with JD Doctors”, “Expert Consulting”, “Nighttime Consultation”, “Consulting Renowned Doctors” and other products and services. We also strengthened the service capabilities of *JD Online Hospital* (京東互聯網醫院) and expanded specialist services offerings, providing professional and precise online medical experience to our users. As of the end of 2022, we have established more than 150 secondary clinical departments, with the average daily online consultation volume exceeding 300,000.

In December 2022, following the optimization and adjustment of the COVID-19 pandemic prevention and control policy, JD Health immediately launched a fever clinic service to provide 24/7 medical services, including consultation, prescription, drug purchase and medication guidance. The highest daily consultation volume exceeded 1.14 million during peak infections. We also partnered with more than 100 regional governments to launch official online medical service platforms to serve local residents, which greatly alleviate pressure on offline medical institutions.

We continued to improve the efficiency of medical services leveraging our advanced technologies as well as established standards and guidance to help insure effective and safe delivery of quality medical services, leading the high-quality development of the online healthcare industry. During the Reporting Period, we developed a comprehensive post-diagnosis services solution for hospitals and doctors, providing them with digital and smart tools, which greatly improved their work efficiency. We also collaborated with many smart home monitoring equipment suppliers, allowing users to better track their post-diagnosis data and improve health care outcome. We built a technology-driven quality control and risk management system that conforms to the characteristics of online healthcare services with the aim of providing users with safe and secure healthcare services. During the Reporting Period, we also launched multiple online hospital management standards with the guidance of renowned medical experts, assuring online medical quality and safety while providing clearer online practice guidelines for doctors and medical practitioners.

JD family doctor service as one of our managed care products, has expanded its services in scenarios including online consultation, offline hospital visits and health management. During the Reporting Period, we continued to upgrade our service capabilities by expanding the doctors team and external service providers, providing users with personalized medical services options. Our consumer healthcare business provides diversified healthcare services to users through in-store and door-to-door services model. During the Reporting Period, leveraging on our service capabilities of integrating consumer healthcare services and medical services, we continued to improve the user experience and expand service offerings by providing integrated online and offline services including medical examination appointments, online medical examination report interpretation,

vaccine appointments and vaccination consultation, early screening for severe diseases and follow-up medical services. We equipped our offline merchants with precise marketing tools to reach their target users, and worked with partners and brands to launch a number of innovative services and differentiated products. Additionally, we jointly introduced customized COVID-19 rehabilitation examination packages with a number of health checkup partners. We worked with IDSO, an oral health brand, to create an all-in-one card that allow users to access a large network of dental services. We also joined hands with Fosun Health to provide a registration service for people intending to get the Comirnaty (復必泰) bivalent vaccine in Hong Kong. In addition, we launched early cancer screening insurance services in collaboration with insurance companies and partnered brands. As of December 31, 2022, we had over 1,300 healthcare service providers on our platform, with 40,000 stores covering over 500 cities and regions.

Our pet health business was rooted in online pet medical services and acquired JD Group's pet health-related assets in 2022, as such formed a closed-loop model integrating physical products and veterinarian services, providing a one-stop service experience for our users. We continued to enrich our pet health product offerings via *JD Pet Health*, which primarily features three categories, including pet medicine, pet nutrition and healthcare, as well as pet medical equipment. During the Reporting Period, *JD Pet Health* continued to explore market opportunities with our partners and reached strategic cooperation with Elanco Animal Health, Zoetis Animal Health, Zesty Paws and other brands. In terms of pet healthcare services, we continued to deepen our connection with offline service providers, aiming to form a standardized and digital medical process, while we further optimized our online pet healthcare service experience.

Smart healthcare solutions and digital health

In 2022, leveraging our integrated “Physical products + Services” supply chain capabilities, we continued to diversify our health service solutions offering and enabled a variety of corporate customers to engage. During the Reporting Period, we launched services including smart physical examination and corporate Employee Assistance Program, receiving recognition from an increasing number of corporate customers. The number of our corporate customers grew to more than 4,600 as of the end of 2022.

During the Reporting Period, we established the “Digital and Smart Healthcare” solution system based on the actual needs of offline medical institutions. Applying our “open technology platform”, “big data application system”, “operation support system” and “supply chain management system”, hospitals were able to integrating information technology with medical services, and thus improve efficiency in treatment processes and optimized patients' medical experiences. As the end of 2022, we supported more than 20 hospitals to build internet hospitals in 9 provincial-level administrative regions. We also empowered a number of hospitals with the newly launched cloud imaging platform “*Jingying Cloud*” (京影雲), which provides services including cloud film, remote film review and image consultation.

Public welfare and corporate social responsibility

JD Health has actively fulfilled its corporate social responsibilities and maximized its social value on multiple fronts such as the fight against the COVID-19 pandemic, rural revitalization and patient assistance. In response to the COVID outbreak in China, we joined hands with numerous pharmaceutical and medical device brands to ensure stability in supplies and prices of medicines and pandemic prevention products. We donated masks, antigens and medicines, as well as provided medical service assistance to the public in need. *JD Online Hospital* also launched the “anti-Covid clinic”, which improved accessibility to health consultation services and alleviated pressure on offline medical institutions. In addition, we closely collaborated with the Ministry of Industry and Information Technology to ensure the provision of medicines and essentials that were experiencing shortages in remote areas.

During the Reporting Period, JD Health, joined by 40 partner brands, nearly 50,000 merchants for our charity donation program “Aixindongdong” and many caring netizens, donated money, supplies and services, which totaled over RMB10 million. With the support of our partners, we jointly launched the JD Health Rare Diseases Care Program (京東健康罕見病關愛計劃), JD Health Food For Special Medical Purpose (FSMP) Initiative (京東健康特醫食行動) and other public welfare programs.

Prospects

As an industry leading, innovative healthcare service enterprise, we will further enhance and open up our capabilities within the “Retail pharmacy + Healthcare Services” ecosystem and deepen our cooperation with partners along the industry value chain. Moreover, we will continue to strengthen our professional competencies within the realms of healthcare supply chain and healthcare services, and strive to provide more accessible, convenient and affordable healthcare products and services to the public.

For the retail pharmacy business, we will carry out our strategy to reduce costs and improve operational efficiency, further strengthen our integrated supply chain capability by creating synergy in direct sales, the online marketplace and with our omnichannel initiative. We are committed to providing a one-stop shopping experience to our users while exploring incremental growth opportunities in the digital healthcare market with our business partners. With respect to healthcare services, we will continue to develop an innovative, integrated online and offline healthcare service system. With a focus on our all-scenario services, including medical consultation services, consumer healthcare services and health management, we will further increase our technological investments, optimize the product experience and improve our services capabilities. Meanwhile, we will deliver more efficient and practical digital and smart solutions for doctors, hospitals, governments and businesses, among others, while promoting the implementation of integrated online and offline healthcare service innovation.

2023 marks the first year that the guiding principles from the 20th National Congress of CPC will be put into action, as well as a crucial year to build on the past success in implementing China's 14th Five-Year Plan and make further advancement. As always, we will adhere to the business philosophy of "trust-based value creation centered on customer's health". With one hand, we will focus on building an innovative, integrated online and offline healthcare service system, offering our users easily accessible, convenient, high-quality, yet affordable, pharmaceutical and healthcare products and services empowered by our digital and smart technologies. With the other hand, we will continuously open up our healthcare supply chain and our healthcare service capabilities and resources, focus on satisfying users' health needs and extensively collaborate with our partners from all corners of society. By doing so, we strive to achieve value creation for the industry and our society at the same time, ultimately accelerating the implementation of the "Healthy China 2030" vision.

FINANCIAL REVIEW

Revenue

Our revenue increased by 52.3% from RMB30.7 billion in 2021 to RMB46.7 billion in 2022. The increase in our total revenue was primarily due to an increase by 54.2% in products revenue from sales of pharmaceutical and healthcare products from RMB26.2 billion in 2021 to RMB40.4 billion in 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 41.4% from RMB4.5 billion in 2021 to RMB6.4 billion in 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 56.9% from RMB23.5 billion in 2021 to RMB36.8 billion in 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 RMB7.2 billion in 2021, representing a gross profit margin of 23.5%, and a gross profit of RMB9.9 billion in 2022, representing a gross profit margin of 21.2%. The decrease in the gross profit margin was primarily due to a change in the product mix and sales promotions.

Fulfillment expenses

Our fulfillment expenses increased by 50.8% from RMB3.0 billion in 2021 to RMB4.5 billion in 2022. The increase was primarily due to (i) an increase in expenses of logistics and warehousing services as a result of an increase in the usage of logistics services along with more products sales and warehousing services as more warehouses were utilized, (ii) an increase in expenses of payment service, and (iii) an increase in other fulfillment expenses, including customer service expenses, all of which were in line with the continued growth of our business. Fulfillment expenses as a percentage of revenue decreased from 9.8% in 2021 to 9.7% in 2022.

Selling and marketing expenses

Our selling and marketing expenses increased by 2.9% from RMB2.1 billion in 2021 to RMB2.2 billion in 2022. The increase was primarily due to (i) an increase in expenses of technology and traffic support services provided by JD Group, (ii) partially offset by a decrease in expenses of promotion and advertising, which was primarily due to an optimization in our promotion and advertising strategy. Selling and marketing expenses as a percentage of revenue decreased from 7.0% in 2021 to 4.7% in 2022.

Research and development expenses

Our research and development expenses increased by 19.5% from RMB892.9 million in 2021 to RMB1,067.2 million in 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% in 2021 to 2.3% in 2022.

General and administrative expenses

Our general and administrative expenses decreased by 15.1% from RMB2,537.1 million in 2021 to RMB2,153.5 million in 2022, primarily attributable to a decrease of share-based payment expenses. General and administrative expenses as a percentage of revenue decreased from 8.3% in 2021 to 4.6% in 2022.

Finance income

Our finance income increased by 88.9% from RMB457.6 million in 2021 to RMB864.3 million in 2022, primarily due to an increase of interest earnings from bank balances, term deposits and wealth management products at amortized cost under other assets.

Income tax expense

Our income tax expense increased by 82.4% from RMB171.3 million in 2021 to RMB312.6 million in 2022, primarily due to the increase of taxable income, partially offset by the impacts of deferred income tax.

Profit/(loss) for the year

As a result of the foregoing, we generated a profit of RMB0.4 billion in 2022 and a loss of RMB1.1 billion in 2021.

Non-IFRS Measures

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

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

The following table reconciles the most directly comparable financial measure, which is profit/(loss) for the year, calculated and presented in accordance with IFRSs, to the non-IFRS profit for 2022 and 2021:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Reconciliation of profit/(loss) to non-IFRS profit:		
Profit/(loss) for the year	383,229	(1,072,818)
Add:		
Share-based payment expenses	2,104,278	2,579,709
— <i>Fulfillment expenses</i>	142,237	134,225
— <i>Selling and marketing expenses</i>	49,378	37,941
— <i>Research and development expenses</i>	105,569	98,865
— <i>General and administrative expenses</i>	1,807,094	2,308,678
Fair value changes for financial assets and financial liabilities at fair value through profit or loss (“FVTPL”) except for wealth management products ⁽¹⁾	160,011	(68,210)
Tax effects on non-IFRS adjustments	(31,226)	(36,586)
Non-IFRS profit for the year	<u>2,616,292</u>	<u>1,402,095</u>

(1) Represents gains or losses from fair value changes on equity investments measured at fair value. Multiple valuation techniques and key inputs are used to determine the fair values of these investments.

Liquidity and capital resources

For the year ended December 31, 2022, we funded our cash requirements principally from cash generated from operating activities. Our cash and cash equivalents represent cash and bank balances. We had cash and cash equivalents of RMB17.3 billion and RMB18.7 billion as of December 31, 2021 and 2022, respectively.

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

	Year Ended December 31,	
	2022	2021
	RMB'000	RMB'000
Net cash generated from operating activities	5,905,149	3,430,720
Net cash used in investing activities	(4,235,541)	(17,752,152)
Net cash used in financing activities	(925,449)	(163,653)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	744,159	(14,485,085)
Cash and cash equivalents at the beginning of the year	17,252,295	32,270,792
Effects of foreign exchange rate changes	721,270	(533,412)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	18,717,724	17,252,295

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities and the net proceeds received from the Global Offering (following full exercise of the Over-allotment Option as defined in the prospectus of the Company dated November 26, 2020 (the “**Prospectus**”)).

Net cash generated from operating activities

In 2022, net cash generated from operating activities was RMB5.9 billion, which was primarily attributable to our profit for the year of RMB0.4 billion, as adjusted by (i) non-cash and non-operating items, which primarily consisted of share-based payment expenses of RMB2.1 billion, and (ii) changes in working capital, which primarily resulted from an increase in trade payables of RMB5.0 billion and an increase in accrued expenses and other payables of RMB2.1 billion, partially offset by an increase in inventories of RMB3.2 billion and an increase in prepayments, other receivables and other assets of RMB1.4 billion.

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

Net cash used in investing activities

In 2022, net cash used in investing activities was RMB4.2 billion, which was primarily attributable to placement of term deposits of RMB27.1 billion, purchase of financial assets at FVTPL of RMB5.3 billion, intangible assets of RMB2.2 billion and financial assets at amortized cost of RMB0.7 billion, partially offset by maturity of term deposits of RMB26.4 billion and financial assets at FVTPL of RMB4.7 billion.

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

Net cash used in financing activities

In 2022, net cash used in financing activities was RMB925.4 million, which was primarily attributable to payment on repurchase of shares of RMB869.0 million.

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

Gearing ratio

As of December 31, 2022, we had no outstanding borrowings. Therefore, the gearing ratio is not presented herein.

Significant investments held

We did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as at December 31, 2022) during the year ended December 31, 2022.

Material acquisitions and/or disposals of subsidiaries and affiliated companies

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

Save as disclosed in this announcement, we did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies during the year ended December 31, 2022.

Future plans for material investments and capital assets

Save as disclosed above, as of December 31, 2022, we did not have other plans for material investments and capital assets.

Employee and remuneration policy

The following table sets forth the numbers of employees dedicated to our business and operations categorized by function as of December 31, 2022.

Function	Number of Employees	% of Total
Procurement	1,760	64.3
Sales and Marketing	351	12.8
Research and Development	532	19.4
General and Administrative	96	3.5
	<u>2,739</u>	<u>100.0</u>

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a People's Republic of China (the "PRC") government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, 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 year ended December 31, 2022 were RMB3.1 billion, as compared to RMB3.4 billion for the year ended December 31, 2021.

Foreign exchange risk

The functional currency of our entities incorporated in the Cayman Islands, British Virgin Islands and Hong Kong is the United States dollar (“USD”). Our PRC subsidiaries and consolidated affiliated entities determined their functional currency to be Renminbi (“RMB”). Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of our entities. In addition, we have intra-group balances with several subsidiaries denominated in foreign currency which also expose us to foreign currency risk. During the year ended December 31, 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 December 31, 2022, we did not have any material contingent liabilities or guarantees.

Borrowings

As of December 31, 2022, we had no outstanding borrowings.

Significant events after December 31, 2022

Save as disclosed in this announcement and as at the date of this announcement, there were no other significant events that might affect the Group since December 31, 2022.

FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	46,736,150	30,682,267
Cost of revenue	(36,844,642)	(23,484,985)
Gross profit	9,891,508	7,197,282
Fulfillment expenses	(4,521,959)	(2,999,105)
Selling and marketing expenses	(2,195,764)	(2,133,841)
Research and development expenses	(1,067,174)	(892,913)
General and administrative expenses	(2,153,529)	(2,537,116)
Other income and gains, net	82,521	145,149
Finance income	864,266	457,569
Finance costs	(9,099)	(5,999)
Impairment losses under expected credit loss model, net of reversal	(98,202)	(38,352)
Share of results of associates and joint ventures	(96,759)	(94,165)
Profit/(loss) before income tax	695,809	(901,491)
Income tax expense	(312,580)	(171,327)
Profit/(loss) for the year	383,229	(1,072,818)
Profit/(loss) for the year attributable to:		
Owners of the Company	380,105	(1,073,507)
Non-controlling interests	3,124	689
	383,229	(1,072,818)
	<i>RMB</i>	<i>RMB</i>
Earnings/(loss) per share		
Basic	0.12	(0.35)
Diluted	0.12	(0.35)

Consolidated Statement of Comprehensive Income/(Loss)

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the year	383,229	(1,072,818)
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(90,364)	22,034
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	3,390,001	(879,029)
Other comprehensive income/(loss) for the year	3,299,637	(856,995)
Total comprehensive income/(loss) for the year	3,682,866	(1,929,813)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	3,679,742	(1,930,502)
Non-controlling interests	3,124	689
	3,682,866	(1,929,813)

Consolidated Statement of Financial Position

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property and equipment	46,643	42,480
Right-of-use assets	205,268	218,295
Intangible assets	2,268,011	25,391
Investments in associates	3,179	482
Investments in joint ventures	415,295	511,749
Financial assets at fair value through profit or loss	1,204,690	666,663
Deferred tax assets	208,465	95,857
Prepayments, other receivables and other assets	478,586	735,820
	<hr/>	<hr/>
Total non-current assets	4,830,137	2,296,737
	<hr/>	<hr/>
Current assets		
Inventories	5,996,269	3,041,245
Trade and note receivables	954,958	368,084
Prepayments, other receivables and other assets	2,496,721	280,720
Financial assets at fair value through profit or loss	1,003,061	1,100,682
Term deposits	27,245,424	23,637,103
Restricted cash	33,002	25,351
Cash and cash equivalents	18,717,724	17,252,295
	<hr/>	<hr/>
Total current assets	56,447,159	45,705,480
	<hr/>	<hr/>
Total assets	61,277,296	48,002,217
	<hr/> <hr/>	<hr/> <hr/>

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY AND LIABILITIES		
Equity		
Share capital	11	11
Treasury shares	(34,297)	(50,636)
Reserves	64,196,597	59,618,857
Accumulated losses	(19,382,063)	(19,714,839)
	<hr/>	<hr/>
Equity attributable to owners of the Company	44,780,248	39,853,393
Non-controlling interests	4,314	1,190
	<hr/>	<hr/>
Total equity	44,784,562	39,854,583
	<hr/>	<hr/>
Liabilities		
Non-current liabilities		
Deferred tax liabilities	7,819	8,887
Lease liabilities	128,761	133,715
	<hr/>	<hr/>
Total non-current liabilities	136,580	142,602
	<hr/>	<hr/>
Current liabilities		
Trade payables	10,526,029	5,485,066
Income tax payables	380,186	118,808
Contract liabilities	1,374,953	395,412
Financial liabilities at fair value through profit or loss	108,927	98,743
Lease liabilities	70,649	67,554
Accrued expenses and other payables	3,895,410	1,839,449
	<hr/>	<hr/>
Total current liabilities	16,356,154	8,005,032
	<hr/>	<hr/>
Total liabilities	16,492,734	8,147,634
	<hr/>	<hr/>
Total equity and liabilities	61,277,296	48,002,217
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

General information and basis of preparation of consolidated financial statements

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

The consolidated financial statements are presented in RMB, which is different from the Company’s functional currency of USD. All values are rounded to the nearest thousand (’000) except when otherwise indicated.

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

Application of amendments to IFRSs

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

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

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

Revenue

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Type of goods or services		
Product revenue:		
Sales of pharmaceutical and healthcare products	40,366,661	26,177,177
Service revenue:		
Marketplace, advertising and other services	6,369,489	4,505,090
	<u>46,736,150</u>	<u>30,682,267</u>
Timing of revenue recognition		
A point in time	46,163,917	30,225,217
Overtime	572,233	457,050
	<u>46,736,150</u>	<u>30,682,267</u>

Profit/(loss) before income tax

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	36,340,928	23,412,436
Employee benefit expenses	3,117,187	3,389,810
Expenses of logistics and warehousing services	2,917,396	1,804,480
Expenses of technology and traffic support services provided by JD Group	1,770,198	1,271,666
Expenses of promotion and advertising	922,224	1,289,829
Expenses of payment services	415,755	269,492
Depreciation of property and equipment, right-of-use assets and amortization of intangible assets	140,676	63,169
Auditor's remuneration	7,559	6,800
Provision/(reversals) for impairment of inventories and advance to suppliers	356,377	(22,695)

Income tax expense

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Current tax		
PRC EIT	414,386	226,964
Deferred tax	(101,806)	(55,637)
	<u>312,580</u>	<u>171,327</u>

Earnings/(loss) per share

	Year ended December 31,	
	2022	2021
Numerator		
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share (RMB'000)	<u>380,105</u>	<u>(1,073,507)</u>
Denominator		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (thousand shares)	3,106,937	3,094,893
Add: effect of dilutive potential ordinary share: options and RSUs granted (thousand shares)	<u>37,439</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share (thousand shares)	<u>3,144,376</u>	<u>3,094,893</u>
Basic earnings/(loss) per share attributable to owners of the Company (RMB per share)	<u>0.12</u>	<u>(0.35)</u>
Diluted earnings/(loss) per share attributable to owners of the Company (RMB per share)	<u>0.12</u>	<u>(0.35)</u>

For the year ended December 31, 2021, the potential dilutive 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 year ended December 31, 2022, the share options and RSUs granted by the Company have potential dilutive effect on the earnings per share.

Trade and note receivables

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables from third parties	773,575	363,922
Trade receivables from a related party	18,275	15,099
Note receivables	306,031	33,784
Less: allowance for expected credit loss (“ECL”)	(142,923)	(44,721)
	954,958	368,084

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

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Within 3 months	519,165	297,709
3 to 6 months	182,139	37,647
6 to 12 months	55,313	17,678
Over 12 months	16,958	10,888
	773,575	363,922
Less: allowance for ECL	(142,923)	(44,721)
	630,652	319,201

Trade payables

Trade payables primarily consist of payables to suppliers.

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

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Within 3 months	8,817,716	4,439,590
3 to 6 months	1,589,398	939,555
6 to 12 months	118,915	105,921
	10,526,029	5,485,066

Dividends

No dividend was paid or declared for ordinary shareholders of the Company for the year ended December 31, 2022, nor has any dividend been proposed since December 31, 2022 (2021: none).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders of the Company (the "**Shareholders**"). During the Reporting Period, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

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

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2022 (the "**Annual Report**").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code throughout the year ended December 31, 2022.

SCOPE OF WORK OF THE COMPANY'S AUDITORS

The figures in respect to the Group's consolidated results for the year ended December 31, 2022 as set out in this announcement have been agreed by the Company's independent auditor, Messrs. Deloitte Touche Tohmatsu (the "**Auditor**"), to the amounts set out in the audited consolidated financial statements of the Group for the year ended December 31, 2022 as approved by the Board of Directors on March 22, 2023. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by the Auditor on this announcement.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 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 BOARD COMMITTEES

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

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

During the year ended December 31, 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 repurchase	No. of shares repurchased	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
September 2022	2,651,200	47.55	43.80	121,685,674
October 2022	3,833,950	47.95	40.60	167,074,939
	<u>22,702,000</u>			<u>1,003,488,856</u>

Save as disclosed in this announcement, during the year ended December 31, 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.

FINAL DIVIDEND

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2022.

USE OF NET PROCEEDS

With the shares listed on the Hong Kong Stock Exchange on December 8, 2020, the net proceeds from the Global Offering (following full exercise of the Over-allotment Option) were approximately RMB25.7 billion (the “**Net Proceeds**”) after deducting underwriting commissions and offering expenses, which will be utilized for the purposes as set out in the Prospectus. There has been no change in the intended use of net proceeds and expected time of full utilization as previously disclosed in the Prospectus.

The following table sets forth a summary of the utilization of the net proceeds as of December 31, 2022:

Purpose	Net proceeds (RMB million)	Unutilized amount as of January 1, 2022 (RMB million)	Amount utilized for the year ended December 31, 2022 (RMB million)	Unutilized amount as of December 31, 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	3,834	6,454
Research and development	7,716	7,716	—	7,716
Potential investments and acquisitions or strategic alliances	5,144	5,144	2,233	2,911
Working capital needs and general corporate purpose	2,573	1,517	869	648
	<u>25,721</u>	<u>24,665</u>	<u>6,936</u>	<u>17,729</u>

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at ir.jdhealth.com. The Annual Report will be published on the aforesaid websites of the Hong Kong Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

By order of the Board
JD Health International Inc.
Mr. Enlin Jin
Executive Director

Hong Kong, March 22, 2023

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