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JDH 京东健康

JD Health International Inc.

京东健康股份有限公司

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

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The board (the “**Board**”) of directors (the “**Directors**”) of JD Health International Inc. (the “**Company**” or “**JD Health**”) is pleased to announce the (i) unaudited consolidated results of the Company, its subsidiaries and the consolidated affiliated entities (collectively, the “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”); and (ii) details regarding the appointment of Professor George Lau (“**Professor Lau**”) as an independent non-executive Director. These interim results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Year-on-
	2024	2023	year change
	RMB’000	RMB’000	(%)
	(Unaudited)	(Unaudited)	
Revenue	28,343,961	27,110,336	4.6
Gross profit	6,699,943	6,203,000	8.0
Operating income ⁽¹⁾	1,035,018	879,244	17.7
Profit before income tax	2,439,342	1,831,226	33.2
Profit for the period	2,034,378	1,561,992	30.2
Non-IFRS profit for the period ⁽²⁾	2,643,770	2,435,660	8.5

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the “Internet + Healthcare” industry advanced in line with regulations, delivering greater value to society. Internet-based pharmacies and medical consultations are now a standard part of everyday life, with consumers increasingly seeking out healthcare products and services online.

From a policy perspective, relevant government authorities have provided strong ongoing support for the healthcare industry’s high-quality development. The Key Tasks for Deepening Medical and Health System Reform in 2024 (《深化醫藥衛生體制改革2024年重點工作任務》) issued by the General Office of the State Council focuses on the synergistic development and governance of medical insurance, healthcare and pharmaceuticals. It underscores the significant role of information technology and digitization in empowering the implementation of medical and healthcare reforms. Meanwhile, various local governments have launched policies to promote medical service innovation through technological empowerment. For instance, the Implementation Measures for the Administration of Internet Diagnosis and Treatment in Hainan Province (《海南省互聯網診療管理實施辦法》) expressly encourages online hospitals to standardize the responsible use of artificial intelligence (AI) technology and digital therapies to assist physicians in diagnosis and treatment. In terms of demand, digital technology development has made online healthcare services more convenient and accessible. According to the 53rd Statistical Report on China’s Internet Development (《中國互聯網發展狀況統計報告》), which also suggests that convenient access to professional information, such as medical and health information, has become the major factor prompting China’s non-Internet users to go online. As of December 2023, the size of China’s online healthcare user base had increased significantly.

As an industry-leading healthcare enterprise, JD Health responds to the needs of the public, building a technology-driven platform that integrates online and offline healthcare services. We are committed to providing high-quality, easily accessible, and affordable medical and healthcare services through our innovative business model. During the Reporting Period, the total revenue of the Group reached RMB28.3 billion, representing year-over-year growth of 4.6%. The number of annual active user accounts for the 12 months ended June 30, 2024 reached 181 million and the average daily online consultation volume surpassed 480,000 in the first half of the year.

Retail pharmacy

We continued to strengthen our retail business model encompassing direct sales, online marketplace and on-demand retail, capitalizing on our supply chain capabilities to enrich our product offerings while maintaining competitive pricing. During the Reporting Period, we grew our partnerships with industry-leading pharmaceutical companies and healthcare product suppliers, further elevating consumers' awareness and brand recognition. Focusing on user experience, we introduced several services aimed at improving user satisfaction, which consistently built user trust. We continued to strengthen our omnichannel strategy and expand service scenarios to broaden our user reach while creating new growth opportunities for our brand partners.

Direct sales and online marketplace

During the Reporting Period, we further solidified our industry-leading supply chain capabilities by expanding warehousing networks nationwide and strengthening our directly-operated cold chain fulfillment capabilities. Leveraging advanced digital marketing tools, we thoroughly assessed user needs to achieve precise user preference alignment, further promoting cross-category selling and repeated purchases among users. We continued to make progress in building a differentiated platform ecosystem by harnessing the synergies between our online marketplace and direct sales business, which helped sustain our high-quality growth alongside our merchants. We saw fast growth of onboarded and active third-party merchants, with the total number joining our online marketplace reaching 80,000 as of June 30, 2024.

In terms of pharmaceuticals, JD Health has comprehensively deepened its cooperation with diverse pharmaceutical companies worldwide, fully empowering our partners' brands via new and specialty drug launches, omnichannel expansion, and digital marketing. During the Reporting Period, several new and specialty drugs debuted on JD Pharmacy, including Sinqi's 0.01% Atropine Sulfate Eye Drop, MyOpine[®], Sanofi's new drug ZENON[®], and GeneScience's new drug Megaxia[®]. In June 2024, we sold the first domestic order of Leqembi[®], a targeted drug for Alzheimer's disease treatment, highlighting JD Health's advanced omnichannel supply chain capabilities and the value of our professional services in the pharmaceutical field. We also collaborated with various traditional Chinese medicine brands during the Reporting Period, leveraging initiatives such as collaborative promotions to precisely capture user demand and achieve efficient traffic conversion by diving deep into users' health consumption needs.

During the Reporting Period, we also entered strategic cooperation agreements with over 10 medical device brands. To jointly tap into business growth opportunities, JD Health will lend its user insights and omnichannel supply chain capabilities to in-depth collaboration with these partners across product launches, product development and precision marketing. Furthermore, JD Health launched a senior healthcare channel to build up a comprehensive, effective and convenient ecosystem for elder-focused healthcare products and services, providing users with quality healthcare products covering 30,000 brands across thousands of related subcategories. With upgraded senior-friendly customer services such as the installation service of at-home medical devices, we delivered unparalleled shopping experiences to the elderly. During the Reporting Period, we also advanced our integrated online and offline omnichannel initiative with the opening of two offline hearing centers operated by JD Health, offering users professional services such as online hearing aid selection, offline fitting, and hearing tests and consultation services, for a one-stop shopping experience.

In the first half of 2024, JD Health upgraded an array of customer services, consistently earning customer recognition with its professional, caring and reliable experiences. We introduced an innovative free exchange service for expired products, covering a wide range of items such as pharmaceuticals, tonics, and health supplements. For medical devices, we launched after-sales service guarantees including a 365-day replacement-without-repair policy and a trade-in program to encourage new purchases. For this year's "618" Grand Promotion, we also upgraded our "Nutritionist Consultation" (問營養師) service to provide users with professional and personalized nutritional consultation and suggestions on dosage, precautions and related medical knowledge. At present, we have built China's largest online service platform and attracted nearly 1,000 dietitians and nutritionists, responding 95% of customer inquiries within 30 seconds. These services have received up to a 98% positive user satisfaction rating.

On-demand retail

As an industry-leading, innovative healthcare service provider, JD Health continues to iterate its retail business model, boosting efficiency by refining its integrated online and offline service system. During the Reporting Period, we have accelerated the expansion of onboarded merchants and self-operated pharmacies with improved operating efficiency, upgrading the instant delivery service standard to "as fast as 9 minutes with a 28-minute average delivery time". As of June 30, 2024, JD Health had partnered with over 150,000 pharmacies nationwide to provide 24-hour, on-demand services across more than 490 cities. We also responded proactively to public demand and policy guidance by enabling medical insurance payments for online purchases in Beijing, Shanghai and Dongguan. In May 2024, we debuted our medical insurance payment pilot project in Beijing, allowing real-time online settlement of reimbursable medical expenses for O2O orders placed by residents covered by local basic medical insurance. As of June 30, 2024, over 350 medical insurance-designated retail pharmacies had joined the JD platform and the service network had extended to cover all administrative districts in Beijing. This expansion made JD Health the medical service platform featuring the largest number of member stores, the broadest user coverage and the fastest O2O service provider in Beijing.

Healthcare services

In the first half of 2024, JD Health continued to accelerate the innovative application of healthcare large language models (LLMs) and other technologies across its medical and healthcare services, further improving the quality and efficiency of online consultations. Furthermore, we consistently deepened our expertise in key online hospital specialties and refined our at-home service experience to cater to our users' diverse healthcare needs.

Integrated online and offline medical services

During the Reporting Period, JD Health continued to explore innovative online medical service models, further validating its service capabilities and value in online specialty care services. Among our various specialties, our online dermatology care center has established four departments and 49 expert clinics serving over 15 million patients since inception, with a cross-departmental consultation rate of over 20%. As of June 30, 2024, JD Health Online Hospital's average daily online consultation volume had exceeded 480,000.

Innovation is the key driver propelling the advancement of JD Health's online medical services. In the first half of 2024, we continued to diversify our at-home testing offerings and optimized the service process, creating a one-stop at-home healthcare service experience for users by integrating healthcare scenarios, including online consultations and purchases of pharmaceuticals and healthcare products. Looking ahead, JD Health is poised to further expand its home-based service scenarios and service offerings, including at-home nursing and specialized care services.

Smart healthcare solutions and digital health

During the Reporting Period, JD Health made significant progress with its “Jingyi Qianxun” (京醫千詢) LLM and continued to iterate and optimize the application of intelligent physician assistant products and digital therapy products. We also deepened our strategic cooperation with the First Affiliated Hospital of Wenzhou Medical University. Our jointly developed “Pre-diagnostic Digital Doctor Based on Large Language Model” (基於大語言模型的診前數字醫生) was selected as a reference case for innovative application of emerging technologies in hospitals at the China Hospital Information Network Conference 2024 (CHIMA2024). Furthermore, we launched and promoted various healthcare LLM applications, including AI therapists, AI-assisted diagnostic tools and digital management tools, to improve online doctors' consultation efficiency and reduce users' medical costs.

We also advanced digital health management for corporate employees. During the Reporting Period, we provided corporate employee health management solutions for Shandong Energy Group Co., Ltd. (山東能源發展服務集團), offering convenient and quality medical and healthcare services to mining employees working in remote areas. Through a joint initiative, we built a total of eight health stations equipped with intelligent health examination equipment and therapeutic devices, providing integrated services including health assessments, rehabilitation therapy, and easily accessible, 24/7 online medical consultations. We also cooperated with China Galaxy Securities to equip more than 100 business outlets across China with AED devices and launched a first-aid training program for nearly 1,000 volunteers.

Public welfare and corporate social responsibility

In the first half of 2024, JD Health launched several public welfare programs to fulfill its social responsibilities. In response to the dynamic needs of China's aging population, JD Health teamed up with partners to initiate the "Sit and Bathe" (坐著洗澡) public welfare project and donated the project's initial 2,000 bathing chairs, promoting societal awareness of and home modifications for senior accessibility. For rare diseases, we continued to promote digital screening, new and specialty drug launches and public welfare fund assistance to offer patients suffering from rare diseases greater access to diagnosis, medication and financial aid.

Prospects

As an industry-leading healthcare service provider, we will continue to refine the "retail pharmacy + healthcare service" ecosystem while advancing tech-driven innovation. We remain firmly committed to providing accessible, convenient and affordable healthcare products and services to our users.

For the retail pharmacy business, we will focus on business synergies and complementary strengths among our direct sales, online marketplace and omnichannel initiative. To this end, we will continue to strengthen our industry-leading supply chain system and join hands with a wider array of brands and merchant partners to comprehensively enhance access to quality healthcare products. In terms of healthcare services, we will connect with a broader range of healthcare service providers, doctors, dieticians and pharmacists to further expand the supply of high-quality healthcare services. Furthermore, we will leverage LLMs and AI to consistently optimize our digital and intelligent solutions, reducing service costs for a wider consumer demographic while accelerating progress in healthcare inclusivity.

Going forward, JD Health will remain committed to its business philosophy of "trust-based value creation centered on customers' health". Through close cooperation with upstream and downstream partners, we will continue to open up our supply chain infrastructure and healthcare service capabilities to jointly establish an innovative and integrated healthcare service ecosystem. This approach ensures that we will advance together with consumers, industry stakeholders, our partners, society and the environment as a whole toward a more sustainable future.

FINANCIAL REVIEW

Revenue

Our revenue increased by 4.6% from RMB27.1 billion for the six months ended June 30, 2023 to RMB28.3 billion for the six months ended June 30, 2024. Our revenue increased by 14.6% from RMB13.2 billion for the three months ended June 30, 2023 to RMB15.1 billion for the three months ended June 30, 2024.

The increase in our total revenue was primarily due to an increase by 3.2% in products revenue from sales of pharmaceutical and healthcare products from RMB23.2 billion for the six months ended June 30, 2023 to RMB23.9 billion for the six months ended June 30, 2024. Such growth on products revenue was primarily driven by an increase in the number of active user accounts and additional purchases from user accounts, the increasing online penetration of pharmaceutical and healthcare products sales, and the enrichment in product offering.

Service revenue from online marketplace, digital marketing and other services increased by 12.5% from RMB3.9 billion for the six months ended June 30, 2023 to RMB4.4 billion for the six months ended June 30, 2024. The increase in our service revenue was primarily due to 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.

Cost of revenue

Our cost of revenue increased by 3.5% from RMB20.9 billion for the six months ended June 30, 2023 to RMB21.6 billion for the six months ended June 30, 2024. The increase was primarily due to an increase in the sales volume of our pharmaceutical and healthcare products through JD Pharmacy, which was in line with the growth of our retail pharmacy and healthcare business.

Gross profit and gross profit margin

As a result of the foregoing, we recorded a gross profit of RMB6.2 billion for the six months ended June 30, 2023, representing a gross profit margin of 22.9%, and a gross profit of RMB6.7 billion for the six months ended June 30, 2024, representing a gross profit margin of 23.6%. The increase in the gross profit margin was primarily due to changes in the revenue mix.

Fulfillment expenses

Our fulfillment expenses increased by 14.4% from RMB2.6 billion for the six months ended June 30, 2023 to RMB2.9 billion for the six months ended June 30, 2024. The increase was primarily due to (i) an increase in expenses of logistics and warehousing services as a result of an increase in the usage of logistics services along with more products sales, and warehousing services as more warehouses were utilized, and (ii) an increase in other fulfillment expenses, including employee benefit expenses, payment service expenses and customer service expenses, all of which were in line with the continued growth of our business. Fulfillment expenses as a percentage of revenue increased from 9.5% for the six months ended June 30, 2023 to 10.4% for the six months ended June 30, 2024. The increase was in relation to the adoption of a lower threshold for free shipping services.

Selling and marketing expenses

Our selling and marketing expenses increased by 17.5% from RMB1.2 billion for the six months ended June 30, 2023 to RMB1.4 billion for the six months ended June 30, 2024. The increase was primarily due to an increase in expenses of promotion and advertising. Selling and marketing expenses as a percentage of revenue increased from 4.4% for the six months ended June 30, 2023 to 5.0% for the six months ended June 30, 2024.

Research and development expenses

Our research and development expenses increased by 4.6% from RMB616.9 million for the six months ended June 30, 2023 to RMB645.0 million for the six months ended June 30, 2024. The increase was primarily attributable to an increase in employee benefit expenses for employees involved in research and development activities. Research and development expenses as a percentage of revenue remained stable as 2.3% for the six months ended June 30, 2023 and 2024.

General and administrative expenses

Our general and administrative expenses decreased by 21.9% from RMB876.8 million for the six months ended June 30, 2023 to RMB685.1 million for the six months ended June 30, 2024, primarily attributable to a decrease of share-based payment expenses. General and administrative expenses as a percentage of revenue decreased from 3.2% for the six months ended June 30, 2023 to 2.4% for the six months ended June 30, 2024.

Finance income

Our finance income increased by 5.7% from RMB936.5 million for the six months ended June 30, 2023 to RMB989.5 million for the six months ended June 30, 2024, primarily due to an increase of interest earnings from bank balances, term deposits and wealth management products at amortized cost under other assets.

Income tax expense

Our income tax expense increased by 50.4% from RMB269.2 million for the six months ended June 30, 2023 to RMB405.0 million for the six months ended June 30, 2024, primarily due to the net increase of deferred income tax, partially offset by the decrease of taxable income.

Profit for the period

As a result of the foregoing, we incurred a profit of RMB1,562.0 million for the six months ended June 30, 2023 and a profit of RMB2,034.4 million for the six months ended June 30, 2024.

Non-IFRS Measures

To supplement our condensed consolidated financial statements, which are presented in accordance with International Financial Reporting Standards (the “IFRSs”), we also use non-IFRS profit as an additional financial measure, which is not required by, or presented in accordance with, IFRSs.

We believe non-IFRS profit facilitates comparisons of operating performance from period to period and from company to company by eliminating potential impacts of items which our management considers not indicative of our core operating performance such as non-cash or nonrecurring items, and certain impact of investment transactions.

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

We define “non-IFRS operating income” as operating income for the period, excluding share-based payment expenses for the period. We exclude this item because it is non-operating in nature, not indicative of our core operating results and business outlook, and it does not generate any cash outflows. Our operating income was RMB1,035.0 million for the six months ended June 30, 2024, compared to RMB879.2 million for the six months ended June 30, 2023. Our non-IFRS operating income was RMB1,584.6 million for the six months ended June 30, 2024, compared to RMB1,681.5 million for the six months ended June 30, 2023. Our operating income was RMB547.7 million for the three months ended June 30, 2024, compared to RMB83.8 million for the three months ended June 30, 2023. Our non-IFRS operating income was RMB830.3 million for the three months ended June 30, 2024, compared to RMB524.5 million for the three months ended June 30, 2023.

The following table reconciles the most directly comparable financial measure, which is profit for the period, calculated and presented in accordance with IFRSs, to the non-IFRS profit for the six months ended June 30, 2024 and 2023:

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Reconciliation of profit to non-IFRS profit:		
Profit for the period	2,034,378	1,561,992
Add:		
Share-based payment expenses	549,631	802,223
— <i>Fulfillment expenses</i>	39,835	58,468
— <i>Selling and marketing expenses</i>	14,514	19,410
— <i>Research and development expenses</i>	35,128	49,285
— <i>General and administrative expenses</i>	460,154	675,060
Fair value changes for financial assets and financial liabilities at fair value through profit or loss (“FVTPL”) except for wealth management products ⁽¹⁾	(3,211)	56,272
Tax effects on non-IFRS adjustments	62,972	15,173
Non-IFRS profit for the period	<u>2,643,770</u>	<u>2,435,660</u>

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

Liquidity and capital resources

For the six months ended June 30, 2024, we funded our cash requirements primarily from cash generated from operating activities. Our cash and cash equivalents represent cash and bank balances. We had cash and cash equivalents of RMB8.8 billion and RMB15.0 billion as of June 30, 2024 and December 31, 2023, respectively. We had cash and cash equivalents, restricted cash, term deposits recognized in term deposits and other assets, and wealth management products recognized in financial assets at FVTPL and other assets of RMB56.4 billion and RMB53.7 billion as of June 30, 2024 and December 31, 2023, respectively.

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

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Net cash generated from operating activities	2,230,154	368,079
Net cash used in investing activities	(8,372,841)	(7,240,181)
Net cash used in financing activities	(21,793)	(18,521)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(6,164,480)	(6,890,623)
Cash and cash equivalents at the beginning of the period	15,037,033	18,717,724
Effects of foreign exchange rate changes on cash and cash equivalents	(29,461)	68,665
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>8,843,092</u>	<u>11,895,766</u>

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

Net cash generated from operating activities

For the six months ended June 30, 2024, our net cash generated from operating activities was RMB2.2 billion, which was primarily attributable to the profit for the period of RMB2.0 billion, as adjusted by (i) net decrease adjustments by non-cash and non-operating items of RMB0.4 billion, which primarily consisted of finance income, partially offset by share-based payment expenses, and (ii) net increase adjustments by working capital. In addition, interest received was RMB0.9 billion, partially offset by income tax paid of RMB0.4 billion.

For the six months ended June 30, 2023, net cash generated from operating activities was RMB0.4 billion, which was primarily attributable to the profit for the period of RMB1.6 billion, as adjusted by (i) net increase adjustments by non-cash and non-operating items of RMB0.6 billion, which primarily consisted of share-based payment expenses, partially offset by finance income, and (ii) net decrease adjustments by working capital of RMB1.9 billion, which primarily resulted from changes in trade payables, other payables and inventories. In addition, interest received was RMB0.5 billion, partially offset by income tax paid of RMB0.4 billion.

Net cash used in investing activities

For the six months ended June 30, 2024, net cash used in investing activities was RMB8.4 billion, which was primarily attributable to net cash paid for purchase of term deposits of RMB5.7 billion, and net cash paid for purchase of financial assets at FVTPL of RMB2.6 billion.

For the six months ended June 30, 2023, net cash used in investing activities was RMB7.2 billion, which was primarily attributable to net cash paid for placement of term deposits of RMB3.7 billion, net cash paid for purchase of financial assets at FVTPL of RMB2.8 billion, and net cash paid for purchase of financial assets at amortized cost of RMB0.7 billion.

Net cash used in financing activities

For the six months ended June 30, 2024, net cash used in financing activities was RMB21.8 million, which was primarily attributable to principal portion of lease payments of RMB17.8 million.

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

Gearing ratio

As of June 30, 2024, we had no outstanding borrowings. Therefore, the gearing ratio is not presented herein.

Significant investments held

We did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as at June 30, 2024) during the six months ended June 30, 2024.

Material acquisitions and/or disposals of subsidiaries and affiliated companies

As disclosed in the annual results announcement for the year ended December 31, 2023 of the Group dated March 20, 2024, the Group has entered into an agreement with the existing shareholder of Tangshan Hongci Healthcare Management Co., Ltd. (“**Tangshan Hongci**”) to acquire the remaining 51% equity interest in Tangshan Hongci (the “**Acquisition**”). Subsequent to June 30, 2024 and up to the date of this announcement, the Group terminated the Acquisition as certain relevant condition was not fulfilled.

Save as disclosed in this announcement, we did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies during the six months ended June 30, 2024.

Future plans for material investments and capital assets

Save as disclosed in the section headed “Material acquisitions and/or disposals of subsidiaries and affiliated companies”, as of June 30, 2024, we did not have other plans for material investments and capital assets.

Employee and remuneration policy

The number of employees (excludes part-time staff and interns) dedicated to our business and operations as of June 30, 2024 was 3,177 (June 30, 2023: 2,751).

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

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

The total employee benefit expenses, including share-based payment expenses, for the six months ended June 30, 2024 were RMB1.2 billion, as compared to RMB1.3 billion for the six months ended June 30, 2023.

Foreign exchange risk

The functional currency of our entities incorporated in the Cayman Islands, British Virgin Islands and Hong Kong is the United States dollar (“**USD**”). Our PRC subsidiaries and consolidated affiliated entities determined their functional currency to be Renminbi (“**RMB**”). Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of our entities. In addition, we have intra-group balances with several subsidiaries denominated in foreign currency which also expose us to foreign currency risk. During the six months ended June 30, 2024, 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, 2024, we did not have any material contingent liabilities or guarantees.

Borrowings

As of June 30, 2024, we had no outstanding borrowings.

Significant events after June 30, 2024

Save as disclosed in this announcement and as at the date of this announcement, there were no other significant events that might affect the Group since June 30, 2024.

INTERIM FINANCIAL INFORMATION

Condensed Consolidated Statement of Profit or Loss

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue	28,343,961	27,110,336
Cost of revenue	(21,644,018)	(20,907,336)
	<hr/>	<hr/>
Gross profit	6,699,943	6,203,000
Fulfillment expenses	(2,940,995)	(2,570,542)
Selling and marketing expenses	(1,404,267)	(1,194,914)
Research and development expenses	(645,015)	(616,863)
General and administrative expenses	(685,057)	(876,775)
Other income and gains, net	459,639	52,111
Finance income	989,512	936,455
Finance costs	(4,021)	(4,387)
Impairment losses under expected credit loss model, net of reversal	10,409	(64,662)
Share of results of associates and joint ventures	(40,806)	(32,197)
	<hr/>	<hr/>
Profit before income tax	2,439,342	1,831,226
Income tax expense	(404,964)	(269,234)
	<hr/>	<hr/>
Profit for the period	2,034,378	1,561,992
	<hr/> <hr/>	<hr/> <hr/>
Profit/(loss) for the period attributable to:		
Owners of the Company	2,037,182	1,561,358
Non-controlling interests	(2,804)	634
	<hr/>	<hr/>
	2,034,378	1,561,992
	<hr/> <hr/>	<hr/> <hr/>
	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)
Earnings per share		
Basic	0.65	0.50
	<hr/> <hr/>	<hr/> <hr/>
Diluted	0.65	0.49
	<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Comprehensive Income

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>2,034,378</u>	<u>1,561,992</u>
Other comprehensive income/(loss)		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	202,444	1,638,901
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(13,236)</u>	<u>(85,772)</u>
Other comprehensive income for the period	<u>189,208</u>	<u>1,553,129</u>
Total comprehensive income for the period	<u><u>2,223,586</u></u>	<u><u>3,115,121</u></u>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	2,226,390	3,114,487
Non-controlling interests	<u>(2,804)</u>	<u>634</u>
	<u><u>2,223,586</u></u>	<u><u>3,115,121</u></u>

Condensed Consolidated Statement of Financial Position

	As of June 30, 2024 <i>RMB'000</i> (Unaudited)	As of December 31, 2023 <i>RMB'000</i> (Audited)
ASSETS		
Non-current assets		
Property and equipment	86,357	88,792
Right-of-use assets	193,087	199,204
Intangible assets	2,135,706	2,182,200
Investments in associates	3,429	3,412
Investments in joint ventures	305,057	345,055
Financial assets at fair value through profit or loss	1,125,381	1,115,916
Deferred tax assets	200,311	299,825
Prepayments, other receivables and other assets	8,201,457	12,204,005
	<hr/>	<hr/>
Total non-current assets	12,250,785	16,438,409
	<hr/>	<hr/>
Current assets		
Inventories	5,680,513	5,084,574
Trade and note receivables	352,551	347,962
Prepayments, other receivables and other assets	992,556	1,913,575
Financial assets at fair value through profit or loss	12,335,485	9,384,793
Term deposits	26,741,301	16,066,577
Restricted cash	22,499	15,377
Cash and cash equivalents	8,843,092	15,037,033
	<hr/>	<hr/>
Total current assets	54,967,997	47,849,891
	<hr/>	<hr/>
Total assets	67,218,782	64,288,300
	<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Financial Position — continued

	As of June 30, 2024 <i>RMB'000</i> (Unaudited)	As of December 31, 2023 <i>RMB'000</i> (Audited)
EQUITY AND LIABILITIES		
Equity		
Share capital	11	11
Treasury shares	(76,708)	(92,573)
Reserves	67,504,066	66,784,340
Accumulated losses	(15,298,844)	(17,336,026)
	<hr/>	<hr/>
Equity attributable to owners of the Company	52,128,525	49,355,752
Non-controlling interests	11,708	14,512
	<hr/>	<hr/>
Total equity	52,140,233	49,370,264
	<hr/>	<hr/>
Liabilities		
Non-current liabilities		
Deferred tax liabilities	247,348	213,606
Lease liabilities	124,580	119,431
	<hr/>	<hr/>
Total non-current liabilities	371,928	333,037
	<hr/>	<hr/>
Current liabilities		
Trade payables	10,982,183	9,660,450
Income tax payables	225,647	337,543
Contract liabilities	468,224	405,604
Lease liabilities	93,126	95,323
Accrued expenses and other payables	2,937,441	4,086,079
	<hr/>	<hr/>
Total current liabilities	14,706,621	14,584,999
	<hr/>	<hr/>
Total liabilities	15,078,549	14,918,036
	<hr/>	<hr/>
Total equity and liabilities	67,218,782	64,288,300
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

General information and basis of preparation of condensed consolidated financial statements

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

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”).

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on January 1, 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2024 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2023.

Revenue

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of goods or services		
Product revenue:		
Sales of pharmaceutical and healthcare products	23,909,769	23,167,780
Service revenue:		
Marketplace, advertising and other services	4,434,192	3,942,556
	28,343,961	27,110,336
Timing of revenue recognition		
A point in time	28,099,650	26,861,902
Overtime	244,311	248,434
	28,343,961	27,110,336

Profit before income tax

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	21,707,641	20,661,015
Expenses of logistics and warehousing services	2,031,921	1,697,436
Employee benefit expenses	1,158,634	1,295,313
Expenses of technology and traffic support services provided by JD Group	1,093,693	1,048,846
Expenses of promotion and advertising	680,999	504,410
Expenses of payment services	219,473	223,208
Depreciation of property and equipment, right-of-use assets and amortization of intangible assets	103,218	107,930
(Reversal)/provision for impairment of inventories and advance to suppliers	(203,428)	179,571

Income tax expense

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	274,956	313,509
Deferred tax	130,008	(44,275)
	404,964	269,234

Earnings per share

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Numerator		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share (RMB'000)	2,037,182	1,561,358
Denominator		
Weighted average number of ordinary shares for the purpose of basic earnings per share (thousand shares)	3,139,948	3,120,282
Add: effect of dilutive potential ordinary share: options and RSUs granted (thousand shares)	15,753	42,230
Weighted average number of ordinary shares for the purpose of diluted earnings per share (thousand shares)	3,155,701	3,162,512
Basic earnings per share attributable to owners of the Company (RMB per share)	0.65	0.50
Diluted earnings per share attributable to owners of the Company (RMB per share)	0.65	0.49

Trade and note receivables

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000 (Audited)
Trade receivables from third parties	486,021	528,454
Trade receivables from a related party	46,620	31,189
Note receivables	9,379	1,101
Less: allowance for expected credit loss (“ECL”)	(189,469)	(212,782)
	352,551	347,962

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

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000 (Audited)
Within 3 months	284,085	303,507
3 to 6 months	22,855	45,741
6 to 12 months	56,902	40,271
Over 12 months	122,179	138,935
	486,021	528,454
Less: allowance for ECL	(189,469)	(212,782)
	296,552	315,672

Trade payables

Trade payables primarily consist of payables to suppliers.

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

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000 (Audited)
Within 3 months	10,488,736	9,210,796
3 to 6 months	261,574	241,535
Over 6 months	231,873	208,119
	<u>10,982,183</u>	<u>9,660,450</u>

Dividends

No dividend was paid or declared for ordinary shareholders of the Company for the six months ended June 30, 2024. The Directors have determined that no dividend will be paid in respect of the current interim period (six months ended June 30, 2023: none).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders of the Company (the "**Shareholders**"). During the Reporting Period, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Part 2 of Appendix C1 to the Listing Rules.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct regarding the Directors’ dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code throughout the six months ended June 30, 2024.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2024 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and Deloitte Touche Tohmatsu, the auditor of the Company (the “**Auditor**”).

The Auditor has reviewed condensed consolidated financial statements of the Group for the six months ended June 30, 2024 in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

OTHER BOARD COMMITTEES

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

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

During the six months ended June 30, 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the Hong Kong Stock Exchange (including any sale of treasury shares (as defined under the Listing Rules)).

INTERIM DIVIDEND

The Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2024.

USE OF NET PROCEEDS

With the shares listed on the Hong Kong Stock Exchange on December 8, 2020, the net proceeds from the Global Offering (following full exercise of the Over-allotment Option) were approximately RMB25.7 billion (the “**Net Proceeds**”) after deducting underwriting commissions and offering expenses, which were intended be utilized for the purposes as set out in the Prospectus.

Save as disclosed in the Company’s announcement dated November 29, 2023 (the “**Change in Use of Proceeds Announcement**”), the allocation and the expected timeline for the utilization of the other Net Proceeds remain unchanged, which will be used in the manner as disclosed in the Prospectus. Please refer to the Change in Use of Proceeds Announcement for details.

The following table sets forth a summary of the allocation and status of the utilization of the Net Proceeds and the unutilized Net Proceeds as of June 30, 2024:

Purpose	Allocation of the unutilized Net Proceeds (RMB million)	Unutilized amount as at January 1, 2024 (RMB million)	Amount utilized in the six months ended June 30, 2024 (RMB million)	Unutilized amount as at June 30, 2024 (RMB million)
Use for business expansion, including further developing our retail pharmacy business and online healthcare services, enhancing user growth and engagement and promoting brand awareness	9,010	7,635	3,717	3,918
Potential investments and acquisitions or strategic alliances	2,911	2,911	—	2,911
Working capital needs and general corporate purpose	648	579	—	579
Total	12,569	11,125	3,717	7,408

APPOINTMENT OF DIRECTOR

The Board is pleased to announce that Professor George Lau (廖家傑) has been appointed as an independent non-executive Director with effect from August 15, 2024.

The biographical details of Professor Lau are set out below:

Professor George Lau, aged 61, has extensive experience in the field of Gastroenterology and Hepatology. Professor Lau's current positions include, among others, the chairman and senior consultant in Gastroenterology and Hepatology at Humanity and Health Medical Group in Hong Kong, China, chair professor and senior consultant at Zhongshan Hospital, Fudan University in Shanghai, China, and various positions at medical committees and associations such as the Asian Pacific Association for the Study of the Liver (APASL) and the Asian-Pacific Digestive Disease Federation (APDWF). Professor Lau was a clinical professor of Department of Medicine and assistant dean of the Li Ka Shing Faculty of Medicine at The University of Hong Kong from 2006 to 2009. Professor Lau's research interest is immunotherapy in liver diseases and has published over 300 original articles over his three decades of research (including New England Journal of Medicine, New England Journal Medicine Evid, Lancet, Gastroenterology, Hepatology, Journal of Hepatol and Hepatology International, et al) with a citation of over 45,000 and H-index of 96.

Professor Lau obtained his bachelor of medicine and bachelor of surgery from the Hong Kong University in 1987, the Membership of the Royal Colleges of Physicians of the United Kingdom diploma in 1990 and his doctor's degree in medicine from the Hong Kong University in 2001. Professor Lau has been a Fellow of the Hong Kong College of Physicians and Fellow of the Hong Kong Academy of Medicine since 1995, Fellow of the Royal College of Physicians in Edinburgh since 2004 and in London since 2006, and Fellow of the American Association for the Study of Liver Diseases since 2015.

Professor Lau has entered into an appointment letter with the Company for a term of three years commencing from August 15, 2024 subject to (i) retirement from office and re-election at the next annual general meeting of the Company and (ii) retirement by rotation and re-election at least once every three years, in accordance with the memorandum and articles of association of the Company and the Corporate Governance Code. According to the terms of Professor Lau's appointment, Professor Lau is entitled to an annual director's fee of RMB338,000 in cash and certain equity-based compensation, and Professor Lau is entitled to the reimbursement of all reasonable out-of-pocket expenses properly and reasonably incurred in relation to the discharge of his duties in connection with the business of the Company. The director's remuneration package was recommended by the Remuneration Committee with reference to Professor Lau's duties and responsibilities with the Company, the Company's remuneration policy and the prevailing market conditions.

Save as disclosed above, as at the date of this announcement, Professor Lau has confirmed that he does not hold (i) any other position with the Company or other members of the Group; (ii) any directorship in any other public companies with securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iii) any other major appointments and professional qualifications.

Save as disclosed above, as at the date of this announcement, Professor Lau has confirmed that he does not have any relationship with any Director, senior management or substantial shareholder or controlling shareholders of the Company, or any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Professor Lau has confirmed that (i) he meets the independence criteria as set out in Rule 3.13 of the Listing Rules; (ii) he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person (as defined under the Listing Rules) of the Company; and (iii) there are no other factors that may affect his independence at the time of his appointment. Save as disclosed above, there is no other information that is required to be disclosed pursuant to any of the requirements under paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders or the Hong Kong Stock Exchange relating to Professor Lau's appointment.

The Board would like to express its warmest welcome to Professor Lau on his appointment.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at ir.jdhealth.com. The interim report of the Group for the six months ended June 30, 2024 will be published on the aforesaid websites of the Hong Kong Stock Exchange and the Company in due course.

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

Hong Kong, August 15, 2024

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