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DINGDANG HEALTH TECHNOLOGY GROUP LTD.

叮嚙健康科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 09886)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		Change
	2024	2023	
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)	
Revenue	2,267,894	2,247,282	Increased by 0.9%
Loss for the period	(89,801)	(117,351)	Narrowed by 23.5%
Loss for the period attributable to owners of the Company	(84,491)	(112,574)	Narrowed by 24.9%
Adjusted net loss (non-IFRS measure) ¹	(38,518)	(44,128)	Narrowed by 12.7%
Adjusted net loss margin (non-IFRS measure) ¹	(1.7%)	(2.0%)	Improvement of 0.3pp

Note:

- 1 The Company defines adjusted net loss (non-IFRS measure) as loss for the period excluding certain reconciling items as set out in the section headed “Non-IFRS Measures: Adjusted Net Loss and Adjusted Net Loss Margin”.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Dingdang Health Technology Group Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company, its subsidiaries and the consolidated affiliated entities (collectively, “**Dingdang Health**” or the “**Group**”) for the six months ended June 30, 2024 together with the comparative figures for the corresponding period in 2023, as follow:

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as defined in the prospectus of the Company dated September 1, 2022 (the “**Prospectus**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2024

		Six months ended June 30,	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
Revenue	5	2,267,894	2,247,282
Cost of revenue		<u>(1,516,158)</u>	<u>(1,564,369)</u>
Gross profit		751,736	682,913
Fulfillment expenses		(223,307)	(212,403)
Selling and marketing expenses		(485,874)	(465,164)
Research and development expenses		(24,355)	(30,675)
General and administrative expenses		(126,087)	(127,764)
Other gains and losses, net	7	6,654	18,958
Other income	8	25,296	23,715
Finance costs	9	(4,351)	(3,928)
Impairment losses under expected credit loss ("ECL") model, net of reversal	10	(2,199)	950
Share of result of an associate		<u>(1,177)</u>	<u>(234)</u>
Loss before income tax	6	(83,664)	(113,632)
Income tax expense	11	<u>(6,137)</u>	<u>(3,719)</u>
Loss for the period		<u>(89,801)</u>	<u>(117,351)</u>
Other comprehensive expense			
<i>Item that will not be reclassified to profit of loss:</i>			
Fair value loss on equity instruments at fair value through other comprehensive income ("FVTOCI")		<u>(38,745)</u>	<u>(19,459)</u>
Other comprehensive expense for the period		<u>(38,745)</u>	<u>(19,459)</u>
Total comprehensive expense for the period		<u>(128,546)</u>	<u>(136,810)</u>

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period attributable to:		
Owners of the Company	(84,491)	(112,574)
Non-controlling interests	(5,310)	(4,777)
	<u>(89,801)</u>	<u>(117,351)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(123,236)	(132,033)
Non-controlling interests	(5,310)	(4,777)
	<u>(128,546)</u>	<u>(136,810)</u>
Loss per share (present in RMB YUAN)		
– Basic and diluted	<i>12</i> <u>(0.06)</u>	<u>(0.08)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2024

	As of June 30, 2024 (Unaudited) <i>RMB'000</i>	As of December 31, 2023 (Audited) <i>RMB'000</i>
<i>Notes</i>		
Assets		
Non-current assets		
Property and equipment	45,907	38,564
Right-of-use assets	174,522	155,368
Goodwill	254,658	255,762
Other intangible assets	116,162	133,618
Equity instruments at FVTOCI	54,792	93,537
Investments in an associate	378	1,555
Rental deposits	13 15,969	14,354
	662,388	692,758
Current assets		
Financial assets at fair value through profit or loss (“FVTPL”)	92,673	143,426
Inventories	624,641	612,327
Trade and other receivables and prepayments	13 367,734	365,287
Amounts due from related parties	877	877
Restricted bank deposits and time deposits	8,500	64,195
Cash and cash equivalents	1,233,580	1,185,898
	2,328,005	2,372,010
	2,990,393	3,064,768

		As of June 30, 2024 (Unaudited) RMB'000	As of December 31, 2023 (Audited) RMB'000
	<i>Notes</i>		
Equity			
Share capital		894	894
Reserves		8,124,585	8,132,275
Accumulated losses		<u>(6,180,238)</u>	<u>(6,095,747)</u>
Equity attributable to owners of the Company		1,945,241	2,037,422
Non-controlling interests		<u>(2,640)</u>	<u>(527)</u>
Total equity		<u>1,942,601</u>	<u>2,036,895</u>
Liabilities			
Non-current liabilities			
Contract liabilities		3,569	2,984
Lease liabilities		102,669	84,126
Deferred tax liabilities		<u>26,056</u>	<u>28,219</u>
Total non-current liabilities		<u>132,294</u>	<u>115,329</u>
Current liabilities			
Trade and other payables	14	771,602	774,084
Amounts due to related parties		50,491	45,898
Contract liabilities		31,518	32,366
Lease liabilities		58,389	56,084
Income tax payable		<u>3,498</u>	<u>4,112</u>
Total current liabilities		<u>915,498</u>	<u>912,544</u>
Total liabilities		<u>1,047,792</u>	<u>1,027,873</u>
Total equity and liabilities		<u>2,990,393</u>	<u>3,064,768</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since September 14, 2022. Its ultimate controlling shareholder is Mr. Yang Wenlong (the “**Controlling Shareholder**”), who is also the Chairman and Executive Director of the Company. The address of the Company’s registered office is at Maples Corporate Services Limited, PO Box 309, Uglan House, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is at Building 1, Yard 50, Dengshikou Street, Dongcheng District, Beijing, the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of pharmaceutical and healthcare business in the PRC.

The condensed consolidated financial statements are presented in the currency of Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended June 30, 2024 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“**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 consolidated financial statements for the year ended December 31, 2023.

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 Group's annual period beginning on January 1, 2024 for the preparation of the Group's condensed consolidated financial statements:

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

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.

4. SEGMENT INFORMATION

The Group does not distinguish revenue, costs and expenses between segments in its internal reporting, and reports costs and expenses by nature as a whole.

The Group's chief operating decision maker, who has been identified as the president, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and 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 (excluding equity instruments at FVTOCI) are all located in the PRC and all the Group's revenue are derived from the PRC, no geographical information is presented. During the six months ended June 30, 2024, 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, 2023: nil).

5. REVENUE

Disaggregation of revenue from contracts with customers:

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Type of goods or services:		
Product revenue:		
Pharmaceutical and healthcare business	2,210,057	2,184,609
Others*	57,837	62,673
	<u>2,267,894</u>	<u>2,247,282</u>
Total revenue from contracts with customers	<u>2,267,894</u>	<u>2,247,282</u>
Timing of revenue recognition:		
A point in time	2,210,057	2,184,609
Overtime	57,837	62,673
	<u>2,267,894</u>	<u>2,247,282</u>
Total	<u>2,267,894</u>	<u>2,247,282</u>

* Others represents the marketing services, marketplace services and other revenue.

6. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	1,515,673	1,550,168
Provision for impairment of inventories	485	13,725
Employee benefit expenses		
– Salaries and bonuses	164,246	150,760
– Share-based payments expenses	51,283	73,223
– Retirement benefit scheme contributions	15,034	14,109
– Welfare, medical and other benefits	28,364	23,631
	<u>258,927</u>	<u>261,723</u>
Total employee benefit expenses	<u>258,927</u>	<u>261,723</u>
Depreciation of property and equipment	7,739	9,232
Depreciation of right-of-use assets	43,494	38,859
Amortization of other intangible assets	18,541	19,286
Auditor's remuneration	1,180	1,580
	<u>1,180</u>	<u>1,580</u>

7. OTHER GAINS AND LOSSES, NET

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net foreign exchange gains	3,008	9,463
Loss on disposal of property and equipment	(5)	(14)
Gain on fair value changes of financial assets at FVTPL	4,502	8,544
Loss on early termination of a lease	(706)	(416)
Impairment loss recognised in respect of goodwill	(1,104)	–
Others	959	1,381
	<hr/>	<hr/>
Total	6,654	18,958
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8. OTHER INCOME

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest income		
– Bank deposits	13,826	16,272
– Lease deposits	259	229
Government grants (<i>Note</i>)	5,017	5,453
Rental income – fixed	2,345	1,761
Dividends from equity instruments at FVTOCI	3,849	–
	<hr/>	<hr/>
Total	25,296	23,715
	<hr/> <hr/>	<hr/> <hr/>

Note: The amounts represented subsidies received from the local governments for rewarding the Group's contribution to local economies. There were no specific conditions attached to the grants and the amounts were recognized in profit or loss when the grants were received.

9. FINANCE COSTS

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on lease liabilities	<u>4,351</u>	<u>3,928</u>

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment losses, net of reversals, recognized on:		
– Trade receivables	2,542	45
– Other receivables	<u>(343)</u>	<u>(995)</u>
Total	<u>2,199</u>	<u>(950)</u>

11. INCOME TAX EXPENSE

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– Current period	7,910	7,015
– Under provision in respect of prior period	390	446
Deferred income tax	<u>(2,163)</u>	<u>(3,742)</u>
Total	<u>6,137</u>	<u>3,719</u>

12. LOSS PER SHARE

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

Loss figures are calculated as follows:

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(84,491)</u>	<u>(112,574)</u>

Number of shares:

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share*	<u>1,322,658,246</u>	<u>1,341,472,897</u>

* The weighted average number of ordinary shares for the purpose of basic loss per share has considered the impact of treasury stock purchased under the 2023 RSU Scheme.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended June 30, 2024, the potential ordinary shares were not included in the calculation of diluted loss per share, as taking into account the exercise of the Company's RSUs under the 2023 RSU Scheme would be anti-dilutive (six months ended June 30, 2023: anti-dilutive). Accordingly, diluted loss per share for the six months ended June 30, 2024 is the same as basic loss per share.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As of June 30, 2024 (Unaudited) <i>RMB'000</i>	As of December 31, 2023 (Audited) <i>RMB'000</i>
Current:		
(a) Trade receivables		
Trade receivables from third parties	113,781	114,438
Less: allowance for credit losses	<u>(3,598)</u>	<u>(1,056)</u>
Subtotal	<u>110,183</u>	<u>113,382</u>
(b) Other receivables and prepayments		
Advance to suppliers	36,365	34,009
Prepaid expenses	38,835	28,399
Recoverable value-added tax	33,413	33,978
Receivable from a fund company*	18,182	–
Receivable from third-party online platforms	93,470	116,486
Dividend receivable	3,855	–
Deposits receivables	14,250	12,297
Deposit in trustee	4,751	14,349
Staff advances and receivables	3,243	1,933
Others	13,836	13,446
Less: allowances for credit losses	<u>(2,649)</u>	<u>(2,992)</u>
Subtotal	<u>257,551</u>	<u>251,905</u>
Total	<u>367,734</u>	<u>365,287</u>
Non-current:		
Rental deposits	<u>15,969</u>	<u>14,354</u>
	<u>15,969</u>	<u>14,354</u>

* The amount represents receivable from a fund company for the redemption of financial products on June 28, 2024, which was subsequently received on July 3, 2024.

The Group's trading terms with some of its customers are on credit. The Group primarily allows a credit period from 30 to 45 days. Trade receivables are settled in accordance with the terms of the respective contracts. Aging analysis of trade receivables based on invoice date is as follows:

	As of June 30, 2024 (Unaudited) RMB'000	As of December 31, 2023 (Audited) RMB'000
Within 3 months	91,194	89,937
3 to 6 months	5,780	10,340
6 to 12 months	9,739	12,268
Over 12 months	7,068	1,893
	<u>(3,598)</u>	<u>(1,056)</u>
Less: allowance for ECL	<u>110,183</u>	<u>113,382</u>

As of June 30, 2024, the Group's trade receivables balance included debtors with aggregate carrying amount of RMB29.3 million (December 31, 2023: RMB36.0 million), which were past due but not impaired as of the reporting date. The Group has not provided an impairment loss as the Group is satisfied with the subsequent settlements and the credit quality of these customers had not seen deteriorated. The Group does not hold any collateral over these balances.

14. TRADE AND OTHER PAYABLES

	As of June 30, 2024 (Unaudited) <i>RMB'000</i>	As of December 31, 2023 (Audited) <i>RMB'000</i>
Trade payables	451,451	384,963
Notes payables	<u>2,345</u>	<u>21,223</u>
Subtotal	<u>453,796</u>	<u>406,186</u>
Salary and welfare payables	114,676	133,815
Other tax payable	3,342	5,564
Payables for delivery	39,921	50,091
Payables for service fee	22,907	28,119
Accrued expenses	87,252	86,889
Receipt on behalf of third-party merchants	18,248	28,254
Dividend payable to a non-controlling shareholder	–	8,011
Rental received in advance	1,259	1,135
Deposits payable	20,856	21,078
Payable for equipment and software	5,828	1,231
Others	<u>3,517</u>	<u>3,711</u>
Subtotal	<u>317,806</u>	<u>367,898</u>
Total	<u><u>771,602</u></u>	<u><u>774,084</u></u>

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

	As of June 30, 2024 (Unaudited) <i>RMB'000</i>	As of December 31, 2023 (Audited) <i>RMB'000</i>
Within 3 months	379,665	293,748
3 to 6 months	36,154	45,179
6 to 12 months	20,273	49,401
Over 12 months	<u>17,704</u>	<u>17,858</u>
Total	<u><u>453,796</u></u>	<u><u>406,186</u></u>

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended June 30, 2024 (six months ended June 30, 2023: nil).

During the six months ended June 30, 2024, a dividend to the non-controlling interests of RMB938,000 (six months ended June 30, 2023: RMB7,097,000) was declared and paid by certain subsidiaries.

During the six months ended June 30, 2024, dividend payable to the non-controlling interests for the year ended December 31, 2022 which was declared in the year ended December 31, 2023, amounting to RMB8,011,000, was paid by certain subsidiaries (six months ended June 30, 2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024 (the “**Reporting Period**”), the State had accelerated the implementation of pilot online payment for national healthcare security in multiple cities. The China National Healthcare Security Administration had also launched a special initiative of “going online shops, checking drug prices, comparing data, and emphasising governance”. The policy conducted supervision in areas such as payment scope, prices, and medical prescription circulation, and promoted the healthy development of the industry. Meanwhile, the government continuously improves and refines measures to ensure transparency, fairness, and operability of the policies. These measures will promote the industry’s sound and solid development, particularly benefiting the on-demand healthcare delivery business, and will be a milestone in the development of the digital healthcare industry. For a long time, we have been promoting the digital management and online payment of national healthcare security as a key project in our development plan and strategy formulation. So far this year, in a number of smart pharmacies in Beijing, Shanghai, Shenzhen, Foshan and other places, online drug purchasing with national healthcare security had been launched, and the number of smart pharmacies that meet the national healthcare security qualification had increased significantly. We will continue to rely on the strengths of our own business model, improve our competitiveness in areas such as online digitalization and offline integrated operations, and properly address the new challenges and seize the new opportunities brought about by changes in the industry. We will leverage the advantages of online and offline integrated technology and layout, practice the corporate value and philosophy of “Serving the Public Health and Bringing the Ultimate To-Home Health Service (服務百姓健康,引領極致健康到家服務)”, fully utilize the experience in digital pharmaceuticals and medical services, better implement the new national industry policies, so that national healthcare security participants cannot only benefit from their national healthcare security rights, but also enjoy the convenience of on-demand healthcare delivery model, better meeting the health and medical service needs of residents.

During the Reporting Period, our total revenue was RMB2,267.9 million (for the six months ended June 30, 2023: RMB2,247.3 million), representing a period-on-period increase of 0.9%. Among them, the revenue of drug express business reached RMB2,210.1 million (for the six months ended June 30, 2023: RMB2,184.6 million), representing a period-on-period increase of 1.2%. During the Reporting Period, cumulative registered users of our platforms reached approximately 43.6 million, and we recorded 3.5 million health and medical consultations in the online medical consultations business. For the six months ended June 30, 2024, the net loss of the Company was narrowed down by approximately 23.5%, representing a period-on-period decrease of RMB27.6 million, recording a loss of RMB89.8 million.

We will consistently adhere to the user-centric model and build a comprehensive ecosystem of “Treatment, Diagnosis, Pharmaceutical Products and Medical Insurance” through in-depth cooperation and empowerment of the industry chain, and the Company, centering around residents’ health needs while closely following the national policy guidance and focusing on forward-looking innovation. We commit to deploy innovation in the on-going layout planning of business segments including online national healthcare security payment, professional pharmaceutical cold-chain on-demand delivery services, AI smart medical services and other business segments to provide residents with professional, safe, immediate and efficient pharmaceutical and healthcare services. At the same time, we will further consolidate and develop the on-demand health service in megacities, focusing on the planning of expansion of core cities and accelerating the opening of more smart pharmacies for online national healthcare security payment in a bid to support the medium-to-long-term growth of the Company.

- **Drug Express Business**

We remain committed to providing an instant, professional, omni-channel and data-driven drug purchase service portfolio to our users. For the six months ended June 30, 2024, our drug express business has maintained steady growth. The breakdown of revenue by channel includes: revenue recorded from online direct sales of RMB1,612.7 million (for the six months ended June 30, 2023: RMB1,606.0 million), representing a period-on-period increase of 0.4%; revenue recorded from business distribution of RMB274.3 million (for the six months ended June 30, 2023: RMB246.0 million), representing a period-on-period increase of 11.5%; revenue recorded from offline retail of RMB323.1 million (for the six months ended June 30, 2023: RMB332.6 million), representing a period-on-period decrease of 2.9% and revenue recorded from other business of RMB57.8 million (for the six months ended June 30, 2023: RMB62.7 million), representing a period-on-period decrease of 7.8%.

During the Reporting Period, we continued to promote the opening up of online payment for national healthcare security and strengthen our supply chain management. In terms of online national healthcare security services, we entered the first pilot or first platform partner suppliers in Beijing, Shanghai, Shenzhen, and Foshan, respectively. In terms of warehousing logistics and cold-chain logistics services, we further enhanced user service capabilities through digitalization and professional logistics to ensure the safe use of drugs for users. Through our partnerships with more than 6,000 pharmaceutical manufacturers and distribution companies, we strove to enhance and expand the diversity of our product portfolio and provide our users with more affordable, high-quality services and products by connecting them with drug manufacturers through an F2C ecosystem.

➤ ***Online Direct Sales***

In terms of the online direct sales channel, the Company reached out to its users through its online platforms for service and product sales. During the Reporting Period, the Company recorded a revenue of RMB1,612.7 million (for the six months ended June 30, 2023: RMB1,606.0 million) from online direct sales channel, which was similar to the same period last year. Through our online-to-offline order fulfillment service model and direct-sales e-commerce service model, we have accumulated 43.6 million registered users on our own platforms alone and maintained contact with them through omni-platform channels. The Company focuses on providing express medicine, medical and healthcare services which are empowered by our smart pharmacy and E-zoning technology as well as experienced riders who can deliver efficiently and safely through an intelligent scheduling system. In the direct-sales e-commerce model, we can make both regular and scheduled deliveries with the help of third-party carriers, covering major regions and populations across the country.

➤ ***Business Distribution***

The Company will further reinforce its industrial advantages in the supply chain by actively forging its commodity and innovation power, integrate OEM customization and product innovation through supply chain resources, and strengthen collaboration with small enterprises and distributors to achieve supply chain empowerment and product sales through a multi-channel e-commerce platform. During the Reporting Period, the business distribution recorded a revenue of RMB274.3 million (for the six months ended June 30, 2023: RMB246.0 million), and the business distribution increased by 11.5% due to the expansion of new channels.

➤ ***Offline Retail***

In addition to online direct sales and business distribution, users could also purchase our products and services directly from our extensive network of pharmacies in major cities across China. During the Reporting Period, our offline retail recorded a revenue of RMB323.1 million (for the six months ended June 30, 2023: RMB332.6 million), representing a period-on-period decrease of 2.9%.

➤ ***Other Business***

The Company has cooperated with over 6,000 pharmaceutical manufacturers and pharmaceutical distribution companies in aggregate. While establishing alliance and continuously deepening cooperation with pharmaceutical manufacturers and enterprises, the Company also realized in-depth cooperation in terms of advertisement, promotion, marketing service, and research and development for pharmaceutical products. During the Reporting Period, the other business recorded a revenue of RMB57.8 million (for the six months ended June 30, 2023: RMB62.7 million), representing a period-on-period decrease of 7.8%.

- **Online Medical Consultation**

Based on our Hainan Internet Hospital and our cooperation with third-party medical institutions, we provided online consultation services for users' needs with the aid of the Dingdang HealthGPT. Our medical team included more than 800 internal and external doctors and more than 400 medical professional pharmacists covering our network of smart pharmacies, enabling us to provide safe and secure health services to our users in accordance with national regulatory requirements. During the Reporting Period, we provided over 3.5 million times of online consultation services.

- **Chronic Disease and Health Management**

Through our self-developed AI system, health mapping, medical dictionary wisdom and other technologies, we helped users with health portfolio management and DOT medication adherence services. As our services continue to grow, we are proactively exploring the establishment of patient services and medical services with various medical institutions and leading hospitals to provide patient course management, remote consultation and health management for different users. We have further developed the management of sub-specialties, including respiratory medicine, dermatology, gastroenterology, gynecology, cardiovascular and oncology, etc., and built partnerships with domestically renowned hospitals and specialists, providing users with online medical consultation through online and supplementary services.

Public Welfare and Social Responsibility

We have been adhering to our corporate value and concept of “serving the public health” and always insisted on putting the health of users above the core value of corporate development, proactively performing our corporate social responsibility. We have linked public health to our development, continuously serving the public and the society.

During the Spring Festival period, we have launched the “non-stop service during the Spring Festival” for eight consecutive years to ensure that residents’ needs for medical consultation, drug purchasing, and other healthcare services are met during the Spring Festival period.

In June 2024, we cooperated with Taiji Group to launch a public benefit activity for summer heat prevention, providing various heat-proof and cooling materials such as Ageratum-liquid and Ageratum-flavored cola to outdoor workers such as takeaway deliveryman, sanitation workers, bus and taxi drivers and urban management officers, aiming to provide them with health protection and sincere care.

During the “2024 Summer Camping with Pets – Searching for the God of Olympus” themed event organized in the summer of 2024, we prepared heat-proof and cooling products such as honeysuckle flower distillate drink, Ageratum-liquid, as well as first aid products for outdoor activities, which were available for free distribution to the participating citizens, in order to support them in staying cool and hydrated during outdoor activities.

Future Prospects

We are of the view that, with the continuous emergence of new technologies and new policies, digital healthcare as well as the accessibility of online drug purchasing under national healthcare security opened up a new dimension to the development of the industry through the integration of online and offline methods, allowing users to become accustomed to popularization and convenient access. Under the guidance of policy reform and technological innovation, we will maintain the competitive advantages of the integrated online and offline service operation model while at the same time enhancing its own technical service level, consistently striving to create a service ecosystem of “Treatment, Diagnosis, Pharmaceutical Products and Medical Insurance”. We will continue to consolidate its service advantages in major cities such as Beijing, Shanghai and Shenzhen and continue to expand its scale and enhance its service density. At the same time, the Group will also boost its merchandise power and sales power, further improve the warehousing and distribution system and the front-end service sales system, so as to drive and expand more cities to pursue superiority and strength, and provide users with a more professional, more convenient and more diversified ultimate service experience.

FINANCIAL REVIEW

Revenue

Revenue increased by 0.9% from RMB2,247.3 million for the six months ended June 30, 2023 to RMB2,267.9 million for the six months ended June 30, 2024. The increase in our total revenue was primarily due to the increase in the revenue from our pharmaceutical and healthcare business by 1.2% from RMB2,184.6 million for the six months ended June 30, 2023 to RMB2,210.1 million for the six months ended June 30, 2024. The increase in revenue from the pharmaceutical and healthcare business was primarily attributable to the growing user base and the enrichment of product categories.

Cost of Revenue

Cost of revenue decreased by 3.1% from RMB1,564.4 million for the six months ended June 30, 2023 to RMB1,516.2 million for the six months ended June 30, 2024. The decrease in cost of revenue was primarily due to the increase in efficiency of procurement system and the change in product sales portfolio.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded a gross profit of RMB751.7 million for the six months ended June 30, 2024, representing a gross profit margin of 33.1%; and a gross profit of RMB682.9 million for the six months ended June 30, 2023, representing a gross profit margin of 30.4%. The increase in the gross profit margin was mainly due to the improvement in control measures of the procurement process and the change in product sales portfolio.

Fulfillment Expenses

The fulfillment expenses increased by 5.1% from RMB212.4 million for the six months ended June 30, 2023 to RMB223.3 million for the six months ended June 30, 2024. The increase was primarily due to increased demands from our users for our product and service offerings. The fulfillment expenses as a percentage of revenue increased from 9.5% for the six months ended June 30, 2023 to 9.8% for the six months ended June 30, 2024.

Selling and Marketing Expenses

The selling and marketing expenses increased by 4.4% from RMB465.2 million for the six months ended June 30, 2023 to RMB485.9 million for the six months ended June 30, 2024. The increase was primarily attributable to the expansion of the network of our smart pharmacies and the increase in selling and marketing activities. The selling and marketing expenses as a percentage of revenue increased from 20.7% for the six months ended June 30, 2023 to 21.4% for the six months ended June 30, 2024.

Research and Development Expenses

The research and development expenses decreased by 20.5% from RMB30.7 million for the six months ended June 30, 2023 to RMB24.4 million for the six months ended June 30, 2024. Research and development expenses as a percentage of revenue decreased from 1.4% for the six months ended June 30, 2023 to 1.1% for the six months ended June 30, 2024.

General and Administrative Expenses

General and administrative expenses decreased by 1.3% from RMB127.8 million for the six months ended June 30, 2023 to RMB126.1 million for the six months ended June 30, 2024.

General and administrative expenses as a percentage of revenue decreased from 5.7% for the six months ended June 30, 2023 to 5.6% for the six months ended June 30, 2024.

Other Gains and Losses, Net

Other net gains and losses decreased by 64.7% from RMB19.0 million for the six months ended June 30, 2023 to RMB6.7 million for the six months ended June 30, 2024. The decrease was primarily attributable to the decrease in net foreign exchange gains and the decrease in gain on fair value changes of financial assets at FVTPL.

Other Income

Other income increased by 6.8% from RMB23.7 million for the six months ended June 30, 2023 to RMB25.3 million for the six months ended June 30, 2024. Such increase was primarily attributable to the increase in dividends from equity instruments at FVTOCI.

Finance Costs

Finance costs increased by 12.8% from RMB3.9 million for the six months ended June 30, 2023 to RMB4.4 million for the six months ended June 30, 2024.

Income Tax Expenses

Income tax expenses increased by 64.9% from RMB3.7 million for the six months ended June 30, 2023 to RMB6.1 million for the six months ended June 30, 2024, which was primarily due to the increase in our taxable income.

Loss for the Period

As a result of the above, our net loss decreased by 23.5% from RMB117.4 million for the six months ended June 30, 2023 to RMB89.8 million for the six months ended June 30, 2024.

Non-IFRS Measures: Adjusted Net Loss and Adjusted Net Loss Margin

To supplement the condensed consolidated financial statements which are presented in accordance with IFRS, the Company also use adjusted net loss (non-IFRS measure) and adjusted net loss margin (non-IFRS measure) as additional financial indicators, which are not required by, or presented in accordance with IFRS. The Company believes that the adjusted net loss (non-IFRS measure) and the adjusted net loss margin (non-IFRS measure) facilitate comparisons of operating performance from period to period and company to company.

The Company believes that the adjusted net loss (non-IFRS measure) and the adjusted net loss margin (non-IFRS measure) provide useful information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as it helped the management of the Company. However, the presentation of the adjusted net loss (non-IFRS measure) and adjusted net loss margin (non-IFRS measure) may not be comparable to similarly titled indicators presented by other companies. The use of the adjusted net loss (non-IFRS measure) and the adjusted net loss margin (non-IFRS measure) has limitations as analytical tools, and the Shareholders and potential investors should not consider them in isolation from, or as substitutes for analysis of, the results of operations or financial conditions of the Company as reported under IFRS.

The Company defines adjusted net loss (non-IFRS measure) as net loss for the periods adjusted by adding back share-based payments. The Company defines adjusted net loss margin (non-IFRS measure) as adjusted net loss (non-IFRS measure) divided by revenue for the period and multiplied by 100%.

The following table reconciles our adjusted net loss (non-IFRS measure) for the periods indicated:

	For the six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>(RMB'000, except for percentages)</i>	
Reconciliation of net loss to adjusted net loss:		
Net loss for the period	(89,801)	(117,351)
Add		
Share-based payments	51,283	73,223
Adjusted net loss for the period (non-IFRS measure)	(38,518)	(44,128)
Adjusted net loss margin (non-IFRS measure)	(1.7%)	(2.0%)

LIQUIDITY AND CAPITAL RESOURCES

The Group financed its operations through internally generated cash flows and proceeds from the Global Offering and issuance of shares with preferred rights. As at June 30, 2024, we had cash and cash equivalents of RMB1,233.6 million (December 31, 2023: RMB1,185.9 million). The following table sets forth our cash flows for the periods indicated:

	For the six months ended	
	June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Operating cash flows before movements in working capital	21,214	9,827
Changes in working capital	62,709	209,866
Income taxes paid	(8,914)	(9,591)
	<hr/>	<hr/>
Net cash from operating activities	75,009	210,102
Net cash from investing activities	32,245	95,755
Net cash used in financing activities	(62,620)	(48,243)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	44,634	257,614
Cash and cash equivalents at the beginning of the period	1,185,898	1,210,949
Effect of foreign exchange rate changes on cash and cash equivalents	3,048	9,450
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>1,233,580</u>	<u>1,478,013</u>

Net Cash From Operating Activities

For the six months ended June 30, 2024, net cash from operating activities was RMB75.0 million compared to net cash generated from operating activities of RMB210.1 million in the same period last year, which was primarily attributable to the loss before income tax of RMB83.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of share-based payments expenses of RMB51.3 million and depreciation of right-of-use assets of RMB43.5 million and amortisation of other intangible assets of RMB18.5 million; and (ii) changes in working capital, which primarily resulted from a decrease in restricted bank deposits of RMB60.6 million and an increase in amounts due to related parties of RMB4.6 million, partially offset by an increase in inventories of RMB12.8 million.

Net Cash From Investing Activities

For the six months ended June 30, 2024, net cash from investing activities was RMB32.2 million, which was primarily attributable to redemption of financial assets at FVTPL of RMB673.8 million and partially offset by purchase of financial assets at FVTPL of RMB636.7 million.

Net Cash Used in Financing Activities

For the six months ended June 30, 2024, net cash used in financing activities was RMB62.6 million, which was primarily attributable to repayments of lease liabilities of RMB39.4 million, payments to the trustee for share purchase of RMB10.6 million and dividends paid to non-controlling shareholders of RMB8.9 million.

Borrowings and Gearing

As of June 30, 2024, we did not have any bank borrowings and therefore we did not present gearing ratio.

Capital Expenditures

Our capital expenditures primarily consisted of purchases of property and equipment, payments for right-of-use assets and purchases of other intangible assets. Our capital expenditures were RMB13.8 million for the six months ended June 30, 2024 and RMB7.8 million for the six months ended June 30, 2023.

We plan to fund our future capital expenditures by our internal resources including our cash and cash equivalents and the net proceeds received from the Global Offering.

Capital Commitments

As of June 30, 2024, we had no material capital commitment.

Pledges of Assets

As of June 30, 2024, we did not have any material pledge of asset.

Significant Investments Held

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

Future Plans for Material Investments and Capital Assets

As of June 30, 2024, save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies during the six months ended June 30, 2024.

Foreign Exchange Risk

The functional currency of the Group's entities is RMB. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in currencies that are not the respective functional currency of the Group's entities. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

CONTINGENT LIABILITIES

As of June 30, 2024, we did not have any material contingent liabilities.

EMPLOYEES

As of June 30, 2024, we had 2,509 full-time employees, most of whom were based in China, mostly in Beijing, with the rest based in major cities across China such as Shenzhen, Zhangshu, Shanghai and Guangzhou.

The following table sets forth the number of our employees by function as of June 30, 2024:

Employee function	Number of employees
Sales, Marketing and Business Development	1,749
Technology, Research and Development	231
Management	329
Administration	200
	<hr/>
Total	<u><u>2,509</u></u>

We believe that we maintain a good working relationship with our employees and we have not experienced any significant labour disputes or any difficulty in recruiting staff for our operations.

We entered into employment contracts and agreements regarding confidentiality, intellectual property rights and non-competition with our senior management, managers and core employees. The remuneration package for our employees generally includes salary and bonuses. We determine employees' remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for pension, medical, work-related injury, maternity and unemployment benefits.

We endeavour to hire the best talented employees in the market by offering competitive wages and benefits, systematic training opportunities and internal promotion path. We also conduct introductory training for new staff and have periodic training for our full-time employees.

In order to provide incentives and rewards to members of the Board, employees and consultants of the Group, the Company adopted the pre-IPO share option scheme, the restricted share scheme and the restricted share unit scheme (the "**Share Incentive Schemes**") on May 1, 2020, which shall continue in effect for a term of ten (10) years since the adoption. The total number of shares subject to the Share Incentive Schemes shall not be more than 87,993,330 ordinary shares of the Company, representing approximately 6.56% of the total issued share capital of the Company as of June 30, 2024. For details, please refer to "Statutory and General Information – D. ESOP Plans – Share Incentive Schemes" in Appendix IV to the Prospectus. On June 27, 2023, the Company has adopted the 2023 RSU scheme (the "**2023 RSU Scheme**") which shall continue in effect for a term of ten (10) years since the adoption. The total number of shares subject to the 2023 RSU Scheme shall not be more than 26,829,457 ordinary shares of the Company, representing approximately 2.0% of the total issued share capital of the Company as of June 30, 2024. For details, please refer to the announcement of the Company dated June 27, 2023.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

On September 14, 2022, the shares were successfully listed on the Main Board of the Stock Exchange. The Company issued a total of 33,537,000 ordinary Shares with a nominal value of US\$0.0001 in the Global Offering at the Offer Price of HK\$12.00. The net proceeds raised from the Company’s Global Offering after deduction of the underwriting commissions and other estimated expenses paid and payable by the Company in connection with the Global Offering were approximately HK\$341.6 million.

As of the date of this announcement, there was no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The following table sets forth a summary of the utilization of the net proceeds from the Global Offering as of June 30, 2024:

Purpose	Percentage of total net proceeds	Net proceeds incurred from the Global Offering <i>HK\$ million</i>	Unutilized amount as of January 1, 2024 <i>HK\$ million</i>	Amount utilized during the six months ended June 30, 2024 <i>HK\$ million</i>	Unutilized amount as of June 30, 2024 <i>HK\$ million</i>	Expected timeline for full utilization of the remaining net proceeds
Business expansion, such as the further development of smart pharmacy network, and enhancement of user growth and engagement	45.0%	153.7	20.1	20.1	–	N/A
Optimizing of our technology systems and operating platforms	15.0%	51.2	17.2	17.2	–	N/A
Upgrading our services and business, such as building professional structure of full-time doctors and pharmacists	10.0%	34.2	–	–	–	N/A
Potential investments and acquisitions or strategic alliances along with the value chain of the healthcare industry in which we operate	20.0%	68.3	47.4	23.6	23.8	December 31, 2024
Working capital and other general corporate purpose	10.0%	34.2	–	–	–	N/A
Total	100.0%	341.6	84.7	60.9	23.8	

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders of the Company (the “**Shareholders**”), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the code provisions (the “**Code Provisions**”) as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all Shareholders. During the Reporting Period, the Company has complied with the Code Provisions as set out in the CG Code except for the following deviation.

Pursuant to Code Provision C.2.1 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, our Company does not have a separate chairman and president, and the responsibilities of both chairman and president vest in Mr. YANG Wenlong. Our Board believes that vesting the responsibilities of both chairman and president in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning. Besides, with three independent non-executive Directors out of a total of nine Directors in our Board, there will be sufficient independent opinions within our Board to protect the interests of our Company and our Shareholders as a whole. Therefore, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman and president at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

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

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 its code of conduct regarding the Directors’ dealings in the securities of the Company.

Having made specific enquiry to all Directors, each of the Directors confirmed that he/she has complied with the required standards set out in the Model Code during the Reporting Period.

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 has purchased, sold or redeemed any of the Company’s or its subsidiaries’ listed securities (including sale of treasury shares). As of June 30, 2024, the Company did not hold any treasury shares.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

There was no change in the information of Directors and the chief executive officer of the Company since the last published annual report and up to the date of this announcement which was required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDENDS

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

EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events subsequent to June 30, 2024.

AUDIT COMMITTEE

The Company has established the audit committee (the “**Audit Committee**”), which comprises three independent non-executive Directors, namely Mr. JIANG Shan (Chairman), Mr. ZHANG Shouchuan and Dr. FAN Zhenhong. Mr. JIANG Shan is the chairman of the Audit Committee. The primary functions of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management system of the Group, oversee the audit process, provide advice and comments to the Board, perform other duties and responsibilities as may be assigned by the Board, and review and oversee the risk management of the Company.

REVIEW OF ACCOUNTS

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 the Group’s auditor, Messrs. Deloitte Touche Tohmatsu.

The condensed consolidated financial statements of the Group for the six months ended June 30, 2024 have been reviewed by Messrs. Deloitte Touche Tohmatsu, 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 Accounting Standards Board.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.ddjkt.com.

The interim report of the Group for the six months ended June 30, 2024 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched (if requested) to the Shareholders who have already provided instructions indicating their preference to receive the corporate communications in printed form in due course.

By order of the Board
DINGDANG HEALTH TECHNOLOGY GROUP LTD.
YANG WENLONG
Chairman

Hong Kong, August 16, 2024

As of the date of this announcement, the executive Directors are Mr. YANG Wenlong, Mr. XU Ning, Mr. YU Lei, Mr. YU Qinglong and Mr. YANG Yibin, the non-executive Director is Ms. CAI Li, and the independent non-executive Directors are Mr. ZHANG Shouchuan, Dr. FAN Zhenhong and Mr. JIANG Shan.