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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 Codes: 6618 (HKD counter) and 86618 (RMB counter))**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of JD Health International Inc. (the “**Company**” or “**JD Health**”) is pleased to announce the unaudited consolidated results of the Company, its subsidiaries and the consolidated affiliated entities (collectively, the “**Group**”) for the six months ended June 30, 2023 (the “**Reporting Period**”). These interim results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

In this announcement, “we”, “us”, and “our” refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above). In addition, “JD Group” refers to JD.com, Inc. (NASDAQ: JD; HKEX: 9618 (HKD counter) and 89618 (RMB counter)) and its subsidiaries, including JD Logistics, Inc. (“**JD Logistics**”) (HKEX: 2618), and its consolidated affiliated entities, excluding our Group.

### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended June 30,</b>		<b>Year-on-year change (%)</b>
	<b>2023 RMB’000 (Unaudited)</b>	<b>2022 RMB’000 (Unaudited)</b>	
Revenue	<b>27,110,336</b>	20,225,212	34.0
Gross profit	<b>6,203,000</b>	4,414,559	40.5
Profit before income tax	<b>1,831,226</b>	377,346	385.3
Profit for the period	<b>1,561,992</b>	222,958	600.6
Non-IFRS profit for the period <sup>(1)</sup>	<b>2,435,660</b>	1,210,653	101.2

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

2023 marks the first year of implementation of the guiding principles of the 20th CPC National Congress, and a crucial year for the advancement of China's "14th Five-Year Plan". Internet healthcare is playing an increasingly important role in providing people with quick and easy access to high-quality medication, medical consultations and health management services.

Since the beginning of 2023, the government has introduced a series of supportive policies for the development of internet healthcare industry. Among them, the "Opinions on Further Improving the Medical and Health Service System" (《關於進一步完善醫療衛生服務體系的意見》), issued by the General Office of the CPC Central Committee and the General Office of the State Council, proposed to promote the development of "Internet + Healthcare" and an industrial internet platform for the medical field, with the goal of accelerating the application of information technology across health sectors. In addition, the Catalogue for Guiding Industry Restructuring (2023 edition, draft for comments) (《產業結構調整指導目錄 (2023年本, 徵求意見稿) 》), recently issued by the National Development and Reform Commission, encouraged the application of internet technologies and medical big data as well as greater development of the access to psychological consultations and traditional Chinese medicine (TCM). As an industry-leading healthcare service provider, JD Health has actively responded to such policy guidelines and directives, leveraging its advanced technologies to construct an integrated online and offline healthcare service system, and ensuring the orderly implementation and provision of innovative healthcare services.

In the first half of 2023, our business maintained rapid growth with total revenue of RMB27.1 billion, representing a year-over-year growth of 34.0%. We strove to offer our users better-quality, more convenient and more inclusive healthcare services by enriching our product offerings and accelerating our omnichannel and multi-sector initiatives, thereby strengthening user trust and brand recognition. Our annual active user accounts for the 12 months ended June 30, 2023 reached 168.6 million, representing a net addition of 37.3 million from 131.3 million as of June 30, 2022. Leveraging on our innovative technology and digital operation capabilities, we also continued to enhance user experience across online healthcare services with refined service processes. As a result, the average daily online consultation volume exceeded 440,000 in the first half of the year.

## **Retail pharmacy**

Our retail business model integrates direct sales, online marketplace and omnichannel initiatives. During the Reporting Period, we continuously opened up and optimized our retail pharmacy ecosystem, achieving sustainable and shared growth with our partners. In addition, we strengthened our supply chain capacities and maintained competitive pricing while insisting on compliant operations and stringent quality standards. This has enabled us to offer our users better-quality, more affordable pharmaceutical and healthcare products, earning their deepening trust and loyalty.

### *Direct sales*

We operate our direct sales business through “JD Pharmacy”, for which we have gradually established a comprehensive supply chain network and continued to expand cooperation with industry-leading pharmaceutical companies and healthcare product suppliers. During the Reporting Period, the direct sales business recorded revenue of RMB23.2 billion, representing a year-over-year increase of 32.5%. Relying on our strong supply chain capabilities, we ensured the timely and safe delivery of medicines and healthcare products while strengthening our competitive edge by continually expanding our fulfillment network, a three-tiered, omnichannel network designed to cover all temperature zones. We captured post-pandemic changes in consumption trends and user habits by tapping deeply into users’ health needs and encouraged cross-selling through precise digital marketing and enriched product supply. During the Reporting Period, our users’ repeat purchase rate and new user retention rate continued to improve, benefitting from our users’ intensified awareness and brand recognition of JD Health.

During the Reporting Period, we also fostered stronger cooperation with numbers of global pharmaceutical companies, striving to make quality pharmaceuticals more accessible through our industry-leading omnichannel retail network. A number of new and specialty drugs debuted on JD Pharmacy, offering patients the cutting-edge medication solutions in the world, including RINVOQ<sup>®</sup> (upadacitinib) extended-release tablets, AbbVie’s pioneering, targeted therapy drug to treat atopic dermatitis, and Fubangde<sup>®</sup> (複邦德<sup>®</sup>) (Ainuovirine, Lamivudine and Tenofovir Disoproxil Fumarate Tablets), a new Class I innovative drug developed by Aidea Pharma. Supported by our industry-leading cold chain fulfillment capabilities, Huadong Medicine’s Liraglutide<sup>®</sup> (liraglutide biosimilar) also debuted on the platform. In addition, through our self-operated offline DTP (“**Direct to Patient**”) pharmacies, we further expanded our user outreach while becoming an important partner for a wide array of innovative pharmaceutical companies to develop their omnichannel business.

Furthermore, we empowered our partners with optimized digital marketing strategies covering the entire lifecycles of their products, enabling them to improve marketing efficiency while reducing marketing costs. On the back of JD Health’s comprehensive business model, we continued to expand cooperation with Abbott, OMRON and other brands, jointly establishing a digital chronic disease management system and providing closed-loop online health management solutions for diabetes patients with upgraded products and user experiences. We also remained focused on enhancing our refined omnichannel operation capabilities by exploring in-hospital channels for medical devices and carrying out in-depth cooperation with SHINVA across network expansion, product customization and digital marketing, among other aspects. In terms of nutrition and health supplements, we offered a variety of precise and professional nutrition solutions provided by dietitians, pharmacists, and newborn care consultants who practice on our platform. We also broadened our product offering by cooperating with pharmaceutical companies to address the diverse health needs of users while assisting partners in exploring growth opportunities. During the Reporting Period, we joined hands with Sanofi’s probiotic brand Enterogermina and successfully launched three new probiotic products online.

### ***Online marketplace and omnichannel initiative***

To drive our online marketplace’s sustainable growth and success, we continued to improve user experience on our platform by leveraging the synergic operations between our online marketplace and direct sales business. By providing an upgraded digital operation system and enabling broader customer reach, we have attracted more third-party merchants to come on board, further enriching our platform’s product offering. As of June 30, 2023, there were more than 36,000 third-party merchants on our online marketplace platform. During the “618” Grand Promotion this year, we introduced a series of supportive policies for merchants and brands, including coordinated marketing and promotional campaigns, traffic supports and brand marketing solutions. These efforts resulted in a record high in both the total number of merchants and the total number of products participating in the promotion, while also propelling increases in brands’ sales, with more than 7,000 brands’ sales doubling during the promotion.

To further accelerate our omnichannel initiative, we also focused on the on-demand retail service experience and fully completed our operational integration with the “JD Daojia” (京東到家) platform for pharmaceutical and health product categories during the Reporting Period. Our on-demand retail business operated through direct sales offline pharmacies and online marketplace business model, creating competitive advantages through a wide selection of quality product offerings and superior customer experience. Furthermore, we launched a series of traffic supports and precision marketing solutions to enhance merchants’ operation efficiency, attracting additional merchants and better retaining those who already operate on our platform. As of June 30, 2023, our omnichannel network has covered more than 400 cities across the country, providing on-demand retail services for our users with access to more than 1,200 chain store brands and 100,000 merchants, of which more than 60% are located in lower-tier cities.

## **Healthcare services**

We are firmly committed to upgrading our online healthcare service experience and providing users with greater access to quality healthcare services. During the Reporting Period, we continued to explore innovative medical service models in the field of specialized diseases, aiming to provide users with an easy access point to closed-loop online medical services. We also upgraded our family doctor services and offered personalized and continuous health management services throughout users' lifecycles, while further strengthening our collaboration with offline medical institutions and service providers to improve accessibility of quality healthcare services.

### ***Integrated online and offline medical services***

To deliver more efficient, professional and reliable online medical services to our users, we have consistently enhanced the service capabilities of JD Health Online Hospital (京東健康互聯網醫院). As of June 30, 2023, the average daily consultation volume of our online hospital exceeded 440,000. During the Reporting Period, leveraging our online medical resources and digital technology, we established one of the first online medical centers specializing in dermatology in China to provide closed-loop medical services to our users, meeting their long-term disease management needs in the most convenient way. Thus far, our online hospital has attracted more than 40 renowned dermatology specialists who have opened “virtual clinics” online under their personal brands, and has engaged nearly 3,000 dermatologists from Class 3-A hospitals. Furthermore, designed to offer professional and convenient counseling services to users, our newly-launched psychological service center has attracted more than 1,000 therapists and 6,000 psychiatrists to join the platform to provide a variety of services including psychological health screening, counseling and diagnosis. Empowered by JD Health's digital technologies, it also enables precise matching while ensuring user privacy and security at the same time.

We also upgraded our JD family doctor service offering during the Reporting Period and introduced the “year-round caring for elderly” service (老人全年照護服務), aiming to improve our elderly users' health conditions and overall well-being through continuous health status tracking and proactive care provided by their dedicated family doctors. 99% of users have given us positive feedback since we launched the service. Among our other consumer healthcare services, we further improved the physical examination service experience and upgraded our “all-access card” benefits by offering users access to a broader variety of online and offline health management services.

Furthermore, “Suyu Community Hospital”, a primary medical institution we jointly built with the Suyu District government of Suqian City and the Suyu District Health Bureau, officially opened during the Reporting Period, while the JD Health Examination Center Suqian Store also officially commenced operation. Taken together, these initiatives will provide a high-quality, efficient and convenient medical service experience for residents in Suqian through our industry leading “online + offline” service network and medical resources.

## ***Smart healthcare solutions and digital health***

We have implemented our smart healthcare solutions in numerous medical institutions to facilitate their efficiency improvement and elevate patients' medical experience. During the Reporting Period, we jointly built a regional medical service platform with the Civil Administration and Health Bureau of Xinwu District, Wuxi City, to provide one-stop services such as online follow-up visits, digital prescription, and prescription delivery for local residents through the integration of various offline medical resources within the district. Following the successful trail in Haidian District of Beijing, we have implemented the AI-based prescription vetting system in 16 community service centers during the Reporting Period, facilitating the standardizing of prescription review for more community hospitals to ensure medication safety while improving diagnostic efficiency.

We also forged a new cooperation with HUAWEI during the Reporting Period to provide users with medical examination report interpretation services through its new smart watch, HUAWEI WATCH 4. The service, which is provided by doctors from JD Health Online Hospital, is available online 24/7 with a 60-second average response time and offers detailed interpretation of mini-medical reports within 30 minutes. Beyond that, our doctors will also provide personalized services such as health consultation, life health guidance, and online diagnosis and treatment based on users' specific situations.

## **Public welfare and corporate social responsibility**

As a healthcare service enterprise that centers on users' health in everything we do, we have always actively fulfilled our social responsibilities and strongly supported the high-quality development of the healthcare industry.

We continued to carry out public welfare activities and provide assistance to people in need, making quality healthcare resources more accessible and safeguarding people's health and well-being. We have launched multiple healthcare initiatives with the China Social Assistance Foundation and worked with brand partners to donate healthcare materials, including vitamins, HPV self-test kits, fingertip oximeters and more, to women and children living in rural areas. During the Reporting Period, we have collaborated with 45 caring partners and carried out 25 medical and health public welfare activities with joint donation of more than RMB20 million.

## Prospects

As an industry-leading, innovative healthcare service provider, we will forge ahead by further opening our ecosystem, continually strengthening our supply chain capabilities for pharmaceutical and healthcare products and improving our healthcare services capabilities to provide users with accessible, convenient and affordable healthcare products and services. With respect to the retail pharmacy business, we believe this market demonstrates significant growth potential as users develop healthier consumption habits. We will continue to develop our capabilities in this field, unlocking the value embedded in our “direct sales + online marketplace + omnichannel initiative” ecosystem. To that end, we will join hands with brands and business partners to increase the accessibility of drugs and healthcare products, focusing on user experience improvements in our on-demand retail service while also employing a strategy targeting lower-tier markets. In terms of healthcare services, we will fulfill users’ diverse healthcare needs by building a closed service loop in the field of specialized diseases and exploring opportunities for online healthcare service solutions across different usage scenarios. Meanwhile, we will deepen our cooperation with doctors, medical institutions, government departments and other industry participants, providing them with digital and intelligent solutions, in an effort to promote the development of integrated online and offline healthcare services. In addition, we will utilize our healthcare-specific large language model to upgrade our AI-based medical services and solutions, empowering ecosystem partners to better and more efficiently serve users through our open platform and technology innovation.

Going forward, JD Health will remain committed to its business philosophy of “trust-based value creation, centered on customers’ health”, better fulfilling our customers’ evolving healthcare needs while expanding cooperation with our ecosystem partners to pursue shared growth across the health and wellness industry.

# FINANCIAL REVIEW

## Revenue

Our revenue increased by 34.0% from RMB20.2 billion for the six months ended June 30, 2022 to RMB27.1 billion for the six months ended June 30, 2023. The increase in our total revenue was primarily due to an increase by 32.5% in products revenue from sales of pharmaceutical and healthcare products from RMB17.5 billion for the six months ended June 30, 2022 to RMB23.2 billion for the six months ended June 30, 2023. 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 43.7% from RMB2.7 billion for the six months ended June 30, 2022 to RMB3.9 billion for the six months ended June 30, 2023. 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 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 32.2% from RMB15.8 billion for the six months ended June 30, 2022 to RMB20.9 billion for the six months ended June 30, 2023. The increase was primarily due to an increase in the sales volume of our pharmaceutical and healthcare products through JD Pharmacy, which was in line with the growth of our retail pharmacy and healthcare business.

## Gross profit and gross profit margin

As a result of the foregoing, we recorded a gross profit of RMB4.4 billion for the six months ended June 30, 2022, representing a gross profit margin of 21.8%, and a gross profit of RMB6.2 billion for the six months ended June 30, 2023, representing a gross profit margin of 22.9%. The increase in the gross profit margin was primarily due to a change in the product mix.

## Fulfillment expenses

Our fulfillment expenses increased by 31.9% from RMB1.9 billion for the six months ended June 30, 2022 to RMB2.6 billion for the six months ended June 30, 2023. 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 employee benefit expenses and 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 9.6% for the six months ended June 30, 2022 to 9.5% for the six months ended June 30, 2023.



## **Selling and marketing expenses**

Our selling and marketing expenses increased by 28.0% from RMB0.9 billion for the six months ended June 30, 2022 to RMB1.2 billion for the six months ended June 30, 2023. The increase was primarily due to (i) an increase in expenses of technology and traffic support services provided by JD Group, and (ii) an increase in expenses of promotion and advertising. Selling and marketing expenses as a percentage of revenue decreased from 4.6% for the six months ended June 30, 2022 to 4.4% for the six months ended June 30, 2023.

## **Research and development expenses**

Our research and development expenses increased by 26.7% from RMB486.8 million for the six months ended June 30, 2022 to RMB616.9 million for the six months ended June 30, 2023. The increase was primarily attributable to (i) an increase in expenses of technology and traffic support services provided by JD Group, and (ii) an increase in employee benefit expenses for employees involved in research and development activities. Research and development expenses as a percentage of revenue decreased from 2.4% for the six months ended June 30, 2022 to 2.3% for the six months ended June 30, 2023.

## **General and administrative expenses**

Our general and administrative expenses decreased by 11.1% from RMB986.2 million for the six months ended June 30, 2022 to RMB876.8 million for the six months ended June 30, 2023, primarily attributable to a decrease of share-based payment expenses. General and administrative expenses as a percentage of revenue decreased from 4.9% for the six months ended June 30, 2022 to 3.2% for the six months ended June 30, 2023.

## **Finance income**

Our finance income increased by 324.4% from RMB220.6 million for the six months ended June 30, 2022 to RMB936.5 million for the six months ended June 30, 2023, 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 74.4% from RMB154.4 million for the six months ended June 30, 2022 to RMB269.2 million for the six months ended June 30, 2023, primarily due to the increase of taxable income, partially offset by the impacts of deferred income tax.

## **Profit for the period**

As a result of the foregoing, we incurred a profit of RMB223.0 million for the six months ended June 30, 2022 and a profit of RMB1,562.0 million for the six months ended June 30, 2023.

## 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 for the period, calculated and presented in accordance with IFRSs, to the non-IFRS profit for the six months ended June 30, 2023 and 2022:

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Reconciliation of profit to non-IFRS profit:</b>		
Profit for the period	<b>1,561,992</b>	222,958
Add:		
Share-based payment expenses	<b>802,223</b>	980,280
— <i>Fulfillment expenses</i>	<b>58,468</b>	67,963
— <i>Selling and marketing expenses</i>	<b>19,410</b>	23,398
— <i>Research and development expenses</i>	<b>49,285</b>	51,124
— <i>General and administrative expenses</i>	<b>675,060</b>	837,795
Fair value changes for financial assets and financial liabilities at fair value through profit or loss (“FVTPL”) except for wealth management products <sup>(1)</sup>	<b>56,272</b>	10,807
Tax effects on non-IFRS adjustments	<b>15,173</b>	(3,392)
<b>Non-IFRS profit for the period</b>	<b><u>2,435,660</u></b>	<b><u>1,210,653</u></b>

(1) Represents gains or losses from fair value changes on equity investments and derivatives 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, 2023, 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 RMB11.9 billion and RMB18.7 billion as of June 30, 2023 and December 31, 2022, respectively.

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

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash generated from operating activities	<b>368,079</b>	2,256,115
Net cash used in investing activities	<b>(7,240,181)</b>	(2,810,535)
Net cash used in financing activities	<b>(18,521)</b>	(631,511)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(6,890,623)</b>	(1,185,931)
Cash and cash equivalents at the beginning of the period	<b>18,717,724</b>	17,252,295
Effects of foreign exchange rate changes on cash and cash equivalents	<b>68,665</b>	601,664
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>11,895,766</u></b>	<b><u>16,668,028</u></b>

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

### *Net cash generated from operating activities*

For the six months ended June 30, 2023, net cash generated from operating activities was RMB0.4 billion, which was primarily attributable to the profit for the period of RMB1.6 billion, as adjusted by (i) non-cash and non-operating items, which primarily consisted of share-based payment expenses of RMB0.8 billion and certain other items of RMB0.7 billion in aggregate, offset by finance income of RMB0.9 billion, and (ii) changes in working capital, which primarily resulted from a decrease in certain current assets of RMB2.0 billion, offset by a decrease in certain current liabilities of RMB3.9 billion.

For the six months ended June 30, 2022, net cash generated from operating activities was RMB2.3 billion, which was primarily attributable to the 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.

### ***Net cash used in investing activities***

For the six months ended June 30, 2023, net cash used in investing activities was RMB7.2 billion, which was primarily attributable to the placement of term deposits of RMB11.8 billion, the purchase of financial assets at FVTPL of RMB3.8 billion and financial assets at amortized cost of RMB0.7 billion, partially offset by the maturity of term deposits of RMB8.1 billion and financial assets at FVTPL of RMB1.0 billion.

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

### ***Net cash used in financing activities***

For the six months ended June 30, 2023, net cash used in financing activities was RMB18.5 million, which was primarily attributable to the principal portion of lease payments of RMB9.4 million.

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.

### **Gearing ratio**

As of June 30, 2023, we had no outstanding borrowings. Therefore, the gearing ratio is not presented herein.

### **Significant investments held**

We did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as at June 30, 2023) during the six months ended June 30, 2023.

### **Material acquisitions and/or disposals of subsidiaries and affiliated companies**

Save as disclosed in this announcement, we did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies during the six months ended June 30, 2023.

### **Future plans for material investments and capital assets**

As of June 30, 2023, we did not have other plans for material investments and capital assets.

## Employee and remuneration policy

The following table sets forth the numbers of employees dedicated to our business and operations categorized by function as of June 30, 2023.

Function	Number of Employees	% of Total
Procurement	1,911	69.4
Sales and Marketing	222	8.1
Research and Development	514	18.7
General and Administrative	104	3.8
	<u>2,751</u>	<u>100.0</u>

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

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

The total employee benefit expenses, including share-based payment expenses, for the six months ended June 30, 2023 were RMB1.3 billion, as compared to RMB1.5 billion for the six months ended June 30, 2022.

## Foreign exchange risk

The functional currency of our entities incorporated in the Cayman Islands, British Virgin Islands and Hong Kong is the United States dollar ("USD"). Our PRC subsidiaries and consolidated affiliated entities determined their functional currency to be Renminbi ("RMB"). Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of our entities. In addition, we have intra-group balances with several subsidiaries denominated in foreign currency which also expose us to foreign currency risk. During the six months ended June 30, 2023, 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, 2023, we did not have any material contingent liabilities or guarantees.

## Borrowings

As of June 30, 2023, we had no outstanding borrowings.

## Significant events after June 30, 2023

Save as disclosed in this announcement and as at the date of this announcement, there were no other significant events that might affect the Group since June 30, 2023.

# INTERIM FINANCIAL INFORMATION

## Condensed Consolidated Statement of Profit or Loss

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	<b>27,110,336</b>	20,225,212
Cost of revenue	<b>(20,907,336)</b>	(15,810,653)
	<hr/>	<hr/>
<b>Gross profit</b>	<b>6,203,000</b>	4,414,559
Fulfillment expenses	<b>(2,570,542)</b>	(1,948,219)
Selling and marketing expenses	<b>(1,194,914)</b>	(933,296)
Research and development expenses	<b>(616,863)</b>	(486,797)
General and administrative expenses	<b>(876,775)</b>	(986,159)
Other income and gains, net	<b>52,111</b>	161,079
Finance income	<b>936,455</b>	220,643
Finance costs	<b>(4,387)</b>	(4,873)
Impairment losses under expected credit loss model, net of reversal	<b>(64,662)</b>	(11,025)
Share of results of associates and joint ventures	<b>(32,197)</b>	(48,566)
	<hr/>	<hr/>
<b>Profit before income tax</b>	<b>1,831,226</b>	377,346
Income tax expense	<b>(269,234)</b>	(154,388)
	<hr/>	<hr/>
<b>Profit for the period</b>	<b>1,561,992</b>	222,958
	<hr/> <hr/>	<hr/> <hr/>
<b>Profit for the period attributable to:</b>		
Owners of the Company	<b>1,561,358</b>	223,552
Non-controlling interests	<b>634</b>	(594)
	<hr/>	<hr/>
	<b>1,561,992</b>	222,958
	<hr/> <hr/>	<hr/> <hr/>
	<b><i>RMB</i></b>	<b><i>RMB</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings per share</b>		
Basic	<b>0.50</b>	0.07
	<hr/> <hr/>	<hr/> <hr/>
Diluted	<b>0.49</b>	0.07
	<hr/> <hr/>	<hr/> <hr/>

## Condensed Consolidated Statement of Comprehensive Income/(Loss)

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>1,561,992</b>	222,958
<b>Other comprehensive income/(loss)</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(85,772)	(56,733)
<i>Item that may not be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	1,638,901	1,958,120
<b>Other comprehensive income for the period</b>	<b>1,553,129</b>	1,901,387
<b>Total comprehensive income for the period</b>	<b>3,115,121</b>	2,124,345
<b>Total comprehensive income/(loss) for the period attributable to:</b>		
Owners of the Company	3,114,487	2,124,939
Non-controlling interests	634	(594)
	<b>3,115,121</b>	2,124,345

## Condensed Consolidated Statement of Financial Position

	As of <b>June 30,</b> <b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	As of December 31, 2022 <i>RMB'000</i> <i>(Audited)</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property and equipment	90,397	46,643
Right-of-use assets	204,398	205,268
Intangible assets	2,287,504	2,268,011
Investments in associates	3,710	3,179
Investments in joint ventures	383,317	415,295
Financial assets at fair value through profit or loss	1,191,650	1,204,690
Deferred tax assets	241,018	208,465
Prepayments, other receivables and other assets	489,485	478,586
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>4,891,479</b>	4,830,137
	<hr/>	<hr/>
<b>Current assets</b>		
Inventories	5,136,251	5,996,269
Trade and note receivables	371,279	954,958
Prepayments, other receivables and other assets	2,467,448	2,496,721
Financial assets at fair value through profit or loss	4,020,854	1,003,061
Term deposits	32,552,914	27,245,424
Restricted cash	11,624	33,002
Cash and cash equivalents	11,895,766	18,717,724
	<hr/>	<hr/>
<b>Total current assets</b>	<b>56,456,136</b>	56,447,159
	<hr/>	<hr/>
<b>Total assets</b>	<b>61,347,615</b>	61,277,296
	<hr/> <hr/>	<hr/> <hr/>



## Condensed Consolidated Statement of Financial Position — continued

	As of <b>June 30,</b> <b>2023</b> <i>RMB'000</i> (Unaudited)	As of December 31, 2022 <i>RMB'000</i> (Audited)
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	11	11
Treasury shares	(29,021)	(34,297)
Reserves	66,529,732	64,196,597
Accumulated losses	(17,820,705)	(19,382,063)
	<hr/>	<hr/>
<b>Equity attributable to owners of the Company</b>	<b>48,680,017</b>	44,780,248
<b>Non-controlling interests</b>	<b>14,107</b>	4,314
	<hr/>	<hr/>
<b>Total equity</b>	<b>48,694,124</b>	44,784,562
	<hr/>	<hr/>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	7,819	7,819
Lease liabilities	132,615	128,761
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>140,434</b>	136,580
	<hr/>	<hr/>
<b>Current liabilities</b>		
Trade payables	8,341,749	10,526,029
Income tax payables	343,316	380,186
Contract liabilities	385,169	1,374,953
Financial liabilities at fair value through profit or loss	154,446	108,927
Lease liabilities	84,129	70,649
Accrued expenses and other payables	3,204,248	3,895,410
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>12,513,057</b>	16,356,154
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>12,653,491</b>	16,492,734
	<hr/>	<hr/>
<b>Total equity and liabilities</b>	<b>61,347,615</b>	61,277,296
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Condensed Consolidated Financial Statements

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

### *Application of new and amendments to IFRSs*

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on January 1, 2023 for the preparation of the Group’s condensed consolidated financial statements:

<b>New and amendments</b>	<b>Contents</b>
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

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

### *Significant accounting policies*

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. 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, 2023 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2022.

## *Revenue*

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Type of goods or services</b>		
Product revenue:		
Sales of pharmaceutical and healthcare products	<b>23,167,780</b>	17,482,012
Service revenue:		
Marketplace, advertising and other services	<b>3,942,556</b>	2,743,200
	<b>27,110,336</b>	20,225,212
<b>Timing of revenue recognition</b>		
A point in time	<b>26,861,902</b>	19,967,929
Overtime	<b>248,434</b>	257,283
	<b>27,110,336</b>	20,225,212

## *Profit before income tax*

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of inventories sold	<b>20,661,015</b>	15,724,029
Expenses of logistics and warehousing services	<b>1,697,436</b>	1,227,050
Employee benefit expenses	<b>1,295,313</b>	1,516,937
Expenses of technology and traffic support services provided by JD Group	<b>1,048,846</b>	751,242
Expenses of promotion and advertising	<b>504,410</b>	379,193
Expenses of payment services	<b>223,208</b>	170,200
Provision for impairment of inventories and advance to suppliers	<b>179,571</b>	18,026
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	<b>107,930</b>	50,984

## *Income tax expense*

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax	<b>313,509</b>	163,314
Deferred tax	<b>(44,275)</b>	(8,926)
	<b>269,234</b>	154,388

## *Earnings per share*

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Numerator</b>		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share (RMB'000)	<b>1,561,358</b>	223,552
<b>Denominator</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share (thousand shares)	<b>3,120,282</b>	3,107,630
Add: effect of dilutive potential ordinary share: options and RSUs granted (thousand shares)	<b>42,230</b>	32,117
Weighted average number of ordinary shares for the purpose of diluted earnings per share (thousand shares)	<b>3,162,512</b>	3,139,747
Basic earnings per share attributable to owners of the Company (RMB per share)	<b>0.50</b>	0.07
Diluted earnings per share attributable to owners of the Company (RMB per share)	<b>0.49</b>	0.07

For six months ended June 30, 2023 and 2022, the share options and restricted share units (“RSUs”) granted by the Company have potential dilutive effect on the earnings per share.

*Trade and note receivables*

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	<b>As of December 31, 2022 RMB'000 (Audited)</b>
Trade receivables from third parties	<b>526,473</b>	773,575
Trade receivables from a related party	<b>33,801</b>	18,275
Note receivables	<b>18,590</b>	306,031
Less: allowance for expected credit loss (“ECL”)	<b>(207,585)</b>	(142,923)
	<b>371,279</b>	954,958

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

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	<b>As of December 31, 2022 RMB'000 (Audited)</b>
Within 3 months	<b>232,142</b>	519,165
3 to 6 months	<b>44,712</b>	182,139
6 to 12 months	<b>214,031</b>	55,313
Over 12 months	<b>35,588</b>	16,958
	<b>526,473</b>	773,575
Less: allowance for ECL	<b>(207,585)</b>	(142,923)
	<b>318,888</b>	630,652

## *Trade payables*

Trade payables primarily consist of payables to suppliers.

The credit period of trade payables is mainly ranging from 30 to 90 days. An aging analysis of the trade payables based on the invoice date is as follows:

	<b>As of June 30, 2023 RMB'000 (Unaudited)</b>	<b>As of December 31, 2022 RMB'000 (Audited)</b>
Within 3 months	<b>7,950,328</b>	8,817,716
3 to 6 months	<b>285,453</b>	1,589,398
6 to 12 months	<b>105,968</b>	118,915
	<b><u>8,341,749</u></b>	<u>10,526,029</u>

## *Dividends*

No dividend was paid or declared for ordinary shareholders of the Company for six months ended June 30, 2023, nor has any dividend been proposed since June 30, 2023 (six months ended June 30, 2022: none).

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders of the Company (the "**Shareholders**"). 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 Listing Rules.

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

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors’ dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code throughout the six months ended June 30, 2023.

## **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 unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2023 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and Deloitte Touche Tohmatsu, the auditor of the Company (the “**Auditor**”).

The Auditor has reviewed condensed consolidated financial statements of the Group for the six months ended June 30, 2023 in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

## **OTHER BOARD COMMITTEES**

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

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

During the six months ended June 30, 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the Hong Kong Stock Exchange.

## INTERIM DIVIDEND

The Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2023.

## 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 June 30, 2023:

Purpose	Net proceeds (RMB million)	Unutilized amount as at January 1, 2023 (RMB million)	Amount utilized in the six months ended June 30, 2023 (RMB million)	Unutilized amount as at June 30, 2023 (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	6,454	3,095	3,359
Research and development	7,716	7,716	2	7,714
Potential investments and acquisitions or strategic alliances	5,144	2,911	—	2,911
Working capital needs and general corporate purpose	2,573	648	—	648
	<u>25,721</u>	<u>17,729</u>	<u>3,097</u>	<u>14,632</u>



# **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [ir.jdhealth.com](http://ir.jdhealth.com). The interim report of the Group for the six months ended June 30, 2023 will be published on the aforesaid websites of the Hong Kong Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

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

Hong Kong, August 16, 2023

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