

JDH 京东健康

JD Health International Inc.

京东健康股份有限公司

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

股份代號 Stock Code: 6618



 **2021** 中期報告
Interim Report



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CORPORATE INFORMATION

Board of Directors

Executive Director

Enlin Jin (金恩林) (*Chief Executive Officer*)
(Appointed on September 6, 2021)

Non-Executive Directors

Richard Qiangdong Liu (劉強東) (*Chairman*)
Lei Xu (徐雷)
Lijun Xin (辛利軍) (*Re-designated on September 6, 2021*)
Sandy Ran Xu (許冉)
Pang Zhang (張甯) (*Resigned on September 6, 2021*)
Qingqing Yi
Yayun Li (李姪雲) (*Resigned on March 29, 2021*)

Independent Non-Executive Directors

Xingyao Chen (陳興垚)
Ling Li (李玲)
Jiyu Zhang (張吉豫) (*Appointed on March 29, 2021*)
Wenyi Huang (黃文藝) (*Resigned on March 29, 2021*)

Audit Committee

Xingyao Chen (陳興垚) (*Chairman*)
Jiyu Zhang (張吉豫) (*Appointed on March 29, 2021*)
Sandy Ran Xu (許冉)
Wenyi Huang (黃文藝) (*Resigned on March 29, 2021*)

Remuneration Committee

Xingyao Chen (陳興垚) (*Chairman*)
Ling Li (李玲)
Sandy Ran Xu (許冉) (*Appointed on September 6, 2021*)
Pang Zhang (張甯) (*Resigned on September 6, 2021*)
Yayun Li (李姪雲) (*Resigned on March 29, 2021*)

Nomination Committee

Richard Qiangdong Liu (劉強東) (*Chairman*)
Jiyu Zhang (張吉豫) (*Appointed on March 29, 2021*)
Ling Li (李玲)
Wenyi Huang (黃文藝) (*Resigned on March 29, 2021*)

Company secretary

Ming King Chiu (趙明璟)

Authorized representatives

Lijun Xin (辛利軍)
Ming King Chiu (趙明璟)

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

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Principal bankers

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China Construction Bank Corporation
Standard Chartered Bank (China) Limited

Stock code

6618

Company website

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MANAGEMENT DISCUSSION AND ANALYSIS

As a subsidiary of JD Group, JD Health has its roots in the real economy, grows with the real economy and serves the real economy. The development direction and business philosophy of JD Health are different from that with traditional internet “platform model” in nature. We have established various online and offline integrated businesses, including JD Pharmacy, JD Health Internet Hospital and Pharmacy Alliance, and through our connected supply chain, we connect with various industrial enterprises, healthcare institutions, offline pharmacies, medical aesthetic service providers, dental clinics and other upstream, midstream and downstream enterprises. In addition, adhering to the proposition of JD Group, we continue to invest in businesses serving the real economy and promote the integration of digital technology and the real economy, so as to boost the total factor productivity.

Recently, regulatory authorities have strengthened the regulation on the industry, which is believed to shift gears in order to speed up the growth of the industry. Firstly, the government continues to provide long-term support to the development of the industry. Various policies promulgated recently provide strong support to the development of the industry. The annual session of the National People’s Congress and the Chinese People’s Political Consultative Conference for the first time in the Government Work Report suggested to promote the standardized development of “Internet + Healthcare”. The standardization of the industry is part of progress of the development of “Internet + Healthcare”. At the national conference on the medical reform held in July 2021, it was suggested that an emphasis should be placed on speeding up the construction of regional medical centers and county medical communities, promoting traditional Chinese medicine, building teams of doctors for rural areas and supporting and encouraging the development of the “Internet + Healthcare” industry. Under the background, market participants of the health and wellness industry have strived to speed up their digitalization, resulting in the expansion and fragmentation of the healthcare industry and the enrichment and upgrade of healthcare products and services. Built on the good momentum, the health and wellness industry is gathering pace in transformation.

Moreover, the growth driver of the industry remains unchanged. “Internet + Healthcare” industry shows its long-term value. As the pandemic prevention and control measures became part of daily routines, and with China’s continuous economic growth, consumption upgrade and population aging, people have come to realize the importance of health for their own well-being. In addition, development in technologies such as big data, cloud computing, AI and other digital technologies facilitated the digitalization of healthcare services, and thus improved the efficiency of the overall healthcare industry. Coupled with convenient and high-quality experiences, online healthcare services have been increasingly trusted and utilized by users.

As a leading online healthcare platform, our mission is to become the go-to health management platform for everyone in China. With this aim, we continue to strengthen our business foundation and make strategic deployment in the health and wellness industry for the future. Our strategic position is to create a technology-driven platform that centers on the supply chain of pharmaceutical and healthcare products and is strengthened by healthcare services, encompassing a user’s full life span for all healthcare needs. We are committed to offering our users easily accessible, convenient, high quality yet affordable pharmaceutical and healthcare products and services. To achieve this goal, we will closely follow policies and guidance from regulators and will put great efforts in three areas. Firstly, we will continue to tap our core businesses of retail pharmacy and online healthcare services, building a one-stop online health management platform. Secondly, we will serve the real economy and promote the upgrade of the industry through our digital technology capabilities in order to create greater value for all participants in the industrial chain. Thirdly, we will strive for innovation and make contribution to the society, assuming our social responsibilities, so as to become an excellent, caring and trustworthy enterprise.

Management Discussion and Analysis (Continued)

We maintained solid growth in the first half of 2021. During the Reporting Period, our total revenue amounted to RMB13.6 billion, representing a year-on-year growth of 55.4%. Through expanding our product offerings and improving the healthcare services on our platform, we are able to expand our service coverage to more enterprises, including medium, small and micro-sized enterprises, and to grassroots and rural households effectively at low cost and high efficiency. The Company serves the real economy by passing through the advantages brought by the policies, whereby bringing benefits to every user. As of June 30, 2021, the number of our active user accounts in the past 12 months reached 109 million, representing a net addition of over 18.8 million as compared with the number of our active user accounts in the 12 months ended December 31, 2020. The increasing number and stickiness of users have become the key growth drivers of our business growth. During the Reporting Period, we further improved our healthcare services and recorded an average daily consultation volume of over 160,000 in the first half of the year, a solid growth momentum despite the high base from last year.

Retail pharmacy

Our retail pharmacy business maintains healthy growth. We are a pioneer in transforming the supply chain of pharmaceutical and healthcare products in China. By combining direct sales, online marketplace and omnichannel initiatives, we provide users with an integrated one-stop shopping experience covering full scenario and users' full life span. At the same time, we have achieved immense scale with a wider range of products while maintaining competitive pricing and stringent quality control, thus gaining users' trust. Our retail pharmacy business offers high quality pharmaceutical and healthcare products including prescription drugs, OTC drugs, medical devices and supplies, as well as health supplements and tonic products. As of June 30, 2021, there were more than 40 million SKUs available on our platform.

Direct sales

In addition to assisting in online sales of merchants, we are committed to creating value for the development of the industry with our supply chain management capabilities. Our direct sales business operates mainly through JD Pharmacy, and we have gradually established a supply chain network with leading pharmaceutical companies and healthcare product suppliers. Leveraging our growing brand recognition and effective supply chain management capabilities, our direct sales business has maintained healthy growth. During the Reporting Period, our product revenue amounted to RMB11.8 billion, representing a year-on-year increase of 52.9%. In addition, our inventory turnover days continued to decrease as a result of improving operational efficiency. By leveraging JD Logistics' cold chain capabilities and extensive logistics network, we are able to provide superior fulfillment services to our customers covering a broad range of pharmaceutical and healthcare products. As of June 30, 2021, we utilize JD Group's 17 drug warehouses and over 350 non-drug warehouses nationwide.

We closely and strategically cooperated with leading global pharmaceutical companies during the Reporting Period. We deepened our cooperation with UCB China and became its strategic partner in distributing Zyrtec (cetirizine hydrochloride tablet and drops), an anti-allergic drug of UCB China. We facilitated the expansion and maintenance of multiple sales channels of Zyrtec including online channel, offline small and medium sized chain pharmacies as well as individual pharmacies. We also officially launched the AstraZeneca direct sales flagship store, Sanofi direct sales flagship store and other brand stores in order to provide more convenient and professional online and offline integrated healthcare services to patients with chronic diseases. In addition, a number of pharmaceutical companies chose to launch their new drugs

Management Discussion and Analysis (Continued)

online through our platform, including 百匯澤® (pamiparib capsule), a class I new drug independently developed by BeiGene launched through JD Pharmacy in May 2021. We also partnered with CROs (contract research organizations) and many pharmaceutical companies to establish JD Health Clinical Trial Patient Recruitment Center (京東健康臨床試驗患者招募中心) in an effort to speed up the research and development process of new drugs and the process of new drug approval and market launch of new drugs. In addition, we stepped up our efforts for offline channel deployments. In order to address the offline market and further improve the accessibility of new and specialty drugs, we have opened offline pharmacies near hospitals and DTP (“Direct to Patient”) pharmacies in many regions. With our integrated online and offline supply chain capabilities, we are able to provide users with convenient, high-quality and comprehensive healthcare services.

Leveraging the strength of JD Group in digital and intelligent social supply chains, we have provided our brand partners with professional and efficient supply chain solutions by integrating drug warehousing and transportation processes, providing trustworthy and reliable pharmaceutical products to our users. During the Reporting Period, we reached strategic cooperation with Sanofi China, Guilong Pharmaceutical and other domestic and overseas pharmaceutical companies. We also upgraded our strategic cooperation with Novartis Pharmaceuticals. In order to address the specific needs for supply chains from certain special drugs, during the Reporting Period, we partnered with JD Logistics to establish “direct sales cold chains” capabilities that cover 100 cities in 12 provincial-level administrative regions across China. With such capabilities, JD Pharmacy was able to expand its business into special drugs such as drugs for rare diseases. During the Reporting Period, a number of cold chain products of Eli Lilly and Company, Novartis, Sanofi and other brands became accessible through JD Pharmacy.

During the Reporting Period, we further explored the diversified demands of our target users by enriching our product offerings and providing users with more customized products. We provided brand companies with customized value-added services to create greater economic value. To meet the diversified needs of users, we provided new growing momentum to enterprises and promoted the consumption upgrade and manufacturing transformation by leveraging our digital technology and providing customized value-added services to brands to tailor make their products to the individual needs of users. We introduced a facial mask with designs inspired by Chinese New Year, a facial mask with essential oil, fragrance sanitizing gel, antibacterial hand cream and other customized products. We empowered brands of nutritious and tonic products and medical devices by combining products and customized services. During the Reporting Period, we directly cooperated with places of origin and introduced dried fish maw, Ejiao (colla corii asini), cordyceps sinensis and other tonic products. By selecting quality products at the source and shortening the supply process based on JD Group’s supply chain advantage, we make cost-effective and reliable products more available to users. During the Reporting Period, we launched a customized bluetooth blood pressure monitor jointly with Yuwell Medical, a global family healthcare management expert. Through data analysis, the product can provide integrated healthcare services including daily inspection, early risk alert and reminder for follow-up consultation for patients with cardiovascular and cerebrovascular diseases.

Online marketplace and omnichannel initiative

Our online marketplace and our direct sales business complement each other. Leveraging our brand recognition and huge user base, we have attracted more third-party merchants that offer a greater variety of products to our users and serve as a supplement to JD Pharmacy. Our marketplace platform allows both chain and individual pharmacies and healthcare product merchants to sell pharmaceutical and healthcare products through our platform. As of June 30, 2021, there were approximately 14,000 third-party merchants on our online marketplace platform.

Management Discussion and Analysis (Continued)

Our omnichannel initiative is a location-based service to meet users' needs for on-demand delivery services, addressing urgent medication needs. As of June 30, 2021, our omnichannel initiative covered more than 300 cities in China offering our users various express delivery options, including same-day, next-day, 30-minute and 24/7 on-demand delivery services.

We assisted medium-, small- and micro-sized enterprises in reducing costs and enhancing efficiency with technology. During the Reporting Period, "JD Health Pharmacy Alliance" as an offline retail pharmacy collaborative project of JD Health, has provided one-stop omnichannel solutions for offline partnered retail pharmacies through a series of digital and intelligent innovative tools to achieve the connection among manufacturers, distributors, drug stores and users. As of June 30, 2021, JD Health Pharmacy Alliance has over 500 stores covering the primary markets of nearly 200 counties in 17 provincial administrative regions. In April 2021, we successfully held the second "Online PharmExpo" which has upgraded from an online sales and exhibition platform to a digital marketing and trading platform with the scope and depth of services further expanded.

Online healthcare services

We continue to upgrade our online healthcare services to provide enriched healthcare services and products, including online hospital services, family doctor services, consumer healthcare services and intelligent healthcare services. During the Reporting Period, we further optimized our deployment of specialist medical centers and improved family doctor products by introducing customized health management service packages for different populations, so as to offer multilayered and diversified healthcare services to more consumers. We also collaborate with hospitals and the government to provide smart healthcare solutions based on internet and technology to accelerate digitalization of the healthcare industry.

Online hospital services

Our online hospital services cover the whole process before, during and after consultation. We also seek innovation for specialized diseases treatment in the mode of online hospital services and focus on the integration of prevention, treatment and recovery. By leveraging our technology and operation capability, we precisely match doctors and hospitals with patients and improve healthcare service efficiency to offer accessible and convenient healthcare services. As of June 30, 2021, we had over 130,000 in-house and external doctors and medical experts, covering over 12,000 hospitals. Our average daily online consultation volume for the first half of the year continued to increase to over 160,000.

With the growth and development of our business ecosystem, other than offering comprehensive and superior user experiences, we have also acquired more quality healthcare resources through the establishment of specialist medical centers, and enhanced the development of specialist medical treatment and other areas, so as to provide professional and precise healthcare services to our users. During the Reporting Period, we successively established 6 new specialist medical centers, including geriatrics center, ophthalmology center and neurology center. As of the end of June, the number of specialist medical centers under JD Health was 24. With the participation of Wang Jianye, head of the National Geriatrics Center; Li Lingjiang, chairman of the Chinese Society of Psychiatry; Shen Kunling, honorary chairman of the Pediatrics Branch of the Chinese Medical Association; Qi Haimei, chairman of Smart Medical Care Expert Committee of Chinese Elderly Healthcare Association and other leading experts and top doctors in China, we have become one of the online healthcare platforms with the most comprehensive service system in the

Management Discussion and Analysis (Continued)

industry. Combined with online healthcare services and specialized disease treatment, the specialist medical centers of JD Health can provide users with more effective and precise services throughout the whole process from the prevention and treatment to the recovery of special diseases.

We also explored the innovative model of internet hospitals with medical institutions and medical groups. During the Reporting Period, through entering into cooperation agreements with Sumian Doctor Group (Shenzhen) Co., Ltd., Shanghai G.I HealthCare Consultation Co., Ltd., Peking University Medical Brain Health, PKU HEALTHCARE TAIRAN and Psychiatric Specialist Alliance of Shanxi Province, we were connected with many doctors in Class 3-A hospitals across China in all-round, precise and fast way. Moreover, by running specialist medical centers targeted at special diseases and providing MDT (“multidisciplinary team”) consultations, we provided users and patients with online and offline integrated healthcare services.

Family doctor

Our family doctor service integrates our online healthcare service capabilities accumulated over the years. We aim to introduce a new health concept and ecosystem, and offer daily healthcare and medical services in the way of family doctor services as a new healthy lifestyle.


During the Reporting Period, our family doctor service continued to diversify and enrich its product matrix by launching service packages targeting different populations, suiting their consumption patterns. We launched products targeting elderly patients using easy-to-use mobile phone or video conferencing for consultation. We also launched service packages including sleep assistance services targeting people with sleeping difficulties and children growth service that facilitates the healthy growth of children. We will continue to diversify and expand our family doctor products by launching new services focused on various fields including chronic diseases, postnatal rehabilitation and mental health.

Our family doctor service also expanded its services into scenarios including intelligent hardware, health insurance, and primary general family doctor contracting system. During the Reporting Period, we promoted the integration with intelligent remote monitoring devices such as intelligent glucose meters. Upon authorization and activation from users, we can provide users with quality remote chronic disease management services effectively.

Consumer healthcare service

We facilitated the integration of online and offline channels for enterprises to achieve new growth momentum through technology empowerment. Users can enjoy convenient access to a variety of consumer healthcare service providers on our platform and make use of physical exams, aesthetic medicines, dental care, nucleic acid testing, vaccination and other services through such offline service providers.

In order to provide more high-quality early cancer screening services, we further strengthened cooperation with upstream brands during the Reporting Period. We cooperate with New Horizon Health to focus on “Internet + Early cancer screening” healthcare service for people with diabetes or obesity who have high risk of colon cancer to establish a closed-loop model of online and offline integrated chronic disease management. We also cooperate with Genetron, a leading precision medication company in China, to focus on liver cancer and lung cancer. We have jointly built a service system that covers early cancer screening, molecular typing, medication guidance and drug tolerance monitoring.



Management Discussion and Analysis (Continued)

During the Reporting Period, as for aesthetic medicine, we entered into strategic cooperation with So-Young, a leading internet aesthetic medicines platform in China, according to which, both sides will use technological and medical resources to promote information transparency and effective linkage in the aesthetic medicines industry, accelerate the development of quality aesthetic medicines, and build a comprehensive aesthetic medicines service system. As for the dental and oral sector, we reached strategic cooperation with IDSO Dental Alliance, according to which, both sides will collaborate in an all-round way on e-commerce and the supply chain centering on oral and dental healthcare, and further enhance our online healthcare service platform. As for vaccine reservation, we launched the “Vaccine and Health Comprehensive Management Scheme for Children” with Pfizer China to promote education on pneumococcal disease, enhance public knowledge of vaccine, popularize disease prevention knowledge and digitalize vaccine reservation to establish a more professional and convenient disease prevention system and enhance disease prevention in primary regions.

Smart healthcare solutions

In respect of smart healthcare solutions, leveraging our supply chain and technology capabilities, we provide comprehensive solutions and patient-centered, online and offline integrated smart solutions throughout the entire medical process for local governments, hospitals and pharmacies, and achieve connectivity among medical institutions in a flexible and efficient manner. We also empower medical workers with digital tools to facilitate their provision of more efficient and high-quality diagnosis and treatment services, hence providing patients with better medical experience and continuously promoting medical service innovation. In addition, leveraging our own and JD Group’s leading technologies, we also help hospitals improve daily operation efficiency and meet their needs for patient management. We develop various AI applications to optimize healthcare processes including consultation, prescription renewal and medication management to build prescription pre-vetting rules to ensure medication safety.

During the Reporting Period, the AI-based prescription vetting center based on the new cloud structure and multi-tenant model commenced online operation in 10 community medical institutions in Haidian District of Beijing. With the application of AI technology, the AI-based prescription vetting center provides functions including pre-prescription review, prescription review, rational medication, prescription vetting for TCM slices. The AI-based prescription vetting center solves the basic problems of pharmacists in primary regions such as inconsistent level and standard of prescription review and low efficiency of medication services through centralized management, centralized review and centralized circulation of prescriptions within the region. Pilot operations have been expanded to the region and a new regional model of medication services with the application of AI technology has been promoted. In addition, we have established connection with the prescription review system of the community hospitals in Beijing. Based on the massive information processed by JD Health, its comprehensive and accurate processing ability as well as the automatic and intelligent sets of rules for prescription review, our system can conduct pre-prescription review and search for drug instructions to improve the quality of prescription by community hospitals and facilitate rational medication.

Through continuous integration of our resources and technical service capabilities, we work with various organizations including medical institutions to explore innovative application of offline quality medical resources in online healthcare scenarios, in order to improve service experience of users as well as the overall efficiency of medical treatment and management of hospitals. During the Reporting Period, we launched the JD Internet Hospital of the First Affiliated Hospital of Henan University of CM, jointly built by JD Health and The First Affiliated Hospital of Henan University of

Management Discussion and Analysis (Continued)

CM. Being the first traditional Chinese Medicine internet hospital in Henan, the platform features an integrated online and offline medical service model that covers the whole process before, during and after consultation, providing users in Henan and other parts of the country with online consultation, drug delivery, health management advisory, follow-up visits and other services.

To help traditional pharmacies grasp the opportunities arising from the new consumption trend and ease their difficulties in customer acquisition, operation and profit making, we leveraged our technological and digital capabilities to provide one-stop solutions for the upgrade and digitalization transformation of traditional pharmacies during the Reporting Period. We also organized a series of innovative activities and online operation training programs to help pharmacies reduce cost, enhance efficiency and achieve innovation and development.

Leveraging our digitalization and informatization technology, we cooperate with local governments to facilitate the establishment of primary medical system to improve people's health. During the Reporting Period, we entered into a strategic cooperation agreement with the People's Government of Haizhu District of Guangzhou to establish the "Healthy Haizhu" model, which provides convenient "Internet + Family Doctor" health management services, enhancing the quality of health service products. We launched Diabetes Glucose Monitoring Map Project in Guangdong Province together with Guangdong Provincial Center for Disease Control and Prevention, so as to achieve home-stay glucose monitoring for patients with diabetes using IoT and big data technology. This enhanced the efficiency of remote management and follow-up visits of diabetes patients by medical staff, exploring the practice of the "Internet + Diabetes Management" service model.

In response to the "Healthy China Campaign," JD Health continues to step up efforts on strategic deployment of our business. We will leverage our core capabilities such as AI, big data and supply chain to provide high-quality pharmaceutical and healthcare products and professional healthcare services to our users, and to provide our partners with greater market and development opportunities. Aimed at improving the people's health, JD Health will fully consolidate its corporate resources and bring its strengths into full play. Centering around users and patients, we will further promote innovation of healthcare business, allowing users to enjoy more accessible, convenient, high-quality and affordable healthcare products and services. We are committed to becoming the "go-to health management platform," helping people to pursue a high-quality and healthy lifestyle.

Corporate social responsibility

Adhering to the concept of solving pain points of the industry and creating social value, JD Health is always committed to performing its corporate social responsibilities. Since the outbreak of the pandemic last year, we have been devoted to fighting the pandemic, and continued to support the regular pandemic prevention and control during the year. In the first half of the year, we upgraded our emergency response mechanism in order to safeguard people's livelihood by making prompt response to unexpected disasters, including free 24-hour medical hotline, arranging for medicine and resources in case of any emergency and assigning medical rescue teams. In addition, in order to alleviate the difficulties of patients with rare diseases in receiving proper diagnosis, we established the Rare Disease Care Center (罕見病關愛中心) and created a one-stop solution platform covering treatment, medicine, insurance and charity in the first half of the year. In recent years, the government has promulgated a series of supporting policies on rare disease. JD Health is committed to making contribution by leveraging our social influences. Cooperating with pharmaceutical enterprises, industry associations and public welfare institutions, we provide medicine to patients

Management Discussion and Analysis (Continued)

with rare diseases and introduce cold-chain logistics for rare disease medicine to enhance its accessibility. We have established the “Rare Disease Charity Fund” in cooperation with public welfare institutions to encourage donations from merchants on JD’s platform, which has greatly accelerated the development of the rare disease prevention and rescue system. In addition, we also set up several care centers for patients with single disease (單病種患者關愛中心) with an aim to provide disease education and management services to patients. As part of our initial efforts, nine care centers were launched for patients with diabetes, hepatitis, nutrition related disease and other diseases. The aforesaid efforts are only a few examples of our actions and JD Health is always committed to fulfilling its social responsibilities. We strive to fulfill our mission and create greater value for the society, gaining the respect and trust of consumers and partners.

Prospects

An outstanding enterprise has to keep improving its performance and most importantly, making more contribution to the society development. In the future, in response to the government policies and guidance, we will leverage our business advantages to provide solutions to address the difficulties and pain points of the real economy and facilitate the achievement of targets under the “Healthy China 2030”. We will place a high importance on compliant operation. We will actively assume our social responsibilities by stepping up our investment to support the digitalization in rural areas, enhancing their medical treatment level. Furthermore, by strengthening the collaboration between our business and the real economy, we will improve the efficiency of the industry chain through technology innovation and facilitate online and offline integration for enterprises. Moreover, we will strive to provide accessible, convenient and affordable healthcare products and services for the sake of public health.

Following to the changes in consumption habit of users and the acceleration in the digitalization of the industry, our retail pharmacy business has significant growth potential. In the future, as a leading online healthcare platform, we will leverage our strong supply chain and platform operation capabilities to create an ecosystem that combines retail pharmacies and healthcare services. We will cooperate with our brand partners to provide supports to the primary pharmacy alliance and offer comprehensive services to medium, small, and micro-sized enterprises and expand the geographical coverage of our services so as to serve all segments in the real economy and thus improve the accessibility of pharmaceutical and healthcare products.

In terms of healthcare services, through continuously exploring the “Internet + Healthcare” scenarios and integrating with the professional capabilities of offline medical institutions, we have gradually consolidated our capabilities in online healthcare, consumer healthcare and smart healthcare services with medical institutions and jointly developed an ecosystem to provide users with comprehensive online and offline services covering health screening, disease prevention, consultation, follow-up visits and recovery. In the future, we are aiming to comprehensively upgrade our healthcare service capabilities through expanding our specialist medical centers and exploring healthcare services scenarios, so as to better serve customers’ demand for multi-layered and diversified healthcare services, and to offer a comprehensive practice plan for our doctors and experts by introducing them to traffic enhancement measures and intelligent tools.

Management Discussion and Analysis (Continued)

In terms of health management, we will provide users with more diversified healthcare solutions targeting various groups. Leveraging our family doctor services, we will continue to extend our health management services. In the future, we will continue to upgrade our family doctor services by cultivating family doctor products targeting various groups and opening up our services in more scenarios. We will also cooperate with local governments to empower the primary general family doctor contracting system with our platform and smart tools. Regarding physical exams, we will launch an employee health management system for corporate customers. We will also improve the user experience in vaccination by introducing appointments services for broader vaccine categories, and to cooperate with the government and vaccine producers to introduce a one-stop service platform offering disease education, vaccine education and vaccination appointments for the public.

Our real economy enterprise nature and digitalized technology capabilities are the key drivers of our sustainable growth. Adhering to JD Group's business philosophy, JD Health has its roots in the real economy, grows with the real economy and serves the real economy. In the future, we will continue to enhance the cooperation with upstream and downstream partners in the healthcare value chain by further opening up our supply chain, technology and healthcare service capabilities and under the guidance of government policies, to achieve mutual development with consumers, industry, partners, society and the environment.

Financial review

Revenue

Our revenue increased by 55.4% from RMB8.8 billion for the six months ended June 30, 2020 to RMB13.6 billion for the six months ended June 30, 2021. The increase in our total revenue was primarily due to an increase by 52.9% in product revenue from sales of pharmaceutical and healthcare products from RMB7.7 billion for the six months ended June 30, 2020 to RMB11.8 billion for the six months ended June 30, 2021. 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, the enrichment in product offering, and our rising brand awareness as we continue to invest in marketing activities.

Service revenue from online marketplace, digital marketing and other services increased by 73.0% from RMB1.1 billion for the six months ended June 30, 2020 to RMB1.9 billion for the six months ended June 30, 2021. The increase in our service revenue was primarily due to (i) an increase in digital marketing service fees primarily attributable to an increase in the number of advertisers on our platform, in line with the continuous growth of transactions in our platform, and (ii) an increase in commission fees and platform usage fees primarily attributable to an increase in the sales volume and the number of third-party merchants on our online marketplace.

Cost of revenue

Our cost of revenue increased by 57.5% from RMB6.6 billion for the six months ended June 30, 2020 to RMB10.3 billion for the six months ended June 30, 2021. The increase was primarily due to an increase in the sales volume of our pharmaceutical and healthcare products through JD Pharmacy, which was in line with the growth of our retail pharmacy business.

Management Discussion and Analysis (Continued)

Gross profit and gross profit margin

As a result of the foregoing, we recorded a gross profit of RMB2.2 billion for the six months ended June 30, 2020, representing a gross profit margin of 25.3%, and a gross profit of RMB3.3 billion for the six months ended June 30, 2021, representing a gross profit margin of 24.3%. 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 49.5% from RMB911.0 million for the six months ended June 30, 2020 to RMB1,361.9 million for the six months ended June 30, 2021. The increase was primarily due to (i) an increase in expenses of logistics and warehousing services, due to an increase in the usage of logistics services along with more products sales and warehousing services as more warehouses utilized, (ii) an increase in employee benefit expenses for employees involved in fulfillment activities, due to an increase in employee headcount of fulfillment activities, (iii) an increase in expenses of payment services, and (iv) an increase in other fulfillment expenses, including customer service expenses, all of which were in line with the continued growth of our business.

Fulfillment expenses as a percentage of revenue decreased from 10.4% for the six months ended June 30, 2020 to 10.0% for the six months ended June 30, 2021.

Selling and marketing expenses

Our selling and marketing expenses increased by 79.7% from RMB544.4 million for the six months ended June 30, 2020 to RMB978.2 million for the six months ended June 30, 2021. The increase was primarily due to (i) an increase in our promotion and advertising expenses, which was primarily due to the increased marketing efforts to promote our retail pharmacy business, online healthcare services and other new initiatives, and (ii) an increase in expenses of technology and traffic support services provided by JD Group. Selling and marketing expenses as a percentage of revenue increased from 6.2% for the six months ended June 30, 2020 to 7.2% for the six months ended June 30, 2021.

Research and development expenses

Our research and development expenses increased by 44.4% from RMB278.2 million for the six months ended June 30, 2020 to RMB401.8 million for the six months ended June 30, 2021. The increase was primarily attributable to (i) an increase in research and development headcount as we continued to invest in top-notch research and development talents with industry expertise, and (ii) an increase in expenses of technology and traffic support services provided by JD Group. Research and development expenses as a percentage of revenue decreased from 3.2% for the six months ended June 30, 2020 to 2.9% for the six months ended June 30, 2021.

General and administrative expenses

Our general and administrative expenses increased from RMB84.6 million for the six months ended June 30, 2020 to RMB1,122.8 million for the six months ended June 30, 2021, primarily attributable to an increase in share-based payment expenses. General and administrative expenses as a percentage of revenue increased from 1.0% for the six months ended June 30, 2020 to 8.2% for the six months ended June 30, 2021.

Management Discussion and Analysis (Continued)

Finance income

Our finance income increased to RMB231.4 million for the six months ended June 30, 2021, primarily due to an increase in interest income from bank balances and term deposits.

Loss for the period

As a result of the foregoing, we incurred a loss of RMB5,360.9 million for the six months ended June 30, 2020 and a loss of RMB454.2 million for the six months ended June 30, 2021, primarily due to a loss of RMB5,705.3 million on fair value changes of convertible preferred shares for the six months ended June 30, 2020 and share-based payment expenses of RMB1,121.3 million for the six months ended June 30, 2021.

Non-IFRS measures

To supplement our condensed consolidated financial statements, which are presented in accordance with IFRSs, we also use non-IFRS profit as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We believe non-IFRS profit facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which our management considers non-indicative of our operating performance.

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

We define non-IFRS profit as profit/(loss) for the period, excluding share-based payment expenses and fair value changes of convertible preferred shares. We exclude these items because they are not expected to result in future cash payments that are recurring in nature and they are not indicative of our core operating results and business outlook. We account for share-based payment expenses with employees and non-employees based on the grant-date fair value of the equity instrument issued by JD.com and by the Company. The reconciling item is non-cash and does not result in cash outflow, and the adjustment has been consistently made during the six months ended June 30, 2021. In addition, we account for the convertible preferred shares as financial liabilities at fair value through profit or loss. The convertible preferred shares automatically converted into ordinary shares upon the completion of the Global Offering, and no further loss or gain on fair value changes is expected to be recognized afterwards.

Management Discussion and Analysis (Continued)

The following table reconciles the most directly comparable financial measure (loss for the period) calculated and presented in accordance with IFRSs for the six months ended June 30, 2021 and 2020 to the non-IFRS profit:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Reconciliation of loss to non-IFRS profit:		
Loss for the period	(454,213)	(5,360,915)
Add:		
Share-based payment expenses	1,121,348	26,466
— <i>Fulfillment expenses</i>	49,927	8,543
— <i>Selling and marketing expenses</i>	14,105	(991)*
— <i>Research and development expenses</i>	36,252	7,800
— <i>General and administrative expenses</i>	1,021,064	11,114
Fair value changes of convertible preferred shares	—	5,705,251
Non-IFRS profit for the period	667,135	370,802

* The Company periodically revises its estimates of the number of options and share awards that are expected to vest ultimately. The impact of the revision of the estimates, is recognized in profit and loss, with a corresponding adjustment to the share-based payments reserve.

Liquidity and capital resources

Our cash and cash equivalents represent cash and bank balances. We had cash and cash equivalents of RMB19.0 billion and RMB32.3 billion as of June 30, 2021 and December 31, 2020, respectively.

Management Discussion and Analysis (Continued)

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

	Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Net cash generated from operating activities	1,933,901	359,667
Net cash used in investing activities	(15,027,374)	(3,097,063)
Net cash (used in)/generated from financing activities	(26,159)	907,651
Net decrease in cash and cash equivalents	(13,119,632)	(1,829,745)
Cash and cash equivalents at the beginning of the period	32,270,792	4,965,272
Effects of foreign exchange rate changes on cash and cash equivalents	(170,728)	64,793
Cash and cash equivalents at the end of the period	18,980,432	3,200,320

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. We currently do not have any other plans for material additional external financing.

Net cash generated from operating activities

Net cash generated from operating activities primarily comprises our loss for the period and non-cash and non-operating items, and adjusted by changes in working capital.

For the six months ended June 30, 2021, net cash generated from operating activities was RMB1,933.9 million. Our cash generated from operations was primarily attributable to our loss of RMB454.2 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of share-based payment expenses of RMB1,121.3 million, and (ii) changes in working capital, which primarily resulted from an increase in trade payables of RMB1,678.1 million, an increase in accrued expenses and other payables of RMB403.5 million, and a decrease in prepayments, other receivables and other assets of RMB333.0 million, partially offset by an increase in inventories of RMB1,074.9 million.

For the six months ended June 30, 2020, net cash generated from operating activities was RMB359.7 million, which was primarily attributable to our loss of RMB5,360.9 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of fair value changes of convertible preferred shares of RMB5,705.3 million, impairment provision for inventories of RMB74.7 million and share-based payment expenses of RMB26.5 million; and (ii) changes in working capital, which primarily resulted from an increase in trade payables of RMB1,292.7 million and an increase in contract liabilities of RMB101.7 million, partially offset by an increase in inventories of RMB782.4 million, a decrease in accrued expenses and other payables of RMB359.0 million and an increase in prepayments, other receivables and other assets of RMB299.8 million.

Management Discussion and Analysis (Continued)

Net cash used in investing activities

For the six months ended June 30, 2021, net cash used in investing activities was RMB15.0 billion, which was primarily attributable to placement of term deposits of RMB18.8 billion, purchase of financial assets at fair value through profit or loss of RMB3.9 billion, partially offset by proceeds on maturity of financial assets at fair value through profit or loss of RMB2.5 billion and proceeds on maturity of term deposits of RMB5.1 billion.

For the six months ended June 30, 2020, net cash used in investing activities was RMB3.1 billion, which was primarily attributable to placement of term deposits of RMB1.4 billion, purchase of financial assets at fair value through profit or loss of RMB1.0 billion and payment for the investment in a joint venture of RMB667.9 million.

Net cash (used in)/generated from financing activities

For the six months ended June 30, 2021, net cash used in financing activities was RMB26.2 million, which was primarily attributable to the principal portion of lease payments of RMB23.9 million.

For the six months ended June 30, 2020, net cash generated from financing activities was RMB907.7 million, which was primarily attributable to net proceeds from issuance of convertible preferred shares of RMB168.9 million and advance from JD Group of RMB755.0 million.

Gearing ratio

As of June 30, 2021, we had no outstanding borrowings. Therefore, the gearing ratio is not presented herein.

Significant investments held

In April 2020, we entered into a series of agreements with Tangshan Hongci Healthcare Management Co., Ltd. ("Tangshan Hongci") and its shareholders, pursuant to which we injected approximately RMB668 million in cash to Tangshan Hongci for an equity interest of 49% in June 2020.

Save as disclosed in this interim report, the Group did not make or hold any significant investments (including any investment in an investee company with a value of 5 per cent, or more of the Group's total assets as at June 30, 2021) during the six months ended June 30, 2021.

Future plans for material investments and capital assets

As of June 30, 2021, we did not have other plans for material investments and capital assets.

Material acquisitions and/or disposals of subsidiaries and affiliated companies

As of June 30, 2021, we did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies.

Management Discussion and Analysis (Continued)

Employee and remuneration policy

The following table sets forth the numbers of full-time staff dedicated to our business and operations categorized by function as of June 30, 2021.

Function	Number of Staff	% of Total
Procurement	1,684	65.4
Sales and Marketing	300	11.6
Research and Development	529	20.5
General and Administrative	63	2.5
Total	2,576	100.0

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

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

The total remuneration expenses, including share-based payment expenses, for the six months ended June 30, 2021 were RMB1,528.4 million, as opposed to RMB254.1 million for the six months ended June 30, 2020, representing a year-on-year increase of 501.6%.

Foreign exchange risk

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

During the six months ended June 30, 2021, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant.

Contingent liabilities

As of June 30, 2021, we did not have any material contingent liabilities or guarantees.

Borrowings

As of June 30, 2021, we had no outstanding borrowings.

OTHER INFORMATION

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

As at June 30, 2021, the interests and short positions of the Directors and chief executives in the Shares, underlying Shares and debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate % of holding ⁽⁹⁾
Enlin Jin (金恩林)	Beneficial owner ⁽¹⁾	574,112 ^(L)	0.02
Richard Qiangdong Liu (劉強東)	Interest in a controlled corporation ⁽²⁾ ; Beneficial owner ⁽³⁾	2,202,296,248 ^(L)	69.16
Lei Xu (徐雷)	Beneficial owner ⁽⁴⁾	200,000 ^(L)	0.01
Lijun Xin (辛利軍)	Interest in a controlled corporation ⁽⁵⁾ ; Beneficial owner ⁽⁶⁾	38,834,967 ^(L)	1.22
Sandy Ran Xu (許冉)	Beneficial owner ⁽⁷⁾	100,000 ^(L)	0.00
Pang Zhang (張甯)	Beneficial owner ⁽⁸⁾	100,000 ^(L)	0.00

Notes:

- (1) Represents Mr. Enlin Jin (金恩林)'s entitlement to receive up to 460,778 Shares pursuant to the exercise of options granted to him under the Pre-IPO ESOP, subject to the conditions (including vesting conditions) of those options; and up to 113,334 Shares pursuant to the vesting of the Award Shares granted to him under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares, as of September 6, 2021, the effective date of the appointment of Mr. Enlin Jin (金恩林) as an executive Director and Chief Executive Officer of the Company.
- (2) Mr. Richard Qiangdong Liu (劉強東) controls more than 50% of the voting power of JD.com, which wholly owns JD Jiankang. JD Jiankang holds 2,149,253,732 Shares.
- (3) Includes Mr. Richard Qiangdong Liu (劉強東)'s entitlement to receive up to 53,042,516 Shares pursuant to the exercise of options granted to him under the Pre-IPO ESOP, subject to the conditions (including vesting conditions) of those options.
- (4) Represents Mr. Lei Xu (徐雷)'s entitlement to receive up to 200,000 Shares pursuant to the vesting of the Award Shares granted to him under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.
- (5) Novacare Investment Limited, which holds 9,552,238 Shares, is beneficially owned by Mr. Lijun Xin (辛利軍) as to 93.09% (8,892,445 Shares) with the remaining interest beneficially owned by 13 other employees of our Group.
- (6) Includes Mr. Lijun Xin (辛利軍)'s entitlement to receive up to 29,282,729 Shares pursuant to the exercise of options granted to him under the Pre-IPO ESOP, subject to the conditions (including vesting conditions) of those options.
- (7) Represents Ms. Sandy Ran Xu (許冉)'s entitlement to receive up to 100,000 Shares pursuant to the vesting of the Award Shares granted to her under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.
- (8) Represents Ms. Pang Zhang (張甯)'s entitlement to receive up to 100,000 Shares pursuant to the vesting of the Award Shares granted to her under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.
- (9) The percentages are calculated on the basis of 3,184,367,111 Shares in issue as at June 30, 2021.
- (10) (L) denotes a long position in the Shares.

Other Information (Continued)

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

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

Except as specifically noted, the following table sets forth the directors’ or chief executives’ beneficial ownership of JD.com’s Class A ordinary shares and Class B ordinary shares as of June 30, 2021.

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

	Ordinary Shares Beneficially Owned**				% of Aggregate Voting Power ^{#(4)}
	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	% of Beneficial Ownership	
Richard Qiangdong Liu (劉強東)	15,600,000 ⁽¹⁾	421,507,423 ⁽¹⁾	437,107,423 ⁽¹⁾	14.0 ⁽¹⁾	76.9 ⁽²⁾⁽³⁾
Lei Xu (徐雷)	*	—	*	*	*
Sandy Ran Xu (許冉)	*	—	*	*	*
Pang Zhang (張甯)	*	—	*	*	*

Other Information (Continued)

Notes:

- # For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of the Class A ordinary shares and Class B ordinary shares as a single class.
- * Less than 1% of JD.com's total outstanding shares.
- ** Beneficial ownership information disclosed herein represents direct and indirect holdings of entities owned, controlled or otherwise affiliated with the applicable holder as determined in accordance with the rules and regulations of the U.S. SEC.
- (1) Represents (i) 421,507,423 Class B ordinary shares directly held by Max Smart Limited and (ii) 15,600,000 Class A ordinary shares Mr. Richard Qiangdong Liu (劉強東) had the right to acquire upon exercise of options that shall have become vested within 60 days after June 30, 2021. Max Smart Limited is a British Virgin Islands company beneficially owned by Mr. Richard Qiangdong Liu (劉強東) through a trust and of which Mr. Richard Qiangdong Liu (劉強東) is the sole director. The ordinary shares beneficially owned by Mr. Richard Qiangdong Liu (劉強東) do not include 21,128,296 Class B ordinary shares held by Fortune Rising Holdings Limited, a British Virgin Islands company, as described in footnote (2) below.
- (2) The aggregate voting power includes the voting power with respect to the 21,128,296 Class B ordinary shares held by Fortune Rising Holdings Limited. Mr. Richard Qiangdong Liu (劉強東) is the sole shareholder and the sole director of Fortune Rising Holdings Limited and he may be deemed to beneficially own the voting power with respect to all of the ordinary shares held by Fortune Rising Holdings Limited in accordance with the rules and regulations of the U.S. SEC, notwithstanding the facts described in note (3) below.
- (3) Fortune Rising Holdings Limited holds the 21,128,296 Class B ordinary shares for the purpose of transferring such shares to the plan participants according to awards under JD.com's share incentive plan, and administers the awards and acts according to JD.com's instruction. Fortune Rising Holdings Limited exercises the voting power with respect to these shares according to JD.com's instruction. Fortune Rising Holdings Limited is a company incorporated in the British Virgin Islands. Mr. Richard Qiangdong Liu (劉強東) is the sole shareholder and the sole director of Fortune Rising Holdings Limited.
- (4) The calculations in the table above are based on 3,112,453,115 ordinary shares of JD.com outstanding as of June 30, 2021.

The following table lists out the Directors' or chief executives' interests in JD.com and JD Logistics, an associated corporation of the Company that is also a subsidiary of JD.com (i.e. a fellow subsidiary), as of June 30, 2021:

Name of Director	Associated corporation	Nature of Interest	Number of shares	% of Interest in associated corporation
Enlin Jin (金恩林)	JD.com	Beneficial owner	3,224 ^{(1)(L)}	0.00
Richard Qiangdong Liu (劉強東)	JD Logistics	Beneficial owner; Interest in a controlled corporation	4,023,186,705 ^{(2)(3)(L)}	65.07
Lijun Xin (辛利軍)	JD.com	Beneficial owner	399,276 ^{(4)(L)}	0.01
Lijun Xin (辛利軍)	JD Logistics	Beneficial owner	1,070,000 ^{(5)(L)}	0.02
Sandy Ran Xu (許冉)	JD Logistics	Beneficial owner	100,000 ^{(6)(L)}	0.00
Pang Zhang (張雱)	JD Logistics	Beneficial owner	200,000 ^{(7)(L)}	0.00

Other Information (Continued)

Notes:

- (1) Represents Mr. Enlin Jin (金恩林)'s entitlement to receive up to 3,224 shares in JD.com pursuant to restricted share units under the share incentive plan of JD.com as of September 6, 2021, the effective date of the appointment of Mr. Enlin Jin (金恩林) as an executive Director and Chief Executive Officer of the Company.
- (2) Includes Mr. Richard Qiangdong Liu (劉強東)'s entitlement to receive up to 99,186,705 shares in JD Logistics pursuant to options under the share incentive plan of JD Logistics.
- (3) Jingdong Technology Group Corporation, which holds 3,924,000,000 shares in JD Logistics, is wholly-owned by JD.com. As of June 30, 2021, Mr. Richard Qiangdong Liu (劉強東) is interested in approximately 76.9% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings, further details of which are set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.
- (4) Includes Mr. Lijun Xin (辛利軍)'s entitlement to receive up to 203,616 shares in JD.com pursuant to restricted share units and 195,660 shares of JD.com pursuant to options under the share incentive plan of JD.com.
- (5) Includes Mr. Lijun Xin (辛利軍)'s entitlement to receive up to 600,000 shares in JD Logistics pursuant to options under the share incentive plan of JD Logistics.
- (6) Represents Ms. Sandy Ran Xu (許冉)'s entitlement to receive up to 100,000 shares in JD Logistics pursuant to options under the share incentive plan of JD Logistics.
- (7) Represents Ms. Pang Zhang (張雱)'s entitlement to receive up to 200,000 shares in JD Logistics pursuant to options under the share incentive plan of JD Logistics.
- (8) (L) denotes a long position in the Shares.

The following table lists out the Directors' or chief executives' interests in the other associated corporations as of June 30, 2021:

Name of Director	Associated corporation	Nature of Interest	Number of shares/amount of contribution to registered capital	% of Interest in associated corporation
Richard Qiangdong Liu (劉強東)	Onshore Holdco	Nominee shareholder whose shareholders' rights are subject to contractual arrangements	RMB450,000	45
Pang Zhang (張雱)			RMB250,000	25

Save as disclosed above, as at June 30, 2021, none of the Directors and chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

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

As at June 30, 2021, the persons other than the Directors, whose interests have been disclosed in this interim report, had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate % of holding ⁽²⁾
JD Jiankang ⁽¹⁾	Beneficial owner	2,149,253,732 ^(L)	67.49
JD.com ⁽¹⁾	Interest in controlled corporation	2,149,253,732 ^(L)	67.49

Notes:

- (1) JD Jiankang is wholly-owned by JD.com. Under the SFO, JD.com is deemed to be interested in and control the 2,149,253,732 Shares held by JD Jiankang.
- (2) The percentages are calculated on the basis of 3,184,367,111 Shares in issue as at June 30, 2021.
- (3) (L) denotes a long position in the Shares.

Save as disclosed herein, as at June 30, 2021, no person, other than the Directors whose interests are set out in this interim report, had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Share incentive schemes

1. Pre-IPO ESOP

The Pre-IPO ESOP was approved and adopted by the Company on September 14, 2020, as amended from time to time. The purpose of the Pre-IPO ESOP is to promote the success and enhance the value of the Company by linking the personal interests of the members of the Board, employees and consultants to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Shareholders. The Pre-IPO ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of its recipients upon whose judgment, interest and special effort the successful conduct of the Company's operation is largely dependent.

As at June 30, 2021, outstanding options representing 90,284,341 underlying Shares, representing approximately 2.84% of the issued share capital of the Company, were granted to eligible participants pursuant to the Pre-IPO ESOP. Details of the Pre-IPO ESOP are set out in Note 18 to the condensed consolidated financial statements.

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

Other Information (Continued)

Details of the outstanding options granted under the Pre-IPO ESOP for the six months ended June 30, 2021 are as follows:

Name	Role	Date of Grant	Vesting Period ⁽¹⁾	Exercise Price (per Share)	Outstanding as at January 1, 2021	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2021
Directors								
Richard Qiangdong Liu (劉強東)	Non-executive Director and chairman of the Board	October 15, 2020	6 years from date of grant	US\$0.0000005	53,042,516	—	—	53,042,516
Lijun Xin (辛利軍)	Executive Director	October 1, 2020	6 months from date of grant to 10 years from date of grant	US\$0.0000005	29,282,729	—	—	29,282,729
Other grantees in aggregate		October 1, 2020	3 months from date of grant to 6 years from date of grant	US\$0.0000005	12,406,223	4,232,474	214,653	7,959,096
Total	237 grantees				94,731,468	4,232,474	214,653	90,284,341

Note:

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

2. Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to the written resolutions of the Shareholders passed on November 23, 2020. The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

As at June 30, 2021, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 312,708,211 Shares, representing 9.82% of the issued share capital of the Company.

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

Other Information (Continued)

3. Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme was adopted pursuant to the written resolutions of the Shareholders passed on November 23, 2020. The purpose of the Post-IPO Share Award Scheme is to align the interests of Eligible Persons' (as defined in the Prospectus) with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

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

Details of the outstanding Award Shares granted under the Post-IPO Share Award Scheme for the six months ended June 30, 2021 are as follows:

Name	Role	Date of Grant	Vesting Period	Outstanding as at January 1, 2021	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2021
Directors								
Lei Xu (徐雷)	Non-executive Director	April 29, 2021	3 years and 11 months from date of grant	—	200,000	—	—	200,000
Sandy Ran Xu (許冉)	Non-executive Director	April 29, 2021	3 years and 11 months from date of grant	—	100,000	—	—	100,000
Pang Zhang (張勇)	Non-executive Director	April 29, 2021	3 years and 11 months from date of grant	—	100,000	—	—	100,000
Other grantees in aggregate		January 1, 2021 to May 1, 2021	0 to 6 years from date of grant	—	50,200,936	600,000	209,520	49,391,416
Total	835 grantees			—	50,600,936	600,000	209,520	49,791,416

Use of net proceeds from Listing

The Shares were listed on the Main Board of the Stock Exchange on December 8, 2020. The net proceeds from the Global Offering (following the full exercise of the Over-allotment Option, as defined in the Prospectus) was approximately RMB25.7 billion, after deducting the underwriting commissions and offering expenses paid or payable, which will be gradually utilized for the purposes as set out in the Prospectus.

- approximately 40% of the net proceeds is expected to be used for business expansion in the next 36 to 60 months from the Global Offering, including:
 - further developing our retail pharmacy business and online healthcare services, including (i) continuing to strengthen our retail pharmacy business by procuring more drug SKUs and introducing more novel drugs from a larger base of quality suppliers for our direct sales business; (ii) increasing the number of drug

Other Information (Continued)

warehouses that we utilize through collaboration with JD Group, which will enhance our supply chain capabilities; (iii) cooperating with more offline pharmacies to enrich the product categories and expand the urgent delivery services of our omnichannel initiative to more cities in China with enhanced efficiency and coverage; (iv) continuing to invest in the development of our healthcare services network and the expansion of our healthcare service offerings to satisfy all-round demand from users with serious, acute and/or chronic diseases, by recruiting more in-house doctors and cooperating with more external doctors and providing them with attractive compensation packages and training and collaboration opportunities, collaborating with more top industry experts to build specialist medical centers and expanding our consumer healthcare services to more categories; and (v) investing in new initiatives such as developing and purchasing more advanced technology infrastructures to help digitalize the transaction process between upstream pharmaceutical companies and healthcare product suppliers and distributors with downstream pharmacies;

- enhancing user growth and engagement, including (i) strengthening our supply chain capabilities through expanding our supply chain human resources and investments in relevant technologies for logistics to achieve economies of scale and operating efficiency and enable us to offer more diversified delivery options and competitive pricing, improving user experience; (ii) continuing to improve user experience of our online healthcare services by expanding the breadth and depth of our service offerings, such as expanding the types and numbers of offerings in dental services and aesthetic medicines of our consumer healthcare services; and (iii) investing in the technology to improve the capability of our mobile apps and the development of data driven and personalized services based on insights into user preferences, backed by our data analytics capabilities and the use of AI in analyzing user behaviors, for example, to recommend related or similar non-drug healthcare products based on users' search and purchase history; and
- consistently promoting brand awareness through increasing our online and offline marketing and promotional activities, such as TV branding, news feed ads, advertisements through major search engines and web portals, and seasonal and holiday promotional campaigns;
- approximately 30% of the net proceeds is expected to be used for research and development in the next 24 to 36 months from the Global Offering, including (i) further developing our digital infrastructure and new initiatives with continuous investments in our healthcare services platforms, AI-assisted prescription verification, and big data and cloud computing technologies, to consistently optimize our service process, improve user experience, boost operation efficiency and expand the scope of Internet and technology related solutions offered to participants in the healthcare value chain; (ii) continuously attracting, through offering competitive compensation packages, and cultivating world-class software engineers, data scientists, artificial intelligence experts and other research and development talents, and expanding our portfolio of intelligent assets; and (iii) investing in smart healthcare solutions for offline hospitals and other medical institutions, such as software, IOT systems and integrated platform solutions designed for various scenarios based on their specific needs to further improve patient monitoring and management, enhance daily operation efficiency of hospitals and position them for greater integration with online service offerings;



Other Information (Continued)

- approximately 20% of the net proceeds is expected to be used for our potential investments and acquisitions or strategic alliances. We are interested in healthcare companies with advanced technologies and services, companies with complementary business lines and companies that have synergies with our current business; and
- approximately 10% of the net proceeds is expected to be used for working capital and general corporate purposes.

As at June 30, 2021, the Group has utilized approximately RMB1.0 billion out of the net proceeds from the Global Offering for working capital and general corporate purposes.

Purchase, sale or redemption of the Company's listed securities

During the six months ended June 30, 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders.

During the six months ended June 30, 2021, the Company has adopted and complied with all the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted 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 for the six months ended June 30, 2021.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee comprises three members, namely Mr. Xingyao Chen (陳興堯), Dr. Jiyu Zhang (張吉豫) and Ms. Sandy Ran Xu (許冉), with Mr. Xingyao Chen (陳興堯) (being our independent non-executive Director with the appropriate professional qualifications) as chairman 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, 2021 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.

Other Information (Continued)

Dividends

The Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2021.

Changes in information of Directors

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

- In June 2019, Mr. Lei Xu (徐雷), a non-executive Director, was appointed as the director of AiHuiShou International Co. Ltd., whose shares are listed on the New York Stock Exchange (stock code: RERE) on June 18, 2021.
- In June 2021, Mr. Qingqing Yi, a non-executive Director, resigned as a director of Shanghai Junshi Biosciences Co., Ltd., whose shares have been listed on the Stock Exchange (stock code: 1877) and Shanghai Stock Exchange (SHA: 688180).
- Mr. Enlin Jin (金恩林) has been appointed as an executive Director and Chief Executive Officer of the Company with effect from September 6, 2021. For more details, please refer to the announcement of the Company dated September 6, 2021.
- Mr. Lijun Xin (辛利軍) has been re-designated from an executive Director and Chief Executive Officer of the Company to a non-executive Director with effect from September 6, 2021. For more details, please refer to the announcement of the Company dated September 6, 2021.
- Ms. Sandy Ran Xu (許冉) has been appointed as a member of the Remuneration Committee with effect from September 6, 2021. For more details, please refer to the announcement of the Company dated September 6, 2021.
- Ms. Pang Zhang (張雱) has resigned as a non-executive Director and a member of the Remuneration Committee with effect from September 6, 2021. For more details, please refer to the announcement of the Company dated September 6, 2021.
- Mr. Lei Xu (徐雷), a non-executive Director, has been appointed as President of JD.com with effect from September 6, 2021. For more details, please refer to the announcement of JD.com dated September 6, 2021.

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

Important events after Reporting Period

- With effect from September 6, 2021, Mr. Enlin Jin (金恩林) has been appointed as an executive Director and the Chief Executive Officer of the Company; Mr. Lijun Xin (辛利軍) has been re-designated from an executive Director and the Chief Executive Officer of the Company to a non-executive Director; Ms. Sandy Ran Xu (許冉) has been appointed as a member of the Remuneration Committee; and Ms. Pang Zhang (張雱) has resigned as a non-executive Director and a member of the Remuneration Committee. For more details, please refer to the announcement of the Company dated September 6, 2021.

Save as disclosed in this interim report, there were no important events affecting the Company which occurred after the Reporting Period.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the Board of Directors of JD Health International Inc.

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of JD Health International Inc. (the "Company"), its subsidiaries and consolidated affiliated entities (collectively referred to as the "Group") set out on pages 30 to 59, which comprise the condensed consolidated statement of financial position as of June 30, 2021 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income/(loss), condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 24, 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Revenue	4	13,637,832	8,777,490
Cost of revenue		(10,330,373)	(6,559,923)
Gross profit		3,307,459	2,217,567
Fulfillment expenses		(1,361,921)	(911,008)
Selling and marketing expenses		(978,182)	(544,375)
Research and development expenses		(401,785)	(278,175)
General and administrative expenses		(1,122,809)	(84,648)
Other gains/(losses)		33,299	(1,887)
Finance income	6	231,408	60,327
Finance costs		(2,409)	(1,745)
Fair value changes of convertible preferred shares		—	(5,705,251)
Impairment losses under expected credit loss model, net of reversal		(9,831)	477
Share of results of an associate and joint ventures		(40,531)	(8,607)
Loss before income tax	5	(345,302)	(5,257,325)
Income tax expense	7	(108,911)	(103,590)
Loss for the period		(454,213)	(5,360,915)
(Loss)/income for the period attributable to:			
Owners of the Company		(455,144)	(5,358,752)
Non-controlling interests		931	(2,163)
		(454,213)	(5,360,915)
		RMB	RMB
		(Unaudited)	(Audited)
Basic and diluted loss per share	8	(0.15)	(2.49)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Loss for the period	(454,213)	(5,360,915)
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	8,276	1,686
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation from functional currency to reporting currency	(374,201)	(41,555)
Other comprehensive loss for the period	(365,925)	(39,869)
Total comprehensive loss for the period	(820,138)	(5,400,784)
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(821,069)	(5,398,621)
Non-controlling interests	931	(2,163)
	(820,138)	(5,400,784)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Intangible assets		28,962	28,498
Property and equipment		28,143	17,652
Investment in an associate		630	675
Investments in joint ventures	9	565,235	605,721
Financial assets at fair value through profit or loss	10	315,403	267,823
Right-of-use assets		133,253	97,355
Deferred tax assets		9,722	21,689
Prepayments, other receivables and other assets	11	271,640	250,366
Total non-current assets		1,352,988	1,289,779
Current assets			
Inventories	12	2,837,196	1,732,390
Trade and note receivables	13	184,869	75,036
Prepayments, other receivables and other assets	11	271,948	555,338
Financial assets at fair value through profit or loss	10	2,821,779	1,507,713
Term deposits		20,026,310	6,524,900
Restricted cash		25,698	38,600
Cash and cash equivalents		18,980,432	32,270,792
Total current assets		45,148,232	42,704,769
Total assets		46,501,220	43,994,548
Equity			
Share capital	17	11	11
Reserves		58,623,015	57,867,592
Accumulated losses		(19,071,904)	(18,616,760)
Equity attributable to owners of the Company		39,551,122	39,250,843
Non-controlling interests		1,432	501
Total equity		39,552,554	39,251,344

Condensed Consolidated Statement of Financial Position (Continued)

	Notes	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		79,418	61,410
Total non-current liabilities		79,418	61,410
Current liabilities			
Trade payables	14	4,577,713	2,899,599
Income tax payables		51,855	132,182
Contract liabilities	4	366,407	179,462
Financial liabilities at fair value through profit or loss	16	138,860	143,113
Lease liabilities		36,059	28,568
Accrued expenses and other payables	15	1,698,354	1,298,870
Total current liabilities		6,869,248	4,681,794
Total liabilities		6,948,666	4,743,204
Total equity and liabilities		46,501,220	43,994,548

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Notes	Share capital	Treasury shares	Share premium	Contribution reserve	Statutory reserves	Other reserve ¹	Accumulated losses	Sub-total	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2020 (audited)		7	—	—	768,023	—	141,730	(1,368,791)	(459,031)	—	(459,031)
Loss for the period		—	—	—	—	—	—	(5,358,752)	(5,358,752)	(2,163)	(5,360,915)
Other comprehensive loss for the period		—	—	—	—	—	(39,869)	—	(39,869)	—	(39,869)
Total comprehensive loss for the period		—	—	—	—	—	(39,869)	(5,358,752)	(5,398,621)	(2,163)	(5,400,784)
Share-based payment expenses	18	—	—	—	—	—	26,466	—	26,466	—	26,466
Acquisition of a non-wholly owned subsidiary		—	—	—	—	—	—	—	—	1,035	1,035
As of June 30, 2020 (audited)		7	—	—	768,023	—	128,327	(6,727,543)	(5,831,186)	(1,128)	(5,832,314)
As of January 1, 2021 (audited)		11	—*	55,632,709	768,023	13,606	1,453,254	(18,616,760)	39,250,843	501	39,251,344
(Loss)/Profit for the period		—	—	—	—	—	—	(455,144)	(455,144)	931	(454,213)
Other comprehensive loss for the period		—	—	—	—	—	(365,925)	—	(365,925)	—	(365,925)
Total comprehensive (loss)/income for the period		—	—	—	—	—	(365,925)	(455,144)	(821,069)	931	(820,138)
Share-based payment expenses	18	—	—	—	—	—	1,121,348	—	1,121,348	—	1,121,348
Exercise of share options	18	—	—*	41,170	—	—	(41,170)	—	—*	—	—*
As of June 30, 2021 (unaudited)		11	—*	55,673,879	768,023	13,606	2,167,507	(19,071,904)	39,551,122	1,432	39,552,554

* less than RMB1,000.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
OPERATING ACTIVITIES		
Cash generated from operations	1,950,636	458,934
Interest received	160,536	22,990
Income tax paid	(177,271)	(122,257)
Net cash generated from operating activities	1,933,901	359,667
INVESTING ACTIVITIES		
Placement of restricted cash	(25,698)	(10,040)
Withdrawal of restricted cash	38,600	6,772
Placement of term deposits	(18,844,070)	(1,401,880)
Maturity of term deposits	5,149,440	—
Purchase of financial assets at fair value through profit or loss	(3,850,000)	(1,012,220)
Maturity of financial assets at fair value through profit or loss	2,531,819	—
Payment for the investment in a joint venture	—	(667,904)
Prepayments for investments in equity investees	—	(773)
Net cash outflow on acquisition of a subsidiary	—	(3,501)
Purchases of property and equipment	(22,699)	(6,640)
Purchases of intangible assets	(4,580)	(395)
Payments for right-of-use assets	(186)	(482)
Net cash used in investing activities	(15,027,374)	(3,097,063)
FINANCING ACTIVITIES		
Repayment for borrowings	—	(5,000)
Principal portion of lease payments	(23,934)	(10,488)
Interest paid	(2,225)	(686)
Advance from JD Group	—	754,963
Net proceeds from issuance of convertible preferred shares	—	168,862
Net cash (used in)/generated from financing activities	(26,159)	907,651
Net decrease in cash and cash equivalents	(13,119,632)	(1,829,745)
Cash and cash equivalents at the beginning of the period	32,270,792	4,965,272
Effects of foreign exchange rate changes on cash and cash equivalents	(170,728)	64,793
Cash and cash equivalents at the end of the period	18,980,432	3,200,320

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of preparation

1.1 General information

The Company was incorporated in the Cayman Islands in November 2018 as an exempted company registered under the laws of the Cayman Islands. The addresses of the registered office and principal place of business of the Company are stated in the section “Corporate Information” of the interim report. The Company acts as an investment holding company, its subsidiaries and consolidated affiliated entities (collectively the “Group”), engage in a comprehensive “Internet + Healthcare” ecosystem, providing pharmaceutical and healthcare products, internet healthcare, health management, intelligent healthcare solutions to the customers, and a variety of marketing services to the business partners. The Group’s principal operations and geographic markets are in the People’s Republic of China (the “PRC”).

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

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on December 8, 2020 (the “Listing”).

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

1.2 Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (the “IFRSs”), 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”).

2 Summary of significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2020.

2 Summary of significant accounting policies (Continued)

In the current interim period, the Group has applied Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Group's condensed consolidated financial statements. In addition, the Group has early adopted the Amendment to IFRS 16 *COVID-19-Related Rental Concessions beyond 30 June 2021* from January 1, 2021.

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

3 Segment information

The Group operates a comprehensive "Internet + Healthcare" ecosystem, providing pharmaceutical and healthcare products, internet healthcare, health management and intelligent healthcare solutions to the customers.

The Group's chief operating decision maker, who has been identified as the Chief Executive Officer (the "CEO"), reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and no other discrete financial information is provided to the CEO. Hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reports. As the Group's non-current assets are all located in the PRC and most of the Group's revenue are derived from the PRC, no geographical information is presented. During the six months ended June 30, 2021, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue (six months ended June 30, 2020: nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

4 Revenue

(a) Disaggregation of revenue from contracts with customers:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Type of goods or services:		
Product revenue:		
Sales of pharmaceutical and healthcare products	11,761,841	7,693,261
Service revenue:		
Marketplace, advertising and other services	1,875,991	1,084,229
Total	13,637,832	8,777,490
Timing of revenue recognition:		
A point in time	13,486,785	8,682,679
Overtime	151,047	94,811
Total	13,637,832	8,777,490

(b) Contract liabilities

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

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Contract liabilities	366,407	179,462

The directors of the Company expect that all of the contract liabilities as of June 30, 2021 will be recognized as revenue within one year (December 31, 2020: within one year). The Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts of the Group are within one year or less.

Notes to the Condensed Consolidated Financial Statements (Continued)

5 Loss before income tax

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

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Cost of inventories sold	10,328,538	6,464,009
Employee benefit expenses	1,528,392	254,068
Expenses of logistics and warehousing services***	838,667	591,328
Promotion and advertising expenses	600,390	319,751
Expenses of technology and traffic support services provided by JD Group**	587,288	424,124
Expenses of payment services**	127,894	94,918
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	25,810	8,591
Expenses related to other support services*	9,210	9,459
(Reversals)/provision for impairment of inventories	(29,862)	74,665

* Primarily consisted of the services provided by JD Group.

** Prior to the launch of CCT Arrangements (as defined in Note 21), terms and pricing policies of these transactions entered into by JD Group for the Group or between JD Group and the Group were established based on the terms stipulated in the Series A Share Subscription Agreements (as defined in Note 17). Upon and after the launch of CCT Arrangements, the majority of the transactions between JD Group and the Group are continuing connected transactions and recognized based on the terms stipulated in CCT Arrangements as set out in Note 21.

6 Finance income

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Interest income*	231,408	60,327

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

Notes to the Condensed Consolidated Financial Statements (Continued)

7 Income tax expense

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

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Current income tax:		
PRC enterprise income tax	96,944	122,257
Deferred income tax	11,967	(18,667)
Total	108,911	103,590

8 Loss per share

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

(a) Basic loss per share

	Six months ended June 30,	
	2021 (Unaudited)	2020 (Audited)
Loss for the period attributable to owners of the Company (RMB'000)	(455,144)	(5,358,752)
Weighted average number of ordinary shares for the purpose of basic loss per share	3,091,684,930	2,149,253,732
Basic loss per share attributable to owners of the Company (RMB per share)	(0.15)	(2.49)

(b) Diluted loss per share

As the Group incurred losses for the six months ended June 30, 2021, the potential ordinary shares were excluded in the calculation of the diluted loss per share as their effect would result in a decrease in loss per share, which is anti-dilutive. Accordingly, diluted loss per share for the six months ended June 30, 2021 was the same as basic loss per share of the period (six months ended June 30, 2020: the same as basic loss per share of the corresponding period).

Notes to the Condensed Consolidated Financial Statements (Continued)

9 Investments in joint ventures

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Cost of unlisted investments in joint ventures	682,745	682,745
Share of post-acquisition loss and other comprehensive loss	(117,510)	(77,024)
At the end of the period	565,235	605,721

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

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Non-current:		
Equity investments in private companies	157,745	107,745
Call option	157,658	160,078
	315,403	267,823
Current:		
Wealth management products*	2,821,779	1,507,713
	3,137,182	1,775,536

* The wealth management products purchased by the Group is structured products with the expected rates of return ranging from 2.90% to 3.60% as of June 30, 2021 (December 31, 2020: 1.48% to 3.15%), which was indexed to foreign exchange rate or interest rate. The Group managed and evaluated the performance of investments on a fair value basis in accordance with the Group's risk management and investment strategy. The fair values are based on cash flow discounted using the expected return based on observable market inputs and are within level 2 of the fair value hierarchy.

Notes to the Condensed Consolidated Financial Statements (Continued)

10 Financial assets at fair value through profit or loss (“FVTPL”) (Continued)

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

The following table lists the inputs to the model used:

	As of June 30, 2021 (Unaudited)	As of December 31, 2020 (Audited)
Expected volatility	45.2%	41.6%
Risk-free interest rate	2.77%	2.85%

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

11 Prepayments, other receivables and other assets

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Current:		
Interest receivable	94,199	34,763
Advance to suppliers	73,283	81,009
Recoverable value-added tax	49,433	38,107
Amounts due from related parties	29,674	385,828
Prepaid expense	12,414	6,674
Amounts due from employees*	6,991	4,438
Estimated return of products sold	5,019	3,841
Others	935	678
	271,948	555,338
Non-current:		
Amounts due from a related party	245,963	234,527
Amounts due from employees*	22,569	13,669
Others	3,108	2,170
	271,640	250,366

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

Notes to the Condensed Consolidated Financial Statements (Continued)

12 Inventories

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Products	2,894,091	1,819,147
Less: impairment provision	(56,895)	(86,757)
	2,837,196	1,732,390

13 Trade and note receivables

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Trade receivables from third parties	194,638	79,634
Less: allowance for expected credit loss ("ECL")	(16,200)	(6,369)
Note receivables	6,431	1,771
	184,869	75,036

The Group applies the simplified approach under IFRS 9 *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Notes to the Condensed Consolidated Financial Statements (Continued)

13 Trade and note receivables (Continued)

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

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Within 3 months	159,983	71,412
3 to 6 months	20,728	1,685
6 to 12 months	8,643	1,744
Over 12 months	5,284	4,793
	194,638	79,634
Less: allowance for ECL	(16,200)	(6,369)
	178,438	73,265

The Group held notes received for future settlement of trade receivables with insignificant amount. The Group continues to recognize their full carrying amounts at the end of each reporting period. All notes received by the Group are with a maturity period of less than one year.

As of June 30, 2021, included in the Group's trade receivables balance was debtors with aggregate carrying amount of RMB71 million (December 31, 2020: RMB17 million), which was past due but not considered credit-impaired as of the reporting date. The Group has not provided an impairment loss as the Group is satisfied with the past subsequent settlement record and the credit quality of these customers had not seen deteriorated. The Group does not hold any collateral over these balances.

Notes to the Condensed Consolidated Financial Statements (Continued)

14 Trade payables

Trade payables primarily consist of payables to suppliers.

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

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Within 3 months	4,425,939	2,066,689
3 to 6 months	125,598	750,321
6 to 12 months	26,176	82,589
Total	4,577,713	2,899,599

15 Accrued expenses and other payables

Accrued expenses and other payables consist of the following:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Deposits received*	855,473	793,593
Amounts due to a related party (Note 21)	291,705	—
Advances from customers	240,874	129,787
Salary and welfare payables	125,335	145,703
Other tax payables	67,519	25,867
Liabilities for return allowances	4,956	3,855
Listing expenses and issuance costs payables	—	102,532
Others	112,492	97,533
Total	1,698,354	1,298,870

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

Notes to the Condensed Consolidated Financial Statements (Continued)

16 Financial liabilities at FVTPL

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Put option	138,860	143,113

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

The following table lists the inputs to the model used:

	As of June 30, 2021 (Unaudited)	As of December 31, 2020 (Audited)
Expected volatility	53.9%	47.2%
Risk-free interest rate	2.43%	2.60%

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

17 Share capital

Authorized

In May 2019, the Company entered into a subscription agreement for the series A preference shares (the "Series A Preference Shares") financing with certain third-party investors (the "Series A Share Subscription Agreements") as set out in 2020 annual report published on April 23, 2021 (the "2020 Annual Report").

As of January 1, 2020, the Company had an authorized share capital of USD50,000 divided into 50,000,000,000 shares, out of which 49,781,223,881 shares were ordinary shares at a nominal or par value of USD0.000001 each and 218,776,119 shares were preferred shares at a nominal or par value of USD0.000001 each, of which 218,776,119 are designated as Series A Preference Shares.

Notes to the Condensed Consolidated Financial Statements (Continued)

17 Share capital (Continued)

Authorized (Continued)

In February 2020, the Company underwent 1:2 share split to each authorized and issued shares, such that the share capital of the Company is USD50,000 divided into 99,562,447,762 ordinary shares at a nominal or par value of USD0.0000005 each and 437,552,238 preferred shares at a nominal or par value of USD0.0000005 each, of which 437,552,238 were designated as Series A Preference Shares.

In August 2020, the Company entered into definitive agreements for the series B preference shares (the "Series B Preference Shares") with a group of third-party investors as set out in the 2020 Annual Report. 135,948,562 ordinary shares were designated as Series B Preference Shares at a nominal or par value of USD0.0000005 each.

In December 2020, 372,552,238 Series A Preference Shares in issue and 130,319,819 Series B Preference Shares in issue were converted into ordinary shares at a nominal or par value of USD0.0000005 each. All authorized but unissued Series A Preference Shares and Series B Preference Shares have been re-designated and reclassified into ordinary shares at a nominal or par value USD0.0000005 each.

As of December 31, 2020 and June 30, 2021, the Company had an authorized share capital of USD50,000, divided into 100,000,000,000 authorized ordinary shares, with par value of USD0.0000005 each.

Issued

	Number of ordinary shares	Nominal value of ordinary shares USD	Nominal value of ordinary shares RMB
As of January 1, 2020 (audited)	1,074,626,866	1,075	7,388
Split of shares*	1,074,626,866	—	—
As of June 30, 2020 (audited)	2,149,253,732	1,075	7,388
As of January 1, 2021 (audited) and June 30, 2021 (unaudited)	3,184,367,111	1,593	10,769

* In February 2020, the Company underwent 1:2 share split, having 2,149,253,732 ordinary shares issued and outstanding with a par value of USD0.0000005 per share.

Notes to the Condensed Consolidated Financial Statements (Continued)

18 Share-based payments

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

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

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

The table below sets forth share-based payment expenses for RSUs and share options during the six months ended June 30, 2021 and 2020:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
RSUs	507,880	25,881
Share options	613,468	585
	1,121,348	26,466

Notes to the Condensed Consolidated Financial Statements (Continued)

18 Share-based payments (Continued)

18.1 JD Group Share Incentive Plan

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

The RSUs and share options are generally service-based and scheduled to be vested over two to ten years. One-second, one-third, one-fourth, one-fifth, one-sixth, or one-tenth of the awards, depending on different vesting schedules of JD Group Share Incentive Plan, shall be vested upon the end of the calendar year in which the awards were granted or the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight line basis at the end of the remaining calendar or the anniversary years.

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

Share options

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

	Number of share options	Weighted average exercise price USD	Weighted average remaining contractual term Year
Outstanding as of January 1, 2020 (audited)	293,498	10.42	5.0
Exercised	(12,000)	3.96	
Outstanding as of June 30, 2020 (audited)	281,498	10.70	4.6
Outstanding as of January 1, 2021 (audited)	200,660	10.71	4.1
Outstanding as of June 30, 2021 (unaudited)	200,660	10.71	3.6

The number of exercisable share options as of June 30, 2021 was 200,660 (December 31, 2020: 200,660).

Notes to the Condensed Consolidated Financial Statements (Continued)

18 Share-based payments (Continued)

18.1 JD Group Share Incentive Plan (Continued)

Share options (Continued)

The fair value of share options was estimated using the binominal option-pricing model. The determination of estimated fair value of share-based payment awards on the grant date is affected by the fair value of JD.com, Inc.'s ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected volatility of the shares of JD.com, Inc. over the expected term of the awards, actual and projected employee share option exercise behaviors, a risk-free interest rate and expected dividends, if any.

RSUs

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

	Number of RSUs	Weighted- average grant- date fair value USD
Unvested as of January 1, 2020 (audited)	3,153,788	14.43
Granted	394,410	19.80
Vested	(462,110)	14.85
Transfer*	(370,904)	11.03
Forfeited or canceled	(21,934)	17.34
Unvested as of June 30, 2020 (audited)	2,693,250	15.59
Unvested as of January 1, 2021 (audited)	534,058	17.85
Granted	47,574	42.17
Vested	(146,026)	16.27
Transfer*	184,042	22.24
Forfeited or canceled	(32,068)	20.56
Unvested as of June 30, 2021 (unaudited)	587,580	21.44

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

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

18 Share-based payments (Continued)

18.2 JD Health Share Incentive Plan

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

In October 2020, with the approvals of the board of directors of the Company, the Company granted to directors, senior management and other connected persons of the Company and other employees of the Group to subscribe for an aggregate of 94,770,812 shares under Pre-IPO ESOP. This includes options granted to Mr. Richard Qiangdong Liu, the non-executive director of the Company, to acquire 53,042,516 ordinary shares of the Company according to the Pre-IPO ESOP, subject to a six year vesting schedule. The Company did not grant any option under the Pre-IPO ESOP after the Listing and does not plan to grant further awards under the Pre-IPO ESOP. The exercise price of the options under the Pre-IPO ESOP is USD0.0000005 per share. No consideration was payable by the grantees for the grant of the options under the Pre-IPO ESOP. As of June 30, 2021, 93,056,322 ordinary shares have been issued to Amazing Start Management Limited, being the trustee holding the shares on trust for the benefit of the participants of the Pre-IPO ESOP (December 31, 2020: 93,056,322).

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

As of June 30, 2021, no share options and aggregated 50,600,936 RSUs were granted under the Post-IPO ESOP (December 31, 2020: nil and nil).

Share options

As of June 30, 2021, the total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme is 312,708,211 shares (December 31, 2020: 312,708,211).

18 Share-based payments (Continued)

18.2 JD Health Share Incentive Plan (Continued)

Share options (Continued)

(a) Service-based share options

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

	Number of share options	Weighted average exercise price USD	Weighted average remaining contractual term Year
Outstanding as of January 1, 2021 (audited)	74,026,878	0.0000005	9.8
Exercised	(4,232,474)	0.0000005	
Forfeited	(214,653)	0.0000005	
Outstanding as of June 30, 2021 (unaudited)	69,579,751	0.0000005	9.3

The number of exercisable service-based share options as of June 30, 2021 was 492,920 (December 31, 2020: 303,481).

(b) Performance-based share options

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

	Number of share options	Weighted average exercise price USD	Weighted average remaining contractual term Year
Outstanding as of January 1, 2021 (audited)	20,704,590	0.0000005	9.7
Outstanding as of June 30, 2021 (unaudited)	20,704,590	0.0000005	9.2

The number of exercisable performance-based share options as of June 30, 2021 was nil (December 31, 2020: nil). At the end of each reporting periods, the Group revises its estimates of the number of options that are expected to vest based on performance conditions, with the impact of the revision to original estimates, if any, in profit or loss, along with a corresponding adjustment to equity.

18 Share-based payments (Continued)**18.2 JD Health Share Incentive Plan (Continued)****RSUs**

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

	Number of RSUs	Weighted-average grant-date fair value HKD
Unvested as of January 1, 2021 (audited)	—	—
Granted	50,600,936	114.80
Vested	(600,000)	114.40
Forfeited	(209,520)	133.30
Unvested as of June 30, 2021 (unaudited)	49,791,416	114.73

As of June 30, 2021, the total number of shares which may be issued upon vest of all RSUs to be granted under the Post-IPO Share Awards Scheme is 262,316,795 shares (December 31, 2020: 312,708,211). The fair values of the RSUs granted during the six months ended June 30, 2021 were determined based on the market value of the Company's shares at the respective grant dates.

19 Dividends

No dividends had been paid or declared by the Company for the six months ended June 30, 2021, nor has any dividend been proposed since June 30, 2021 (six months ended June 30, 2020: nil).

20 Fair value measurement of financial instruments**Determination of fair value and fair value hierarchy**

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

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

Notes to the Condensed Consolidated Financial Statements (Continued)

20 Fair value measurement of financial instruments (Continued)

Determination of fair value and fair value hierarchy (Continued)

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

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

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

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

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of June 30, 2021 (unaudited)				
Assets:				
Financial assets at FVTPL	—	2,821,779	315,403	3,137,182
Liabilities:				
Financial liabilities at FVTPL	—	—	138,860	138,860
As of December 31, 2020 (audited)				
Assets:				
Financial assets at FVTPL	—	1,507,713	267,823	1,775,536
Liabilities:				
Financial liabilities at FVTPL	—	—	143,113	143,113

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the six months ended June 30, 2021, there were no transfers among different levels of fair values measurement (six months ended June 30, 2020: nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

20 Fair value measurement of financial instruments (Continued)

Determination of fair value and fair value hierarchy (Continued)

Reconciliation of Level 3 fair value measurements:

	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000	Convertible preferred shares RMB'000
As of January 1, 2020 (audited)	7,450	—	7,584,420
Issuance	—	—	168,862
Addition	136,365	135,906	—
Changes in fair value			
— Fair value changes of equity investments in private companies measured as financial assets at FVTPL	119	—	—
— Fair value changes of convertible preferred shares	—	—	5,705,251
— Currency translation differences	—	—	150,882
As of June 30, 2020 (audited)	143,934	135,906	13,609,415
As of January 1, 2021 (audited)	267,823	143,113	—
Addition	50,000	—	—
Changes in fair value			
— Fair value changes of options	(2,420)	(4,253)	—
As of June 30, 2021 (unaudited)	315,403	138,860	—

Valuation techniques

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

As the investments in equity investments measured as financial assets at FVTPL are not traded in an active market, its fair values have been determined by using the market approach. The fair value change of the financial assets or financial liabilities at FVTPL were not material for the six months ended June 30, 2021 (six months ended June 30, 2020: not material).

Notes to the Condensed Consolidated Financial Statements (Continued)

20 Fair value measurement of financial instruments (Continued)

Valuation techniques (Continued)

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

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

21 Related party transactions

The following significant transactions are carried out between the Group and its related parties during the six months ended June 30, 2021. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the six months ended June 30, 2021.

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

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

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

(b) Significant transactions with related parties

In November 2020, the Group entered into a series of continuing connected transaction arrangements (the "CCT Arrangements") with JD Group, in respect of which the Group has complied with the disclosure requirements of Chapter 14A of the Listing Rules.

Notes to the Condensed Consolidated Financial Statements (Continued)

21 Related party transactions (Continued)

(b) Significant transactions with related parties (Continued)

Prior to the launch of CCT Arrangements, terms and pricing policies of these transactions entered into by JD Group for the Group or between JD Group and the Group were established based on the terms stipulated in the Series A Share Subscription Agreements. Upon and after the launch of CCT Arrangements, the majority of the transactions between JD Group and the Group are continuing connected transactions and recognized based on the terms stipulated in CCT Arrangements.

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

Details of significant transactions with related parties recorded with above terms and pricing policies during the six months ended June 30, 2021 are separately shown as follows:

	Notes	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Services provided to related parties:			
Marketing services provided to JD Group		285,884	98,099
Other services provided to JD Group		4,608	—
Services provided to JD Technology		987	—
Services and products received from related parties:			
Logistics and warehousing services received from JD Group	1	795,096	591,328
Technology and traffic support services received from JD Group	2	587,288	424,124
Marketing services received from JD Group	3	397,523	—
Payment services received from JD Group	4	85,904	94,918
Shared services received from JD Group	5	64,276	58,427
Loyalty program services received from JD Group	6	31,386	24,033
Share-based payments received from JD.com, Inc. to pay the Group's employees for the services provided	7	9,498	26,466
Services received from JD Technology	8	41,039	—
Others		11,431	543
Others:			
Interest income from Tangshan Hongci		11,436	—

21 Related party transactions (Continued)

(b) Significant transactions with related parties (Continued)

Services provided to related parties

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

Services and products received from related parties

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

Notes to the Condensed Consolidated Financial Statements (Continued)

21 Related party transactions (Continued)

(c) The Group had the following balances with the major related parties:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Amounts due to JD Group	291,705	—
Amounts due from Tangshan Hongci	245,963	234,527
Amounts due from other major related parties	29,674	50,923
Amounts due from JD Group	—	334,905

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

The amounts due from Tangshan Hongci are a three-year interest-bearing loan.

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

(d) Key management personnel compensation

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

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Salaries and bonuses	3,189	3,320
Share-based payments	567,121	6,803
Pension costs — defined contribution plans	51	45
Welfare, medical and other benefits	283	263
	570,644	10,431

22 Subsequent Events

The Company has resolved to grant an aggregate of 26,521,258 RSUs under the Post-IPO Share Awards Scheme with the approval of the board of directors of the Company and be effective from July 2021.

DEFINITIONS

“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“annual active user accounts”	user accounts that made at least one purchase during the past trailing twelve months ended on the applicable date, including through JD Pharmacy, online marketplace and omnichannel initiative
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Award Shares”	award shares, each representing a contingent right to receive one Share, which is awarded under the Post-IPO Share Award Scheme
“Board of Directors” or “Board”	our Board of Directors
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
“China”, or “the PRC”	the People’s Republic of China and, except where the context requires and only for the purpose of this interim report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. “Chinese” shall be construed accordingly
“Class A ordinary share(s)”	Class A ordinary shares in the share capital of JD.com with par value of US\$0.00002 each, conferring a holder of a Class A ordinary share to one vote per share on any resolution tabled at JD.com’s general meeting
“Class B ordinary share(s)”	Class B ordinary shares in the share capital of JD.com with par value of US\$0.00002 each, conferring weighted voting rights in JD.com such that a holder of a Class B ordinary share is entitled to 20 votes per share on any resolution tabled at JD.com’s general meeting
“Company”, “our Company”, or “the Company”	JD Health International Inc. (京东健康股份有限公司), an exempted company with limited liability incorporated in the Cayman Islands on November 30, 2018
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely the Onshore Holdco and its respective subsidiaries

Definitions (Continued)

“Contractual Arrangement(s)”	the series of contractual arrangements entered into between, among others, the Onshore Holdco and its respective subsidiaries
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to JD Jiankang, JD.com, Mr. Richard Qiangdong Liu (劉強東), Max Smart Limited and Fortune Rising Holdings Limited
“Director(s)”	the director(s) of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the Consolidated Affiliated Entities from time to time
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “HK dollars”, “HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRSs”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“JD.com”	JD.com, Inc., one of our Controlling Shareholders, a company incorporated in the BVI on November 6, 2006 and subsequently redomiciled to the Cayman Islands on January 16, 2014 as an exempted company registered by way of continuation under the laws of the Cayman Islands and the shares of which are listed on the Main Board (stock code: 9618) under Chapter 19C of the Listing Rules and the ADSs of which are listed on Nasdaq under the symbol “JD”
“JD Group”	JD.com and its subsidiaries and consolidated affiliated entities, excluding our Group upon the Reorganization and including our Group prior to the Reorganization
“JD Jiankang”	JD Jiankang Limited, a company incorporated in the BVI on April 24, 2019, wholly-owned by JD.com and one of our Controlling Shareholders
“JD Logistics”	JD Logistics, Inc., JD.com’s logistics business that provides integrated supply chain and logistics services to JD.com and third-party business partners across a wide range of industries, and the shares of which are listed on the Main Board (stock code: 2618)

Definitions (Continued)

“JD Share(s)”	Class A ordinary shares and Class B ordinary shares in the share capital of JD.com
“Jiangsu Jingdong Hongyuan”	Jiangsu Jingdong Hongyuan Information Technology Co., Ltd. (江蘇京東弘元信息技術有限公司), a company incorporated under the laws of PRC on August 2, 2019, a wholly-owned subsidiary of the Onshore Holdco and one of our Consolidated Affiliated Entities
“Jingdong Pharmacy Qingdao”	Jingdong Pharmacy (Qingdao) Co., Ltd. (京東大藥房(青島)連鎖有限公司), a company incorporated under the laws of PRC on January 22, 2010, an indirectly wholly-owned subsidiary of the Onshore Holdco and one of our Consolidated Affiliated Entities
“Jingdong Pharmacy Taizhou”	Jingdong Pharmacy Taizhou Chain Co., Ltd. (京東大藥房泰州連鎖有限公司), a company incorporated under the laws of PRC on October 23, 2017, a wholly-owned subsidiary of the Jingdong Pharmacy Qingdao and one of our Consolidated Affiliated Entities
“Jingdong Shanyuan”	Jingdong Shanyuan (Qingdao) E-commerce Co., Ltd. (京東善元(青島)電子商務有限公司), a company incorporated under the laws of PRC on August 28, 2013, the holding company of Jingdong Pharmacy Qingdao and one of our Consolidated Affiliated Entities
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	December 8, 2020, the date on which the Shares were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Onshore Holdco”	Suqian Jingdong Tianning Jiankang Technology Co., Ltd. (宿遷京東天寧健康科技有限公司), a company established in the PRC on June 10, 2019 and our Consolidated Affiliated Entity

Definitions (Continued)

"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by our Company on November 23, 2020
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on November 23, 2020
"Pre-IPO ESOP"	the pre-IPO employee share incentive plan adopted by our Company on September 14, 2020
"Prospectus"	the prospectus of the Company dated November 26, 2020
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	six months ended June 30, 2021
"Reorganization"	the corporate restructuring of the Group in preparation for the Listing, as described in the section headed "History, Reorganization and Corporate Structure — Corporate Reorganization" in the Prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US\$0.0000005 each
"Shareholder(s)"	holder(s) of our Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction



Definitions (Continued)

**“US dollars”, “U.S. dollars”, “US\$”
or “USD”** United States dollars, the lawful currency of the United States

“U.S. SEC” the U.S. Securities and Exchange Commission

“%” per cent

JDH 京东健康

首席健康管家

— The Go-to Health Management Platform —