JDH 京东健康

JD Health International Inc.

京东健康股份有限公司

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

Stock Code: 6618

2021 Annual Report

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Director

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

Non-Executive Directors

Richard Qiangdong Liu (劉強東) *(Chairman)*
Lei Xu (徐雷) *(Resigned on April 7, 2022)*
Lijun Xin (辛利軍) *(Re-designated on September 6, 2021 and resigned on April 7, 2022)*
Sandy Ran Xu (許冉) *(Resigned on April 7, 2022)*
Pang Zhang (張雱) *(Resigned on September 6, 2021)*
Qingqing Yi
Yayun Li (李婭雲) *(Resigned on March 29, 2021)*

Independent Non-Executive Directors

Xingyao Chen (陳興垚)
Ling Li (李玲)
Jiyu Zhang (張吉豫) *(Appointed on March 29, 2021)*
Wenyi Huang (黃文藝) *(Resigned on March 29, 2021)*
Ying Wu (吳鷹) *(Appointed on April 7, 2022)*

Audit Committee

Xingyao Chen (陳興垚) *(Chairperson)*
Jiyu Zhang (張吉豫) *(Appointed on March 29, 2021)*
Sandy Ran Xu (許冉) *(Resigned on April 7, 2022)*
Wenyi Huang (黃文藝) *(Resigned on March 29, 2021)*
Ling Li (李玲) *(Appointed on April 7, 2022)*

Remuneration Committee

Ling Li (李玲) *(Chairperson) (Re-designated as Chairperson on April 7, 2022)*
Xingyao Chen (陳興垚) *(Resigned on April 7, 2022)*
Sandy Ran Xu (許冉) *(Appointed on September 6, 2021 and resigned on April 7, 2022)*
Pang Zhang (張雱) *(Resigned on September 6, 2021)*
Yayun Li (李婭雲) *(Resigned on March 29, 2021)*
Enlin Jin (金恩林) *(Appointed on April 7, 2022)*
Ying Wu (吳鷹) *(Appointed on April 7, 2022)*

Nomination Committee

Richard Qiangdong Liu (劉強東) *(Chairperson)*
Jiyu Zhang (張吉豫) *(Appointed on March 29, 2021)*
Ling Li (李玲) *(Resigned on April 7, 2022)*
Wenyi Huang (黃文藝) *(Resigned on March 29, 2021)*
Ying Wu (吳鷹) *(Appointed on April 7, 2022)*

Company Secretary

Ming King Chiu (趙明璟)

Authorized Representatives

Enlin Jin (金恩林)
Ming King Chiu (趙明璟)

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

Registered office

PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

Headquarters

Block C, Building 2, Jingdong Headquarters
No. 20 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District
Beijing 101111
People's Republic of China

Principal place of business in Hong Kong

Room 1901, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Legal advisors

As to Hong Kong Law and United States Law

Skadden, Arps, Slate, Meagher & Flom and affiliates

As to PRC Law

Shihui Partners

As to Cayman Islands Law

Maples and Calder (Hong Kong) LLP

Principal share registrar and transfer office

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

Hong Kong share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Compliance adviser

Haitong International Capital Limited
Suites 3001–3006 and 3015–3016
One International Finance Centre
No.1 Harbour View Street
Central, Hong Kong

Principal bankers

Bank of China Limited, Head Office
China Construction Bank Corporation
Standard Chartered Bank (China) Limited

Stock code

6618

Company website

https://ir.jdhealth.com

FINANCIAL SUMMARY

Condensed consolidated statements of comprehensive income/(loss)

	Year ended December 31,				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**30,682,267**	19,382,568	10,842,140	8,169,057	5,553,128
Gross profit	**7,197,282**	4,917,298	2,812,272	1,978,958	1,380,498
(Loss)/profit before income tax	**(901,491)**	(17,072,141)	(834,700)	306,232	255,979
(Loss)/profit for the year	**(1,072,818)**	(17,234,897)	(971,805)	214,927	178,534
(Loss)/profit for the year attributable to owners of the Company	**(1,073,507)**	(17,234,363)	(971,805)	214,927	178,534
Total comprehensive (loss)/income for the year	**(1,929,813)**	(16,303,672)	(946,694)	214,927	178,534
Total comprehensive (loss)/income for the year attributable to owners of the Company	**(1,930,502)**	(16,303,138)	(946,694)	214,927	178,534
Non-IFRS measure					
Non-IFRS profit for the year	**1,402,095**	732,117	344,053	248,398	208,954

Condensed consolidated statements of financial position

	As of December 31,				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets	**2,296,737**	1,289,779	52,634	15,810	10,218
Current assets	**45,705,480**	42,704,769	8,624,043	1,166,337	901,145
Total assets	**48,002,217**	43,994,548	8,676,677	1,182,147	911,363
EQUITY					
Equity attributable to owners of the Company	**39,853,393**	39,250,843	(459,031)	749,221	662,624
Non-controlling interests	**1,190**	501	—	—	—
Total equity	**39,854,583**	39,251,344	(459,031)	749,221	662,624
LIABILITIES					
Non-current liabilities	**142,602**	61,410	7,590,832	2,411	1,594
Current liabilities	**8,005,032**	4,681,794	1,544,876	430,515	247,145
Total liabilities	**8,147,634**	4,743,204	9,135,708	432,926	248,739
Total equity and liabilities	**48,002,217**	43,994,548	8,676,677	1,182,147	911,363

CEO'S STATEMENT

To our Shareholders:

2021 marked the beginning of China's 14th Five-Year Plan period (2021–2025) and the value of "Internet + Healthcare" was validated once again against the backdrop of normalized prevention and control of COVID-19. In addition, the healthcare-related policies and regulations released by the relevant authorities during the year have delivered a clear message. Under the policy guidance, the "Internet + Healthcare" industry will achieve stronger and higher-quality growth in a better regulated market environment in the future.

In particular, the State Council outlined the vision and defined the goal for digital economy development through the official release of the "14th Five-Year Plan for Digital Economy Development" at the start of 2022. On the one hand, it reiterated the value of "Internet + Healthcare" for the digital economy, regarding it as a new form of business that should be prioritized and encouraged for the development of digital industrialization. On the other hand, it also made clear requirements for the digitalization of the traditional medical and health services industry.

Over the past year, under the guidance of the relevant policies and regulations, and adhering to long-term value, JD Health consistently enhanced its capabilities by opening its "retail pharmacy + healthcare service" ecosystem, assisted the upstream, midstream and downstream entities in the industry in their digital transformation, and thus providing quality healthcare services to a wider group of people. In addition, by offering professional supply chain and technology solutions, we served a growing number of local government departments and medical institutions, which accelerated the digital transformation of the healthcare industry and promoted the deeper integration and development of China's digital and real economy.

We recently reinforced the business philosophy of the Company: trust-based value creation centered on customer's health. In the future, we will always keep this concept in mind and strive to pursue our mission of "becoming the go-to health management platform for everyone in China". Following the national development goal of "healthy China", we will continue to build an integrated online and offline healthcare ecosystem based on our user's needs. Shouldering the mission of serving people's healthcare needs and facilitating inclusive healthcare for the whole society while pursuing quality growth of our business, we have been committed to creating long-term and sustainable value for shareholders and society.

Creating social value comprehensively

JD Health is committed to providing quality healthcare services for users, and actively practices its social responsibilities as a healthcare enterprise. In the face of the normalized prevention and control of COVID-19, we implemented quick response measures with flexible applications of pandemic prevention and control based on our experiences, and comprehensively upgraded our emergency response and normalized assistance mechanisms for the unexpected disasters in order to ensure the supply of medicines and medical protective equipment under special circumstances and meet the needs of the public for health consultation in a timely manner. In addition, by creating innovative service models and public welfare mechanisms, we made a great effort to address the healthcare needs of more public groups, such as patients with rare diseases and people who live in rural areas.

We are committed to applying the practical achievements of inclusive healthcare to people's urgent needs and desires. We have won the trust of more consumers and partners by creating multidimensional and multifaceted value for users, the industry and society.

Constantly improving professional service capabilities

In 2021, JD Health continued to improve its capabilities within the realms of healthcare supply chain and online healthcare services. With regard to the healthcare supply chain, we innovated the follow-up and patient services model for chronic disease patients based on their needs, and improved our ability to ensure medication safety and manage cold chain operation, striving to offer more inclusive healthcare product offerings and more convenient and professional healthcare services. Furthermore, we reached strategic cooperation and deepened our cooperation with leading domestic and international pharmaceutical enterprises and actively promoted omnichannel digital operation in order to accelerate the digital transformation of the industry.

With regard to healthcare services, we connected and provided access to more high-quality medical resources, enabling efficient and convenient professional healthcare services for millions of users. We also worked with top-notch experts and renowned doctors to explore the Internet-based specialized medical service model and improve our chronic disease management capabilities. As one of our strategic products, which integrates our medical service resources and supply chain capabilities, our JD family doctor service has become a new service entry point for family health management. By connecting with offline healthcare providers, we can provide users with access to medical checkups, medical aesthetics, dental services, nucleic acid testing, vaccine appointments and other healthcare services in more convenient ways.

Accelerating the digital transformation of the industry

We are committed to building an "Internet + Healthcare" service ecosystem with all parties in the industry. We leveraged our core capabilities and resources in supply chain networks, technology and marketing operation to support ecosystem partners such as governments, medical institutions and enterprises, in order to jointly promote the digital transformation and application of information technology in the healthcare industry. In addition, we have made breakthroughs in various scenarios and expanded our service capabilities by providing smart solutions to a wider user base. For example, we offered health management solutions to corporate clients, and provided primary medical and health services for local residents.

For governments and medical institutions, we helped optimize the medical service resource allocation within the region through a digitalized supply chain, and achieved information interconnectivity in a flexible and efficient manner. For example, we helped launch the National Medical Security Information Platform in Suqian City, which covered all the designated medical institutions and designated pharmacies in Suqian, making it the first city in East China to launch the national medical security information platform.

For our partners, we have launched a number of digital marketing projects. We provided digital solutions through an innovative service model, including omnichannel marketing and patient management. In addition, leveraging our capabilities in supply chain, technology and resources, we worked with partners to promote the integration and digital transformation of the pharmaceutical supply chain, and jointly built a new ecosystem of "Internet + Medicine."

Thoroughly practicing the business philosophy of trust-based value creation centered on customer's health

Looking back at 2021, JD Health stayed true to its original aspiration of "solving industry pain points and creating social value." We have earned more trust from consumers and partners by consistently creating social value and assisting in achieving inclusive healthcare. We have further reinforced our business philosophy after more than one year of operations since our public listing. Delivering trusted and user-centric healthcare services will guide the strategic direction of JD Health.

Accessing quality healthcare services is essential to people's livelihood. We understand that the establishment of service standards serves as a cornerstone of the industry's sound development. Therefore, we built a medication safety system covering various drug use cases and the entire process before, during and after drug purchase. By formulating medication safety standards stricter than industry regulatory standards and higher than the industry average, we have established medication safety mechanisms suitable for online and offline integrated healthcare services. In addition, we led the formation of the JD Health Internet Medical Expert Committee (京東健康互聯網醫療專家委員會), aimed at fostering the formulation of Internet specialist diagnosis and treatment standards, and medical quality control standards, to better serve our users with trusted healthcare services.

Looking ahead in 2022, the healthcare industry will usher in a wave of development opportunities to further improve service quality and industry efficiency. In terms of policies, the enhanced regulations will lead the "Internet + Healthcare" industry to achieve sound development. In terms of the industry environment, the service scenarios and service models will be further iterated and upgraded under the prevailing trend of digital economy development, whether as part of the evolving Internet healthcare ecosystem, or for the digital upgrading and transformation of the traditional healthcare industry. In terms of user awareness, more users have developed the habit of seeking healthcare products and services online in the normalized prevention and control of COVID-19.

As a subsidiary of JD.com, JD Health is also rooted and growing in the real economy. Our integrated online and offline business model is operated through *JD Pharmacy* and our supply chain cooperation with all the participants including many pharmaceutical and health product manufacturers, medical institutions, and retail pharmacies. Based on the philosophy of JD.com, we will make continual investments in businesses serving the real economy and promote the high-quality development and in-depth integration of the digital economy and the real economy.

Facing ever-changing market demands and industry landscape, we are firmly grounded on the strategic positioning of creating a technology-driven platform that centers on the supply chain of pharmaceutical and healthcare products and is strengthened by healthcare services, encompassing a user's full life span for all healthcare needs. We will make our best effort to deliver trusted healthcare services and achieve user-centric value creation, better serve our users, reward our shareholders and contribute to the society.

Enlin Jin
Chief Executive Officer
Hong Kong, March 28, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

As pandemic control and prevention became part of our lives, the convenience of "Internet + Healthcare" services have given rise to more layered and diversified needs from users. At the same time, the introduction and continuous improvement of industry regulatory policies and guidelines have offered industry participants clearer paths to follow, allowing them to lead the high-quality development of the industry on the premise of well-defined supervision bottom lines. In this context, some cities and provinces have taken initiatives to roll out pilot projects as demonstration cases. For example, the establishment of Electronic Prescription Centers in Shenzhen and Hainan have strengthened information interconnectivity, and are expected to expand on a greater scale across the country. We believe that the online healthcare industry will achieve a higher-quality and faster growth in today's better regulated market environment.

As a leading healthcare enterprise, our mission is to become the go-to health management platform for everyone in China. With this aim, we continue to strengthen our business foundation and strategically deploy resources in the health and wellness industry to set the stage for future growth. Our strategy over the past year was to create a technology-driven platform that centers on the supply chain of pharmaceutical and healthcare products, and strengthened by healthcare services, encompassing a user's full life span for all healthcare needs. With a continued focus on the retail pharmacy business, healthcare services and smart healthcare solutions, we are committed to offering our users accessible, convenient and high-quality yet affordable pharmaceutical and healthcare products and services. We also accelerated our cooperation with upstream and downstream enterprises across the industry value chain, aimed at building a complete health and wellness ecosystem and jointly promoting the deep integration of China's digital economy and real economy in the health and wellness industry.

Our business maintained strong growth momentum in 2021, driven by our growing user base and improved user stickiness. During the Reporting Period, our revenue amounted to RMB30.7 billion, representing year-on-year growth of 58.3%. By enriching product offerings and upgrading the healthcare services on our platform, we are able to continuously enhance user experience. As of December 31, 2021, our annual active user accounts reached 123.3 million, representing a net addition of 33.6 million from 2020. During the Reporting Period, we further developed our service capabilities, and our average daily consultation volume grew rapidly to more than 190,000.

Retail pharmacy

Our retail pharmacy business offers high-quality pharmaceutical and healthcare products including OTC drugs, prescription drugs, and medical devices and supplies, as well as health supplements and tonics. By combining direct sales, online marketplace and omnichannel initiatives, and leveraging our digital and intelligent supply chain, we provide users with an integrated one-stop experience. At the same time, we have achieved immense scale with a wider range of product offerings while maintaining stringent quality control and competitive pricing, to further gain users' trust.

Direct sales

Our direct sales business operates mainly through *JD Pharmacy*. During the Reporting Period, *JD Pharmacy* continued to expand its pharmaceutical product selection and built a comprehensive pharmaceutical and healthcare supply chain network. We now cover full scenarios by leveraging JD Group's digital and intelligent infrastructure and in-depth cooperation with pharmaceutical companies and healthcare product suppliers. Meanwhile, we continued to improve our one-stop pharmaceutical and healthcare service capabilities by providing a variety of specialized services in areas such as patient education and patient management. During the Reporting Period, our direct sales business maintained solid growth, with revenue amounting to RMB26.2 billion, representing year-on-year growth of 56.1%. We further improved our supply chain management capabilities and efficiency to better serve our users with superior experiences. As of December 31, 2021, we had utilized JD Logistics's 19 drug warehouses and more than 400 non-drug warehouses nationwide, and achieved next-day delivery for 80% of our direct-sales pharmaceutical orders.

As an industry-leading platform, we continued to enhance the accessibility of new and specialty drugs by improving our supply chain and service capabilities. During the Reporting Period, a number of global pharmaceutical companies debuted their new and specialty drugs on our platform, providing cutting-edge innovative treatment solutions for patients in China. Those included 百匯澤® (Pamiparib Capsules), a new Class I drug independently developed by BeiGene, Takeda's Firazyr® (Icatibant Acetate Injection) to treat acute attacks of hereditary angioedema (HAE), and Roche's innovative anti-influenza drug Xofluza® (Baloxavir Marboxil Tablets). In order to continuously improve the accessibility of new and specialty drugs, our capabilities in "directly operated cold chains" that cover more than 200 cities across China, enabled us to further expand the variety of drugs available on our platform. In addition, we have opened offline DTP ("Direct to Patient") pharmacies in more regions as part of our continuous exploration of the innovative service model of "Medication + Healthcare Services". With our integrated online and offline supply chain capabilities, we are able to provide users with higher-quality healthcare products and superior user experience.

We launched strategic partnerships with world-leading pharmaceutical companies and became one of the key online platforms to develop their online distribution channels and speed up digital operations. During the Reporting Period, we deepened our strategic cooperation with renowned domestic and overseas pharmaceutical companies such as UCB China, Sanofi China, Guilong Pharmaceutical, Novartis Pharmaceuticals, Gilead Sciences and BeiGene. By launching several care centers, we began providing specialized healthcare services including patient management and follow-up services to better serve our users. As of December 31, 2021, we had launched 12 care centers covering more than 24 diseases including diabetes, hepatitis, nutrition-related diseases and other diseases, which has greatly improved patient compliance. During the Reporting Period, we also explored market growth opportunities centered on the entire life cycle of pharmaceutical products. For example, we partnered with CROs (contract research organizations) and many pharmaceutical companies to establish the JD Health Clinical Trial Patient Recruitment Center (京東健康臨床試驗患者招募中心) in an effort to facilitate patients finding clinical trial projects online and expedite the research and development of new drugs.

During the Reporting Period, aimed at ensuring medication safety, we utilized our advanced technology to build a system covering various drug use cases that span the entire process before, during and after drug purchases. For example, we initiated an AI-based risk evaluation and management system ("藥品風險評價及管理體系") featuring cutting-edge technologies including image and text recognition. The system improved the effectiveness of risk control and ensured medication safety.

We deeply understand that accelerating the establishment of standards serves as the cornerstone of sound industry development. With the guidance of regulations and policies, we strengthened our services capabilities and jointly formulated strict quality standards with our partners and brands. During the Reporting Period, we collaborated with the Chinese Academy of Inspection and Quarantine and industry leaders to create product standards and certification systems based on national standards and pharmacopoeias. These quality standards cover various products including cordyceps sinensis, Ejiao (colla corii asini), saffron and others. We also empowered our partners with competitive service strategies and development opportunities, as well as jointly launched the JD Health Food For Special Medical Purpose (FSMP) Initiative (京東健康特醫食行動) with brands to bring users customized family doctor services. We further innovated our health management solutions by connecting hundreds of monitoring devices with online healthcare services, expanding the range from blood pressure meters and glucose meters to include oxygen machines, respirators, sleep meters, ECG monitors, etc., further improving the user experience on our platform.

Online marketplace and omnichannel initiative

Leveraging our large and growing user base, our online marketplace has attracted more third-party merchants to join, forming a strong synergy with our direct sales business and providing users with a wider selection of products. During the Reporting Period, we continued to upgrade our marketplace operating system for merchants to enhance their digital marketing efficiency and operational capabilities, as well as improve their performance. As of December 31, 2021, we had more than 18,000 third-party merchants using our online marketplace.

During the Reporting Period, we further enhanced our supply chain capabilities through the operation of omnichannel initiatives, and provided users with more options in terms of product offerings, prices and delivery services. We worked closely with local merchants to provide users with flexible delivery options, which greatly met the urgent needs of users to purchase drugs at home. Leveraging our supply chain capabilities, we provided online follow-up visits for chronic disease patients in Guangzhou and enabled social insurance payments for drug purchases. To further improve user experience and operating efficiency, we utilized our digital system to better match user demand with our various fulfillment methods, such as merchant self-operated delivery, platform delivery and intracity delivery. As of December 31, 2021, we had partnered with proximately 50,000 merchants to provide 24/7 on-demand delivery services for users in more than 300 cities across China.

Healthcare services

We provided users with enriched healthcare services and continued to upgrade our integrated online and offline healthcare service experience. In 2021, we continued to improve our professional service capabilities by establishing a healthcare services ecosystem covering full scenarios. During the Reporting Period, we collaborated with more renowned doctors and jointly built specialist medical centers; cultivated our family doctor products to improve user experience and further expanded service scenarios; and strengthened our cooperation with merchants and service providers to fulfill diversified healthcare needs for more users in early cancer screening, oral health, medical checkups and medical aesthetics.

Online hospital services

In an effort to provide users with comprehensive healthcare services, we continued to explore an innovative model to bring quality healthcare services to users throughout the prevention, treatment and rehabilitation process. During the Reporting Period, we established nine specialist medical centers, including an infection and hepatic diseases center, brain nutrition center and dermatology center. As of December 31, 2021, the total number of JD Health's specialist medical centers had reached 27, attracting hundreds of experts and top-notch doctors to join. By gaining access to more high-quality medical resources, our external doctor team has covered over 15,000 hospitals and our average daily online consultation volume exceeded 190,000 during the Reporting Period.

To promote high-quality development of the online healthcare industry and improve online service capabilities, we took the lead in forming the JD Health Internet Medical Expert Committee (京東健康互聯網醫療專家委員會). We invited 27 academic leaders from our specialist medical centers and more than 30 chief physicians and associate chief physicians from Class 3-A hospitals across China to serve as members of the first expert committee. In promoting the development of service quality control standards and frameworks for online specialized disease diagnosis and treatment, we expected our efforts to accelerate the standardized development of online medical services. During the Reporting Period, together with medical experts of diabetes and psychiatric specialties, we thoroughly participated in the formulation of "the Chinese expert consensus on Relieving Type 2 Diabetes" and "the expert consensus on online diagnosis and treatment for psychiatric specialty," fueling the application of research results into practice and enhancing JD Health's brand influence within the physician community.

Our family doctor services integrate with our online healthcare service capabilities, which we have accumulated over the years. We aim to introduce a new health concept and service ecosystem for users. We offer convenient daily healthcare management and medical services in the way of family doctor services and help users to develop a new healthy lifestyle. During the Reporting Period, our family doctor service continued to optimize product experience by launching mobile phone and video conferencing consultation services, for people not familiar with or having no easy access to the mobile Internet. We continued to integrate our medical sources and service capabilities through our JD family doctor service, thus expanding into more use cases and scenarios. For example, our JD family doctor service is now available on some high-speed trains, providing 24/7 online health consultation for passengers in need. In addition, we empowered the local communities in the Haizhu District, Guangzhou and the Mentougou District, Beijing to build their own family doctor systems in the exploration of a new public health model for communities.

During the Reporting Period, we continued to innovate and bring more quality healthcare services to all family members. As one of the first online pet hospitals launched in China, leveraging our technology and supply chain capabilities, we partnered with veterinarians and offline specialist pet hospitals to provide integrated online and offline service experiences to our users. By the end of 2021, we had more than 5,000 professional veterinarians, providing pet owners with 24/7 online healthcare consultation services including online video conferencing consultation, health advisory and interpretation of medical examination reports.

We are working with our partners to provide consumer healthcare services including medical checkups, early screening of severe illness, aesthetic medicines, dental care, nucleic acid testing, vaccination appointments, gene testing and more, helping our users to better manage their health. Through collaborations with New Horizon Health, Genetron, GI Genomics and other brands, we offer a wider variety of early cancer screening services, covering high-incidence diseases such as liver cancer, stomach cancer, colon cancer, cervical cancer and breast cancer. Leveraging our closed-loop healthcare service ecosystem, we provided users with a full range of services including outpatient appointments, follow-up checkups and aftercare services. During the Reporting Period, we launched the "E-enterprise Health APP"(E企健康app), a digitalized health management platform, providing comprehensive medical and healthcare services and a full range of pharmaceutical and healthcare products to our corporate clients.

Smart healthcare solutions and digital health

During the Reporting Period, leveraging our strengths in supply chain and digital technology, we provided comprehensive digital solutions to local governments, medical institutions and corporate clients. By extending our "Internet + Healthcare" services, we promoted the informatization of the regional health system and facilitated the digital transformation of the industry.

We worked with multiple public hospitals on various smart hospital projects. During the Reporting Period, we jointly built an internet hospital with the First Affiliated Hospital of the Henan University of Chinese Medicine, providing patients with online and offline integrated medical services. As of the end of 2021, the hospital had nearly 150,000 registered patients, covering 31 provincial-level administrative regions across China. It helped to ease the difficulties for local residents getting medical care during the flooding and the pandemic in 2021. On top of these efforts, we also joined hands with Peking University Shougang Hospital, First Teaching Hospital of Tianjin University of Traditional Chinese Medicine, Cangzhou Central Hospital and Taicang First People's Hospital and other Class 3-A hospitals to build internet hospitals and provide "Internet + Healthcare" services.

Furthermore, we have made progress in assisting the digitalization of regional healthcare systems and facilitating health information sharing. During the Reporting Period, we helped with the launch of the National Healthcare Security Information Platform in Suqian City, serving 5.29 million residents with social healthcare insurance through complete coverage of 3,347 designated medical institutions and drug stores. It has significantly improved the medical care and drug purchase experience of the insured residents.

Public welfare and corporate social responsibility

We are committed to fulfilling social responsibilities and participating in the development of inclusive healthcare systems. Specifically, starting with addressing the pain points of the industry and the public, more resources will be deployed toward people's well-being, public welfare and industrial infrastructure. We also joined ecosystem partners for shared development, promoting industry standardization and compliance while earning more trust from our consumers and partners by continuously creating social value.

During the Reporting Period, leveraging our supply chain capabilities, technology and medical resources, we formally launched the "JD Health Public Welfare Platform." The platform helped mobilize resources from our partners and improve the efficiency of resource allocation, providing public aid, medical advice, medical assistance and online consultations for people in need. Among others, in order to alleviate the difficulties of patients with rare diseases in receiving proper diagnosis and medications, we established the Rare Diseases Care Center (罕見病關愛中心) and JD Health Rare Diseases Charity Fund, creating a one-stop solution comprising treatment and care, medication, insurance and public welfare.

During the Reporting Period, we improved our emergency response mechanism to safeguard people's livelihood by facilitating prompt response for pandemic control assistance and people's urgent needs. In 2021, we consistently assisted in local pandemic control and timely disaster relief of affected areas. For example, faced with the unexpected heavy rainstorm in the Henan Province, we immediately took action to assist the flooded area. We launched free 24-hour online consultation services, donated supplies, established offline medical aid teams for on-site medical treatment, and assisted local partners to recover after the flood.

Prospects

As society adjusts to a new normal of pandemic management, and with rising health awareness, more personalized healthcare needs continue to emerge. As an industry-leading healthcare enterprise, we remain committed to further opening up our capabilities within the "retail pharmacy + healthcare service" ecosystem and expanding cooperation with upstream and downstream partners in the industry. By continuously improving the supply chain and healthcare services capabilities, we strive to achieve shared growth and development with our partners.

For the retail pharmacy business, we believe that there will be ample room for future growth. We are committed to creating a service-oriented pharmacy business while strengthening our supply chain capabilities. Meanwhile, the gradually improved and regulated market environment has further expanded the growth potential of the online retail pharmaceutical market, bringing enormous value to our business, especially in light of our long-term compliance efforts in this field.

With respect to healthcare services, we will leverage our core capabilities and resources in healthcare services, health management and consumer healthcare services, providing multi-layered and diversified healthcare services to more consumers. We will continue to promote the development of special medical centers, enrich our healthcare service offerings, strengthen cooperation with consumer medical institutions, and drive the growth of internet pet hospitals and other innovative businesses, offering more trustworthy healthcare services to users in need. We are convinced that with the gradual implementation of policies and regulations, the development of the online healthcare services will gain momentum with deeper participation from all parties involved including users, doctors and hospitals.

Supported by the rapid development of the digital economy during the "14th Five-Year Plan" period, we, on the one hand, will continue to expand the scope and depth of online healthcare services and accelerate its integration with the real economy, setting a new sample for online healthcare services as part of the broader digital industrialization. On the other hand, leveraging our strengths in the supply chain and digital technology, we aim to accelerate the transformation of the healthcare industry.

Under the guidance of relevant policies and regulations for the online healthcare sector, JD Health is committed to cultivating long-term value and sharing the same goals with our partners. We will further expand inclusive medical care services to each of our users and facilitate the digital transformation for enterprises across the industry value chain. Furthermore, we will promote and support the development of primary care, especially in rural areas and ensure deep integration between the digital economy and the real economy in China.

Financial review

Revenue

Our revenue increased by 58.3% from RMB19.4 billion in 2020 to RMB30.7 billion in 2021. The increase in our total revenue was primarily due to the increase by 56.1% in product revenue from sales of pharmaceutical and healthcare products from RMB16.8 billion in 2020 to RMB26.2 billion in 2021. Such growth on product revenue was primarily driven by an increase in the number of active user accounts and additional purchases from existing user accounts, the increasing online penetration of pharmaceutical and healthcare products sales, and the enrichment in product offering, and our rising brand awareness as we continue to invest in marketing activities.

Service revenue from online marketplace, digital marketing and other services increased by 72.7% from RMB2.6 billion in 2020 to RMB4.5 billion in 2021. The increase in our service revenue was primarily due to (i) an increase in digital marketing service fees primarily attributable to an increase in the number of advertisers on our platform, in line with the continuous growth of transactions in our platform, and (ii) an increase in commission fees and platform usage fees primarily attributable to an increase in the sales volume and the number of third-party merchants on our online marketplace.

Cost of revenue

Our cost of revenue increased by 62.4% from RMB14.5 billion in 2020 to RMB23.5 billion in 2021. The increase was primarily due to an increase in the sales volume of our pharmaceutical and healthcare products through *JD Pharmacy,* which was in line with the growth of our retail pharmacy and healthcare business.

Gross profit and gross profit margin

As a result of the foregoing, we recorded a gross profit of RMB4.9 billion in 2020, representing a gross profit margin of 25.4%, and a gross profit of RMB7.2 billion in 2021, representing a gross profit margin of 23.5%. The decrease in the gross profit margin was primarily due to a change in the product mix and sales promotions.

Fulfillment expenses

Our fulfillment expenses increased by 50.4% from RMB2.0 billion in 2020 to RMB3.0 billion in 2021. The increase was primarily due to (i) an increase in expenses of logistics and warehousing services, due to an increase in the usage of logistics services along with more products sales, and warehousing services as more warehouses utilized, (ii) an increase in employee benefit expenses for employees involved in fulfillment activities, due to an increase in employee headcount of fulfillment activities, (iii) an increase in expenses of payment services, and (iv) an increase in other fulfillment expenses, including customer service expenses, all of which were in line with the continued growth of our business. Fulfillment expenses as a percentage of revenue decreased from 10.3% in 2020 to 9.8% in 2021.

Selling and marketing expenses

Our selling and marketing expenses increased by 48.7% from RMB1.4 billion in 2020 to RMB2.1 billion in 2021. The increase was primarily due to (i) an increase in our promotion and advertising expenses, which was primarily due to the increased marketing efforts to promote our retail pharmacy business, online healthcare services and other new initiatives, and (ii) an increase in expenses of technology and traffic support services provided by JD Group. Selling and marketing expenses as a percentage of revenue decreased from 7.4% in 2020 to 7.0% in 2021.

Research and development expenses

Our research and development expenses increased by 46.6% from RMB609.1 million in 2020 to RMB892.9 million in 2021. The increase was primarily attributable to (i) an increase in research and development ("**R&D**") headcount as we continued to invest in top-notch R&D talents with industry expertise, and (ii) an increase in expenses of technology and traffic support services provided by JD Group. Research and development expenses as a percentage of revenue decreased from 3.1% in 2020 to 2.9% in 2021.

General and administrative expenses

Our general and administrative expenses increased by 381.3% from RMB527.2 million in 2020 to RMB2,537.1 million in 2021, primarily attributable to an increase of employee benefit expenses including share-based payment expenses. General and administrative expenses as a percentage of revenue increased from 2.7% in 2020 to 8.3% in 2021.

Finance income

Our finance income increased to RMB457.6 million in 2021, primarily due to an increase of interest earnings from bank balances and term deposits.

Fair value changes of convertible preferred shares

We recorded a loss on fair value changes of convertible preferred shares of RMB17.5 billion in 2020 which was primarily due to an increase in the per share fair value of convertible preferred shares, as a result of an increase in our Company's equity value. The Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on December 8, 2020. On the Listing Date, all convertible preferred shares have been converted into ordinary shares on a conversion ratio of 1:1.

Income tax expense

Our income tax expense increased by 5.3% from RMB162.8 million in 2020 to RMB171.3 million in 2021, primarily due to the increase of taxable income, partially offset by the impacts of deferred income tax.

Loss for the year

As a result of the foregoing, we incurred a loss of RMB1.1 billion and RMB17.2 billion in 2021 and 2020, respectively.

Non-IFRS Measure

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

We believe non-IFRS profit provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as 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 profit as profit or loss for the year, excluding share-based payment expenses, one-off listing expense, fair value changes of financial assets and liabilities at fair value through profit or loss ("**FVTPL**") except for those generated from wealth management products, fair value changes of convertible preferred shares and tax effects on non-IFRS adjustments. We exclude these items because they are either non-operating in nature and not indicative of our core operating results and business outlook, or do not generate any cash outflows.

We account for share-based payment expenses with employees and non-employees based on the grant-date fair value of the equity instrument issued by JD.com and by the Company. The reconciling item is non-cash and does not result in cash outflow.

We exclude one-off listing expense as this item, which arises from activities relating to the Listing, is one-off and non-recurring.

Fair value changes for financial assets and financial liabilities at FVTPL except for those generated from wealth management products represent gains or losses from fair value changes on equity investments measured at fair value. Multiple valuation techniques and key inputs are used to determine the fair values of these investments. The reconciling item is non-cash in nature and not related to our normal activities.

We account for the convertible preferred shares as financial liabilities at FVTPL. The fair value of convertible preferred shares has been determined by using the income approach and is affected primarily by the changes in our equity value. The convertible preferred shares automatically converted into ordinary shares upon the completion of the Listing, and no further loss or gain on fair value changes is expected to be recognized afterwards. The reconciling item is non-cash, non-recurring and does not result in cash outflow.

The following table reconciles the most directly comparable financial measure, which is loss for the year calculated and presented in accordance with IFRSs, to the non-IFRS profit for 2021 and 2020:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Reconciliation of loss to non-IFRS profit:		
Loss for the year	**(1,072,818)**	(17,234,897)
Add:		
Share-based payment expenses	**2,579,709**	380,299
— *Fulfillment expenses*	**134,225**	34,087
— *Selling and marketing expenses*	**37,941**	7,308
— *Research and development expenses*	**98,865**	26,499
— *General and administrative expenses*	**2,308,678**	312,405
Fair value changes of convertible preferred shares	**—**	17,539,858
One-off listing expense	**—**	63,658
Reversal of:		
Fair value changes for financial assets and financial liabilities at FVTPL except for those generated from wealth management products	**(68,210)**	(16,801)
Tax effects on non-IFRS adjustments	**(36,586)**	—
Non-IFRS profit for the year	**1,402,095**	732,117

Liquidity and capital resources

For the year ended December 31, 2021, 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 RMB32.3 billion and RMB17.3 billion as of December 31, 2020 and 2021, respectively.

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

	Year Ended December 31,	
	2021	2020
	RMB'000	RMB'000
Net cash generated from operating activities	**3,430,720**	3,699,464
Net cash used in investing activities	**(17,752,152)**	(7,842,584)
Net cash (used in)/generated from financing activities	**(163,653)**	32,028,687
Net (decrease)/increase in cash and cash equivalents	**(14,485,085)**	27,885,567
Cash and cash equivalents at the beginning of the year	**32,270,792**	4,965,272
Effects of foreign exchange rate changes on cash and cash equivalents	**(533,412)**	(580,047)
Cash and cash equivalents at the end of the year	**17,252,295**	32,270,792

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 Listing.

Net cash generated from operating activities

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

In 2020, our net cash generated from operating activities was RMB3.7 billion, which was primarily attributable to our loss of RMB17.2 billion, as adjusted by (i) non-cash and non-operating items, which primarily consisted of fair value changes of convertible preferred shares of RMB17.5 billion and share-based payment expenses of RMB0.4 billion, and (ii) changes in working capital, which primarily resulted from an increase in trade payables of RMB2.4 billion, an increase in accrued expenses and other payables of RMB0.5 billion and a decrease in prepayments, other receivables and other assets of RMB0.4 billion, partially offset by an increase in inventories of RMB0.5 billion.

Net cash used in investing activities

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

In 2020, our net cash used in investing activities was RMB7.8 billion, which was primarily attributable to placement of term deposits of RMB6.7 billion, purchase of financial assets at FVTPL of RMB5.4 billion, payments for investment in joint ventures of RMB0.7 billion, partially offset by maturity of financial assets at FVTPL of RMB3.8 billion, maturity of term deposits of RMB1.3 billion.

Net cash (used in)/generated from financing activities

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

In 2020, our net cash generated from financing activities was RMB32.0 billion, which was primarily attributable to net proceeds from issuance of ordinary shares of RMB25.8 billion and proceeds from issuance of convertible preferred shares of RMB6.5 billion.

Gearing ratio

As of December 31, 2021, 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 of December 31, 2021) during the year ended December 31, 2021.

Future plans for material investments and capital assets

As of December 31, 2021, we did not have other plans for material investments and capital assets.

Material acquisitions and/or disposals of subsidiaries and affiliated companies

For the year ended December 31, 2021, we did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies.

Employee and remuneration policy

The following table sets forth the numbers of our employees dedicated to our business and operations categorized by function as of December 31, 2021.

Function	Number of Employees	% of Total
Procurement	2,284	69.1
Sales and Marketing	352	10.7
Research and Development	577	17.5
General and Administrative	92	2.7
Total	**3,305**	**100.0**

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

The Company also has the Pre-IPO ESOP, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme.

The total employee benefit expenses, including share-based payments expenses, for the year ended December 31, 2021 were RMB3.4 billion, as compared to RMB1.0 billion for the year ended December 31, 2020, representing a year-on-year increase of 238.9%.

Foreign exchange risk

The functional currency of our entities incorporated in the Cayman Islands, British Virgin Islands and Hong Kong is the USD. Our PRC subsidiaries and consolidated affiliated entities determined their functional currency to be RMB. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of our entities. In addition, we have intra-group balances with several subsidiaries denominated in foreign currency which also expose us to foreign currency risk.

During the year ended December 31, 2021, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant.

Contingent liabilities

As of December 31, 2021, we did not have any material contingent liabilities or guarantees.

Borrowings

As of December 31, 2021, we had no outstanding borrowings.

DIRECTORS AND SENIOR MANAGEMENT

Our Directors

The composition of the Board during the Reporting Period and up to the Latest Practicable Date are as follows:

Name	Age	Position(s)	Date of appointment as Director
Directors			
Enlin Jin (金恩林)	41	Executive Director and Chief Executive Officer	September 6, 2021
Richard Qiangdong Liu (劉強東)	49	Chairman and non-executive Director	September 14, 2020
Lei Xu (徐雷) [(1)]	47	Non-executive Director	June 28, 2019
Lijun Xin (辛利軍) [(2)]	48	Non-executive Director	June 28, 2019
Sandy Ran Xu (許冉) [(3)]	45	Non-executive Director	August 21, 2020
Pang Zhang (張雱) [(4)]	33	Non-executive Director	March 29, 2021
Yayun Li (李婭雲) [(5)]	41	Non-executive Director	August 21, 2020
Qingqing Yi	50	Non-executive Director	August 21, 2020
Xingyao Chen (陳興垚)	47	Independent non-executive Director	November 26, 2020
Ling Li (李玲)	60	Independent non-executive Director	November 26, 2020
Jiyu Zhang (張吉豫)	40	Independent non-executive Director	March 29, 2021
Wenyi Huang (黃文藝) [(6)]	50	Independent non-executive Director	November 26, 2020
Ying Wu (吳鷹)	62	Independent non-executive Director	April 7, 2022

Notes:

(1) Lei Xu (徐雷) resigned as a non-executive Director effective on April 7, 2022.

(2) Lijun Xin (辛利軍) was re-designated from an executive Director and the CEO of the Company to a non-executive Director effective on September 6, 2021 and resigned effective on April 7, 2022.

(3) Sandy Ran Xu (許冉) resigned as a non-executive Director effective on April 7, 2022

(4) Pang Zhang (張雱) resigned as a non-executive Director effective on September 6, 2021.

(5) Yayun Li (李婭雲) resigned as a non-executive Director effective on March 29, 2021.

(6) Wenyi Huang (黃文藝) resigned as an independent non-executive Director effective on March 29, 2021.

Executive Director

Enlin Jin (金恩林), aged 41, is an executive Director and the chief executive officer ("**CEO**" or "**Chief Executive Officer**") of the Company. He was appointed as a member of the Remuneration Committee on April 7, 2022. Mr. Jin has extensive experience in pharmaceuticals and TMT industry. Mr. Jin joined JD.com in 2014. He held multiple key roles within JD.com's Strategy Division and Strategic Investment Division, and served as the general manager of JD Pharmacy, where he was responsible for the incubation and development of the online pharmaceutical and healthcare businesses from scratch within JD Retail, such as *JD Pharmacy (京東大藥房)*, *Yaojingcai (藥京採)*, *JD Online Hospital (京東互聯網醫院)* and *Healthy City (健康城市)*, building an industry leading omni-channel supply chain in the pharmaceutical sector through online-plus-offline, wholesale-plus-retail and in-hospital-plus-out-hospital channels.

Mr. Jin holds a master of business administration (MBA) degree from Duke University, and a master's and bachelor's degree from Dalian University of Foreign Languages (大連外國語大學), majoring in French Language and Literature, and French (International Trade), respectively. He held an American Institute of Certified Public Accountants (AICPA) license from the Pennsylvania State of the United States.

Non-executive Directors

Richard Qiangdong Liu (劉強東), aged 49, is a non-executive Director, chairman of the Board and the chairperson of the Nomination Committee. Mr. Liu has been the chairman of JD.com since its inception and served as chief executive officer of JD.com until April 2022. Mr. Liu founded JD.com in 2004 and has guided its development and growth since then. Mr. Liu received the prestigious award "Person of the Year of Chinese Economy 2011" from CCTV, China's nationwide television network. He was among "World's 50 Greatest Leaders" named by Fortune Magazine in 2015. Mr. Liu has served as the chairman of the board and director of Jingdong Technology Holding Co., Ltd. (京東科技控股股份有限公司) since June 2020, and he currently serves as the chairman and non-executive director of JD Logistics, Inc. (HKEX: 2618).

Mr. Liu received his bachelor's degree in sociology from Renmin University of China (中國人民大學) in 1996 and an EMBA from China Europe International Business School (中歐國際工商學院) in 2011.

Lei Xu (徐雷), aged 47, was a non-executive Director until his resignation on April 7, 2022. Mr. Xu has served as director and chief executive officer of JD.com since April 2022, responsible for leading daily operation of the company. Since joining JD.com in 2009, Mr. Xu held various senior roles including head of marketing department, head of JD Wireless, chief marketing officer of JD.com, and chief executive officer of JD Retail. Mr. Xu led the establishment of JD.com marketing and public relations system, the mobile products' R&D system as well as the platform operation system, and propelled JD.com mobile-based strategic transformation. He also led the launch of JD.com 618 Grand Promotion and drove the opening-up of JD.com supply chain capabilities to empower the society at large. During his tenure as chief executive officer of JD Retail, Mr. Xu has established the business philosophy of "trust-based and customer-centric value creation" and led the visionary moves on development of supply chain middle platform and omni channel strategy, which accelerated JD.com's climbing on second curve of growth. Mr. Xu was among "China's 50 Most Influential Business Leaders" named by Fortune China in two consecutive years. Mr. Xu currently serves as a director of ATRenew Inc. (NASDAQ: RERE), Dada Nexus Limited (NASDAQ: DADA) and Yonghui Superstores Co., Ltd.(SHA:601933).

Mr. Xu was awarded Senior Economist (Enterprise Management) in 2019 and holds an EMBA degree from China Europe International Business School (中歐國際工商學院).

Lijun Xin (辛利軍), aged 48, had been re-designated from an executive Director and CEO of the Company to a non-executive Director with effect from September 6, 2021 until his resignation on April 7, 2022. Prior to his appointment as the CEO of the Company in July 2019, Mr. Xin had been serving various positions within JD.com since October 2012. Mr. Xin was in charge of JD.com's third-party platform covering multiple business categories including home furnishing and apparel, and was subsequently in charge of different business groups or departments of JD Retail, such as the Home Business Department of Home Lifestyle Business Group and the Lifestyle and Services Business Group. Before joining JD.com in October 2012, Mr. Xin had worked as general manager at Beijing Baishitongchuang Trading Co., Ltd. (北京佰世同創商貿有限公司).

Mr. Xin received a bachelor's degree of science in electrical engineering and automation from Shanghai Jiao Tong University (上海交通大學) in 1995 and an EMBA from China Europe International Business School (中歐國際工商學院) in August 2018.

Sandy Ran Xu (許冉), aged 45, was a non-executive Director and a member of the Audit Committee and the Remuneration Committee until her resignation on April 7, 2022. Ms. Xu joined JD.com in July 2018 and has served as the chief financial officer of JD.com since June 2020. From July 2018 to May 2020, Ms. Xu oversaw group finance and tax functions in addition to serving as chief financial officer of JD Retail. Prior to joining JD.com, Ms. Xu was an audit partner and spent nearly 20 years with PricewaterhouseCoopers Zhong Tian LLP, Beijing office and PricewaterhouseCoopers LLP, San Jose office, focusing on TMT industry and U.S. capital markets. Ms. Xu was a Certified Public Accountant in both China and the United States. Ms. Xu currently serves as a director of Dada Nexus Limited, whose shares have been listed on the NASDAQ (NASDAQ: DADA) since June 2020, and a director of Jingdong Technology Holding Co., Ltd. (京東科技控股股份有限公司). Ms. Xu also served as non-executive director of JD Logistics, Inc. (HKEX: 2618) from September 2020 to April 2022.

Ms. Xu received her bachelor's degree with a double major in information science and economics from Peking University (北京大學).

Qingqing Yi, aged 50, is a non-executive Director. Mr. Yi is a partner at Hillhouse Capital ("**Hillhouse**"). He has been with Hillhouse since 2005. Mr. Yi's work at Hillhouse includes investments in the healthcare sectors. Mr. Yi is also a director of HM Healthcare, a member of Hillhouse. Mr. Yi currently serves as a director of BeiGene, Ltd., whose shares are listed on the Hong Kong Stock Exchange (HKEX: 6160) and on NASDAQ (NASDAQ: BGNE), since October 2014. Mr. Yi served as a director of Shanghai Junshi Biosciences Co., Ltd., whose shares are listed on the Hong Kong Stock Exchange (HKEX: 1877) and Shanghai Stock Exchange (SHA: 688180), from December 2016 to November 2021. He also served as a director of JHBP (CY) Holdings Limited, whose shares are listed on the Hong Kong Stock Exchange (HKEX: 6998), from December 3, 2018 to June 2021.

Mr. Yi received his bachelor of science degree in engineering from Shanghai Maritime University (上海海事大學) in July 1995 and a master's degree of business administration from University of Southern California in May 2003.

Independent Non-executive Directors

Xingyao Chen (陳興垚), aged 47, is an independent non-executive Director and the chairperson of the Audit Committee. He has resigned as a chairperson of the Remuneration Committee on April 7, 2022. Mr. Chen served as the chief financial officer of New Hope Liuhe Co., Ltd (新希望六和股份有限公司) ("**New Hope Liuhe**") (SZSE: 000876) from November 2011 to January 2017 and as its vice president from May 2013 to January 2017. Since March 2015, he has served as president of New Hope Huinong (Tianjin) Technology Co., Ltd. (新希望慧農 (天津) 科技有限公司), an affiliate of New Hope Liuhe, responsible for, among other things, supervision of its operations and major financial decisions, and review of financial reports.

Mr. Chen received his bachelor's degree in materials science and engineering and his master degree in materials science from Beihang University (北京航空航天大學) in July 1996 and March 1999, respectively. Mr. Chen also received a MBA from Tsinghua University (清華大學) in July 2005 and an EMBA from China Europe International Business School (中歐國際工商學院) in July 2011.

Ling Li (李玲), aged 60, is an independent non-executive Director. She has resigned as a member of the Nomination Committee, re-designated from a member of the Remuneration Committee to the chairperson and was appointed as a member of the Audit Committee on April 7, 2022. Ms. Li has served as the director of PKU China Center for Health Development Studies (北京大學中國健康發展研究中心) since June 2015. Ms. Li has worked as a doctoral supervisor and held professorship at National School of Development at Peking University (北京大學國家發展研究院) since July 2008. Prior to that, Ms. Li had served as the deputy director, a doctoral supervisor and held professorship at China Center for Economic Research (北京大學中國經濟研究中心) from August 2003 to June 2008. Ms. Li worked as an assistant professor from 1994 to 2000 and later as an associate professor with tenure from 2000 to 2003 at Towson University. Ms. Li taught Wuhan University (武漢大學) from September 1982 to February 1987. Ms. Li obtained an independent director qualification certificate issued by the Shanghai Stock Exchange in March 2019. Ms. Li serves as an independent non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., whose shares are listed on the Hong Kong Stock Exchange (HKEX: 2196) since June 2019. Ms. Li had served as an independent non-executive director of Sinopharm Group Co. Ltd., whose shares are listed on the Hong Kong Stock Exchange (HKEX: 1099), from December 2012 to December 2018.

Ms. Li currently also serves as the vice chairman of China Health Economics Association, a member of the State Council Health Reform Advisory Commission, a member of National Health and Family Planning Commission on public policy, an evaluation expert in the Pilot Project of Urban Resident Basic Medical Insurance implemented by the State Council, an advisor to the Beijing Municipal Government, an advisor to the pharmaceutical and healthcare reform of Guangdong Province and the vice chairman of Gerontological Society of China.

Ms. Li received her bachelor's in physics from Wuhan University (武漢大學) in August 1982 and her master's degree and PhD in economics from the University of Pittsburgh in September 1990 and August 1994, respectively.

Jiyu Zhang (張吉豫), aged 40, is an independent non-executive Director and a member of the Audit Committee and the Nomination Committee. Dr. Zhang currently holds associate professorship and serves as the executive director of the Law and Technology Institute at Renmin University of China (中國人民大學). She is also a member of and currently holds various leadership positions in the Cyberspace Security Strategy and Law Committee of China Institute of Communications, Beijing Intellectual Property Law Research Association, China Cyber Information Law Society and Law and Policy Working Group of China Artificial Intelligence and Industry Alliance. Prior to that, Dr. Zhang held an assistant professorship and was a post-doctoral fellow in intellectual property law at the Renmin University of China Law School (中國人民大學法學院) from August 2014 to August 2017 and September 2011 to July 2014, respectively.

Dr. Zhang received a bachelor of science degree with a double major in mathematics and applied mathematics and a bachelor of science degree in computer science and technology from Peking University (北京大學) in 2004. She then received her Doctor of Science in computer architecture from Peking University in 2011.

Ying Wu (吳鷹), aged 62, was appointed as an independent non-executive Director and a member of the Nomination Committee and the Remuneration Committee on April 7, 2022. He has extensive experiences in telecom industry and venture capital investment. Mr. Wu is currently the chairman of China Capital Group that he founded in October 2008, prior to which he had served as chairman and chief executive officer of UTStarcom (China) Co. Ltd for 12 years. Mr. Wu is also currently the chairman of ZJBC Information Technology Co., Ltd. (中嘉博創信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange (SZSE: 889), an independent non-executive director of Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司), a company listed on the Stock Exchange (HKEX: 2098), a director of HyUnion Holdings Co., Ltd. (海聯金匯科技股份有限公司), a company listed on the Shenzhen Stock Exchange (SZSE: 2537), and the chairman of the supervisory committee of Huayi Brothers Media Corporation Ltd. (華誼兄弟傳媒股份有限公司), a company listed on the Shenzhen Stock Exchange (SZSE: 300027). Mr. Wu was an independent non-executive director of Zhong An Online P&C Insurance Co., Ltd. (眾安在綫財產保險股份有限公司), a company listed on the Stock Exchange (HKEX: 6060), from July 2017 to March 2022.

Mr. Wu obtained his bachelor's degree in electronic engineering from the Beijing University of Technology (北京工業大學) in July 1982, his master's degree in science from New Jersey Institute of Technology in the United States in May 1988, and his doctor's degree (honoris causa) from New Jersey Institute of Technology in 2016.

Senior management

The senior management (other than our executive Director) of the Group comprises the following:

Name	Age	Position(s)	Date of appointment as senior management
Dong Cao (曹冬)	45	Chief financial officer	April 2019

Dong Cao (曹冬), aged 45, is the chief financial officer of the Company and oversees the finance and investments of our Group. Mr. Cao held different positions within JD.com from January 2012 to April 2019. Mr. Cao served as the director of the auditing department of JD.com from January 2012 to November 2013 and subsequently was in charge of the accounting center of finance department of JD.com from November 2013 to August 2014. He was the responsible person of the reporting division of the operation analysis department of JD.com from August 2014 to April 2015. Between April 2015 and April 2019, Mr. Cao served as the head of the analysis function of the budget and analysis department and subsequently the head of the budget and analysis department within JD.com. Mr. Cao served as the financial controller at Beijing Ruiwodi International Education Technology Development Co., Ltd.

(北京瑞沃迪國際教育科技發展有限公司) from October 2009 to December 2011. Mr. Cao had served at New Oriental Education&Technology Group Inc. from January 2004 to June 2009, with his last position held as a senior auditing manager. Mr. Cao was accredited as a Certified Public Accountant by Beijing Institute of Certified Public Accountants in September 2010 and was also accredited as a Certified Internal Auditor by China Institute of Internal Audit in November 2004.

Mr. Cao received his bachelor of science degree in financial management from China University of Petroleum (中國石油大學) in July 1999. Mr. Cao received a master's degree in international trade from University of International Business and Economics (對外經濟貿易大學) in July 2002.

Company secretary

Ming King Chiu (趙明璟), our company secretary, is a managing director for Corporate Services at Vistra Corporate Services (HK) Limited. He has over 10 years of experience in the company secretarial field. He is currently (1) the joint company secretary of Shanghai Haohai Biological Technology Co., Ltd., whose shares are listed on the Hong Kong Stock Exchange (HKEX: 6826); (2) the joint company secretary of Kunming Dianchi Water Treatment Co., Ltd., whose shares are listed on the Hong Kong Stock Exchange (HKEX: 3768); (3) the company secretary of Grace Wine Holdings Limited, whose shares are listed on GEM (GEM: 8146); (4) the joint company secretary of AAG Energy Holdings Limited, whose shares are listed on the Hong Kong Stock Exchange (HKEX: 2686); (5) the joint company secretary of CanSino Biologics Inc., whose shares are listed on the Hong Kong Stock Exchange (HKEX: 6185); (6) the company secretary of Sheng Yuan Holdings Limited, whose shares are listed on the Hong Kong Stock Exchange (HKEX: 851), (7) the company secretary of Loco Hong Kong Holdings Limited, whose shares are listed on GEM (GEM: 8162) and (8) the company secretary of JD Logistics, Inc., whose shares are listed on the Hong Kong Stock Exchange (HKEX: 2618).

Mr. Chiu was elected as an associate and a fellow of The Chartered Governance Institute in the United Kingdom in 2003 and 2015, respectively, and admitted as an associate and a fellow of The Hong Kong Chartered Governance Institute ("**HKCGI**") (formerly known as The Hong Kong Institute of Chartered Secretaries) in October 2003 and September 2015, respectively. He is also a holder of the Practitioner's Endorsement Certificate issued by HKCGI. He has been a vice chairman of the Membership Committee, a chairman of the Professional Services Panel and a council member of HKCGI.

Mr. Chiu obtained his bachelor of arts degree from University of Toronto in Canada in June 1999 and received his master of arts degree in professional accounting and information systems from City University of Hong Kong in November 2003.

REPORT OF THE DIRECTORS

The Board is pleased to present this report of the Directors with the consolidated financial statements of the Group for the year ended December 31, 2021.

General information

The Company was incorporated in the Cayman Islands on November 30, 2018 as an exempted limited liability company under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**").

The Company's Shares were listed on the Main Board of the Stock Exchange on December 8, 2020.

Principal activities

The Company is an investment holding company, and together with its subsidiaries and consolidated affiliated entities, engage in a comprehensive "Internet + Healthcare" ecosystem, providing pharmaceutical and healthcare products, internet healthcare, health management, intelligent healthcare solutions to the customers, and a variety of marketing services to the business partners. The Group's principal operations and geographic markets are in the PRC.

The Group has only one reportable segment as set out in Note 4 to the consolidated financial statements. The Group does not distinguish between markets or segments for the purpose of reporting. No geographical information is presented.

Business review

The business review of the Group for the year ended December 31, 2021 is set out in the sections headed "CEO's Statement" and "Management Discussion and Analysis" from pages 5 to 7 and pages 8 to 19 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the sections headed "Report of Directors — Principal risks and uncertainties" and "Report of Directors — Risks relating to the Contractual Arrangements" on page 28 and page 59 of this annual report. In addition, discussions on the key relationships with the stakeholders, compliance with relevant laws and regulations, environmental performance are set out in pages 27 to 28 of this annual report and will also be set out in the Environmental, Social and Governance Report to be published within five months from December 31, 2021.

Results

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income/(loss) on page 91 and page 92 of this annual report.

Financial summary

A summary of the condensed consolidated statements of comprehensive income/(loss) and financial position of the Group is set out on page 4 of this annual report.

Share capital

Details of movements in the share capital of the Company for the year ended December 31, 2021 are set out in Note 23 to the consolidated financial statements.

Subsidiaries

Particulars of the Company's principal subsidiaries and consolidated affiliated entities are set out in Note 30 to the consolidated financial statements.

Major customers and suppliers

Customers

We have a broad base of customers. Except for JD Group, our top customers are primarily pharmaceutical companies and healthcare product companies. For the year ended December 31, 2021, the Group's five largest customers accounted for less than 30% of the Group's total revenue.

As of December 31, 2021, JD Group indirectly owned approximately 67.28% of our total issued share capital. To the best of our knowledge, all of the other four largest customers during the year ended December 31, 2021 were independent third parties. As of December 31, 2021, (i) Mr. Richard Qiangdong Liu (劉強東), a non-executive Director and chairman of the Board, held approximately 76.2% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings; and (ii) all the other Directors in aggregate held less than 1% of the beneficial ownership in JD Group.

Except as disclosed above, none of our other Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital or has any interest in any of our top five customers during the year ended December 31, 2021.

Suppliers

Our top suppliers are primarily pharmaceutical companies and healthcare product companies or their sales agents. For the year ended December 31, 2021, the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

As of December 31, 2021, JD Group indirectly owned approximately 67.28% of our total issued share capital. To the best of our knowledge, all of the other four largest suppliers during the year ended December 31, 2021 were independent third parties. As of the December 31, 2021, (i) Mr. Richard Qiangdong Liu, a non-executive Director and chairman of the Board, held approximately 76.2% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings; and (ii) all the other Directors in aggregate held less than 1% of the beneficial ownership in JD Group.

Except as disclosed above, none of our other Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital or has any interest in any of our top five suppliers during the year ended December 31, 2021.

Key relationship with stakeholders

The Company is committed to maintaining a good relationship with stakeholders that have a significant impact on the Company and on which the Company's success depends. Further details will be set out in the Environmental, Social and Governance Report which will be published within five months from December 31, 2021.

Compliance with the relevant laws and regulations

To the best of the Directors' knowledge, information and belief, the Group has, in all material aspects, complied with the relevant laws and regulations that have a significant impact on the Group during the Reporting Period.

Environmental policies and performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Further details will be set out in the Environmental, Social and Governance Report which will be published within five months from December 31, 2021.

Principal risks and uncertainties

Our operations involve certain risks and uncertainties, which are set out in the section headed "Risk Factors" of the Prospectus. Some of the major risks we face relate to:

- our reliance on JD Group and the fact that there are certain overlapping businesses between our Group and JD Group;
- the fact that we may have conflicts of interest with JD Group;
- our ability to maintain a good relationship with JD Group, taking into account the extensive connected transactions between us and JD Group;
- our ability to manage the growth of our business and operations or implement our business strategies successfully;
- the fact that we are subject to extensive and evolving regulatory requirements, and sale of prescription drugs are subject to stringent scrutiny;
- our ability to compete effectively;
- the fact that we are in the early stage of development with a limited operating history in an emerging and dynamic industry;
- our ability to maintain, protect and enhance the reputation and recognition of our brand;
- our ability to continue to attract and retain users, provide superior user experience and maintain users' trust in our platform;
- the fact that our sale of pharmaceutical and healthcare products is subject to a variety of risks;
- the fact that we may become subject to product liability claims, medical liability claims, and penalties or disputes for failure to manage our in-house medical team and external doctors; and
- our ability to handle and secure data.

Use of net proceeds from Listing

With the Shares listed on the Hong Kong Stock Exchange on the Listing Date, the net proceeds from the Global Offering (following full exercise of the Over-allotment Option, as defined in the Prospectus) were approximately RMB25.7 billion after deducting underwriting commissions and listing expenses paid or payable, which will be utilized for the purposes as set out in the Prospectus.

- approximately 40% of the net proceeds is expected to be used for business expansion in the next 36 to 60 months from the Global Offering, including:

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

    - enhancing user growth and engagement, including (i) strengthening our supply chain capabilities through expanding our supply chain human resources and investments in relevant technologies for logistics to achieve economies of scale and operating efficiency and enable us to offer more diversified delivery options and competitive pricing, improving user experience; (ii) continuing to improve user experience of our online healthcare services by expanding the breadth and depth of our service offerings, such as expanding the types and numbers of offerings in dental services and aesthetic medicines of our consumer healthcare services; and (iii) investing in the technology to improve the capability of our mobile apps and the development of data driven and personalized services based on insights into user preferences, backed by our data analytics capabilities and the use of AI in analyzing user behaviors, for example, to recommend related or similar non-drug healthcare products based on users' search and purchase history;

    - consistently promoting brand awareness through increasing our online and offline marketing and promotional activities, such as TV branding, news feed ads, advertisements through major search engines and web portals, and seasonal and holiday promotional campaigns; and

- approximately 30% of the net proceeds is expected to be used for research and development in the next 24 to 36 months from the Global Offering, including (i) further developing our digital infrastructure and new initiatives with continuous investments in our healthcare services platforms, AI-assisted prescription verification, and big data and cloud computing technologies, to consistently optimize our service process, improve user experience, boost operation efficiency and expand the scope of Internet and technology related solutions offered to participants in the healthcare value chain; (ii) continuously attracting, through offering competitive compensation packages, and cultivating world-class software engineers, data scientists, artificial intelligence experts and other research and development talents, and expanding our portfolio of intelligent assets; and (iii) investing in smart healthcare solutions for offline hospitals and other medical institutions, such as software, IOT systems and integrated platform solutions designed for various scenarios based on their specific needs to further improve patient monitoring and management, enhance daily operation efficiency of hospitals and position them for greater integration with online service offerings;

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

- approximately 10% of the net proceeds is expected to be used for working capital and general corporate purposes.

The Group had not utilized the net proceeds from the Global Offering during the year ended December 31, 2020. As of January 1, 2021, the unutilized amount of the net proceeds from the Global Offering was RMB25.7 billion. During the year ended December 31, 2021 and up to the Latest Practicable Date, the Group has utilized approximately RMB1.1 billion out of the net proceeds from the Global Offering for working capital and general corporate purposes, as intended. Other than that, the Group had not utilized any of the net proceeds for other purposes as set out in the Prospectus. As at the Latest Practicable Date, RMB24.6 billion of the net proceeds remain to be utilized. There has been no change in the intended use of net proceeds and expected time of full utilisation as previously disclosed in the Prospectus.

Dividends

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2021.

Reserves

As of December 31, 2021, the Company had distributable reserves of RMB39.1 billion.

Details of movements in the reserves of the Company during the year ended December 31, 2021 are set out in Note 33 of the consolidated financial statements.

Borrowings

The Group did not have any outstanding bank loans and other borrowings as of December 31, 2021.

Debenture issued

The Group has not issued any debentures during the year ended December 31, 2021.

Equity-linked agreements

No equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2021.

Directors

The Directors who held office during the year ended December 31, 2021 and up to the Latest Practicable Date were:

Executive Director

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

Non-Executive Directors

Richard Qiangdong Liu (劉強東) *(Chairman)*
Lei Xu (徐雷) *(resigned on April 7, 2022)*
Lijun Xin (辛利軍) *(re-designated on September 6, 2021 and resigned on April 7, 2022)*
Sandy Ran Xu (許冉) *(resigned on April 7, 2022)*
Pang Zhang (張雱) *(appointed on March 29, 2021 and resigned on September 6, 2021)*
Yayun Li (李婭雲) *(resigned on March 29, 2021)*
Qingqing Yi

Independent Non-Executive Directors

Xingyao Chen (陳興垚)
Ling Li (李玲)
Jiyu Zhang (張吉豫) *(appointed on March 29, 2021)*
Wenyi Huang (黃文藝) *(resigned on March 29, 2021)*
Ying Wu (吳鷹) *(appointed on April 7, 2022)*

Pursuant to Article 16.19 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors. Accordingly, Qingqing Yi, Xingyao Chen (陳興垚), Ling Li (李玲) and Ying Wu (吳鷹) shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Details of the Directors standing for re-election at the forthcoming annual general meeting are set out in the circular to the Shareholders together with this annual report.

Board of Directors and senior management

Biographical details of the directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 20 to 25 of this annual report.

Changes in information of Directors

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

1. Pang Zhang (張雱) resigned as a non-executive Director and a member of the Remuneration Committee effective on September 6, 2021.

2. Enlin Jin (金恩林) was appointed as an executive Director and CEO of the Company effective on September 6, 2021 and as a member of the Remuneration Committee effective on April 7, 2022.

3. Lijun Xin (辛利軍) was re-designated from an executive Director and the CEO of the Company to a non-executive Director effective on September 6, 2021 and resigned effective on April 7, 2022.

4. Lei Xu (徐雷) has been appointed as a director of Yonghui Superstores Co., Ltd. (SHA:601933) since December, 2021 and he resigned as a non-executive Director effective on April 7, 2022.

5. Sandy Ran Xu (許冉) was appointed as a member of the Remuneration Committee effective on September 6, 2021 and resigned as a non-executive Director and a member of the Audit Committee and the Remuneration Committee effective on April 7, 2022.

6. Ling Li (李玲) has resigned as a member of the Nomination Committee, has been re-designated from a member to the chairperson of the Remuneration Committee and appointed as a member of the Audit Committee effective on April 7, 2022.

7. Xingyao Chen (陳興垚) has resigned as the chairperson of the Remuneration Committee effective on April 7, 2022.

8. Qingqing Yi resigned as a director of Shanghai Junshi Biosciences Co., Ltd., whose shares are listed on the Hong Kong Stock Exchange (HKEX: 1877) and Shanghai Stock Exchange (SHA: 688180) in November 2021.

9. Ying Wu (吳鷹) has been appointed as an independent non-executive Director and a member of the Remuneration Committee and the Nomination Committee effective on April 7, 2022.

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

Permitted indemnity

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended December 31, 2021. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

Directors' service contracts

The executive Director has entered into a service contract with the Company for an initial term of three years commencing from September 6, 2021, subject to re-election and when required under the Articles of Association, on and subject to the terms and conditions specified in the service contract.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial period of three years from the date of the Prospectus or from the date of the Prospectus until the third annual general meeting of the Company since the Listing (whichever ends sooner) or for an initial period of three years from the date of appointment. Such appointments are subject to retirement as and when required under the Articles of Association, on and subject to the terms and conditions specified in the relevant letter of appointment.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' interests in transactions, arrangements or contracts of significance

Save as disclosed in the section "Continuing Connected Transactions" below and in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries and the consolidated affiliated entities was a party subsisting during or at the end of the year ended December 31, 2021.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2021.

Contracts and relationship with controlling shareholders

Save as disclosed in the section "Continuing Connected Transactions" below and in this annual report, no contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the consolidated affiliated entities and the Controlling Shareholders during the year ended December 31, 2021.

As noted in the section headed "Relationship with Controlling Shareholders" of the Prospectus, our retail pharmacy business is generally intended to only be carried out by our Group, except certain protective equipment products via direct sales channel that are related to healthcare (e.g. thermometers and facemasks), which may also be sold on JD Group's platforms. However, we do not believe that any potential competition with JD Group is likely to be material to us partly because the sale of protective equipment peripheral to the businesses of both our Group and JD Group and JD Group has no intent to substantially develop this line of business in the foreseeable future. The business relating to JD branded facemasks has been substantially transferred to our Group. The remaining protective equipment products still sold by JD Group mainly includes thermometers and facemasks for children (both under the maternal and child product category of JD Group). These products only accounted for approximately 2.49% of our Group's revenue for the year ended December 31, 2021, which has been reviewed by the Audit Committee.

In addition, our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. Our independent non-executive Directors have reviewed and confirmed that there is no conflict of interests between our Group and our Controlling Shareholders that need to be disclosed to the Shareholders.

Directors' rights to acquire shares or debentures

Save as disclosed in this annual report, at no time during the year ended December 31, 2021 was the Company or any of its subsidiaries and the consolidated affiliated entities a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

Directors' interests in competing business

Save and except for the interests of our Controlling Shareholders in our Company, its subsidiaries and the consolidated affiliated entities, during the year ended December 31, 2021, neither our Controlling Shareholders nor any of our Directors is considered to have interests in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

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

As of December 31, 2021, the interests and short positions of the Directors and chief executives in the Shares, underlying Shares and debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate % of holding[11]
Enlin Jin (金恩林)	Beneficial owner[1]	574,112[(L)]	0.02
Richard Qiangdong Liu (劉強東)	Interest in a controlled corporation[2]; Beneficial owner[3]	2,202,296,248[(L)]	68.94
Lei Xu (徐雷)	Beneficial owner[4]	200,000[(L)]	0.01
Lijun Xin (辛利軍)	Interest in a controlled corporation[5]; Beneficial owner[6]	30,691,006[(L)]	0.96
Sandy Ran Xu (許冉)	Beneficial owner[7]	100,000[(L)]	0.00
Xingyao Chen (陳興垚)	Beneficial owner[8]	7,211[(L)]	0.00
Ling Li (李玲)	Beneficial owner[9]	7,211[(L)]	0.00
Jiyu Zhang (張吉豫)	Beneficial owner[10]	8,091[(L)]	0.00

Notes:

(1) Includes Mr. Enlin Jin (金恩林)'s entitlement to receive up to 333,047 Shares pursuant to the exercise of options granted to him under the Pre-IPO ESOP, subject to the conditions (including vesting conditions) of those options; and up to 113,334 Shares pursuant to the vesting of the Award Shares granted to him under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.

(2) Mr. Richard Qiangdong Liu (劉強東) controls more than 50% of the voting power of JD.com, which wholly owns JD Jiankang. JD Jiankang holds 2,149,253,732 Shares.

(3) Includes Mr. Richard Qiangdong Liu (劉強東)'s entitlement to receive up to 44,202,097 Shares pursuant to the exercise of options granted to him under the Pre-IPO ESOP, subject to the conditions (including vesting conditions) of those options.

(4) Represents Mr. Lei Xu (徐雷)'s entitlement to receive up to 200,000 Shares pursuant to the vesting of the Award Shares granted to him under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.

(5) Novacare Investment Limited, which holds 8,852,238 Shares, is wholly-owned by Mr. Lijun Xin (辛利軍).

(6) Includes Mr. Lijun Xin (辛利軍)'s entitlement to receive up to 19,579,702 Shares pursuant to the exercise of options granted to him under the Pre-IPO ESOP, subject to the conditions (including vesting conditions) of those options.

(7) Represents Ms. Sandy Ran Xu (許冉)'s entitlement to receive up to 100,000 Shares pursuant to the vesting of the Award Shares granted to her under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.

(8) Includes Mr. Xingyao Chen (陳興垚)'s entitlement to receive up to 5,394 Shares pursuant to the vesting of the Award Shares granted to him under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.

(9) Includes Ms. Ling Li (李玲)'s entitlement to receive up to 5,394 Shares pursuant to the vesting of the Award Shares granted to her under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.

(10) Represents Dr. Jiyu Zhang (張吉豫)'s entitlement to receive up to 8,091 Shares pursuant to the vesting of the Award Shares granted to her under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.

(11) The percentages are calculated on the basis of 3,194,617,111 Shares in issue as of December 31, 2021.

(12) (L) denotes a long position in the Shares.

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

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

Except as specifically noted, the following table sets forth the directors' or chief executives' beneficial ownership of JD.com's Class A ordinary shares and Class B ordinary shares as of December 31, 2021.

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

	Ordinary Shares Beneficially Owned**				
Directors and Executive Officers	**Class A ordinary shares**	**Class B ordinary shares**	**Total ordinary shares**	**% of beneficial ownership**	**% of average voting power#(4)**
Richard Qiangdong Liu (劉強東)	22,574,550(1)	408,007,423(1)	430,581,973(1)	13.7(1)	76.2(2)(3)
Lei Xu (徐雷)	*	—	*	*	*
Sandy Ran Xu (許冉)	*	—	*	*	*

Notes:

\# For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of the Class A ordinary shares and Class B ordinary shares as a single class.

* Less than 1% of JD.com's total outstanding shares.

** Beneficial ownership information disclosed herein represents direct and indirect holdings of entities owned, controlled or otherwise affiliated with the applicable holder as determined in accordance with the rules and regulations of the U.S. SEC.

(1) Represents (i) 408,007,423 Class B ordinary shares directly held by Max Smart Limited, (ii) 3,487,275 ADSs, representing 6,974,550 Class A ordinary shares, held by Max Smart Limited, and (iii) 15,600,000 Class A ordinary shares Mr. Richard Qiangdong Liu (劉強東) had the right to acquire upon exercise of options that shall have become vested within 60 days after December 31, 2021. Max Smart Limited is a British Virgin Islands company beneficially owned by Mr. Richard Qiangdong Liu (劉強東) through a trust and of which Mr. Richard Qiangdong Liu (劉強東) is the sole director, as described in footnote (2) below. The ordinary shares beneficially owned by Mr. Richard Qiangdong Liu (劉強東) do not include 20,178,078 Class B ordinary shares held by Fortune Rising Holdings Limited, a British Virgin Islands company, as described in footnote (2) below.

(2) The aggregate voting power includes the voting power with respect to the 20,178,078 Class B ordinary shares held by Fortune Rising Holdings Limited. Mr. Richard Qiangdong Liu (劉強東) is the sole shareholder and the sole director of Fortune Rising Holdings Limited and he may be deemed to beneficially own the voting power with respect to all of the ordinary shares held by Fortune Rising Holdings Limited in accordance with the rules and regulations of the U.S. SEC, notwithstanding the facts described in note (3) below.

(3) Fortune Rising Holdings Limited holds the 20,178,078 Class B ordinary shares for the purpose of transferring such shares to the plan participants according to awards under JD.com's share incentive plan, and administers the awards and acts according to JD.com's instruction. Fortune Rising Holdings Limited exercises the voting power with respect to these shares according to JD.com's instruction. Fortune Rising Holdings Limited is a company incorporated in the British Virgin Islands. Mr. Richard Qiangdong Liu (劉強東) is the sole shareholder and the sole director of Fortune Rising Holdings Limited.

(4) The percentage in the table above are based on 3,118,832,137 ordinary shares issued and outstanding of JD.com as of December 31, 2021.

The following table lists out the Directors' or chief executives' interests in JD.com and JD Logistics, an associated corporation of the Company that is also a subsidiary of JD.com (i.e. a fellow subsidiary), as of December 31, 2021.

Name of Director	Associated corporation	Nature of interest	Number of shares	% of interest in associated corporation
Enlin Jin (金恩林)	JD.com	Beneficial owner(1)	3,202(L)	0.00
Enlin Jin (金恩林)	JD Logistics	Beneficial owner	28,000(L)	0.00
Richard Qiangdong Liu (劉強東)	JD Logistics	Beneficial owner; Interest in a controlled corporation(2)(3)	4,023,186,705(L)	65.07
Lijun Xin (辛利軍)	JD.com	Beneficial owner(4)	3,502,956(L)	0.11
Lijun Xin (辛利軍)	JD Logistics	Beneficial owner(5)	1,070,000(L)	0.02
Sandy Ran Xu (許冉)	JD Logistics	Beneficial owner(6)	100,000(L)	0.00
Ling Li (李玲)	JD.com	Interest of spouse(7)	36,050(L)	0.00
Ling Li (李玲)	JD Logistics	Interest of spouse(8)	49,000(L)	0.00

Notes:

(1) Includes Mr. Enlin Jin (金恩林)'s entitlement to receive up to 3,142 shares in JD.com pursuant to restricted share units under the share incentive plan of JD.com.

(2) Includes Mr. Richard Qiangdong Liu (劉強東)'s entitlement to receive up to 82,655,588 shares in JD Logistics pursuant to options under the share incentive plan of JD Logistics.

(3) Jingdong Technology Group Corporation, which holds 3,924,000,000 shares in JD Logistics, is wholly-owned by JD.com. As of December 31, 2021, Mr. Richard Qiangdong Liu (劉強東) is interested in approximately 76.2% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings, further details of which are set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

(4) Includes Mr. Lijun Xin (辛利軍)'s entitlement to receive up to 3,103,680 shares of JD.com pursuant to restricted share units and 195,660 shares of JD.com pursuant to options under JD.com's share incentive plan.

(5) Includes Mr. Lijun Xin (辛利軍)'s entitlement to receive up to 300,000 shares in JD Logistics pursuant to options under the share incentive plan of JD Logistics.

(6) Represents Ms. Sandy Ran Xu (許冉)'s entitlement to receive up to 100,000 shares in JD Logistics pursuant to options under the share incentive plan of JD Logistics.

(7) Represents 36,050 shares in JD.com directly held by Mr. Dingbo Xu (許定波). Ms. Ling Li (李玲) is the spouse of Mr. Dingbo Xu, she is deemed to be interested in the shares in JD.com in which Mr. Dingbo Xu is interested.

(8) Represents 49,000 shares in JD Logistics directly held by Mr. Dingbo Xu (許定波). Ms. Ling Li (李玲) is the spouse of Mr. Dingbo Xu, she is deemed to be interested in the shares in JD Logistics in which Mr. Dingbo Xu is interested.

(9) (L) denotes a long position in the Shares.

The following table lists out the Directors' or chief executives' interests in the other associated corporations as of December 31, 2021:

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

Save as disclosed above, as of December 31, 2021, none of the Directors and chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

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

As of December 31, 2021, the persons other than the Directors, whose interests have been disclosed in this annual report, had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate % of holding[(2)]
JD Jiankang[(1)]	Beneficial owner	2,149,253,732[(L)]	67.28
JD.com[(1)]	Interest in controlled corporation	2,149,253,732[(L)]	67.28

Notes:

(1) JD Jiankang is wholly-owned by JD.com. Under the SFO, JD.com is deemed to be interested in and control the 2,149,253,732 Shares held by JD Jiankang.

(2) The percentages are calculated on the basis of 3,194,617,111 Shares in issue as of December 31, 2021.

(3) (L) denotes a long position in the Shares

Save as disclosed herein, as of December 31, 2021, no person, other than the Directors whose interests are set out in this annual report, had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Emolument policy and Directors' remuneration

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO ESOP, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 8, Note 29 and Note 9, respectively, to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Share incentive schemes

1. Pre-IPO ESOP

The Pre-IPO ESOP was approved and adopted by the Company on September 14, 2020, as amended from time to time.

Purpose

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

Eligible participants

Persons eligible to participate in the Pre-IPO ESOP include employees, consultants and all members of the Board, as determined by a committee authorized by the Board (the "**Committee**").

Maximum number of Shares

The maximum aggregate number of underlying shares which may be issued pursuant to all awards under the Pre-IPO ESOP is 238,805,970 Shares as of September 14, 2020 that are reserved under the Pre-IPO ESOP.

As of December 31, 2021, outstanding options representing 73,355,847 underlying Shares, representing approximately 2.30% of the issued share capital of the Company, were granted to eligible participants pursuant to the Pre-IPO ESOP. Details of the Pre-IPO ESOP are set out in Note 24 to the consolidated financial statements.

No further Award will be granted under the Pre-IPO ESOP.

Period of the Pre-IPO ESOP

The Pre-IPO ESOP commenced on September 14, 2020 and will expire on September 14, 2030. Upon expiry of the Pre-IPO ESOP, no Award may be granted pursuant to the Pre-IPO ESOP; any awards that are outstanding shall remain in force according to the terms of the Pre-IPO ESOP and the applicable award agreement.

Exercise price

The exercise price per Share subject to an option shall be determined by the Committee and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the Shares.

The exercise price per Share subject to an option may be amended or adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by applicable laws, rules and regulations, a downward adjustment of the exercise prices of options mentioned in the preceding sentence shall be effective without the approval of the Shareholders or the approval of the affected participants.

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

Details of the outstanding options granted to the Directors under the Pre-IPO ESOP during the year ended December 31, 2021 are as follows:

Name	Role	Date of Grant	Vesting Period[1]	Exercise Price (per Share)	Outstanding as of December 31, 2020	Exercised during the Reporting Period	Cancelled/ Lapsed/ Modified[2] during the Reporting Period	Outstanding as of December 31, 2021
Directors								
Richard Qiangdong Liu (劉強東)	Non-executive Director and chairman of the Board	October 15, 2020	1-6 years	US$0.0000005	53,042,516	8,840,419	—	44,202,097
Enlin Jin (金恩林)	Executive Director	October 1, 2020	0-6 years	US$0.0000005	460,778	127,731	—	333,047
Lijun Xin (辛利軍)	Non-executive Director	October 1, 2020	0-10 years	US$0.0000005	29,282,729	2,259,066	7,443,961[2]	19,579,702
Other grantees in aggregate		October 1, 2020	0-7 years	US$0.0000005	11,945,445	2,268,410	436,034	9,241,001
Total					94,731,468	13,495,626	7,879,995	73,355,847

Note:

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

(2) Represents an adjustment to the number of options granted to Mr. Lijun Xin under Pre-IPO ESOP as a result of his re-designation from executive Director to non-executive Director on September 6, 2021.

2. Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to the written resolutions of the Shareholders passed on November 23, 2020.

Purpose

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

Selected participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 312,708,211 Shares, being no more than 10% of the Shares in issue on the Listing Date (the "**Option Scheme Mandate Limit**") (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares to be issued under the Pre-IPO ESOP and grants under the Post-IPO Share Award Scheme). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

As of December 31, 2021, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 312,708,211 Shares, representing 9.79% of the issued share capital of the Company.

Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Remaining life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme is valid and effective for a period of 10 years commencing from the Listing Date and up to December 8, 2030. The remaining life of the Post-IPO Share Option Scheme is over 8 years.

Option period

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board or its delegate(s) may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

The Board or its delegate(s) has the discretion to determine the minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved before it can be exercised in whole or in part.

Exercise price

Pursuant to the Post-IPO Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option at the price determined by the Board or its delegate(s) provided that it shall be not less than the greater of (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

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

3. Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme was adopted pursuant to the written resolutions of the Shareholders passed on November 23, 2020.

Purpose

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

Eligible participants

Any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (an "**Eligible Person**" and, collectively "**Eligible Persons**") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an award. However, no individual who is resident in a place where the grant, acceptance or vesting of an award pursuant to the Post-IPO Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO Share Award Scheme.

Award

An award gives a selected participant a conditional right, when the Award Shares vest, to obtain the Award Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the award in Shares, the cash equivalent from the sale of the Award Shares. An award includes all cash income from dividends in respect of those Shares from the date the award is granted to the date the award vests. For the avoidance of doubt, the Board or its delegate(s) at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

Granting of awards

The Board may, from time to time, grant awards to a selected participant by way of an award letter. The award letter will specify the grant date, the number of Award Shares underlying the award, the vesting criteria and conditions, the vesting date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of the grant of an award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

Maximum number of Shares to be awarded

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 312,708,211 Shares without Shareholders' approval (the "**Post-IPO Share Award Scheme Limit**") subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

As of December 31, 2021, outstanding Award Shares representing 52,717,780 underlying Shares, representing approximately 1.65% of the issued share capital of the Company, were granted to eligible participants pursuant to the Post-IPO Share Award Scheme Limit.

Limit for each participant

Under the Post-IPO Share Award Scheme, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant but unvested under the Post-IPO Share Award Scheme.

Termination

The Post-IPO Share Award Scheme shall terminate on the earlier of:

(a) the end of the period of ten years commencing on the Listing Date except in respect of any non-vested Shares granted hereunder prior to the expiration of the Post-IPO Share Award Scheme, for the purpose of giving effect to the vesting of such Shares or otherwise as may be required in accordance with the provisions of the Post-IPO Share Award Scheme; and

(b) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Post-IPO Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Shares already granted to a selected participant.

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

Details of the outstanding Award Shares granted to the Directors under the Post-IPO Share Award Scheme during the year ended December 31, 2021 are as follows:

Name	Role	Date of Grant	Vesting Period	Outstanding as of December 31, 2020	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as of December 31, 2021
Directors								
Enlin Jin (金恩林)	Executive Director	April 1, 2021	1-4 years	—	113,334	—	—	113,334
Lijun Xin (辛利軍)	Non-executive Director	July 1, 2021	1-10 years	—	26,521,258	—	26,521,258	—
Lei Xu (徐雷)	Non-executive Director	April 29, 2021	0-4 years	—	200,000	—	—	200,000
Sandy Ran Xu (許冉)	Non-executive Director	April 29, 2021	0-4 years	—	100,000	—	—	100,000
Xingyao Chen (陳興垚)	Independent non-executive Director	July 16, 2021	0-3 years	—	8,091	2,697	—	5,394
Ling Li (李玲)	Independent non-executive Director	July 16, 2021	0-3 years	—	8,091	2,697	—	5,394
Jiyu Zhang (張吉豫)	Independent non-executive Director	July 16, 2021	0-3 years	—	8,091	—	—	8,091
Other grantees in aggregate		January 1, 2021 to October 1, 2021	0-6 years	—	53,623,847	600,000	738,280	52,285,567
Total				—	80,582,712	605,394	27,259,538	52,717,780

Our connected persons

During the Reporting Period, the Group entered into certain transactions with the following connected persons, which constitute our continuing connected transactions under the Listing Rules.

Connected Relationship	Name
Controlling Shareholder	JD.com
JD.com's associates	Including, but not limited to Beijing Jingdong Century Trade Co., Ltd. (北京京東世紀貿易有限公司), Beijing Jingbangda Trade Co., Ltd. (北京京邦達貿易有限公司), JD.com International Limited and JD Technology

Continuing connected transactions

Set out below is a table in relation to continuing connected transactions of the Group during the Reporting Period and are required under the Listing Rules to be disclosed in the annual report and consolidated financial statements of the Company.

Continuing Connected Transactions	Proposed Annual Cap in 2021 (RMB'000)	Actual Transaction Amount in 2021 (RMB'000)
Technology and Traffic Support Services Framework Agreement		
Transaction amount to be paid by us to JD Group	N/A	1,271,666
Loyalty Program Framework Agreement		
Transaction amount to be paid by us to JD Group	79,000	45,821
JD Sales Framework Agreement		
Transaction amount to be paid to us by JD Group	2,050,000[1]	792,191
Logistics Services Framework Agreement		
Transaction amount to be paid by us to JD Group	2,600,000	1,712,477
Marketing Services Framework Agreement		
Transaction amount to be paid to us by JD Group	900,000[1]	659,604
Transaction amount to be paid by us to JD Group	1,700,000[1]	770,512
Procurement Services Framework Agreement		
Transaction amount to be paid by us to JD Group	1,000,000	992,648
Promotion Services Framework Agreement		
Transaction amount to be paid by us to JD Group	900,000[1]	348,828

Continuing Connected Transactions	Proposed Annual Cap in 2021 (RMB'000)	Actual Transaction Amount in 2021 (RMB'000)
Payment Cooperation Framework Agreement		
Transaction amount to be paid by us to JD Group	400,000	196,373
Shared Services Framework Agreement		
Transaction amount to be paid by us to JD Group	900,000	357,115
JD Healthcare Technology Services Framework Agreement		
Transaction amount to be paid to us by JD Technology	150,000	—
JD Technology Shared Services Framework Agreement		
Transaction amount to be paid by us to JD Technology	210,000	24,455
Contractual Arrangements	N/A	N/A

Note:

(1) On July 1, 2021, the Board proposed to revise the existing annual caps for each of the JD Sales Framework Agreement, Marketing Services Framework Agreement and Promotion Services Framework Agreement for the two years ending December 31, 2022. The revision of the annual caps was approved by the Shareholders at the extraordinary general meeting of the Company held on October 8, 2021. For details, please refer to the announcement of the Company dated July 1, 2021 and the circular of the Company dated September 16, 2021.

1. Technology and Traffic Support Services Framework Agreement

Our Company entered into a technology and traffic support services framework agreement with JD.com on November 23, 2020 (the "**Technology and Traffic Support Services Framework Agreement**"), pursuant to which JD Group shall provide our Group technology and traffic support services through its online platforms (e.g. www.jd.com). The technology and traffic support services primarily include user traffic support, branding activities, operational support and advertisement access for our Group's merchants and suppliers. JD Group shall charge commissions by applying a fixed rate on the value of the fulfilled orders of healthcare products and services generated through JD Group's online platforms.

The initial term of the Technology and Traffic Support Services Framework Agreement commenced on the Listing Date and will end on December 31, 2022, subject to renewal upon the mutual consent of both parties.

JD Group shall charge commissions by applying a fixed rate on the value of the fulfilled orders of healthcare products and services generated through JD Group's online platforms. The fixed rate JD Group shall charge us on the value of the fulfilled orders of healthcare products and services generated through JD Group's online platforms shall not exceed 3%.

The commission fees JD Group charged us were determined on the basis of arm's length negotiations between the relevant parties, which are in line with or better than the rates JD Group charged other independent third parties for similar technology and traffic support services and are in the best interests of our Company and our Shareholders as a whole. We will also obtain annually from JD Group a range of the rates that it charges other independent third parties for similar services provided, including the relevant underlying contracts subject to the confidentiality provisions in the relevant contracts, to ensure that the commission fees charged are fair and reasonable and on normal commercial terms or better. The arrangement with JD Group is not directly comparable with any arrangement between us and other third party online platforms, given that we extensively use the services offered by JD Group to facilitate the sales and marketing of our Group's products and services.

The commission fees JD Group shall charge us shall be determined by the following formula:

A fixed rate x the value of the fulfilled orders of healthcare products and services generated through JD Group's online platforms

The fixed rate JD Group shall charge us on the value of the fulfilled orders of healthcare products and services generated through JD Group's online platforms shall not exceed 3%.

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 14A.53(1) of the Listing Rules to express annual caps for the Technology and Traffic Support Services Framework Agreement in terms of monetary value. As the highest applicable percentage ratio of the transactions under the Technology and Traffic Support Services Framework Agreement will exceed 5% on an annual basis, such transactions will constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules, and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

Further details of the Technology and Traffic Support Services Framework Agreement are set out in the section headed "Connected Transactions" in the Prospectus.

2. Loyalty Program Framework Agreement

Our Company entered into a loyalty program framework agreement with JD.com on November 23, 2020 (the "**Loyalty Program Framework Agreement**"), pursuant to which our Group participates in the customer loyalty program of JD Group and the relevant customer loyalty awards are supplied by JD Group.

The initial term of the Loyalty Program Framework Agreement commenced on the Listing Date and will end on December 31, 2022, subject to renewal upon the mutual consent of both parties.

We pay JD Group based on the number of loyalty points it granted and unit cost. The unit cost is fixed, while the number of loyalty points granted vary among different product categories and are determined by internal assessment of JD Group to achieve best marketing results while providing benefits to customers. We shall obtain the relevant number of loyalty points record from JD Group in relation to our business to verify the loyalty points granted annually so as to assess whether the costs charged by JD Group are reasonable. The arrangement with JD Group is not directly comparable with any arrangement between us and other third party online platforms, given that we extensively use the services offered by JD Group to facilitate the sales and marketing of our Group's products and services. If a customer buys a certain amount of products from our Group, this shall generate for the customer a corresponding number of loyalty points which is worth a certain dollar amount. Because JD Group supplies these loyalty points directly to the customer, our Group shall thus settle the dollar worth of those loyalty points generated on its platform with JD Group. For the avoidance of doubt, if any customer consumes (or uses) the loyalty points during his/her purchase of healthcare products from our Group, JD Group will be responsible to settle and pay our Group the equivalent dollar amount.

Further details of the Loyalty Program Framework Agreement are set out in the section headed "Connected Transactions" in the Prospectus.

3. JD Sales Framework Agreement

Our Company entered into a sales framework agreement with JD.com on November 23, 2020 (the "**JD Sales Framework Agreement**"), pursuant to which we shall sell to JD Group healthcare related products, which shall then sell or donate those healthcare products directly to certain large corporate customers or organizations.

The price of the healthcare related products supplied to JD Group shall be determined directly by us with the corporate customers and is generally determined by our Group's actual costs plus reasonable profits. The level of profits we receive from such corporate customers shall be consistent with our pricing policy for similar transactions we entered into with our direct customers of comparable profile. We shall annually review the prices charged and level of profits with reference to similar transactions we entered into with our direct customers of comparable profile. JD Group shall not charge our Group any service fees in the process.

The healthcare products donated by JD Group will be purchased from our Group on a cost basis. Our Group shall not impose any profit or service fees on top of the costs.

Further details of the JD Sales Framework Agreement are set out in the section headed "Connected Transactions" in the Prospectus.

During the Reporting Period, due to rapid increase in the demand of healthcare products and services by corporate customers of JD Group after the outbreak of COVID-19, the Company had revised the existing annual caps for the two years ending December 31, 2022 to cater for the Group's continuous business development. Further details of the revision of annual caps are set out in the announcement of the Company dated July 1, 2021 and the circular of the Company dated September 16, 2021. The revision of the annual caps was approved by the Shareholders at the extraordinary general meeting of the Company held on October 8, 2021.

4. **Logistics Services Framework Agreement**

Our Company entered into a logistics services framework agreement with JD.com on November 23, 2020 (the "**Logistics Services Framework Agreement**") pursuant to which JD Group shall provide to our Group various logistics services including but not limited to warehouse operation and storage services, delivery services, standard and special packaging services, and other value-added and logistics services provided by JD Group from time to time.

The Logistics Services Framework Agreement took effect from the Listing Date and will expire on December 31, 2022.

Under the Logistics Services Framework Agreement, the logistics service fees are determined after arm's length negotiations in reference to market rates obtainable from comparable service provider, and are charged based a variety of factors including storage space taken and the weights and the delivery distance of the packages. We shall obtain comparable quotations from independent third party service providers on annual basis to ensure that the terms we obtain from JD Group shall be on normal commercial terms or better as compared to those quoted by independent third party service providers for services of similar nature and scale.

Further details of the Logistics Services Framework Agreement are set out in the section headed "Connected Transactions" in the Prospectus.

5. **Marketing Services Framework Agreement**

Our Company entered into a marketing services framework agreement with JD.com on November 23, 2020 (the "**Marketing Services Framework Agreement**"), pursuant to which JD Group and our Group shall provide certain marketing services to each other, including but not limited to the display of advertisements on various platforms and resources of JD Group and our Group in return for the marketing fees which shall be calculated in accordance with the underlying standard marketing service agreements.

The period of the Marketing Services Framework Agreement commenced on the Listing Date and will end on December 31, 2022, subject to renewal upon the mutual consent of both parties.

Under the Marketing Services Framework Agreement, the marketing fees charged by JD Group to our Group and the marketing fees charged by our Group to JD Group are based on various factors, including which party sourced the third party advertiser and the platform and resource the third party advertiser desires to place an advertisement on. We shall annually review and approve the economic split from time to time, to ensure the percentage splits are reasonable and in favor of our Group. The arrangement with JD Group is not directly comparable with any arrangement between us and other third party online platforms, given that we extensively use the services offered by JD Group to facilitate the sales and marketing of our Group's products and services.

Further details of the Marketing Services Framework Agreement are set out in the section headed "Connected Transactions" in the Prospectus.

During the Reporting Period, due to an increase beyond expectation in the marketing services revenue of the Group resulting from the rapid growth of the Group's business after the outbreak of COVID-19, the Company had revised the existing annual caps for the two years ending December 31, 2022 to cater for future growth of the Group. Further details of the revision of annual caps are set out in the announcement of the Company dated July 1, 2021 and the circular of the Company dated September 16, 2021. The revision of the annual caps was approved by the Shareholders at the extraordinary general meeting of the Company held on October 8, 2021.

6. Procurement Services Framework Agreement

Our Company entered into a procurement services framework agreement with JD.com on November 23, 2020 (the "**Procurement Services Framework Agreement**"), pursuant to which our Group shall procure certain inventories (including goods sourced from outside of China which shall steadily decrease going forwards) for its retail pharmacy business together with and through JD Group on a cost basis.

The initial term of the Procurement Services Framework Agreement commenced on the Listing Date and will end on December 31, 2021.

JD Group shall not charge our Group additional service fees on the arrangement of procurement services. We shall pay JD Group procurement fees charged by the third party suppliers, and the charges shall be determined after arm's length negotiation between our Group (or JD Group on behalf of our Group) and third party suppliers for products. The price of the procurement shall in general be determined by the actual costs of the third party suppliers plus reasonable profits.

Further details of the Procurement Services Framework Agreement are set out in the section headed "Connected Transactions" in the Prospectus.

7. Promotion Services Framework Agreement

Our Company entered into a promotion services framework agreement with JD.com on November 23, 2020 (the "**Promotion Services Framework Agreement**"), pursuant to which our Group shall place advertisements on third party platforms together with and through JD Group to achieve economies of scale, increased efficiency and lower costs for both parties.

The initial term of the Promotion Services Framework Agreement commenced on the Listing Date and will end on December 31, 2022, subject to renewal upon the mutual consent of both parties.

Our Group and JD Group shall settle the expenses incurred between each other on a cost basis.

JD Group shall not charge our Group additional service fees on the arrangement of promotion and marketing services. Our Group shall pay JD Group promotion fees charged by the third party promotion service providers for our Group, and the charges shall be determined after arm's length negotiation between our Group (or JD Group on behalf of our Group) and third party promotion service providers for promotion services provided. The price of promotion service shall be determined by the actual costs and expenses for preparing relevant displays on third parties' platforms plus reasonable profits of such third parties, or shall be calculated by the unit prices of different online publicity resources multiplied by frequency such resources are used. The unit prices of each online publicity resources shall be determined with reference to market rates. We shall annually obtain and review the comparable quotations from other service providers to ensure the promotion service prices that we obtain from JD Group are fair and reasonable.

Further details of the Promotion Services Framework Agreement are set out in the section headed "Connected Transactions" in the Prospectus.

During the Reporting Period, the Company saw the opportunity to launch marketing activities in light of the favourable government policies and the COVID-19 situation, and had revised the existing annual caps for the two years ending December 31, 2022 to cater for future growth of the Group. Further details of the revision of annual caps are set out in the announcement of the Company dated July 1, 2021 and the circular of the Company dated September 16, 2021. The revision of the annual caps was approved by the Shareholders at the extraordinary general meeting of the Company held on October 8, 2021.

8. Payment Cooperation Framework Agreement

Our Company entered into a payment cooperation framework agreement with JD.com and its associate(s) on November 23, 2020 (the "**Payment Cooperation Framework Agreement**"), pursuant to which JD Group and its associate(s) agreed to arrange our Group to use the payment services through payment channels provided by third party payment service providers or self-owned payment channels, so as to enable users to conduct online purchase of products in an integrated manner from the platforms of both JD Group and our Group.

The initial term of the Payment Cooperation Framework Agreement commenced on the Listing Date and will end on December 31, 2022, subject to renewal upon the mutual consent of both parties.

For payment services provided by third party payment service providers, related costs are first settled by JD Group and later settled in full (on a cost basis of JD Group) by our Group. This shall allow our Group to utilize the payment services to enable efficient, safe and prompt real-time payment for its online transactions. JD Group shall not charge us additional service fees on the arrangement of payment service. Our Group shall pay JD Group the amount equal to payment service fees charged by third party service providers to conduct online transactions and the service shall be charged based on a commission rate with reference to market rates by the payment service provider. For payment services directly provided by payment channels operated by JD Group's associates to our Group, service fees charged to our Group shall be calculated with reference to the prevailing market rates. We shall annually obtain and review prevailing market rates to ensure that the service fees charged by JD Group's associates to our Group to ensure they are fair and reasonable.

Further details of the Payment Cooperation Framework Agreement are set out in the section headed "Connected Transactions" in the Prospectus.

9. Shared Services Framework Agreement

Our Company entered into a shared services framework agreement with JD.com on November 23, 2020 (the "**Shared Services Framework Agreement**"), pursuant to which JD Group shall provide to our Group certain back-office administrative support services, including cloud services, provision of servers, information technology support service, maintenance and related customer services, certain human resources services, in addition to certain shared services, including office premises sharing and leasing, transportation and canteen facilities for staff, administrative purchases and various support services.

The initial term of the Shared Services Framework Agreement commenced on the Listing Date and will end on December 31, 2022, subject to renewal upon the mutual consent of both parties.

JD Group shall not charge our Group additional service fees on the arrangement of shared services. Our Group shall pay JD Group the actual costs incurred during the service process including, among others, staff costs, office premises sharing, IT system maintenance, and third party service costs. We shall annually review the actual costs incurred by JD Group in providing relevant services with reference to prevailing market prices of such services to ensure they are fair and reasonable.

Further details of the Shared Services Framework Agreement are set out in the section headed "Connected Transactions" in the Prospectus.

10. JD Healthcare Technology Services Framework Agreement

Our Company entered into a healthcare technology services framework agreement with JD Technology on June 22, 2021 (the "**JD Healthcare Technology Services Framework Agreement**"), pursuant to which the Group will provide certain services, including but not limited to healthcare related software development services, information technology system construction and maintenance services and other similar products and services, for example medical insurance information system and medical insurance payment management system, to third party customers through JD Technology ("**JD Health Software Services**"). JD Technology can then bundle the JD Health Software Services with its own existing products and services offering together to other third party customers, which are mainly government customers.

JD Technology is considered a connected person of the Company by virtue of it being an associate of JD.com. JD.com held approximately 42% equity interest in JD Technology as of June 22, 2021. The term of the JD Healthcare Technology Services Framework Agreement commenced on June 22, 2021 and will end on December 31, 2022.

The price of the Group's products and services under the JD Healthcare Technology Services Framework Agreement shall be determined by both parties based on fair market rate with reference to (i) the price charged by the Group to any direct and independent third party customers for comparable products and services, and (ii) the price quotations that JD Technology obtain from independent third party service providers for comparable products and services. The Company will from time to time review the prices of the Group's products and services and ensure that the terms the Group obtain from JD Technology shall be on normal commercial terms or better as compared to those the Group provided to its direct and independent third party customers of comparable profile.

Further details of the JD Healthcare Technology Services Framework Agreement are set out in the announcement of the Company dated June 22, 2021.

11. JD Technology Shared Services Framework Agreement

Our Company entered into a shared services framework agreement with JD Technology on June 22, 2021 (the "**JD Technology Shared Services Framework Agreement**"), pursuant to which JD Technology will provide the Group with certain technology support related services, including but not limited to internet data center service, cloud technology services, artificial intelligence customer support services, information technology support services and corporate business services ("**JD Technology Shared Services**").

JD Technology is considered a connected person of the Company by virtue of it being an associate of JD.com. JD.com held approximately 42% equity interest in JD Technology as of June 22, 2021. The term of the JD Technology Shared Services Framework Agreement commenced on June 22, 2021 and will end on December 31, 2022.

The relevant service fees under the JD Technology Shared Services Framework Agreement shall be determined by both parties based on fair market rate with reference to (i) the price quotations that the Group obtain from independent third party service providers for comparable services, and (ii) the service fees charged by JD Technology to any independent third party for comparable service. The Group will from time to time review the service fees for these shared services by comparing them against market prices chargeable by independent third party service providers for services of similar nature and scale, and ensure that the terms the Group obtain from JD Technology shall be on normal commercial terms or better as compared to those provided by independent third party service providers.

Further details of the JD Technology Shared Services Framework Agreement are set out in the announcement of the Company dated June 22, 2021.

Confirmation from Independent Non-Executive Directors

Our independent non-executive Directors have reviewed the continuing connected transactions mentioned under sections (1) to (11) under the section headed "Continuing Connected Transactions" above (the "**Continuing Connected Transactions**"), and confirmed that the Continuing Connected Transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better;

(c) according to the agreement governing them on terms that are fair and reasonable; and

(d) and in the interests of the Shareholders as a whole.

During the year ended December 31, 2021, save as disclosed in the section headed "Continuing Connected Transactions" of this annual report, no transactions with related parties (the "**Related Party Transactions**") disclosed in Note 29 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

Confirmations from the Auditor

Deloitte Touche Tohmatsu, the Auditor of the Company, has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended December 31, 2021:

(a) nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(c) nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A summary of all significant Related Party Transactions entered into by the Group during the Reporting Period is contained in Note 29 to the consolidated financial statements. During the Reporting Period, other than the continuing connected transactions of the Group set out and recognized on pages 47 to 58 which should be disclosed pursuant to the Listing Rules, no Related Party Transactions disclosed in Note 29 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

12. Contractual Arrangements

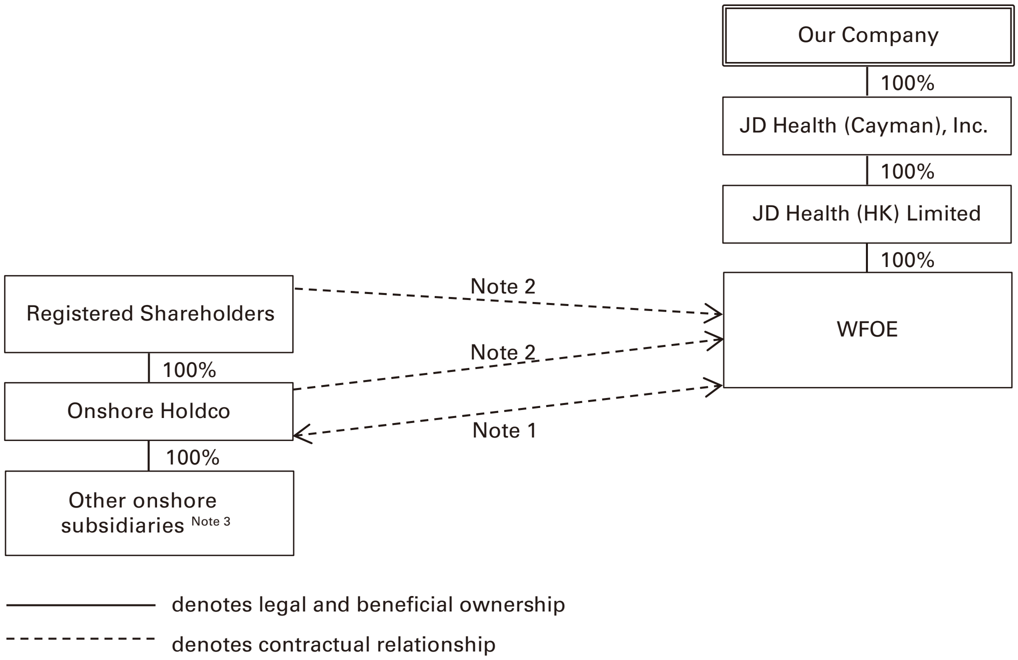
As foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations as outlined in further detail in the section headed "Contractual Arrangements" in the Prospectus, we do not directly own any equity interests in our Consolidated Affiliated Entities. The Onshore Holdco is held by Richard Qiangdong Liu (劉強東) as to 45%, Yayun Li (李婭雲) as to 30% and Pang Zhang (張雱) as to 25%.

In view of the aforementioned PRC regulatory background, after consultation with our PRC Legal Adviser, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements between the WFOE, on the one hand, and the Onshore Holdco (which holds the remaining Consolidated Affiliated Entities) and its shareholders, on the other. The Contractual Arrangements allow the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities under IFRS as if they were subsidiaries of our Group.

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, the Contractual Arrangements currently in effect were entered into on September 17, 2020, whereby the WFOE have acquired effective control over the financial and operational policies of our Consolidated Affiliated Entities and have become entitled to all the economic benefits derived from their operations. Total revenue of the Group's Consolidated Affiliated Entities was RMB6,898 million for the year ended December 31, 2021 (2020: RMB4,916 million), and that amount has been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated. Based on the above and as set out in the section headed "Contractual Arrangements" in the Prospectus, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between the WFOE and our Consolidated Affiliated Entities; (ii) by entering into the Exclusive Business Cooperation Agreement (as defined below) with the WFOE, which is our subsidiary incorporated in PRC, our Consolidated Affiliated Entities shall enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Company stipulated under the Contractual Arrangements:



Notes:

(1) The WFOE provides business support, technical and consulting services in exchange for service fees from the Onshore Holdco. Please refer to "Contractual Arrangements — Our Contractual Arrangements — Exclusive Business Cooperation Agreement" in the Prospectus.

(2) The Registered Shareholders executed the exclusive option agreement in favour of the WFOE, for the acquisition of all or part of the equity interests in and all or part of the assets in the Onshore Holdco. See section headed "Contractual Arrangements — Our Contractual Arrangements — Exclusive Option Agreement" in the Prospectus.

The Registered Shareholders executed powers of attorney in favor of the WFOE, for the exercise of all shareholders' rights in the Onshore Holdco. See section headed "Contractual Arrangements — Our Contractual Arrangements — Shareholder's Rights Entrustment Agreement and Powers of Attorney" in the Prospectus.

The Registered Shareholders granted security interests in favor of the WFOE, over the entire equity interests in the Onshore Holdco. See section headed "Contractual Arrangements — Our Contractual Arrangements — Share Pledge Agreement" in the Prospectus.

(3) Onshore Holdco holds, among others, 100% of the equity interests of Yinchuan JD Online Hospital and Jiangsu Jingdong Hongyuan. Onshore Holdco also holds 100% of the equity interest of Jingdong Shanyuan which holds 100% of the equity interest of Jingdong Pharmacy Qingdao. Jingdong Pharmacy Qingdao holds, among others, 100% of the equity interests of Jingdong Pharmacy Taizhou.

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 76 to 82 of the Prospectus.

- If the PRC government deems that the Contractual Arrangements in relation to our Consolidated Affiliated Entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

- We rely on Contractual Arrangements with our Onshore Holdco and its shareholders for a portion of our business operations, which may not be as effective as direct ownership in providing operational control.

- Any failure by our Onshore Holdco or its shareholders to perform their obligations under our Contractual Arrangements with them would have a material and adverse effect on our business.

- The shareholders of our Onshore Holdco may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

- We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

- PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans to our PRC subsidiaries and Consolidated Affiliated Entities or making additional capital contributions to our wholly foreign-owned subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

- Contractual Arrangements in relation to our Consolidated Affiliated Entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or our Consolidated Affiliated Entities owe additional taxes, which could negatively affect our financial condition and the value of your investment.

- Our current corporate structure and business operations may be affected by the Foreign Investment Law.

Our Group works closely with the Registered Shareholders and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

Summary of the major terms of the Contractual Arrangements

The Contractual Arrangements which were in place during the year ended December 31, 2021 and a description of the specific agreements that comprise the Contractual Arrangements is set out below:

Exclusive Business Cooperation Agreement

The Onshore Holdco entered into an exclusive business cooperation agreement with the WFOE on September 17, 2020 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which the Onshore Holdco agrees to engage WFOE as its exclusive provider of business support, technical and consulting services, including technical services, network support, business consultation, intellectual property licensing, equipment leasing, market consultancy, system integration, product research and development and system maintenance, in exchange for service fees. Under these arrangements, the service fees, subject to the WFOE's adjustment, are equal to all of the net profit of Consolidated Affiliated Entities. The WFOE may adjust the service fees at its sole discretion, after consideration of certain factors, including but not limited to the deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year, and may also include accumulated losses of Consolidated Affiliated Entities from previous financial periods, which will be wired to the designated account of the WFOE upon issuance of payment notification by the WFOE. The WFOE enjoys all the economic benefits derived from the businesses of Consolidated Affiliated Entities and bears the relevant portion of the business risks of the Onshore Holdco. If the Onshore Holdco runs into financial deficit or suffers severe operation difficulties, the WFOE will provide financial support to the Onshore Holdco. Intellectual property rights are developed during the normal course of business of the Onshore Holdco and its subsidiaries. Pursuant to the Exclusive Business Cooperation Agreement, the WFOE will have the exclusive and proprietary rights to all intellectual properties developed by the Onshore Holdco and its subsidiaries, given that the WFOE provides consultation services to the Onshore Holdco and its subsidiaries during the term of the Exclusive Business Cooperation Agreement. Part of the economic benefits generated by the Onshore Holdco and its subsidiaries will be intellectual properties developed or created during the normal business operation of the Onshore Holdco and its subsidiaries. Though we do not intend to transfer any existing intellectual property rights held by the Onshore Holdco to the WFOE, the Onshore Holdco is required under the Contractual Arrangements to obtain the WFOE's prior written consent before they transfer, assign or dispose of any of the intellectual properties to any third party.

Unless otherwise terminated early by the WFOE, the Exclusive Business Cooperation Agreement will remain effective unless terminated in the event that (a) the entire equity interests held by the Registered Shareholders in the Onshore Holdco or the entire assets of the Onshore Holdco have been transferred to the WFOE; (b) in accordance with the other provisions of the Exclusive Business Cooperation Agreement.

Exclusive Option Agreement

The Onshore Holdco and the Registered Shareholders entered into an exclusive option agreement with the WFOE dated September 17, 2020 (the "**Exclusive Option Agreement**"), pursuant to which the WFOE (or our Company or any subsidiary of our Company, the "**designee**") is granted an irrevocable and exclusive right to purchase all of the equity interest in and/or assets of the Onshore Holdco for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, the Registered Shareholders and/ or the Onshore Holdco shall return any amount of purchase price they have received to the WFOE or its designee. At the WFOE's request, the Registered Shareholders will promptly and unconditionally transfer their respective equity interests in and/or the relevant assets of the Onshore Holdco to the WFOE (or its designee) after the WFOE exercises its purchase right. Unless otherwise terminated early by the WFOE through written notice, the Exclusive Option Agreement will remain effective until when all the purchased equity interests are transferred to the WFOE and/or the designee and the WFOE and its subsidiaries have the right to legally conduct the business of the Onshore Holdco according to the PRC law.

In order to prevent the flow of the relevant assets and value of the Onshore Holdco and its subsidiaries to the Registered Shareholders, during the term of the Exclusive Option Agreement, the Onshore Holdco is not allowed to, and shall procure its subsidiaries not to, sell, transfer, mortgage or otherwise dispose of any of its assets (exceeding the value of RMB1 million) without the prior written consent of the WFOE. In addition, the Registered Shareholders are not allowed to request for any distributions, gains or other form of profits sharing and should forgo such distributions, gains or any other form of profits sharing within the scope permitted by the PRC law. In the event that the Registered Shareholders receive any distribution from the Onshore Holdco and/or its subsidiaries and subject to the PRC laws, the Registered Shareholders must immediately pay or transfer such distribution to the WFOE (or its designee). If the WFOE exercises its purchase right, all or any part of the equity interests in and/or assets of the Onshore Holdco acquired would be transferred to the WFOE and the benefits of equity ownership and/or assets, as applicable, would flow to us and our Shareholders.

As provided in the Exclusive Option Agreement, without the prior written consent of the WFOE, the Onshore Holdco shall not, and shall procure its subsidiaries not to, among other things, (i) sell, transfer, pledge or dispose of in any manner any of its assets for a value more than RMB1 million; (ii) execute any material contract for a value more than RMB1 million, except any contracts in the ordinary course of business and any contracts entered into with any members of our Group; (iii) provide any loan, financial support, pledge or guarantees in any form to any third party, or allow any third party create any pledge or other security interest on its assets or equity; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business of the Onshore Holdco or not disclosed and consented to by the WFOE; (v) enter into any consolidation or merger with any third party, or acquire or invest in any third party; (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. The Exclusive Option Agreement provides that the Registered Shareholders and the Onshore Holdco shall procure the subsidiaries of the Onshore Holdco to comply with the above undertaking as if they are parties to the Exclusive Option Agreement. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on the WFOE and us in the event of any loss suffered from the Onshore Holdco and/or its subsidiaries can be limited to a certain extent.

Loan Agreement

Pursuant to the loan agreement dated September 17, 2020 between the WFOE and the Registered Shareholders (the "**Loan Agreement**"), the WFOE made loans in an aggregate amount of RMB1 million to the Registered Shareholders solely for the capitalization of the Onshore Holdco. Pursuant to the Loan Agreement, the Registered Shareholders can only repay the loans by the sale of all their equity interest in the Onshore Holdco to the WFOE or its designated person. The Registered Shareholders must sell all of their equity interests in the Onshore Holdco to the WFOE or its designated person and pay all of the proceeds from sale of such equity interests or the maximum amount permitted under PRC law to the WFOE. In the event that Registered Shareholders sell their equity interests to the WFOE or its designated person with a price equivalent to or less than the amount of the principal, the loans will be interest free. If the price is higher than the amount of the principal, the excess amount will be paid to the WFOE as the loan interest. The maturity date of the loans is on the tenth anniversary of the date when the Registered Shareholders received the loans and paid the amount as capital contribution to the Onshore Holdco. The term of the loans will be extended automatically for an additional 10 years, unless the WFOE objects, for an unlimited number of times. The loan must be repaid immediately under certain circumstances, including, among others, (i) if any other third-party claims against Registered Shareholders for an amount more than RMB100,000 and the WFOE has reasonable ground to believe that the shareholders are unable to repay the claimed amount, (ii) if a foreign investor is permitted to hold majority or 100% equity interest in the Onshore Holdco and the WFOE elects to exercise its exclusive purchase option, or (iii) if the loan agreement, relevant share pledge agreement or exclusive option agreement terminates for cause not attributable to the WFOE or is deemed to be invalid by a court.

Shareholders' Rights Entrustment Agreement and Powers of Attorney

Pursuant to the shareholder's rights entrustment agreement entered into among the Registered Shareholders, the WFOE and the Onshore Holdco on September 17, 2020 (the "**Shareholders' Rights Entrustment Agreement**"), and the irrevocable power of attorney executed by each of the Registered Shareholders on the same day (the "**Power of Attorney**"), whereby the Registered Shareholders appointed the WFOE or a director of its offshore holding company or his or her successor (including a liquidator replacing the WFOE's director) as their exclusive agent and attorney to act on their behalf on all matters concerning the Onshore Holdco and to exercise all of its rights as a registered shareholder of the Onshore Holdco. These rights include (i) the right to propose, convene and attend shareholders' meetings; (ii) the right to sell, transfer, pledge or dispose of shares; (iii) the right to exercise shareholders' voting rights; and (iv) the right to act as the legal representative (chairperson), the director, supervisor, the chief executive officer (or general manager) and other senior management members of the Onshore Holdco. The authorized person is entitled to sign minutes, file documents with the relevant companies registry and exercise voting rights on the winding up of the Onshore Holdco on behalf of the Registered Shareholders. The Registered Shareholders have each undertaken to transfer all assets obtained after the winding up of the Onshore Holdco to the WFOE at nil consideration or the lowest price permissible by the then applicable PRC laws. As a result of the Shareholders' Rights Entrustment Agreement and the Powers of Attorney, we, through the WFOE, are able to exercise management control over the activities that most significantly impact the economic performance of the Onshore Holdco.

The Shareholders' Rights Entrustment Agreement also provided that, in order to avoid potential conflicts of interest, where the Registered Shareholders are officers or directors of our Group, the powers of attorney are granted in favor of other unrelated officers or the Directors of our Company.

The Shareholders' Rights Entrustment Agreement and the Powers of Attorney shall automatically terminate once the WFOE (or any member of our Group other than the Onshore Holdco and their respective subsidiaries) directly holds the entire equity interests in and/or the entire assets of the Onshore Holdco once permitted under the then PRC laws and the WFOE (or its subsidiaries) is allowed to conduct the relevant businesses under the then PRC laws, following which the WFOE is registered as the sole shareholder of the Onshore Holdco.

Share Pledge Agreement

The Onshore Holdco, the Registered Shareholders and the WFOE entered into a share pledge agreement on September 17, 2020 (the "**Share Pledge Agreement**"). Under the Share Pledge Agreement, the Registered Shareholders will pledge as first charge all of their respective equity interests in the Onshore Holdco to the WFOE as collateral security for any or all of their payments due to the WFOE and to secure performance of their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and the Powers of Attorney. The Share Pledge Agreement will not terminate until (i) all obligations of the Onshore Holdco and the Registered Shareholders are satisfied in full; (ii) the WFOE exercises its exclusive option to purchase the entire equity interests held by the Registered Shareholders in the Onshore Holdco and/or the entire assets of the Onshore Holdco pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws; (iii) the WFOE exercises its unilateral and unconditional right of termination; or (iv) the agreement is required to be terminated in accordance with applicable PRC laws. In addition, under the Exclusive Option Agreement, none of the Registered Shareholders may transfer or permit the encumbrance of any of their equity interests in and the relevant assets of the Onshore Holdco (including any equity interests in and the relevant assets of the subsidiaries of the Onshore Holdco) without the WFOE's prior written consent. Furthermore, under the Exclusive Business Cooperation Agreement, the WFOE is entitled to retain and exercise physical control of company seals and certificates that are crucial to the daily operations of the Onshore Holdco, which further strengthens the protection of the WFOE's interests over the Onshore Holdco under the Contractual Arrangements. Should an event of default (as provided in the Share Pledge Agreement) occur, unless it is successfully resolved to the WFOE's satisfaction within 30 days upon being notified by the WFOE, the WFOE may demand that the Registered Shareholders and/or the Onshore Holdco immediately pay all outstanding payments due under the Exclusive Business Cooperation Agreement, repay any loans and make all other payments due to it, and/or dispose of the pledged equity interests and use the proceeds to repay any outstanding payments due to the WFOE. The pledges under the Share Pledge Agreement has been registered with the relevant PRC legal authority pursuant to PRC laws and regulations.

There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2021.

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 197 to 214 of the Prospectus. During the year ended December 31, 2021, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements had been unwound as the regulatory restrictions that led to their adoptions were not removed.

Listing Rule Implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as a party to the Contractual Arrangements, namely Richard Qiangdong Liu (劉強東) is a connected person of the Group. As of the Latest Practicable Date, Richard Qiangdong Liu (劉強東) holds more than 50% of the voting power entitled to be exercised in the general meetings of JD.com and is one of our Controlling Shareholders.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Waiver from the Stock Exchange and annual review

The Stock Exchange has granted the Company a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject to the following conditions:

(a) no change without independent non-executive Directors' approval;

(b) no change without independent Shareholders' approval;

(c) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities;

(d) the Contractual Arrangements may be renewed and/or reproduced upon expiry or when justified by business expediency, without obtaining Shareholders' approval, on substantially the same terms and conditions as the Contractual Arrangements; and

(e) our Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

Confirmation from independent non-executive Directors

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during the year ended December 31, 2021 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of their equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended December 31, 2021, (iii) no new contracts were entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the year ended December 31, 2021, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the relevant agreement governing the Contractual Arrangements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

The Auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended December 31, 2021:

(a) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and

(c) with respect of the disclosed continuing connected transactions with Consolidated Affiliated Entities under the Contractual Arrangements, nothing has come to their attention that causes the Auditor to believe that dividends or other distributions have been made by Consolidated Affiliated Entities to the holders of their equity interests which are not otherwise subsequently assigned or transferred to the Group.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Tax relief and exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Auditor

The consolidated financial statements of the Group have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

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

During the year ended December 31, 2021, 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, except that 657,607 Shares were purchased by a trustee of the Company's share awards scheme on market to satisfy share awards to be vested in subsequent periods.

Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as of the Latest Practicable Date, the Company has maintained the prescribed percentage of public float under the Listing Rules.

Important events after reporting date

On January 6, 2022, the Company entered into an agreement with JD.com, pursuant to which the Group will provide certain promotional campaign services to JD Group, such as organizing promotional activities and campaigns (the "**JD Health Promotional Campaign Services Framework Agreement**"). JD Group shall in return pay the relevant promotional campaign service fees to the Group. JD.com is a connected person of the Company by virtue of it being a controlling shareholder of the Company. Therefore, the JD Health Promotional Campaign Services Framework Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated January 6, 2022.

Save as disclosed above and in this annual report, there were no important events affecting the Company which occurred after December 31, 2021 and up to the Latest Practicable Date.

By the order of the Board
Richard Qiangdong Liu
Chairman
Hong Kong, March 28, 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the Reporting Period.

Corporate Governance Practices

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

During the Reporting Period, the Company has adopted and complied with all the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules, except as disclosed in this Corporate Governance Report.

Directors' Securities Transactions

The Company has adopted the Insider Trading Policy on terms no less exacting than those set out in the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry with all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Insider Trading Policy during the Reporting Period.

Board of Directors

Board Composition

The details of the Board composition during the Reporting Period and up to the Latest Practicable Date are as follows:

Name of Director	Membership of Board Committee(s)
Executive Director:	
Enlin Jin (金恩林)(1) *(Chief Executive Officer)*	Member of the Remuneration Committee
Non-executive Directors:	
Richard Qiangdong Liu (劉強東) *(Chairman)*	Chairperson of the Nomination Committee
Lei Xu (徐雷)(2)	
Lijun Xin (辛利軍)(3)	
Sandy Ran Xu (許冉)(4)	Member of the Audit Committee Member of the Remuneration Committee
Pang Zhang (張雱)(5)	Member of the Remuneration Committee
Yayun Li (李婭雲)(6)	Member of the Remuneration Committee
Qingqing Yi	
Independent non-executive Directors:	
Xingyao Chen (陳興垚)(7)	Chairperson of the Audit Committee
Ling Li (李玲)(8)	Chairperson of the Remuneration Committee Member of the Audit Committee
Jiyu Zhang (張吉豫)(9)	Member of the Audit Committee Member of the Nomination Committee
Wenyi Huang (黃文藝)(10)	Member of the Audit Committee Member of the Nomination Committee
Ying Wu (吳鷹)(11)	Member of the Remuneration Committee Member of the Nomination Committee

Notes:

(1) Enlin Jin (金恩林) was appointed as an executive Director effective on September 6, 2021.

(2) Lei Xu (徐雷) resigned as a non-executive Director effective on April 7, 2022.

(3) Lijun Xin (辛利軍) was re-designated as a non-executive Director effective on September 6, 2021 and resigned effective on April 7, 2022.

(4) Sandy Ran Xu (許冉) resigned as a non-executive Director effective on April 7, 2022.

(5) Pang Zhang (張雱) was appointed as a non-executive Director effective on March 29, 2021 and resigned on September 6, 2021.

(6) Yayun Li (李婭雲) resigned as non-executive Director effective on March 29, 2021.

(7) Xingyao Chen (陳興垚) resigned as the chairperson of the Remuneration Committee effective on April 7, 2022.

(8) Ling Li (李玲) resigned as member of the Nomination Committee, re-designated from member to chairperson of the Remuneration Committee and was appointed as member of Audit Committee effective on April 7, 2022.

(9) Jiyu Zhang (張吉豫) was appointed as an independent non-executive Director effective on March 29, 2021.

(10) Wenyi Huang (黃文藝) resigned as independent non-executive Director effective on March 29, 2021.

(11) Ying Wu (吳鷹) was appointed as an independent non-executive Director effective on April 7, 2022.

The biographical information of the Directors and the relationships between the members of the Board are disclosed under the section headed "Directors and Senior Management" on pages 20 to 25 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The positions of Chairman and CEO are held by Mr. Richard Qiangdong Liu (劉強東) and Mr. Enlin Jin (金恩林), respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The CEO focuses on the Company's business development and the daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent non-executive Directors

During the Reporting Period, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers each of the independent non-executive Directors to be independent.

Terms of appointment of non-executive Directors

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association, all the directors are subject to retirement by rotation at least once every three years. Any new director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial period of three years from the date of the Prospectus or from the date of the Prospectus until the third annual general meeting of the Company since the Listing (whichever ends sooner) or for an initial period of three years from the date of appointment. Such appointments are subject to retirement as and when required under the Articles of Association, on and subject to the terms and conditions specified in the relevant letter of appointment.

Responsibilities, accountabilities and contributions of the Board and management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous professional development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading material on relevant topics would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2021, the key methods of attaining continuous professional development by each of the Directors are recognized as follows:

Name of Director	Participated in continuous professional training[(1)]
Executive Director	
Enlin Jin (金恩林)[(2)]	√
Non-executive Directors	
Richard Qiangdong Liu (劉強東)	√
Lei Xu (徐雷)[(3)]	√
Lijun Xin (辛利軍)[(4)]	√
Sandy Ran Xu (許冉)[(5)]	√
Pang Zhang (張雱)[(6)]	√
Yayun Li (李婭雲)[(7)]	—
Qingqing Yi	√
Independent non-executive Directors	
Xingyao Chen (陳興垚)	√
Ling Li (李玲)	√
Jiyu Zhang (張吉豫)[(8)]	√
Wenyi Huang (黃文藝)[(9)]	—
Ying Wu (吳鷹)[(10)]	—

Notes:

(1) Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

(2) Enlin Jin (金恩林) was appointed as an executive Director effective on September 6, 2021.

(3) Lei Xu (徐雷) resigned as a non-executive Director effective on April 7, 2022.

(4) Lijun Xin (辛利軍) was re-designated as a non-executive Director effective on September 6, 2021 and resigned on April 7, 2022.

(5) Sandy Ran Xu (許冉) resigned as a non-executive Director effective on April 7, 2022.

(6) Pang Zhang (張雱) was appointed as a non-executive Director effective on March 29, 2021 and resigned on September 6, 2021.

(7) Yayun Li (李婭雲) resigned as non-executive Director effective on March 29, 2021. Accordingly, she did not attend the training arranged by the Company held during the year ended December 31, 2021.

(8) Jiyu Zhang (張吉豫) was appointed as an independent non-executive Director effective on March 29, 2021.

(9) Wenyi Huang (黃文藝) resigned as independent non-executive Director effective on March 29, 2021. Accordingly, he did not attend the training arranged by the Company held during the year ended December 31, 2021.

(10) Ying Wu (吳鷹) was appointed as independent non-executive Director effective on April 7, 2022. Accordingly, he did not attend the training arranged by the Company held during the year ended December 31, 2021.

Board meetings, general meetings and Committee meetings

Code provision A.1.1 of the CG Code stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

Six board meetings were held during the year ended December 31, 2021. The Board will make arrangements for holding at least four regular Board meetings and a meeting between the Chairman and the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors once a year.

Attendance records of Directors

During the year ended December 31, 2021, the attendance record of each Directors at Board and committee meetings is detailed in the table below.

	Attendance/No. of Meeting(s)				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Enlin Jin (金恩林)(1)	1/1	—	—	—	1/1
Richard Qiangdong Liu (劉強東)	5/6	—	—	2/2	—
Lei Xu (徐雷)(2)	6/6	—	—	—	2/2
Lijun Xin (辛利軍)(3)	6/6	—	—	—	2/2
Sandy Ran Xu (許冉)(4)	6/6	3/3	—	—	2/2
Pang Zhang (張雱)(5)	4/4	—	2/2	—	1/1
Yayun Li (李婭雲)(6)	—	—	—	—	—
Qingqing Yi	6/6	—	—	—	1/2
Xingyao Chen (陳興垚)(7)	6/6	3/3	3/3	—	1/2
Ling Li (李玲)(8)	6/6	—	3/3	2/2	2/2
Jiyu Zhang (張吉豫)(9)	4/5	2/2	—	2/2	2/2
Wenyi Huang (黃文藝)(10)	—	—	—	—	—
Ying Wu (吳鷹)(11)	—	—	—	—	—

Notes:

(1) Enlin Jin (金恩林) was appointed as an executive Director effective on September 6, 2021 and appointed as a member of the Remuneration Committee effective on April 7, 2022.

(2) Lei Xu (徐雷) resigned as a non-executive Director effective on April 7, 2022.

(3) Lijun Xin (辛利軍) was re-designated as a non-executive Director effective on September 6, 2021 and resigned effective on April 7, 2022.

(4) Sandy Ran Xu (許冉) has been appointed as a member of the Remuneration Committee effective on September 6, 2021. No Remuneration Committee meetings were held since her appointment during the year ended December 31, 2021. She resigned as a non-executive Director on April 7, 2022.

(5) Pang Zhang (張雱) was appointed as a non-executive Director effective on March 29, 2021 and resigned on September 6, 2021.

(6) Yayun Li (李婭雲) resigned as non-executive Director effective on March 29, 2021. Accordingly, she was not entitled to attend any Board, other committee meetings and general meetings held during the year ended December 31, 2021 after her resignation from March 29, 2021.

(7) Xingyao Chen (陳興垚) resigned as the chairperson of the Remuneration Committee effective on April 7, 2022.

(8) Ling Li (李玲) resigned as a member of the Nomination Committee, has been re-designated from a member to the chairperson of the Remuneration Committee and appointed as a member of the Audit Committee effective on April 7, 2022.

(9) Jiyu Zhang (張吉豫) was appointed as an independent non-executive Director effective on March 29, 2021.

(10) Wenyi Huang (黃文藝) resigned as independent non-executive Director effective on March 29, 2021. Accordingly, he was not entitled to attend any Board, other committee meetings and general meetings held during the year ended December 31, 2021 after his resignation from March 29, 2021.

(11) Ying Wu (吳鷹) was appointed as independent non-executive Director and a member of the Remuneration Committee and the Nomination Committee effective on April 7, 2022.

Two general meetings were held during the year ended December 31, 2021.

Apart from the regular board meetings above, the Chairman of the Board also held meetings with the independent non-executive Directors without the presence of executive Directors during the year.

Board Committees

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing specific aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board.

As of the Latest Practicable Date, the Audit Committee comprises three members, namely Xingyao Chen (陳興垚), Ling Li (李玲) and Jiyu Zhang (張吉豫). Xingyao Chen (陳興垚), Ling Li (李玲) and Jiyu Zhang (張吉豫) are independent non-executive Directors. Xingyao Chen (陳興垚) is the chairperson of the Audit Committee. Ling Li (李玲) was appointed to, and Sandy Ran Xu (許冉) resigned from, the Audit Committee on April 7, 2022. Jiyu Zhang (張吉豫) was appointed to, and Wenyi Huang (黃文藝) resigned from, the Audit Committee on March 29, 2021.

The Audit Committee held three meetings during the year ended December 31, 2021. The Audit Committee is mainly responsible for, inter alia, the following matters:

- assisting the Board in reviewing the financial information and reporting process of the Company;
- monitoring and reviewing risk management and internal control systems of the Company through the internal audit department;
- reviewing the effectiveness of the internal audit function of the Company;
- reviewing the scope of audit and appointment of external auditor of the Company; and
- supervising internal investigation and reviewing the arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the interim and annual financial statements, reports and results announcements for presentation to the Board for approval;
- reviewed the significant issues on the financial reporting, operational and compliance matters;
- reviewed the risk management and internal control systems and internal audit function;
- reviewed the scope of work and appointment of external auditor; and
- reviewed the connected transactions and arrangements for employees to raise concerns about possible improprieties.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

As of the Latest Practicable Date, the Remuneration Committee comprises three members, namely Enlin Jin (金恩林), Ling Li (李玲) and Ying Wu (吳鷹). Enlin Jin (金恩林) is an executive Director, and Ling Li (李玲) and Ying Wu (吳鷹) are independent non-executive Directors. Ling Li (李玲) is the chairperson of the Remuneration Committee. During the Reporting Period and up to the Latest Practicable Date, there are the following changes in the composition of the Remuneration Committee:

- Pang Zhang (張雱) was appointed to, and Yayun Li (李婭雲) resigned from, the Remuneration Committee on March 29, 2021;

- Sandy Ran Xu (許冉) was appointed to, and Pang Zhang (張雱) resigned from, the Remuneration Committee on September 6, 2021; and

- Enlin Jin (金恩林) and Ying Wu (吳鷹) were appointed to, and Sandy Ran Xu (許冉) and Xingyao Chen (陳興垚) resigned from, the Remuneration Committee on April 7, 2022. Ling Li (李玲) was re-designated from a member to the chairperson of the Remuneration Committee on April 7, 2022.

The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The primary functions of the Remuneration Committee include:

- reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

- reviewing and making recommendations to the Board on the remuneration of the non-executive Directors;

- reviewing and making recommendations to the Board on the Company's policy and structure for the remuneration all Directors and senior management; and

- establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held three meetings during the year ended December 31, 2021. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- reviewed and made recommendation to the Board regarding the policy and structure for the remuneration of the Directors and senior management;

- reviewed and made recommendation to the Board regarding the remuneration of the Directors and senior management; and

- reviewed and made recommendation to the Board regarding the grant of share awards under the Post-IPO Share Award Scheme.

Details of the fees and other emoluments paid or payable to the Directors for the year ended December 31, 2021 are set out in Note 8 to the audited consolidated financial statements contained in this annual report.

The remuneration of the members of senior management (including the executive Director) by band for the year ended December 31, 2021 is set out below:

	Number of members of senior management
Nil to RMB50,000,000	2
RMB50,000,001 to RMB100,000,000	1
Total	3

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the CG Code in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

As of the Latest Practicable Date, the Nomination Committee comprises three members, namely Richard Qiangdong Liu (劉強東), Jiyu Zhang (張吉豫) and Ying Wu (吳鷹). Richard Qiangdong Liu (劉強東) is a non-executive Director, and Jiyu Zhang (張吉豫) and Ying Wu (吳鷹) are independent non-executive Directors. Richard Qiangdong Liu (劉強東) is the chairperson of the Nomination Committee. Jiyu Zhang (張吉豫) was appointed to, and Wenyi Huang (黃文藝) resigned from the Nomination Committee on March 29, 2021. Ying Wu (吳鷹) was appointed to, and Ling Li (李玲) resigned from the Nomination Committee on April 7, 2022.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board;
- developing and formulating relevant procedures for the nomination and appointment of Directors;
- making recommendations to the Board on the appointment and succession planning of Directors; and
- assessing the independence of independent non-executive Directors.

The Nomination Committee held two meetings during the year ended December 31, 2021. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- reviewed the Board structure, size, composition and board diversity (including skills, knowledge and experience etc.);
- reviewed the effectiveness of the related Board Diversity Policy;

- reviewed and made recommendation to the Board regarding the adoption of the Directors' Nomination Policy;
- reviewed the independence of independent non-executive directors;
- reviewed and considered the retirement and re-nomination of Directors for re-election at the forthcoming annual general meeting of the Company; and
- reviewed and made recommendation to the Board regarding the appointment of new Director.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the Board Diversity Policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. The Board Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors ranging from 33 years old to 62 years old with experience from different industries and sectors. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, e-commerce, engineering, finance, law and computer science. They obtained degrees in various areas including business administration, economics, computer science and technology. The Board is characterised by significant diversity in terms of gender, age, education background and professional experience.

Director Nomination Policy

In accordance with code provision L(d)(ii) of the amended CG Code, the Company has adopted a director nomination policy for election of directors (the "**Director Nomination Policy**") on March 29, 2021.

According to the Director Nomination Policy:

Such policy sets out the criteria and procedure in the nomination and appointment of Directors, and ensures that the Board will maintain a balance of skills, experience and diversity of perspectives appropriate to the Company. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing Board effectiveness and diversity.

According to the Director Nomination Policy:

(i) the Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee;

(ii) the Nomination Committee shall identify, consider and recommend suitable individuals to the Board to consider and to make recommendations to the Shareholders for election of Directors at a general meeting;

(iii) in assessing the suitability and the potential contribution to the Board of a proposed candidate, the Nomination Committee may make reference to certain selection criteria, such as integrity, professional qualifications and skills, commitment in respect of available time, and diversity in all aspects; and

(iv) the Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Corporate governance functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the directors and the senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. The Board has performed the above duties during the Reporting Period.

Directors' responsibility in respect of the consolidated financial statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company during the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent Auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 87 to 90 of this annual report.

Dividend Policy

In accordance with code provision E.1.5 of the CG Code, the Company adopted a dividend policy (the "**Dividend Policy**") on November 23, 2020, which outlines the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders.

According to the Dividend Policy:

1. Subject to Cayman Islands company law and the Articles of Association (as amended from time to time), the Board has absolute discretion on whether to declare and distribute dividends. In addition, the Shareholders in general meeting may declare dividends but no dividend may be declared in excess of the amount recommended by the Board. In either case, a dividend may only be declared and paid out of the profits and reserves of the Company that are lawfully available for distribution (including share premium), and in no circumstances may a

dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Even if the Board decides to pay dividends, the form, frequency and amount of dividends will depend on the Company's future operations and earnings, capital requirements and surplus, cash flows, general financial condition, contractual restrictions and other factors that the Board considers relevant.

2. Any future dividend payments to Shareholders will also depend upon the availability of dividends received from the subsidiaries of the Company. Regulations in China may restrict the ability of the Company's PRC subsidiaries to pay dividends to the Company.

3. If the Company pays any dividends on the Shares, unless and to the extent that the rights attached to the Shares or the terms of issue thereof otherwise provide, (i) all dividends will be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on Shares in advance of calls may for this purpose be treated as paid up on the Shares, and (ii) all dividends will be apportioned and paid pro rata according to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any of the Shareholders all sums of money (if any) presently payable by such Shareholders to the Company on account of calls, instalments or otherwise.

4. Any final dividend for a financial year will be subject to Shareholders' approval. The Company may declare and pay dividends in cash or by shares. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Articles of Association and all applicable laws and regulations.

5. The Company does not have a fixed dividend payout ratio. The Company currently intends to recommend dividends commensurate with the industry average level, while maintaining adequate reserves for its operations, expansion and future growth. The Dividend Policy reflects the Board's current views on the Company's financial position. The Board will continue to review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

Risk management and internal control

Risk management is one of the core competitive competencies of the Company's business. We are committed to achieving a consistent standard of strict and effective risk management and internal control to promote the efficiency of the organization's operations, reduce the risk of asset loss, and assure, to a satisfactory degree, reliable financial reporting and compliance with laws and regulations.

The Board is responsible for the Group's risk management and internal control system and reviews the effectiveness of this system. This system is designed to manage, though not entirely eliminate, the risk of failing to achieve business objectives, and provides a satisfactory, albeit not absolute, assurance against material misrepresentations or losses. On behalf of the Board, the Audit Committee reviews the effectiveness of the Group's risk management and internal control system on an annual basis.

The Board has completed the review of the effectiveness of the Group's risk management and internal control system in fiscal year of 2021, and believes that for the year ended December 31, 2021, (a) the Group has adequate and effective internal audit functions to continuously monitor the success of its risk management and internal control system; and (b) the Group's risk management and internal control system is effective.

Organization chart for risk management and internal control

The Group's framework for risk management and internal control includes three levels: governance, management and executive. The roles and reporting relationships of the different levels are illustrated below:

The business team assumes the main responsibility for carrying out internal control activities. To ensure that risk management measures are implemented effectively, the Group has maintained a strict internal control system as well as formulated and issued an employees' code of conduct. It has also adopted mechanisms including, but not limited to, internal inspection, risk management performance appraisal, a policy of joint accountability and rewards for risk-reporting.

The risk management teams, including the operational quality control team, finance team, legal and compliance team, risk control team and information security team, monitor the Company's daily operations and business development. Every year, for major risk areas, the risk management teams and the management of each business team jointly discuss and conduct risk identification and risk assessment. They also formulate risk response measures that serve as the main guide for risk management and internal control work for the following fiscal year.

The internal audit team regularly evaluates the effectiveness of the risk management and internal control system and its implementation. The internal audit team also reports to the Audit Committee and senior management on its conclusions and the major internal control deficiencies identified.

On behalf of the Board, the Audit Committee reviews the effectiveness of the Group's risk management and internal control system on an annual basis. The review procedures include, among other things, taking in inputs from the business teams, risk management teams, internal audit team and external auditors, reviewing relevant work reports of various departments and discussions with senior management on significant changes in risks and significant internal control deficiencies. In addition, the Audit Committee holds meetings every year to consult on, *inter alia*, the conclusions from its review on the effectiveness of the risk management and internal control system, solutions to major internal control deficiencies, the Group's major risk assessment results and the annual risk management and internal control proposal.

The Group conducts various types of risk management-related trainings every year to enhance its employees' risk awareness and ability to manage risks. The topics covered in the trainings include, among other things, external regulations, the Company's business process specifications, standards for employee conduct and network security.

Risk management procedures

The procedures used by the Group to identify, assess and manage significant risks are as follows:

- ➢ Risk identification — Based on the Group's risk management objectives, the management level, from the standpoint of major areas such as strategic management, operations, finance, legal compliance, information technology and data security, human resources, reputation management and disaster management, identifies risk factors that affect the Group's realization of its objectives.

- ➢ Risk assessment — Regarding inherent risks and residual risks, the management, based on the two dimensions of probability and impact, further analyzes, qualitatively evaluates and scores the risks, ranking the risks on a scale of "high", "medium" and "low".

- ➢ Risk response — Risk response strategies include risk avoidance, risk transfer, mitigation and acceptance. Based on the risk identification and assessment results, the management selects appropriate response strategies and formulates measures to address specific risks.

- ➢ Risk monitoring — Through ongoing supervision and individual evaluation, the management team continuously evaluates the quality of the internal control system and makes adjustments when necessary .

- ➢ Risk reporting — This involves upward and downward reporting and parallel communication of information regarding risks. Risk reporting includes reporting on the effectiveness of risk management and internal control system to the Group's management, the Board of Directors and its Audit Committee. Downward reporting and parallel communication refers to communication with and providing feedback to various business teams on risk matters.

Dealings with and disseminating inside information

The Group has adopted adequate and effective internal control measures to regulate dealings with and the dissemination of inside information. These measures also serve to prohibit the unauthorized access to and use of inside information, and to ensure that dealings with and the dissemination of inside information by the Group meets the requirements of the Securities and Futures Ordinance.

Important risks

This year, the risk management team and the management of each business team have jointly discussed, identified, assessed and formulated response measures for important risks in various fields to guide risk management and internal control for the 2022 fiscal year. The important risks ranked as "high" are summarized below.

Compliance risks and medical risks

The Group operates its main business in a heavily regulated environment. Due to the complexity of the Group's business and given that the "Internet + Healthcare" sector falls under an emerging industry, we face extensive and evolving regulatory requirements, including regulatory requirements regarding the internet, medical and healthcare, drug sales, advertising and other industries. If we violate any regulatory requirements or fail to timely understand, evaluate and take countermeasures in response to changing regulatory requirements, we will be subject to penalties, which will adversely affect the realization of the Group's strategic objectives, brand reputation and business continuity. In addition, with the development of our business, the number of self-employed doctors and external doctors is gradually increasing. Failure to improve our organizational management system and poor medical personnel management may lead to challenges in managing the quality of medical services and may expose the Group to medical liability claims, adversely affecting the Group's business development and operating performance.

The Group is committed to regulatory compliance in its business development and operations, and has established stringent business process standards and internal control systems. For key areas that are regulated, specialized departments will continuously and more rigorously review the effectiveness of the control system and its implementation to ensure that the Company's operation and business development meet regulatory requirements. We have set up professional teams including teams for operation quality control, finance, legal and compliance, risk control and information security, which pay attention at all times to regulatory changes in various fields, understand new regulatory requirements in a timely manner, and convey them to the business teams. These professional teams work jointly with the business teams to evaluate the impact of the new regulatory requirements on the Group's business, pre-emptively deploy business adjustments and response plans, and ensure business continuity.

To cope with the uncertainty in the interpretation and implementation of new policies, we actively participate in information sharing channels organized by the government and regulatory agencies to feedback industry information. At the same time, we employ external experts in various fields to extensively gather professional opinions on legislative interpretation to ensure full implementation of the new regulatory requirements.

The Group also emphasizes the importance of quality control for our doctor service business. The Group has therefore established a management team composed of professionals. It has also set recruitment standards and conducted performance assessments of incentive schemes for doctors. In addition, for online medical services, the Group improves and controls service quality through multi-level training and quality control. As indicated in the Prospectus, we also insure the medical liability risks involved in related businesses.

Information technology and data security risks

We are highly dependent on internet technology to provide high-quality online medical services. The Group's business will generate and process a large amount of personal, transaction, group and behavioral data, which are private and sensitive. Information system failures, network security vulnerabilities, user data leaks, loss or tampering will adversely affect the Group's reputation and business development. Particularly in the field of network security and personal healthcare data security, relevant regulatory requirements are constantly updated and increasingly stringent. If the Group fails or is deemed to fail to comply with relevant laws and regulations, we will be subject to punishment, which will have a significant negative impact on the Group's reputation and business prospects.

The Group is committed to improving system stability and protecting user data security, and has formulated and implemented strict data management standards and internal control measures. These include, but are not limited to:

(i) investing a large amount of resources into system development, adopting powerful encryption algorithms, establishing security procedures and warning systems, continuously improving system reliability and security;

(ii) recording logs for all data access, modification, extraction and transmission on a daily basis, with a specialized data security team already established to continuously monitor the system's stability, ensure that data access, modification, extraction and transmission complies with internal policies and report any abnormalities or illegitimate operations to the management in a timely manner;

(iii) formulating emergency plans and disaster recovery plans for interruptions to information system operations, conducting full data link stress tests and system safety drills on a regular basis to maintain system operations and continuously enhance the system's ability to rapidly respond to unexpected risk events;

(iv) establishing a data backup system, regularly conducing data backup and encrypting stored data, carrying out backup recovery tests and checking the condition of the backup system, at the same time encrypting and storing sensitive data, to reduce the risk of data loss; and

(v) implementing a mechanism for shift duty rotations, separating incompatible duties for data management personnel and organizing regular trainings for employees on information security and data protection.

Competitive risks

China's internet healthcare industry is still in the early stages of development. There is fierce competition and great uncertainty in the industry's evolution and regulatory environment. Significant moves by major operators, new innovations in business models and new competition may all adversely affect the Group's competitive advantage and market position.

We continue to carry out our corporate mission, implement our business strategy, and maintain our competitive advantage. The Group's senior management has always been committed to innovating and diversifying business decisions and operational strategies. In the process of firmly implementing the Group's strategy, we have made great efforts to accumulate and build our core competitive advantages. The Group has deployed a professional team to conduct in-depth analyses of the competition in the industry, so that the Group's management can make informed decisions to deal with the risks of competition. The heads of the business sectors pay close attention to competition in their own sectors and report insights and judgments at regular senior management meetings.

Auditor's remuneration

Set out below is a breakdown of the remuneration paid/payable to the Auditor of the Company, Deloitte Touche Tohmatsu, in respect of the audit and audit related services and the non-audit services for the year ended December 31, 2021. The audit and audit related services conducted by the Auditor of the Company comprise of audit and review services for the Group.

Service Category	**Fees Paid/Payable RMB'000**
Audit and audit related services	6,800
Non-audit services	—

Company secretary

Ming King Chiu (趙明璟), our company secretary, is an managing director for Corporate Services at Vistra Corporate Services (HK) Limited. The biographical information of Mr. Chiu is disclosed under the section headed "Directors and Senior Management — Company Secretary" on page 25 of this annual report.

Mr. Chiu's primary contact person at the Company is Dong Cao (曹冬), the chief financial officer of the Company.

During the year ended December 31, 2021, Mr. Chiu has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

Changes in constitutional documents

There is no significant change in the Company's constitutional documents during the Reporting Period.

Shareholders' rights

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an extraordinary general meeting by Shareholders

Pursuant to Article 12.3 of the Articles of Association, general meetings shall be convened on the written requisition of any one or more members holding together, as of the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within one month from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further one month, the requisitionist(s) themselves or any of them holding no less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting forward proposals at general meetings

The Board is not aware of any provisions allowing the Shareholders to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Law of the Cayman Islands Law. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Detailed procedures for Shareholders to propose a person for election as a director of the Company are published on the Company's website.

Putting forward enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Block C, Building 2, Jingdong Headquarters
No. 20 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District
Beijing 101111, People's Republic of China
(For the attention of the Board of Directors/Company Secretary)

Email: ir-jdhealth@jd.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the Shareholder(s) may be disclosed as required by law.

Communication with Shareholders and investor relations

The Company considers effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At annual general meetings, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and does not contain any material omission, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

The Company has reviewed and considered the implementation of the shareholders' communication to be effective during the Reporting Period.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

To the Shareholders of JD Health International Inc.
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of JD Health International Inc. (the "Company"), its subsidiaries and consolidated affiliated entities (collectively referred to as the "Group") set out on pages 91 to 179, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and the consolidated statement of comprehensive income/(loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Financial instruments at fair value through profit or loss at level 3	
We identified the valuation of financial instruments classified as level 3 under the fair value hierarchy ("Level 3 financial instruments") as a key audit matter due to the degree of complexity involved in valuing the instruments and the significance of the judgments and estimates made by management. In particular, the determination of unobservable inputs is considerably more subjective given the lack of availability of market-based data. As disclosed in Note 27.4 to the consolidated financial statements, the carrying amount of financial assets and financial liability at FVTPL classified as Level 3 financial instruments amounted to RMB666.7 million and RMB98.7 million as at December 31, 2021. These include equity investments in private companies, a call option and a put option with carrying amounts at December 31, 2021 of RMB518.7 million, RMB148.0 million, and RMB98.7 million, respectively.	Our procedures in relation to the valuation of Level 3 financial instruments included: • Understanding the relevant controls of the management in relation to the fair value measurement with respect to the valuation of Level 3 financial instruments; • Evaluating the competence, capabilities and objectivity of the external valuer engaged by management and the internal valuation specialists of the Group; • On a sample basis, performing the following procedures, with the assistance of our internal valuation specialists, as appropriate: — Evaluating the appropriateness of the methodologies and valuation techniques used by management for Level 3 financial instruments; — Assessing the appropriateness and relevance of key assumptions and inputs based on our industry knowledge; and — Testing the mathematical accuracy of the valuation model by recalculating fair value estimates and comparing the results to the Group's valuations.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mak Chi Lung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 28, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended December 31, 2021 RMB'000	2020 RMB'000
Revenue	5	**30,682,267**	19,382,568
Cost of revenue		**(23,484,985)**	(14,465,270)
Gross profit		**7,197,282**	4,917,298
Fulfillment expenses		**(2,999,105)**	(1,994,740)
Selling and marketing expenses		**(2,133,841)**	(1,434,587)
Research and development expenses		**(892,913)**	(609,068)
General and administrative expenses		**(2,537,116)**	(527,188)
Other gains		**145,149**	47,443
Finance income	7	**457,569**	149,116
Finance costs		**(5,999)**	(3,416)
Fair value changes of convertible preferred shares		**—**	(17,539,858)
Impairment losses under expected credit loss model, net of reversal		**(38,352)**	(117)
Share of results of joint ventures and an associate		**(94,165)**	(77,024)
Loss before income tax	6	**(901,491)**	(17,072,141)
Income tax expense	10	**(171,327)**	(162,756)
Loss for the year		**(1,072,818)**	(17,234,897)
(Loss)/income for the year attributable to:			
Owners of the Company		**(1,073,507)**	(17,234,363)
Non-controlling interests		**689**	(534)
		(1,072,818)	(17,234,897)
Loss per share		**RMB**	RMB
Basic and diluted loss per share	11	**(0.35)**	(7.80)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss for the year	**(1,072,818)**	(17,234,897)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**22,034**	64,633
Items that may not be reclassified subsequently to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	**(879,029)**	866,592
Other comprehensive (loss)/income for the year	**(856,995)**	931,225
Total comprehensive loss for the year	**(1,929,813)**	(16,303,672)
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(1,930,502)**	(16,303,138)
Non-controlling interests	**689**	(534)
	(1,929,813)	(16,303,672)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of December 31, 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Intangible assets		**25,391**	28,498
Property and equipment		**42,480**	17,652
Investment in an associate		**482**	675
Investments in joint ventures	12	**511,749**	605,721
Financial assets at fair value through profit or loss	13	**666,663**	267,823
Right-of-use assets	14	**218,295**	97,355
Deferred tax assets	10	**95,857**	21,689
Prepayments, other receivables and other assets	15	**735,820**	250,366
Total non-current assets		**2,296,737**	1,289,779
Current Assets			
Inventories	16	**3,041,245**	1,732,390
Trade and note receivables	17	**368,084**	75,036
Prepayments, other receivables and other assets	15	**280,720**	555,338
Financial assets at fair value through profit or loss	13	**1,100,682**	1,507,713
Term deposits	18	**23,637,103**	6,524,900
Restricted cash	19	**25,351**	38,600
Cash and cash equivalents	19	**17,252,295**	32,270,792
Total current assets		**45,705,480**	42,704,769
Total assets		**48,002,217**	43,994,548
EQUITY AND LIABILITIES			
Equity			
Share capital	23	**11**	11
Treasury shares	23	**(50,636)**	—*
Reserves		**59,618,857**	57,867,592
Accumulated losses		**(19,714,839)**	(18,616,760)
Equity attributable to owners of the Company		**39,853,393**	39,250,843
Non-controlling interests		**1,190**	501
Total equity		**39,854,583**	39,251,344

* less than RMB1,000.

	Notes	As of December 31, 2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Deferred tax liabilities	10	**8,887**	—
Lease liabilities	14	**133,715**	61,410
Total non-current liabilities		**142,602**	61,410
Current liabilities			
Trade payables	20	**5,485,066**	2,899,599
Income tax payables		**118,808**	132,182
Contract liabilities	5	**395,412**	179,462
Financial liabilities at fair value through profit or loss	22	**98,743**	143,113
Lease liabilities	14	**67,554**	28,568
Accrued expenses and other payables	21	**1,839,449**	1,298,870
Total current liabilities		**8,005,032**	4,681,794
Total liabilities		**8,147,634**	4,743,204
Total equity and liabilities		**48,002,217**	43,994,548

The consolidated financial statements on pages 91 to 179 were approved and authorized for issue by the Board of Directors on March 28, 2022 and are signed on its behalf by:

Enlin Jin
Director

Sandy Ran Xu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company									
	Notes	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Contribution reserve RMB'000	Statutory reserves RMB'000	Other reserve[1] RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As of January 1, 2020		7	—	—	768,023	—	141,730	(1,368,791)	(459,031)	—	(459,031)
Loss for the year		—	—	—	—	—	—	(17,234,363)	(17,234,363)	(534)	(17,234,897)
Other comprehensive income for the year		—	—	—	—	—	931,225	—	931,225	—	931,225
Total comprehensive income/(loss) for the year		—	—	—	—	—	931,225	(17,234,363)	(16,303,138)	(534)	(16,303,672)
Issuance of ordinary shares by the Company	23	2	—	26,124,855	—	—	—	—	26,124,857	—	26,124,857
Conversion of convertible preferred shares to ordinary shares upon the initial public offering	23	2	—	29,911,834	—	—	—	—	29,911,836	—	29,911,836
Acquisition of a non-wholly owned subsidiary		—	—	—	—	—	—	—	—	1,035	1,035
Share issuance costs	33	—	—	(403,980)	—	—	—	—	(403,980)	—	(403,980)
Issuance of share awards	23	—*	—*	—	—	—	—	—	—*	—	—*
Share-based payment expenses	24	—	—	—	—	—	380,299	—	380,299	—	380,299
Appropriations to statutory reserves	2.23	—	—	—	—	13,606	—	(13,606)	—	—	—
As of December 31, 2020		11	—*	55,632,709	768,023	13,606	1,453,254	(18,616,760)	39,250,843	501	39,251,344
(Loss)/profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(1,073,507)**	**(1,073,507)**	**689**	**(1,072,818)**
Other comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**(856,995)**	**–**	**(856,995)**	**–**	**(856,995)**
Total comprehensive (loss)/income for the year		**–**	**–**	**–**	**–**	**–**	**(856,995)**	**(1,073,507)**	**(1,930,502)**	**689**	**(1,929,813)**
Issuance of share awards	23	**–***	**–***	**–**	**–**	**–**	**–**	**–**	**–***	**–**	**–***
Repurchase of shares	23	**–**	**(56,301)**	**–**	**–**	**–**	**–**	**–**	**(56,301)**	**–**	**(56,301)**
Exercise of share options and vesting of RSUs[2]	23	**–**	**5,665**	**609,025**	**–**	**–**	**(614,690)**	**–**	**–**	**–**	**–**
Share-based payment expenses, surplus of tax effect	24	**–**	**–**	**–**	**–**	**–**	**2,589,353**	**–**	**2,589,353**	**–**	**2,589,353**
Appropriations to statutory reserves	2.23	**–**	**–**	**–**	**–**	**24,572**	**–**	**(24,572)**	**–**	**–**	**–**
As of December 31, 2021		**11**	**(50,636)**	**56,241,734**	**768,023**	**38,178**	**2,570,922**	**(19,714,839)**	**39,853,393**	**1,190**	**39,854,583**

* less than RMB1,000.

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

2. RSU is defined in Note 2.16.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	28(a)	**3,258,780**	3,759,326
Interest received		**421,922**	114,998
Income tax paid		**(249,982)**	(174,860)
Net cash generated from operating activities		**3,430,720**	3,699,464
Investing activities			
Placement of restricted cash		**(53,707)**	(48,640)
Withdrawal of restricted cash		**66,956**	15,931
Placement of term deposits		**(42,650,370)**	(6,650,170)
Maturity of term deposits		**25,300,730**	1,347,480
Purchase of financial assets at fair value through profit or loss		**(3,675,000)**	(5,408,110)
Maturity of financial assets at fair value through profit or loss		**3,777,402**	3,836,884
Purchases of property and equipment		**(502,211)**	(15,699)
Purchases of intangible assets		**(7,880)**	(21,910)
Payments for right-of-use assets		**(8,072)**	(1,179)
Payment for the investment in an associate		**—**	(675)
Payments for investments in joint ventures		**—**	(683,204)
Prepayments for investments in equity investees		**—**	(773)
Refund of deposits paid for acquisition of an investment*		**—**	98,558
Deposits returned to former investors**		**—**	(80,125)
Net cash outflow on acquisition of a subsidiary		**—**	(3,501)
Loan to a joint venture		**—**	(227,451)
Net cash used in investing activities		**(17,752,152)**	(7,842,584)

* Represents the amount received from a third party which the Group planned to invest in previously.

** Represents the amount paid to a third party which was the former investor of an investment holding company established by the Group for future investment. Because such investment arrangement was terminated and the Group obtained the ownership of the investment holding company, the Group returned the investment deposits received from the third party.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Principal portion of lease payments	**(32,334)**	(21,210)
Interest paid	**(4,912)**	(2,443)
(Payments in relation to)/net proceeds from issuance of ordinary shares*	**(70,106)**	25,790,983
Repurchases of ordinary shares	**(56,301)**	—
Net proceeds from issuance of convertible preferred shares	**—**	6,483,067
Payments to JD Group	**—**	(216,710)
Repayment for borrowings	**—**	(5,000)
Net cash (used in)/generated from financing activities	**(163,653)**	32,028,687
Net (decrease)/increase in cash and cash equivalents	**(14,485,085)**	27,885,567
Cash and cash equivalents at the beginning of the year	**32,270,792**	4,965,272
Effects of foreign exchange rate changes on cash and cash equivalents	**(533,412)**	(580,047)
Cash and cash equivalents at the end of the year	**17,252,295**	32,270,792

* Including payments for issuance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The Company was incorporated in the Cayman Islands in November 2018 as an exempted company registered under the laws of the Cayman Islands. The addresses of the registered office and principal place of business of the Company are stated in the section "Corporate Information" of the annual report. The Company acts as an investment holding company and its subsidiaries and the consolidated affiliated entities, as set out in Note 30 (collectively the "Group"), engage in a comprehensive "Internet + Healthcare" ecosystem, providing pharmaceutical and healthcare products, internet healthcare, health management, intelligent healthcare solutions to the customers, and a variety of marketing services to the business partners (collectively the "Listing Business"). The Group's principal operations and geographic markets are in the People's Republic of China (the "PRC").

JD Jiankang Limited is the immediate parent company of the Company and owned by JD.com, Inc., which is the Company's ultimate parent company. JD.com, Inc., its subsidiaries and consolidated affiliated entities, excluding the Group, are collectively referred to as "JD Group". The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on December 8, 2020 (the "Listing").

The consolidated financial statements are presented in Renminbi ("RMB"), which is different from the Company's functional currency of United States dollars ("USD"). Details are set out in Note 2.14.

The Group has substantially completed a reorganization and spin-off (the "Spin-off") before the Listing. Upon the completion, the entire Listing Business became operated and controlled by the Group. Details of the reorganization and Spin-off are set out in the prospectus of the Company dated November 26, 2020. For the period before the Listing, the consolidated financial statements have been prepared and presented on the basis as if the Company had always been the holding company of the Listing Business.

Contractual Arrangements

In June 2019, to comply with the relevant laws and regulations in the PRC which prohibit or restrict foreign ownership of the companies engaged in retail pharmaceutical product business and the online hospital service carried out by the Group, Beijing Jingdong Jiankang Co., Ltd. ("Beijing Jingdong Jiankang"), incorporated in the PRC as a wholly foreign-owned subsidiary ultimately owned by the Company, entered into a series of contractual arrangements (collectively, the "Contractual Arrangements") with Suqian Jingdong Tianning Jiankang Technology Co., Ltd. ("Suqian Jingdong Tianning") and its three shareholders (who are also JD Group's management members) (the "Nominee Shareholders"), including loan agreement, exclusive purchase option agreement, exclusive technology consulting and services agreement, equity pledge agreement, powers of attorney, and business operation agreement. These Contractual Arrangements can be extended at Beijing Jingdong Jiankang's options prior to the expiration date.

1 General information (Continued)

Contractual Arrangements (Continued)

The Contractual Arrangements enable Beijing Jingdong Jiankang to control Suqian Jingdong Tianning by:

- Irrevocably exercising equity holders' voting rights of Suqian Jingdong Tianning;

- Exercising effective financial and operational control over of Suqian Jingdong Tianning;

- Receiving substantially all of the economic interest returns generated by Suqian Jingdong Tianning in consideration for the technology consulting and services provided by Beijing Jingdong Jiankang. Beijing Jingdong Jiankang has obligation to grant interest-free loans to the relevant Nominee Shareholders of Suqian Jingdong Tianning with the sole purpose of providing funds necessary for the capital contribution to Suqian Jingdong Tianning;

- Obtaining an irrevocable and exclusive right which Beijing Jingdong Jiankang may exercise at any time to purchase all or part of the equity interests in Suqian Jingdong Tianning from the Nominee Shareholders at a minimum purchase price permitted under the PRC laws and regulations; and

- Obtaining a pledge over the entire equity interests of Suqian Jingdong Tianning from its Nominee Shareholders as collateral security for all of Suqian Jingdong Tianning's payments due to Beijing Jingdong Jiankang and to secure performance of Suqian Jingdong Tianning's obligation under the Contractual Arrangements.

In April 2020, two of the Nominee Shareholders have been changed to another two management members of the Group. The original Contractual Arrangements were terminated and replaced with a separate series of the Contractual Arrangements which were terminated and replaced with the current set of the Contractual Arrangements in September 2020. No substantial terms of the Contractual Arrangements were modified.

Total assets of the Group's consolidated affiliated entities were RMB1,932 million as of December 31, 2021 (2020: RMB748 million), and that balance has been reflected in the Group's consolidated financial statements with intercompany balances eliminated. Total revenue of the Group's consolidated affiliated entities was RMB6,898 million for the year ended December 31, 2021 (2020: RMB4,916 million), and that amount has been reflected in the Group's consolidated financial statements with intercompany transactions eliminated.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements

2.1 Application of new and amendments to International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform — Phase 2* and Amendments to IFRS 16 *Covid-19-Related Rent Concessions* issued by International Accounting Standards Board (the "IASB"), for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Group's consolidated financial statements. In addition, the Group has early adopted the Amendment to IFRS 16 *COVID-19-Related Rental Concessions beyond June 30, 2021*.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.1 Application of new and amendments to International Financial Reporting Standards ("IFRSs") (Continued)

The Group applied the agenda decision of the IFRS Interpretations Committee of IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realizable value of inventories.

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

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Standards/Amendments	**Content**	**Effective for annual periods beginning on or after**
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
IFRS 17	Insurance Contracts and the related Amendments	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group expects that the application of new and amendments to IFRSs listed above are unlikely to have any material impact on the Group's consolidated financial statements in the foreseeable future.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.2 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including affiliated entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.3 Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

2.4 Investments in an associate and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, and assets and liabilities of an associate and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.4 Investments in an associate and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint ventures, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity consolidated by the Group transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

2.5 Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.5 Revenue from contracts with customers (Continued)

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

The Group mainly through its and JD Group's mobile apps and www.jd.com website engages primarily in the sale of pharmaceutical and healthcare products sourced from manufacturers and distributors in the PRC, offers an online marketplace that enables third-party merchants to sell their products to consumers, and provides internet healthcare, health management and intelligent healthcare solutions services to its customers. Customers place orders for those products or services online primarily through the Group's and JD Group's mobile apps and www.jd.com website. Payment for the purchased products or services is generally made either before delivery or upon delivery.

The Group evaluates whether it is appropriate to record the gross amounts of product sales or services provided and related costs, or the net amount earned as commissions. When the Group is a principal, that the Group obtains control of the specified goods or services before they are transferred to the customers, the revenue should be recognized in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. When the Group is an agent and its obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, in which case the Group does not control the specified goods or services provided by third parties before those goods or services are transferred to the customer, the revenue should be recognized in the net amount for the amount of commission which the Group earns in exchange for arranging for the specified goods or services to be provided by other parties.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price ("SSP") basis. The SSP of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If an SSP is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Product Revenue

The Group primarily sells pharmaceutical and healthcare products through online direct sales. The Group recognizes the product revenue from the online direct sales on a gross basis as the Group is acting as a principal in these transactions and is responsible for fulfilling the promise to provide the specified goods. Product revenue is recognized at the point of delivery of products, net of discounts and return allowances.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.5 Revenue from contracts with customers (Continued)

Service Revenue

The service revenue primarily consists of commission fees charged to third-party merchants for participating in the online marketplace mainly through the Group's and JD Group's mobile apps and www.jd.com website. The Group generally is acting as an agent and its performance obligation is to arrange for the provision of the specified goods or services by those third-party merchants. Upon successful sales, the Group charges the third-party merchants a fixed rate commission fee based on the sales amount, net of discounts and return allowances. Commission fee revenue is recognized on a net basis at the point of delivery of products.

The Group provides online marketing services to advertisers including third-party merchants and suppliers on its and JD Group's various website channels and third-party marketing affiliate's websites, including but not limited to advertising placements such as banners, links, logos and buttons, and pay for performance marketing services on which third-party merchants and suppliers are charged based on display per thousand impressions or per effective click on their products or service listings. The Group recognizes revenue from pay for performance marketing services at point of time when each effective click is generated. The Group recognizes revenue from advertising placements ratably over time as the customer simultaneously receives and consumes the benefits throughout the period during which the advertising services are provided or on the number of times that the advertisement has been displayed based on cost per thousand impressions.

The Group provides internet healthcare, health management and intelligent healthcare solutions services to customers on the Group's and JD Group's mobile apps and www.jd.com website. The services mainly include online consultation, hospital or doctor referral, health check-ups, genetic testing and beauty care. The Group recognizes revenue overtime during the service period or at point in time when such services are rendered. Revenue from such services is recognized on a gross basis when the Group has the ability to determine the pricing and nature of the services, and is responsible for the services provided as the Group is acting as a principal and obtains control of the specified services before they are transferred to the customers. Revenue is recognized on a net basis when the Group charges commissions from such services as the Group is acting as an agent.

The Group also renders platform services through its platform to the platform merchants, such as order management, client management, and other merchants operational and maintenance supports. The platform usage fee collected from platform merchants shall be recognized as revenue over the service period as the platform merchants simultaneously receive the relevant services throughout the period.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.6 Contract balances

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Unearned revenue consists of payments received or awards to customers related to unsatisfied performance obligations at the end of the period, included in contract liabilities in the Group's consolidated statement of financial position.

Timing of revenue recognition may differ from the timing of invoicing to customers. Trade receivables represent amounts invoiced and revenue recognized prior to invoicing when the Group has satisfied the Group's performance obligation and has the unconditional right to payment.

For online retail business with return conditions, the Group estimates the possibility of return based on the historical experience. Liabilities for return allowances are included in "Accrued expenses and other payables". The estimated return of product sold associated with the Group's liabilities for return allowances are the Group's assets, which are included in "Prepayments, other receivables and other assets".

The Group applied a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. The Group has no material incremental costs of obtaining contracts with customers that the Group expects the benefit of those costs to be longer than one year which need to be recognized as assets.

2.7 Loyalty programs

Given that the Group's businesses are operated on both JD Group and the Group's platforms, the customers of the Group participate in the customer loyalty programs of JD Group and use such loyalty points across the platforms of both JD Group and the Group for the purchase of products and services. Certain loyalty points can be used as cash to buy any products sold by the Group, which will directly reduce the amount paid by the customer. The sales consideration is allocated to the products and loyalty points based on the relative SSP of the products and loyalty points awarded. The Group pays JD Group based on the number of loyalty points it granted and unit cost, and recognize revenues when the loyalty points were used or expired. Those loyalty points will expire at the subsequent year end after issuance. For the year ended December 31, 2021, the amount of expired loyalty points was not material (for the year ended December 31, 2020: not material). Details are set out in Note 29.

2.8 Cost of revenue

Cost of revenue consists primarily of purchase price of products, inbound shipping charges and write-downs of inventories. Shipping charges to receive products from the suppliers are included in inventories, and recognized as cost of revenue upon sale of the products to the customers.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.8 Cost of revenue (Continued)

The Group periodically receives considerations from certain vendors, representing rebates for products sold and subsidies for the sales of the vendors' products over a period of time. The rebates are not sufficiently separable from the Group's purchase of the vendors' products and they do not represent a reimbursement of costs incurred by the Group to sell vendors' products. The Group accounts for the rebates received from its vendors as a reduction to the prices it pays for the products purchased and therefore the Group records such amounts as a reduction of cost of revenue when recognized in the consolidated statement of profit or loss.

2.9 Fulfillment expenses

Fulfillment expenses consist primarily of (i) expenses incurred in the Group's procurement operations, including personnel cost and miscellaneous expenses, (ii) expenses charged by JD Group for warehousing and logistic services, payment services and customer services, and (iii) lease expenses of warehouses and physical stores.

2.10 Selling and marketing expenses

Selling and marketing expenses consist primarily of (i) promotion and advertising expenses, including online advertising, offline television, movie and outdoor advertising, and incentive programs to attract or retain consumers for the Group's online marketplace, and (ii) expenses of technology and traffic support services provided by JD Group.

2.11 Research and development expenses

Research expenditures are recognized as an expenses as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets as of December 31, 2021 (2020: nil).

2.12 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.12 Earnings per share (Continued)

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.13 Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless such allocation cannot be made reliably. Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.13 Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.13 Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.13 Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

2.14 Foreign currency translation

The Group's presentation currency is RMB, which is different from the Company's functional currency of USD. The management adopted RMB as the presentation currency as the management controls and maintains the performance and financial position of the Group based on RMB. The functional currency of the Company is USD as its key activities and transactions are denominated in USD. The functional currency of the Group's subsidiaries incorporated in Cayman Islands, BVI and Hong Kong is USD. The Group's PRC subsidiaries and consolidated affiliated entities determined their functional currency to be RMB.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of other reserve (attributed to non-controlling interests as appropriate).

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.15 Employee benefits

Employee leave entitlement

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

Pension obligations and other social welfare benefits

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries, including consolidated affiliated entities of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

Bonus plan

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonuses as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within one year and are measured at the amounts expected to be paid when they are settled.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave) after deducting any amount already paid.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.16 Share-based payments

Prior to the launch of JD Health Share Incentive Plan as set out below, the Group did not have its own share incentive plan. Shared-based awards to the Group's employees were granted under a share incentive plan of JD Group ("JD Group Share Incentive Plan"). The consolidated financial statements include allocation of the expenses recorded at JD Group based on the Group's employees participating under JD Group Share Incentive Plan. JD Group granted its service-based restricted share units ("RSUs") and share options to the Group's eligible employees, which were treated as deemed contribution from JD Group and recorded in other reserves in the Group's consolidated statement of financial position.

In 2020, the Group launched the Pre-IPO ESOP, the Post-IPO Share Awards Scheme and the Post-IPO Share Option Scheme (collectively the "JD Health Share Incentive Plan") as defined in Note 24. The fair value of the services received in exchange for the grant of options is recognized as an expense in the consolidated statement of profit or loss.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and non-employees providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed using graded vesting method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (other reserves). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves. For RSUs/share options that vest immediately at the date of grant, the fair value of the RSUs/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in other reserves will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in other reserves will continue to be held in other reserves. Forfeitures are estimated based on the historical experience and revised in the subsequent periods if actual forfeitures differ from those estimates.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.16 Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

When RSUs granted are vested, the amount previously recognized in other reserves will be transferred to share premium.

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognized as expenses (unless the goods or services qualify for recognition as assets).

Modifications to equity-settled transactions

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognizes, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period. The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

2.17 Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The current tax is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.17 Taxation (Continued)

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.17 Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized directly in equity, in which case, the current and deferred tax are also recognized directly in equity respectively.

2.18 Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives are as follows:

Category	**Estimated useful lives**
Electronic equipment	3–5 years
Office equipment	5 years
Vehicles	5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.19 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.19 Intangible assets (Continued)

The estimated useful lives of intangible assets are as follows:

Category	**Estimated useful lives**
Domain names	10–15 years
Licenses	2 years
Software	3–5 years

2.20 Impairment on property and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.20 Impairment on property and equipment, right-of-use assets and intangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.21 Inventories

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale. Cost of inventory is determined using the weighted average method. Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. The Group takes ownership, risks and rewards of the products purchased, but has arrangements to return unsold goods with certain vendors. Write downs are recorded in cost of revenue in the consolidated statement of profit or loss.

2.22 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade and note receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.22 Financial instruments (Continued)

(a) Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in "other gains".

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.22 Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and note receivables, other receivables, term deposit, restricted cash, cash and cash equivalent), which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade and note receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.22 Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.22 Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.22 Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the directors of the Company to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and note receivables and other receivables where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

(b) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.22 Financial instruments (Continued)

(b) Financial liabilities and equity (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at amortized cost

Financial liabilities including trade payables and other payables are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(c) Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

2 Summary of significant accounting policies and basis of preparation of consolidated financial statements (Continued)

2.22 Financial instruments (Continued)

(d) Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.23 Statutory reserves

In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective statutory surplus reserve and the discretionary surplus reserve before distributions are made to the owners. The percentage of appropriation to statutory surplus reserve is 10%. The amount to be transferred to the discretionary surplus reserve is determined by the equity owners of these companies. When the balance of the statutory surplus reserve reaches 50% of the registered capital, such transfer needs not to be made. Both the statutory surplus reserve and discretionary surplus reserve can be capitalized as capital of an enterprise, provided that the remaining statutory surplus reserve shall not be less than 25% of the registered capital.

2.24 Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires the directors of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent liabilities at the balance sheet date, and the reported revenue and expenses during the reporting periods in the consolidated financial statements and accompanying notes.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to

3 Critical accounting estimates and judgements (Continued)

be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the Group's financial position and results of operation are addressed below:

Consolidation of affiliated entities

The Group obtained control over a PRC domestic company, Suqian Jingdong Tianning, by entering into a series of the Contractual Arrangements with the PRC domestic company and its respective Nominee Shareholders. Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the PRC domestic company and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC domestic company. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beijing Jingdong Jiankang, Suqian Jingdong Tianning and its respective Nominee Shareholders are in compliance with the relevant PRC Laws and are legally enforceable.

Impairment of inventories

Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment.

Rebates and subsidies

Rebates are earned upon reaching minimum purchase thresholds for a specified period. When volume rebates can be reasonably estimated based on the Group's past experiences and current forecasts, a portion of the rebates is recognized as the Group makes progress towards the purchase threshold. Subsidies are calculated based on the volume of products sold through the Group and are recorded as a reduction of cost of revenue when the sales have been completed and the amount is determinable.

Estimation of the fair value of the Level 3 financial instruments

The fair value of Level 3 financial instruments, in the absence of an active market, is estimated by using appropriate valuation techniques. Key assumptions and key inputs such as the timing of expiration and volatility were based on the Group's best estimates and subject to uncertainty and might materially differ from the actual results. Further details are included in Note 13, Note 22 and Note 27.4.

4 Segment information

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

The Group's chief operating decision maker, who has been identified as the Chief Executive Officer (the "CEO"), reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and no other discrete financial information is provided to the CEO. Hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reports. As the Group's non-current assets are all located in the PRC and most of the Group's revenue are derived from the PRC, no geographical information is presented. During the year ended December 31, 2021, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue (2020: nil).

5 Revenue

(a) Disaggregation of revenue from contracts with customers:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Type of goods or services:		
Product revenue:		
Sales of pharmaceutical and healthcare products	**26,177,177**	16,773,547
Service revenue:		
Marketplace, advertising and other services	**4,505,090**	2,609,021
Total	**30,682,267**	19,382,568
Timing of revenue recognition:		
A point in time	**30,225,217**	19,148,744
Overtime	**457,050**	233,824
Total	**30,682,267**	19,382,568

(b) Contract liabilities

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

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Contract liabilities	**395,412**	179,462

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

5 Revenue (Continued)

(c) Revenue recognized in relation to contract liabilities

The following table shows the amount of the revenue recognized during the year ended December 31, 2021 relates to carried-forward contract liabilities:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	**179,462**	87,687

As of January 1, 2020, contract liabilities amounted to RMB88 million.

6 Loss before income tax

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of inventories sold	**23,412,436**	14,330,050
Employee benefit expenses	**3,389,810**	1,000,348
Expenses of logistics and warehousing services*/**	**1,804,480**	1,252,080
Promotion and advertising expenses	**1,289,829**	886,073
Expenses of technology and traffic support services provided by JD Group**	**1,271,666**	908,163
Expenses of payment services*/**	**269,492**	201,411
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	**63,169**	27,221
Auditor's remuneration	**6,800**	11,000
Provision for impairment of inventories	**(22,695)**	81,963

* Primarily consist of the services provided by JD Group.

** Prior to the launch of CCT Arrangements (as defined in Note 29), terms and pricing policies of these transactions entered into by JD Group for the Group or between JD Group and the Group were established based on the terms stipulated in the Series A Share Subscription Agreements (as defined in Note 23). Upon and after the launch of CCT Arrangements, the majority of the transactions between JD Group and the Group are continuing connected transactions and recognized based on the terms stipulated in CCT Arrangements as set out in Note 29.

7 Finance income

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Interest income*	**457,569**	149,116

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

8 Directors' and the CEO's emoluments

Directors' and the CEO's remuneration for the year ended December 31, 2021, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

(a) The remuneration of directors and the CEO

	For the year ended December 31, 2021					
Name	**Salaries and other emoluments RMB'000**	**Bonuses RMB'000**	**Share-based payment expenses RMB'000**	**Pension costs — defined contribution plans RMB'000**	**Welfare, medical and other benefits RMB'000**	**Total RMB'000**
Executive director and CEO:						
Enlin Jin[1]	**301**	**66**	**2,590**	**17**	**50**	**3,024**
Lijun Xin[2]	**1,078**	**241**	**57,524**	**42**	**187**	**59,072**
Non-executive directors:						
Richard Qiangdong Liu[7]	—	—	**950,557**	—	—	**950,557**
Lijun Xin[2]	—	—	**37,978**	—	—	**37,978**
Lei Xu[3]	—	—	**5,957**	—	—	**5,957**
Sandy Ran Xu[6]	—	—	**2,978**	—	—	**2,978**
Pang Zhang[9]	—	—	**1,507**	—	—	**1,507**
Yayun Li[12]	—	—	—	—	—	—
Qingqing Yi[6]	—	—	—	—	—	—
Independent non-executive directors:						
Xingyao Chen[8]	**250**	—	**344**	—	—	**594**
Ling Li[8]	**250**	—	**344**	—	—	**594**
Jiyu Zhang[10]	**190**	—	**247**	—	—	**437**
Wenyi Huang[11]	**60**	—	—	—	—	**60**
	2,129	**307**	**1,060,026**	**59**	**237**	**1,062,758**

8 Directors' and the CEO's emoluments (Continued)

(a) The remuneration of directors and the CEO (Continued)

	For the year ended December 31, 2020					
Name	Salaries and other emoluments RMB'000	Bonuses RMB'000	Share-based compensation expenses RMB'000	Pension costs — defined contribution plans RMB'000	Welfare, medical and other benefits RMB'000	Total RMB'000
Executive director and CEO:						
Lijun Xin[2]	1,634	1,558	65,237	48	284	68,761
Non-executive directors:						
Richard Qiangdong Liu[7]	—	—	227,537	—	—	227,537
Lei Xu[3]	—	—	—	—	—	—
Sidney Xuande Huang[13]	—	—	—	—	—	—
Jingyang Wu[4]	—	—	—	—	—	—
Guiyong Cui[5]	—	—	—	—	—	—
Sandy Ran Xu[6]	—	—	—	—	—	—
Yayun Li[12]	—	—	—	—	—	—
Qingqing Yi[6]	—	—	—	—	—	—
Independent non-executive directors:						
Xingyao Chen[8]	24	—	—	—	—	24
Ling Li[8]	24	—	—	—	—	24
Wenyi Huang[11]	24	—	—	—	—	24
	1,706	1,558	292,774	48	284	296,370

Notes:

1. Appointed as executive director and CEO since September 2021.

2. Appointed as executive director since June 2019 and CEO since July 2019 and re-designated as non-executive director since September 2021.

8 Directors' and the CEO's emoluments (Continued)

(a) The remuneration of directors and the CEO (Continued)

3. Appointed as non-executive director since June 2019.

4. Appointed as non-executive director since July 2019 and resigned in August 2020.

5. Appointed as non-executive director since October 2019 and resigned in August 2020.

6. Appointed as non-executive directors since August 2020.

7. Appointed as non-executive director since September 2020.

8. Appointed as independent non-executive directors since November 2020.

9. Appointed as non-executive director since March 2021 and resigned in September 2021.

10. Appointed as independent non-executive director since March 2021.

11. Appointed as independent non-executive director since November 2020 and resigned in March 2021.

12. Appointed as non-executive director since August 2020 and resigned in March 2021.

13. Appointed as non-executive director since June 2019 and resigned in August 2020.

No other emoluments except shown above were paid or payable to the non-executive directors of the Company during the years ended December 31, 2021 and 2020.

The emoluments of the executive director and the CEO shown above were mainly for the management services rendered to the Company and the Group as directors or the CEO. The non-executive and independent non-executive directors' remunerations disclosed above were mainly for their services as directors of the Company.

(b) Benefits and interests of directors

Except for directors disclosed above, there is no other benefits offered to the other directors.

(c) Directors' termination benefits

No director's termination benefit subsisted at the end of the year or at any time during the year ended December 31, 2021 (2020: nil).

(d) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available director's services subsisted at the end of the year or at any time during the year ended December 31, 2021 (2020: nil).

8 Directors' and the CEO's emoluments (Continued)

(e) Information about loans, quasi-loans and other dealings in favor of directors, their controlled bodies and connected entities

No loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities subsisted at the end of the year or at any time during the year ended December 31, 2021 (2020: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2021 (2020: nil).

9 Five highest paid employees

The five highest paid employees include three directors (2020: two), among whom one director was appointed during the year ended December 31, 2021. Remuneration for these three directors during the year ended December 31, 2021 is set out in Note 8.

Except the remuneration set out in Note 8 above, the remaining three individuals (2020: three), among whom one individual was appointed to director during the year ended December 31, 2021 are as follow:

	Year ended December 31,	
	2021 **RMB'000**	2020 RMB'000
Salaries and other emoluments	**3,524**	3,244
Bonuses	**805**	2,464
Share-based payment expenses	**22,566**	19,965
Pension costs — defined contribution plans	**157**	154
Welfare, medical and other benefits	**529**	465
Total	**27,581**	26,292

9 Five highest paid employees (Continued)

The number of the highest paid employees whose emoluments fell within the following bands:

	Number of individuals Year ended December 31,	
	2021	2020
Emolument bands (in Hong Kong dollars ("HKD"))		
HKD6,500,001 to HKD7,000,000	**1**	1
HKD9,000,001 to HKD9,500,000	**—**	1
HKD11,000,001 to HKD11,500,000	**1**	—
HKD13,000,001 to HKD13,500,000	**—**	1
HKD15,000,001 to HKD15,500,000	**1**	—
Total	**3**	3

During the year ended December 31, 2021, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office (2020: nil). None of directors, the CEO and employees waived or agreed to waive any emoluments during the year ended December 31, 2021 (2020: nil).

10 Income tax expense

Income tax

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains.

Hong Kong

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HKD2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2 million.

PRC

Under the PRC Enterprise Income Tax Law (the "EIT Law"), the standard enterprise income tax rate for PRC operating entities is 25%.

Certain enterprises will benefit from a preferential tax rate of 15% under the EIT Law if they are located in applicable PRC regions as specified in the catalog of encouraged industries in western regions (initially effective through the end of 2010 and further extended to 2030) ("Western Regions Catalog"), subject to certain general restrictions described in the EIT Law and the related regulations. Among those enterprises, 40% of the enterprise income tax (the "EIT") payables could be additionally deducted for an enterprise that is located in an autonomous region of PRC. Prior to the completion of the Spin-off, the Group's online marketing service business that is subject to the Spin-off from JD Group, was operated by the entities qualified as the enterprises within the Western Regions Catalog and enjoyed 15% preferential income tax rate. Therefore, the EIT of such online marketing service business was estimated by treating as separate tax payer using the tax rate of 15%. Upon the completion of the Spin-off, the online marketing service business was operated by the entity qualified as the enterprise within the Western Regions Catalog and enjoyed 15% preferential income tax rate.

10 Income tax expense (Continued)

Income tax (Continued)

Withholding tax on undistributed dividends

The EIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise ("FIE") to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Company has not declared or paid, or planned to declare, any dividend to its shareholders from the profits generated during the year ended December 31, 2021 (2020: nil). Therefore, the Company has not recorded any withholding tax on any profits generated by the PRC operation entities of the Group, details of which are set out in the prospectus of the Company dated November 26, 2020.

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Current income tax:		
PRC EIT	**226,964**	183,247
Deferred income tax	**(55,637)**	(20,491)
Total	**171,327**	162,756

10 Income tax expense (Continued)

Income tax (Continued)

The income tax expense for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss as follows:

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Loss before income tax	**(901,491)**	(17,072,141)
Tax calculated at PRC statutory income tax rate of 25%	**(225,373)**	(4,268,035)
Tax effects of:		
— Expenses that are not deductible in determining taxable profit	**9,680**	18,535
— Super deduction for research and development expenses and others	**(56,081)**	(25,666)
— Utilization of tax losses previously not recognized	**(13,244)**	(31,472)
— Different tax rates available to different jurisdictions	**(63,104)**	(6,039)
— Tax effect of tax-exempt entities	**259,717**	4,485,680
— Preferential income tax rates applicable to subsidiaries and consolidated affiliated entities	**(114,932)**	(58,880)
— Share of results of joint ventures and an associate	**23,541**	19,256
— Tax losses/deductible temporary differences not recognized	**351,123**	29,377
Total income tax expense	**171,327**	162,756

Deferred tax

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As of December 31, 2021 RMB'000	2020 RMB'000
Deferred tax assets	**95,857**	21,689
Deferred tax liabilities	**8,887**	—

10 Income tax expense (Continued)

Deferred tax (Continued)

The following is the deferred tax assets recognized and movements thereon during the reporting periods:

	Impairment provision for inventories RMB'000	Credit loss allowance RMB'000	Tax losses and others RMB'000	Total RMB'000
As of January 1, 2020	1,198	—	—	1,198
Credit to profit or loss	18,899	1,592	—	20,491
As of December 31, 2020	20,097	1,592	—	21,689
(Charge)/credit to profit or loss	**(10,206)**	**9,588**	**65,142**	**64,524**
Charge to equity	—	—	**9,644**	**9,644**
As of December 31, 2021	**9,891**	**11,180**	**74,786**	**95,857**

Deferred tax liabilities are recognized due to taxable temporary differences generated from fair value changes of non-current financial assets at FVTPL as set out in Note 13, for which all are charged to profit or loss.

As of December 31, 2021, the Group had deductible temporary differences of RMB1,500 million (2020: RMB9 million) from certain PRC entities. For those deductible temporary difference as it is uncertain that taxable profit will be available against which the deductible temporary differences can be utilized, no deferred tax assets have been recognized.

As of December 31, 2021, the Group had unused tax losses of RMB99 million (2020: RMB165 million) from certain PRC entities. As of December 31, 2021, these unrecognized tax losses will expire from 2022 to 2026. For those unused tax losses as it is uncertain that taxable profit will be available against which the unused tax losses can be utilized, no deferred tax assets have been recognized.

As of December 31, 2021, the Group had unused tax losses of RMB63 million (2020: RMB99 million) from certain HK entities, which can be carried forward indefinitely to offset future taxable income. For those unused tax losses as it is uncertain that taxable profit will be available against which the unused tax losses can be utilized, no deferred tax assets have been recognized.

11 Loss per share

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

(a) Basic loss per share

	Year ended December 31,	
	2021	2020
Loss for the year attributable to owners of the Company (RMB'000)	**(1,073,507)**	(17,234,363)
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,094,892,683**	2,208,523,703
Basic loss per share attributable to owners of the Company (RMB per share)	**(0.35)**	(7.80)

(b) Diluted loss per share

For the years ended December 31, 2021 and 2020, potential ordinary shares were excluded in the calculation of the diluted loss per share as their effect would result in a decrease in loss per share, which is anti-dilutive. Accordingly, diluted loss per share for the year ended December 31, 2021 was the same as basic loss per share of the year (2020: the same as basic loss per share of the corresponding year).

12 Investments in joint ventures

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of unlisted investments in joint ventures*	**682,745**	682,745
Share of post-acquisition loss and other comprehensive income/(loss)	**(170,996)**	(77,024)
At the end of the year	**511,749**	605,721

* Including another insignificant joint venture other than Tangshan Hongci.

12 Investments in joint ventures (Continued)

The details of the primary investment in the joint venture as of December 31, 2021 are as follows:

Name of entity	Place of incorporation and principal place of operation	Principal activities	Percentage of equity interest	Percentage of voting rights
Tangshan Hongci	Mainland China	Healthcare enterprise management services	49%	49%

In April 2020, the Group entered into a series of agreements with Tangshan Hongci Healthcare Management Co., Ltd.** ("Tangshan Hongci") (唐山弘慈醫療管理有限公司) and its shareholders, pursuant to which the Group injected approximately RMB668 million in cash to Tangshan Hongci for an equity interest of 49% on June 1, 2020. The Group accounts for the investee as a joint venture due to the veto rights that the Group is entitled to in making significant decisions in the board and shareholder meetings, which enable the Group to share the control with the existing shareholder of Tangshan Hongci. In addition, the Group entered into a loan agreement with Tangshan Hongci, pursuant to which the Group provided a three-year interest-bearing loan of approximately RMB227 million to Tangshan Hongci.

Associated with the investment into Tangshan Hongci, the Group is entitled to a call option to acquire additional equity interest of 21% or above in Tangshan Hongci at a pre-determined schedule with the consideration calculated based on a pre-determined formula. Upon initial recognition, the Group's call option was classified as financial asset measured at FVTPL. Further details are set out in Note 13. The Group did not consider the call option may provide a potential voting power since it is not substantive as the option was out-of-the-money.

In addition, the Group has granted a put option to the existing shareholder of Tangshan Hongci, by which the existing shareholder shall have the right to request the Group to buy out their shares at a pre-determined schedule with put price calculated based on a pre-determined formula when the joint venture achieved certain pre-determined operating targets. Upon initial recognition, the put option granted by the Group was classified as financial liability measured at FVTPL. Further details are set out in Note 22.

** The English name of the joint venture is translated from its registered Chinese name for identification only.

12 Investments in joint ventures (Continued)

Set out below is the summarized financial information of Tangshan Hongci.

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000
Summarized consolidated statement of financial position		
Non-current assets	**2,780,420**	2,859,597
Current assets	**648,631**	309,659
Non-current liabilities	**1,787,676**	1,308,763
Current liabilities	**644,114**	621,591
Equity attributable to owners of Tangshan Hongci	**558,603**	734,164
Non-controlling interest	**438,658**	504,738

	Year ended December 31, 2021 RMB'000	Period from June 1, 2020 to December 31, 2020 RMB'000
Summarized consolidated statement of profit or loss and other comprehensive income/(loss)		
Revenue for the period	**862,489**	245,604
Loss and total comprehensive loss for the period	**(241,641)**	(204,729)

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000
Reconciliation to carrying amount		
Equity attributable to owners of Tangshan Hongci	**558,603**	734,164
Proportion of the Group's ownership interest in Tangshan Hongci	**49%**	49%
Adjustment:		
— Goodwill, intangible asset, revaluation of property and land use right and others	**227,262**	230,681
Carrying amount	**500,977**	590,421

The aggregate share of profit/(loss) and other comprehensive income of the joint venture that is not individually material is insignificant to the Group.

There are no contingent liabilities relating to the Group's interests in joint ventures.

13 Financial assets at FVTPL

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Non-current:		
Equity investments in private companies	**518,687**	107,745
Call option*	**147,976**	160,078
	666,663	267,823
Current:		
Wealth management products**	**1,100,682**	1,507,713
	1,767,345	1,775,536

* Details are set out in Note 12.

** Wealth management products purchased by the Group are issued by major and reputable commercial banks. The expected rates of return range from 2.80% to 2.95% as of December 31, 2021 (December 31, 2020: 1.48% to 3.15%). The Group managed and evaluated the performance of investments on a fair value basis in accordance with the Group's risk management and investment strategy. The fair values are based on cash flow discounted using the expected return based on observable market inputs and are within level 2 of the fair value hierarchy.

The fair value of call option was estimated as of December 31, 2021 and 2020, using a Black-Scholes model, taking into account the terms and conditions of the options granted.

The following table lists the inputs to the model used:

	Year ended December 31,	
	2021	2020
Expected volatility	**48.63%**	41.60%
Risk-free interest rate	**2.41%**	2.85%

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

14 Leases

The Group leases certain of its offline pharmacies, offices, and warehouses under operating lease arrangements, which are negotiated for terms ranging from 1 to 6 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year ended December 31, 2021 are as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Carrying amount at the beginning of the year	**97,355**	10,567
Additions	**151,697**	101,104
Depreciation charge	**(30,757)**	(14,316)
Carrying amount at the end of the year	**218,295**	97,355

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities and the movements during the year ended December 31, 2021 are as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Carrying amount at the beginning of the year	**89,978**	11,263
New leases	**143,625**	99,925
Accretion of interest recognized	**4,912**	2,358
Payments	**(37,246)**	(23,568)
Carrying amount at the end of the year	**201,269**	89,978

14 Leases (Continued)

(b) Lease liabilities (Continued)

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Analyzed as:		
Non-current	**133,715**	61,410
Current	**67,554**	28,568
	201,269	89,978
Present value of lease liabilities		
— within one year	**67,554**	28,568
— between 1 and 2 years	**51,265**	21,557
— between 2 and 5 years	**82,408**	39,853
— over 5 years	**42**	—
	201,269	89,978

The lease liabilities were measured at the present value of the lease payments that are not yet paid using incremental borrowing rates. The weighted average incremental borrowing rates are set out in Note 27. All leases are entered at fixed rates.

The maturity analysis of lease liabilities at each reporting date and total cash outflow for leases during the reporting periods are set out in Note 27 and Note 28, respectively.

15 Prepayments, other receivables and other assets

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Current:		
Advance to suppliers	**175,318**	81,009
Amounts due from related parties (Note 29)	**37,599**	385,828
Recoverable value-added tax	**37,157**	38,107
Prepaid expense	**14,026**	6,674
Amounts due from employees*	**8,009**	4,438
Estimated return of products sold	**5,996**	3,841
Others	**2,615**	35,441
	280,720	555,338
Non-current:		
Prepayment for property and equipment	**450,000**	—
Amounts due from a related party (Note 29)	**257,588**	234,527
Amounts due from employees*	**22,528**	13,669
Others	**5,704**	2,170
	735,820	250,366

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

16 Inventories

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Products	**3,105,307**	1,819,147
Less: impairment provision	**(64,062)**	(86,757)
	3,041,245	1,732,390

17 Trade and note receivables

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables from third parties	**363,922**	79,634
Note receivables	**33,784**	1,771
Trade receivables from a related party (Note 29)	**15,099**	—
Less: allowance for ECL	**(44,721)**	(6,369)
	368,084	75,036

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

As of January 1, 2020, trade receivables from contracts with customers amounted to RMB21 million.

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

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Within 3 months	**297,709**	71,412
3 to 6 months	**37,647**	1,685
6 to 12 months	**17,678**	1,744
Over 12 months	**10,888**	4,793
	363,922	79,634
Less: allowance for ECL	**(44,721)**	(6,369)
	319,201	73,265

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

17 Trade and note receivables (Continued)

As of December 31, 2021, included in the Group's trade receivables balance was debtors with aggregate carrying amount of RMB183 million (2020: RMB17 million), which was past due but not considered credit-impaired as of the reporting date. The Group has not provided an impairment loss as the Group is satisfied with the past subsequent settlement record and the credit quality of these customers had not seen deteriorated. The Group does not hold any collateral over these balances.

18 Term deposits

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Term deposits in USD	**23,637,103**	6,524,900

The Group's term deposits are bank deposits redeemable on maturity, with original maturities over three months but below one year. The weight-average interest rates of the term deposits were 1.08% per annum for the year ended December 31, 2021 (2020: 2.47% per annum).

19 Cash and cash equivalents and restricted cash

Cash and cash equivalents

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Cash and bank balances	**17,252,295**	32,270,792

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
RMB	**3,335,534**	1,518,345
USD	**13,905,912**	23,088,138
HKD	**9,268**	7,664,309
Others	**1,581**	—
Total	**17,252,295**	32,270,792

19 Cash and cash equivalents and restricted cash (Continued)

Restricted cash

Restricted cash represents deposits held in designated bank accounts for issuance of bank acceptance. The Group held restricted cash of RMB25 million as of December 31, 2021 (2020: RMB39 million).

20 Trade payables

Trade payables primarily consist of payables to suppliers.

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

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Within 3 months	**4,439,590**	2,066,689
3 to 6 months	**939,555**	750,321
6 to 12 months	**105,921**	82,589
Total	**5,485,066**	2,899,599

21 Accrued expenses and other payables

Accrued expenses and other payables consist of the following:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Deposits received*	**997,871**	793,593
Advances from customers	**266,559**	129,787
Amounts due to a related party (Note 29)	**225,410**	—
Salary and welfare payables	**163,530**	145,703
Other tax payables	**14,710**	25,867
Liabilities for return allowances	**5,935**	3,855
Listing expenses and issuance costs payables	**—**	102,532
Others	**165,434**	97,533
Total	**1,839,449**	1,298,870

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

22 Financial liabilities at FVTPL

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Put option*	**98,743**	143,113

* Details are set out in Note 12.

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

The following table lists the inputs to the model used:

	Year ended December 31,	
	2021	2020
Expected volatility	**52.56%**	47.20%
Risk-free interest rate	**2.16%**	2.60%

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

23 Share capital and treasury shares

Authorized

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

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

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

23 Share capital and treasury shares (Continued)

Authorized (Continued)

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

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

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

Issued

	Number of shares in issue	Share capital RMB'000	Treasury shares RMB'000
As of January 1, 2020	1,074,626,866	7	—
Split of shares[1]	1,074,626,866	—	—
Issuance of ordinary shares to Amazing Start[2]	93,056,322	—*	—*
Conversion of convertible preferred shares upon the initial public offering[3]	502,872,057	2	—
Issuance of ordinary shares upon the Listing[4]	439,185,000	2	—
As of December 31, 2020	3,184,367,111	11	—*
Issuance of ordinary shares to Share Scheme Trust[5]	**10,250,000**	**—***	**—***
Ordinary shares repurchased and held by Share Scheme Trust[6]	**—**	**—**	**(56,301)**
Exercise of options and RSU vesting	**—**	**—**	**5,665**
As of December 31, 2021	**3,194,617,111**	**11**	**(50,636)**

* less than RMB1,000.

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

2. In November 2020, 93,056,322 ordinary shares with a par value of USD0.0000005 per share were issued to Amazing Start Management Limited (the "Amazing Start"), which is wholly owned by The Core Trust Company Limited, being the trustee holding the shares on trust for the benefit of the participants of the Pre-IPO ESOP as defined in Note 24. As the Company has the control over Amazing Start, the shares held by the trustee were consolidated and presented as treasury shares in the consolidated financial statements.

23 Share capital and treasury shares (Continued)

Issued (Continued)

3. In December 2020, upon the completion of the Listing, 372,552,238 Series A Preference Shares with a par value of USD0.0000005 per share and 130,319,819 Series B Preference Shares with a par value of USD0.0000005 per share have been converted into 502,872,057 ordinary shares on a one-to-one basis.

4. In December 2020, upon completion of the Listing, the Company issued 439,185,000 ordinary shares (including the exercise of the over-allotment option of the Listing) at par value of USD0.0000005 for cash consideration of HK$70.58 per share (exclusive of brokerage, SFC transaction levy and stock exchange trading fee). The proceeds of HK$1,702 (equivalent to RMB1,435) representing par value of the ordinary shares of the Company, were credited to the Company's share capital. The remaining net proceeds of HK$30,998 million (equivalent to RMB26,125 million) were credited to the Company's share premium.

5. In July and December 2021, 2,000,000 and 8,250,000 ordinary shares, respectively, with a par value of USD0.0000005 per share were issued to a trust (the "Share Scheme Trust"), which is the trustee holding the shares on trust for the benefit of the participants of the Post-IPO ESOP as defined in Note 24. As the Company has the control over the Share Scheme Trust, the shares held by the trustee were consolidated and presented as treasury shares in the consolidated financial statements.

6. In July 2021, 657,607 ordinary shares with a par value of USD0.0000005 per share were repurchased at a total consideration of RMB56 million and held by the Share Scheme Trust for issuing of RSUs to be vested in subsequent period.

24 Share-based payments

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

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

24 Share-based payments (Continued)

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

The table below sets forth share-based payment expenses for RSUs and share options during the years ended December 31, 2021 and 2020:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
RSUs	**1,446,267**	47,614
Share options	**1,133,442**	332,685
	2,579,709	380,299

24.1 JD Group Share Incentive Plan

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

The RSUs and share options are generally service-based and scheduled to be vested over two to ten years. One-second, one-third, one-fourth, one-fifth, one-sixth, or one-tenth of the awards, depending on different vesting schedules of JD Group Share Incentive Plan, shall be vested upon the end of the calendar year in which the awards were granted or the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight line basis at the end of the remaining calendar or the anniversary years. Starting from 2021, certain granted RSUs are subject to vesting ratably over a 4-year vesting period from the grant dates.

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

24 Share-based payments (Continued)

24.1 JD Group Share Incentive Plan (Continued)

Share options

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

	Number of share options	Weighted average exercise price USD	Weighted average remaining contractual term Year
Outstanding as of January 1, 2020	293,498	10.42	5.0
Exercised	(17,250)	3.96	
Forfeited or cancelled*	(75,588)	11.14	
Outstanding as of December 31, 2020	200,660	10.71	4.1
Transfer**	**(195,660)**	**10.88**	
Outstanding as of December 31, 2021	**5,000**	**3.96**	**2.0**

* The number primarily consists of the share options cancelled by JD Group which was replaced with the new issued share options by the Company under JD Health Share Incentive Plan.

** The transfer represents the addition or deduction of options that were previously granted to employees who transferred into or out of the Listing Business during the reporting period.

The number of exercisable share options as of December 31, 2021 was 5,000 (December 31, 2020: 200,660).

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

24 Share-based payments (Continued)

24.1 JD Group Share Incentive Plan (Continued)

RSUs

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

	Number of RSUs	Weighted-average grant-date fair value USD
Unvested as of January 1, 2020	3,153,788	14.43
Granted	454,550	21.71
Vested	(516,174)	14.95
Transfer*	(95,108)	1.00
Forfeited or cancelled**	(2,462,998)	15.51
Unvested as of December 31, 2020	**534,058**	**17.85**
Granted	**56,652**	**41.20**
Transfer*	**308,416**	**23.38**
Vested	**(173,600)**	**17.53**
Forfeited or cancelled	**(136,216)**	**24.60**
Unvested as of December 31, 2021	**589,310**	**21.52**

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

** The number primarily consists of the RSUs cancelled by JD Group which was replaced with the new issued share options by the Company under JD Health Share Incentive Plan.

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

24.2 JD Health Share Incentive Plan

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

24 Share-based payments (Continued)

24.2 JD Health Share Incentive Plan (Continued)

In October 2020, with the approvals of the Board of Directors of the Company, the Company granted shares to subscribe to directors, senior management and other connected persons of the Company and other employees of the Group under Pre-IPO ESOP. This includes options granted to Mr. Richard Qiangdong Liu, the non-executive director of the Company, to acquire 53,042,516 ordinary shares of the Company according to the Pre-IPO ESOP, subject to a six year vesting schedule. The Company did not grant any option under the Pre-IPO ESOP after the Listing and does not plan to grant further awards under the Pre-IPO ESOP. The exercise price of the options under the Pre-IPO ESOP is USD0.0000005 per share.

The share options and RSUs are generally scheduled to be vested between one to ten years. All, one-second, one-third, one-fourth, one-fifth, one-sixth, or one-tenth of the awards, which are with service conditions, shall be vested upon agreed dates and the remaining of the awards shall be vested on straight line basis at the anniversary years. Certain share options granted with performance conditions, shall be vested upon the end of the calendar quarter if performance conditions are met and the remaining of awards shall be vested on a straight-line basis at the end of the remaining calendar quarters if performance conditions are met. Starting from 2021, certain granted RSUs are subject to vesting ratably over a 4-year vesting period from the grant dates.

As of December 31, 2021, the total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme is 312,708,211 shares (December 31, 2020: 312,708,211). As of December 31, 2021, the total number of shares which may be issued upon vest of all RSUs to be granted under the Post-IPO Share Awards Scheme is 259,385,037 shares (December 31, 2020: 312,708,211).

Share options

(a) Service-based share options

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

	Number of share options	Weighted average exercise price USD	Weighted average remaining contractual term Year
Outstanding as of commencement date	—	—	
Granted	74,066,222	0.0000005	
Forfeited	(39,344)	0.0000005	
Outstanding as of December 31, 2020	74,026,878	0.0000005	9.8
Exercised	**(13,495,626)**	**0.0000005**	
Modified*	**13,260,629**	**0.0000005**	
Forfeited	**(436,034)**	**0.0000005**	
Outstanding as of December 31, 2021	**73,355,847**	**0.0000005**	**8.8**

* The Company modified originally granted performance-based share options (as set out in note 24.2(b)) to service-based share options under the Pre-IPO ESOP in accordance with the re-designation of certain employee's position.

24 Share-based payments (Continued)

24.2 JD Health Share Incentive Plan (Continued)

Share options (Continued)

(a) Service-based share options (Continued)

The number of exercisable service based share options as of December 31, 2021 was 606,617 (December 31, 2020: 303,481).

Valuation techniques are certified by independent and recognized international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. The fair value of the share options is estimated based on the fair value of the Company's ordinary shares on the date of grant using the binominal option-pricing model with the following assumptions.

	Year ended December 31, 2020
Expected volatility	31.6%
Risk-free interest rate (per annum)	1.71%–1.76%
Expected dividend yield	—
Expected term (in years)	10
Fair value of the underlying shares on the date of option grants (USD)	7.45

The volatility factor estimated was based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise. No service-based share options have been granted for the year ended December 31, 2021. The weighted average grant date fair value of options granted for the year ended December 31, 2020 was USD7.45 per share.

(b) Performance-based share options

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

	Number of share options	**Weighted average exercise price USD**	**Weighted average remaining contractual term Year**
Outstanding as of commencement date	—	—	
Granted	20,704,590	0.0000005	
Outstanding as of December 31, 2020	20,704,590	0.0000005	9.7
Forfeited or modified*	(20,704,590)	0.0000005	
Outstanding as of December 31, 2021	**—**	**—**	

* Details are set above in Note 24.2 (a).

The number of exercisable performance-based share options as of December 31, 2021 was nil (2020: nil).

24 Share-based payments (Continued)

24.2 JD Health Share Incentive Plan (Continued)

RSUs

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

	Number of RSUs	Weighted average grant date fair value HKD
Unvested as of January 1, 2021	**—**	**—**
Granted	**80,582,712**	**112.31**
Vested	**(605,394)**	**114.28**
Forfeited	**(27,259,538)**	**111.41**
Unvested as of December 31, 2021	**52,717,780**	**112.75**

As of December 31, 2021, no share options and aggregated 80,582,712 RSUs were granted under the Post-IPO ESOP (December 31, 2020: nil and nil).

The fair values of the RSUs granted during the year ended December 31, 2021 were determined based on the market value of the Company's shares at the respective grant dates.

25 Dividends

No dividend was paid or declared for ordinary shareholders of the Company for the year ended December 31, 2021, nor has any dividend been proposed since December 31, 2021 (2020: nil).

26 Capital commitments

The Group had no material capital commitment as of December 31, 2021 (2020: nil).

27 Financial instruments

27.1 Financial instruments by categories

	Notes	As of December 31, **2021** **RMB'000**	2020 RMB'000
Financial assets			
Financial assets at fair value:			
Financial assets at FVTPL	13	**1,767,345**	1,775,536
Financial assets at amortized cost		**41,616,876**	39,585,401
Financial liabilities			
Financial liabilities at fair value:			
Financial liabilities at FVTPL	22	**98,743**	143,113
Financial liabilities at amortized cost		**7,140,340**	3,959,315

27.2 Financial risk management

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the directors of the Company.

The Group's major financial instruments include financial assets at FVTPL, trade and note receivables, other receivables, term deposits, restricted cash, cash and cash equivalents, financial liabilities at FVTPL, trade payables and other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

Foreign exchange risk

The functional currency of the Group's entities incorporated in Cayman Islands, BVI and Hong Kong is USD. The Group's PRC subsidiaries and consolidated affiliated entities determined their functional currency to be 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 the Group's entities. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk.

27 Financial instruments (Continued)

27.2 Financial risk management (Continued)

(a) Market risk (Continued)

Foreign exchange risk (Continued)

During the reporting periods, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant. The directors of the Company consider that any reasonable changes in foreign exchange rates of other currencies against the two major functional currencies would not result in a significant change in the Group's results, as the net carrying amounts of financial assets and liabilities denominated in a currency other than the respective subsidiaries' functional currency are considered to be not significant. Accordingly, no sensitivity analysis is presented for foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk. The Group's cash flow interest rate risk primarily arose from cash and cash equivalents and restricted cash, details of which have been disclosed in Note 19. The Group's fair value interest risk primarily arises from term deposits, details of which have been disclosed in Note 18.

If the interest rate had been 50 basis points higher/lower, the loss for the year ended December 31, 2021 would have been approximately RMB78 million lower/higher (2020: RMB54 million), mainly as a result of higher/lower interest income on floating-rate cash and cash equivalents and restricted cash.

Price risk

The Group is exposed to price risk in respect of its equity investments in private companies and call option measured as financial assets at FVTPL, wealth management products and put option measured as financial liability at FVTPL. The above financial instruments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis

The fair value change of call option, put option and equity investments in private companies is considered immaterial.

27 Financial instruments (Continued)

27.2 Financial risk management (Continued)

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risk is mainly associated with cash and cash equivalents, restricted cash, term deposits, trade and note receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's cash and cash equivalents, restricted cash and term deposits are mainly deposited in state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside of Mainland China. There has been no recent history of default in relation to these financial institutions. The Group considers the instruments have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are insignificant during the reporting periods. The Group considers that there is no significant credit risk and does not generate any material losses due to the default of the other parties.

In order to minimize credit risk, the Group has tasked its credit management team to develop and maintain the credit risk grading for the Group's trade and note receivables and other receivables to categorize exposures according to their degree of risk of default. The credit management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

27 Financial instruments (Continued)

27.2 Financial risk management (Continued)

(b) Credit risk (Continued)

The table below set forth how the Group defines the credit risk grading of its counterparties and its accounting policies for recognition of ECL:

Category	Group definition of category	Basis for recognition of ECL	
Performing	Trade receivables and other receivables The Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Trade receivables Lifetime ECL — not credit-impaired	Other receivables 12m ECL — where the expected lifetime of an asset is less than 12 months, ECL are measured at its expected lifetime
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL — not credit-impaired	
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit impaired	
Write-off	There is evidence indicating that debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Asset is written off	

The directors of the Company estimate the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering aging, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. In addition, trade receivables that are credit-impaired are assessed for ECL individually.

27 Financial instruments (Continued)

27.2 Financial risk management (Continued)

(b) Credit risk (Continued)

On that basis, the loss allowance as of December 31, 2021 and 2020 was determined as follows for trade receivables:

As of December 31, 2021

Provision on collective basis	Within 3 months	3 to 6 months	6 to 12 months	Total
Lifetime expected credit loss rate	**4.18%**	**24.31%**	**69.25%**	
Gross carrying amount (RMB'000)	**297,709**	**37,647**	**17,678**	**353,034**
Loss allowance (RMB'000)	**(12,440)**	**(9,151)**	**(12,242)**	**(33,833)**

As of December 31, 2020

Provision on collective basis	Within 3 months	3 to 6 months	6 to 12 months	Total
Lifetime expected credit loss rate	0.39%	12.63%	62.33%	
Gross carrying amount (RMB'000)	71,412	1,685	1,744	74,841
Loss allowance (RMB'000)	(276)	(213)	(1,087)	(1,576)

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As of January 1, 2020	5,683	569	6,252
Impairment losses (reversed)/recognized	(4,107)	4,224	117
As of December 31, 2020	1,576	4,793	6,369
Impairment losses recognized	**32,257**	**6,095**	**38,352**
As of December 31, 2021	**33,833**	**10,888**	**44,721**

27 Financial instruments (Continued)

27.2 Financial risk management (Continued)

(b) Credit risk (Continued)

The management is of the opinion that there is no default occurred for trade receivables past due 90 days or more other than those identified as credit-impaired and the balances are still considered fully recoverable due to long-term/on-going relationship and good repayment record from these customers.

No allowance has been provided for note receivables since the balances are all with the banks which have low credit risks during the year ended December 31, 2021.

No concentration of credit risk noted on the trade and note receivables of the Group for both years.

For other receivables, the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records, qualitative information that is reasonable, including but not limited to credit background of the debtors, and forward-looking information. The Group believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended December 31, 2021, the Group assessed the ECL for other receivables were insignificant and thus no loss allowance was recognized.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details remaining contractual maturity of the Group's financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities on the earliest date which the Group can be required to pay. The maturity dates are based on the agreed repayment dates.

27 Financial instruments (Continued)

27.2 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The table includes both interest and principal cash flows.

	The Group						
	Weighted average interest rate %	Carrying amount RMB'000	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of December 31, 2021							
Trade payables		**5,485,066**	**5,485,066**	**—**	**—**	**—**	**5,485,066**
Lease liabilities	**4.88**	**201,269**	**70,409**	**57,693**	**93,862**	**55**	**222,019**
Financial liabilities included in accrued expenses and other payables		**1,655,274**	**1,655,274**	**—**	**—**	**—**	**1,655,274**
		7,341,609	**7,210,749**	**57,693**	**93,862**	**55**	**7,362,359**
As of December 31, 2020							
Trade payables		2,899,599	2,899,599	—	—	—	2,899,599
Lease liabilities	4.67	89,978	29,194	23,152	46,341	—	98,687
Financial liabilities included in accrued expenses and other payables		1,059,716	1,059,716	—	—	—	1,059,716
		4,049,293	3,988,509	23,152	46,341	—	4,058,002

Details of the description of financial liabilities at FVTPL is presented in Note 22.

27 Financial instruments (Continued)

27.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends to pay to shareholders, capital to return to shareholders, new shares to issue, shares of the Company to repurchase and debts to raise/repay. In the opinion of the directors of the Company, the Group's capital risk is low.

27.4 Fair value measurement of financial instruments

Determination of fair value and fair value hierarchy

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

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

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

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

27 Financial instruments (Continued)

27.4 Fair value measurement of financial instruments (Continued)

Determination of fair value and fair value hierarchy (Continued)

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2021				
Assets:				
Financial assets at FVTPL	**—**	**1,100,682**	**666,663**	**1,767,345**
Liabilities:				
Financial liabilities at FVTPL	**—**	**—**	**98,743**	**98,743**
As of December 31, 2020				
Assets:				
Financial assets at FVTPL	—	1,507,713	267,823	1,775,536
Liabilities:				
Financial liabilities at FVTPL	—	—	143,113	143,113

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the year ended December 31, 2021, there were no transfers among different levels of fair value measurement (2020: nil).

27 Financial instruments (Continued)

27.4 Fair value measurement of financial instruments (Continued)

Determination of fair value and fair value hierarchy (Continued)

Reconciliation of Level 3 fair value measurements:

	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000	Convertible preferred shares RMB'000
As of January 1, 2020	7,450	—	7,584,420
Issuance	—	—	6,483,067
Addition	236,365	135,906	—
Conversion of convertible preferred shares upon the initial public offering	—	—	(29,911,836)
Changes in fair value			
— Fair value changes of equity investments in private companies measured as financial assets at FVTPL	295	—	—
— Fair value changes of options	23,713	7,207	—
— Fair value changes of convertible preferred shares	—	—	17,539,858
— Currency translation differences	—	—	(1,695,509)
As of December 31, 2020	267,823	143,113	—
Addition	**375,000**	**—**	**—**
Changes in fair value			
— Fair value changes of equity investments in private companies measured as financial assets at FVTPL	**35,942**	**—**	**—**
— Fair value changes of options	**(12,102)**	**(44,370)**	**—**
As of December 31, 2021	**666,663**	**98,743**	**—**

Valuation techniques

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

27 Financial instruments (Continued)

27.4 Fair value measurement of financial instruments (Continued)

Valuation techniques (Continued)

The following table gives information about how the fair values of these financial assets (other than call option and put option, as set out in Note 13 and Note 22, respectively) are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as of December 31, 2021 RMB'000	2020 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Equity investments measured as financial assets at FVTPL	**518,687**	107,745	**Level 3**	**A combination of observable and unobservable inputs**	**Discount for lack of marketability; market multiples**

The directors of the Company consider that any reasonable changes in the key assumptions as disclosed above, in Note 13 and in Note 22, respectively, would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented.

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

28 Note to consolidated statement of cash flows

(a) Reconciliation of loss for the year to cash generated from operations:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss for the year	**(1,072,818)**	(17,234,897)
Adjustments for:		
Income tax expense	**171,327**	162,756
Depreciation and amortization	**63,169**	27,221
Share-based payment expenses	**2,579,709**	380,299
Fair value changes of convertible preferred shares	**—**	17,539,858
Fair value gains on financial assets at FVTPL	**(94,211)**	(60,495)
Fair value (gain)/loss on financial liabilities at FVTPL	**(44,370)**	7,207
Finance income	**(457,569)**	(149,116)
Finance costs	**5,999**	3,416
Impairment losses under expected credit loss model, net of reversal	**38,352**	117
Impairment provision for inventories	**(22,695)**	81,963
Share of results of joint ventures and an associate	**94,165**	77,024
Foreign exchange (gain)/losses, net	**(29,491)**	8,169
Changes in working capital:		
Increase in inventories	**(1,286,160)**	(522,207)
Increase in trade and note receivables	**(331,400)**	(47,659)
Decrease in prepayments, other receivables and other assets	**227,798**	402,374
Increase in trade payables	**2,585,467**	2,448,140
Increase in contract liabilities	**215,950**	91,775
Increase in accrued expenses and other payables	**615,558**	543,381
Cash generated from operations	**3,258,780**	3,759,326

There were no material non-cash investing and financing activities for the year ended December 31, 2021 except disclosed elsewhere in the consolidated financial statements (2020: nil).

28 Note to consolidated statement of cash flows (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Convertible preferred shares RMB'000	Lease liabilities RMB'000	Advance from/ (payment to) JD Group RMB'000	Listing expenses and issuance costs payables** RMB'000	Short-term borrowing RMB'000	Total RMB'000
At January 1, 2020	7,584,420	11,263	925,850	—	—	8,521,533
Financing cash flows	6,483,067	(23,568)	(216,710)	(1,951)*	(5,000)	6,235,838
Accrued issuance costs	—	—	—	72,057	—	72,057
Borrowing arose from acquisition of a subsidiary	—	—	—	—	5,000	5,000
Funds generated by the Remaining Listing Business	—	—	(727,940)	—	—	(727,940)
Offset the amounts due from JD Group	—	—	18,800	—	—	18,800
New leases entered	—	99,925	—	—	—	99,925
Finance costs	—	2,358	—	—	—	2,358
Fair value changes of convertible preferred shares	17,539,858	—	—	—	—	17,539,858
Conversion of convertible preferred shares upon the initial public offering	(29,911,836)	—	—	—	—	(29,911,836)
Currency translation differences	(1,695,509)	—	—	—	—	(1,695,509)
At December 31, 2020	—	89,978	—	70,106	—	160,084
Financing cash flows	**—**	**(37,246)**	**—**	**(70,106)**	**—**	**(107,352)**
New leases entered	**—**	**143,625**	**—**	**—**	**—**	**143,625**
Finance costs	**—**	**4,912**	**—**	**—**	**—**	**4,912**
At December 31, 2021	**—**	**201,269**	**—**	**—**	**—**	**201,269**

* The amount has been included in the net proceeds from issuance of ordinary shares in the consolidated statement of cash flows.

** The amount has been included in the listing expenses and issuance costs payables as set out in Note 21.

29 Related party transactions

The following significant transactions are carried out between the Group and its related parties during the year ended December 31, 2021. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the year ended December 31, 2021.

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

(b) Significant transactions with related parties

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

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

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

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

29 Related party transactions (Continued)

(b) Significant transactions with related parties (Continued)

Details of significant transactions with related parties recorded with above terms and pricing polices during the year ended December 31, 2021 are separately shown as follows:

	Notes	Year ended December 31, 2021 RMB'000	2020 RMB'000
Services provided to related parties:			
Marketing services provided to JD Group		**659,604**	446,463
Other services provided to JD Group		**36,066**	11,618
Products provided to Tangshan Hongci and its subsidiaries		**63,910**	—
Services provided to JD Technology		**4,465**	1,252
Services and products received from related parties:			
Logistics and warehousing services received from JD Group	1	**1,712,477**	1,247,314
Technology and traffic support services received from JD Group	2	**1,271,666**	908,163
Marketing services received from JD Group	3	**770,512**	241,767
Payment services received from JD Group	4	**146,625**	172,720
Shared services received from JD Group	5	**307,266**	116,038
Share-based payments received from JD.com, Inc. to pay the Group's employees for the services provided	6	**18,660**	49,271
Loyalty program services received from JD Group	7	**45,821**	42,114
Services received from JD Technology	8	**78,262**	22,475
Others		**10,915**	13,016
Others:			
Interest income from Tangshan Hongci		**23,061**	7,076

Services provided to related parties

The Group provides marketing services to JD Group. The Group charges JD Group marketing service fees calculated in accordance with the CCT Arrangements.

29 Related party transactions (Continued)

(b) Significant transactions with related parties (Continued)

Services and products received from related parties

1. JD Group provides various logistics services to the Group in exchange for service fees, including but not limited to warehouse operation and storage services, domestic and international delivery services, customs registration and clearance services, standard and special packaging services and other value-added logistics services from time to time. The logistics service fees are determined after arm's length negotiations, and are charged based on a variety of factors including storage space taken and the weights and the delivery distances of the packages.

2. JD Group provides to the Group technology and traffic support services through its online platforms (e.g. www.jd.com). The technology and traffic support services primarily include user traffic support, branding activities, operational support and advertisement access for the Group's merchants and suppliers. JD Group charges commissions by applying a fixed rate on the fulfilled order volume of healthcare products and services generated through JD Group's online platforms.

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

4. The Group, through JD Group, uses certain payment services through payment channels provided by third-party payment service providers to JD Group on a cost basis, as the related costs are first settled by JD Group and later settled in full (on a cost basis) by the Group. This allows the Group to utilize the payment services to enable efficient, safe and prompt real-time payment for its online transactions.

5. JD Group provides back-office administrative support services to the Group, including but not limited to cloud service, provision of servers, and maintenance and related customer services. The Group pays JD Group the actual costs incurred during the service process.

6. JD Group grants RSUs and share options to the Group's eligible employees under JD Group Share Incentive Plan.

7. Given that the Group's businesses are operated on JD Group's platforms, the customers of the Group participate in the customer loyalty programs of JD Group and use such loyalty points across the platforms of both JD Group and the Group for the purchase of products and services. The Group pays JD Group based on the number of loyalty points it granted and unit cost.

8. The Group uses certain payment services and other shared services provided by JD Technology in accordance with the underlying standard payment services agreement and shared services agreement.

29 Related party transactions (Continued)

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

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Amounts due to JD Group	**225,410**	—
Amounts due from JD Group	**—**	334,905
Amounts due from Tangshan Hongci and its subsidiaries	**272,687**	234,527
Amounts due from other major related parties	**37,599**	50,923

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

The amounts due from Tangshan Hongci and its subsidiaries are mainly a three-year interest-bearing loan. Other than that, the amounts due from Tangshan Hongci and its subsidiaries are trade in nature, unsecured and non-interest bearing.

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

(d) Key management personnel compensation

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Salaries and bonuses	**4,149**	4,854
Share-based payments	**1,067,120**	299,082
Pension costs — defined contribution plans	**118**	96
Welfare, medical and other benefits	**514**	549
	1,071,901	304,581

30 Particulars of principal subsidiaries and consolidated affiliated entities

Details of the principal subsidiaries directly and indirectly held by the Company are set out below:

Name of subsidiaries**	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest attributable by the Company December 31, 2021	2020	Principal activities
JD Health HK	Hong Kong, China	HKD10,000	**100%**	100%	Worldwide online shopping
Beijing Jingdong Jiankang	Mainland China	RMB100,000,000	**100%**	100%	Online retail of healthcare products
Beijing Jingdong Hongjian Jiankang Co., Ltd.	Mainland China	RMB1,000,000	**100%**	100%	Procurement and online retail of healthcare products
Guangxi Jingdong Tuoxian E-commerce Co., Ltd.	Mainland China	RMB2,000,000	**100%**	100%	Technical and advertising services
Beijing Jingdong Tuoxian Technology Co., Ltd.	Mainland China	RMB1,000,000,000	**100%**	100%	Technical services

30 Particulars of principal subsidiaries and consolidated affiliated entities (Continued)

Details of the principal consolidated affiliated entities of the Company are set out below:

Name of affiliated entities*/**	Place of incorporation/ registration/ operations	Paid up issued/ registered capita	Proportion ownership interest attributable by the Company December 31, 2021	2020	Principal activities
Suqian Jingdong Tianning	Mainland China	RMB1,000,000	**100%**	100%	Pharmacy sales and healthcare services
Jingdong Pharmacy (Qingdao) Chain Co., Ltd.	Mainland China	RMB10,000,000	**100%**	100%	Online retail of pharmaceutical products
Jingdong Pharmacy (Huizhou) Co., Ltd.	Mainland China	RMB10,000,000	**100%**	100%	Online retail of pharmaceutical products
Jingdong Pharmacy Taizhou Chain Co., Ltd.	Mainland China	RMB10,000,000	**100%**	100%	Online retail of pharmaceutical products
Yinchuan JD Online Hospital Co., Ltd.	Mainland China	RMB10,000,000	**100%**	100%	Online hospital services

* As describe in Note 1, the Company does not have directly or indirectly legal ownership in equity of these affiliated entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with the equity holders of these affiliated entities, the Company and its legal owned subsidiaries have power over these affiliated entities, have rights to variable returns from its involvement with these affiliated entities and have the ability to affect those returns through their power over these affiliated entities and are considered to have control over these affiliated entities. Consequently, the Company regards these affiliated entities as its indirect subsidiaries.

** The English names of the subsidiaries and consolidated affiliated entities established in the PRC are translated from their registered Chinese names for identification only.

The above table lists the subsidiaries and consolidated affiliated entities of the Company that the directors of the Company believe to principally affect the results or assets of the Group. In the opinion of the directors of the Company, to give details of other subsidiaries would, result in particulars of excessive length.

The voting power of the subsidiaries and consolidated affiliated entities held by the Company are same with the ownership interest held by the Company.

None of the subsidiaries and consolidated affiliated entities had issued any debt securities during the year ended December 31, 2021.

31 Contingencies

The Group did not have any material contingent liabilities as of December 31, 2021 (2020: nil).

32 Subsequent events

There were no material subsequent events during the period from December 31, 2021 to the approval date of these consolidated financial statements by the Board of Directors on March 28, 2022.

33 Statement of financial position and reserve movement of the Company

Statement of financial position of the Company

	As of December 31	
	2021	2020
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investment in a subsidiary	**1,503,977**	—*
Total non-current assets	**1,503,977**	—*
Current assets		
Prepayments, other receivables and other assets	**383,344**	849,812
Term deposits	**23,637,103**	6,524,900
Cash and cash equivalents	**13,583,815**	30,930,123
Total current assets	**37,604,262**	38,304,835
Total assets	**39,108,239**	38,304,835
Equity		
Share capital	**11**	11
Treasury shares	**(50,636)**	—*
Reserves	**59,324,679**	57,652,813
Accumulated losses	**(20,195,551)**	(19,451,117)
Total equity	**39,078,503**	38,201,707
Liabilities		
Current liabilities		
Accrued expenses and other payables	**509**	95,169
Income tax payables	**29,227**	7,959
Total current liabilities	**29,736**	103,128
Total liabilities	**29,736**	103,128
Total equity and liabilities	**39,108,239**	38,304,835

* less than RMB1,000.

33 Statement of financial position and reserve movement of the Company (Continued)

Reserve movement of the Company

	Accumulated losses RMB'000	Other reserves RMB'000
As of January 1, 2020	(1,252,372)	811,802
Loss for the year	(18,198,745)	—
Issuance of new ordinary shares	—	26,124,855
Conversion of convertible preferred shares upon the initial public offering	—	29,911,834
Share issuance costs*	—	(403,980)
Share-based payment expenses	—	339,085
Currency translation differences	—	869,217
As of December 31, 2020	(19,451,117)	57,652,813
Loss for the year	**(744,434)**	**—**
Exercise of share option and RSU vesting	**—**	**(5,665)**
Share-based payment expenses	**—**	**2,564,445**
Currency translation differences	**—**	**(886,914)**
As of December 31, 2021	**(20,195,551)**	**59,324,679**

* The issuance costs paid mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB404 million were treated as a deduction against the share premium arising from the issuance.

DEFINITIONS

"ADSs"	American Depositary Shares (each representing two Class A ordinary shares) of JD.com
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"annual active user accounts"	user accounts that made at least one purchase during the past trailing twelve months ended on the applicable date, including through *JD Pharmacy*, online marketplace and omnichannel initiative
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on November 23, 2020 and effective on December 8, 2020
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Auditor"	Deloitte Touche Tohmatsu, the auditor of the Company
"Award Shares"	award shares, each representing a contingent right to receive one Share, which is awarded under the Post-IPO Share Award Scheme
"Board of Directors" or "Board"	our Board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code (version up to December 31, 2021) set out in Appendix 14 of the Listing Rules
"China", or "the PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this annual report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. "Chinese" shall be construed accordingly
"Class A ordinary share(s)"	Class A ordinary shares in the share capital of JD.com with par value of US$0.00002 each, conferring a holder of a Class A ordinary share to one vote per share on any resolution tabled at JD.com's general meeting
"Class B ordinary share(s)"	Class B ordinary shares in the share capital of JD.com with par value of US$0.00002 each, conferring weighted voting rights in JD.com such that a holder of a Class B ordinary share is entitled to 20 votes per share on any resolution tabled at JD.com's general meeting

"Company ", "our Company", "the Company", or "JD Health"	JD Health International Inc. (京东健康股份有限公司), an exempted company with limited liability incorporated in the Cayman Islands on November 30, 2018
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely the Onshore Holdco and its respective subsidiaries
"Contractual Arrangement(s)"	the series of contractual arrangements entered into between, among others, the Onshore Holdco and its respective subsidiaries
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to JD Jiankang, JD.com, Mr. Richard Qiangdong Liu (劉強東), Max Smart Limited and Fortune Rising Holdings Limited
"Director(s)"	the director(s) of our Company
"Global Offering"	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and the Consolidated Affiliated Entities from time to time
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRSs"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

"JD.com"	JD.com, Inc., one of our Controlling Shareholders, a company incorporated in the BVI on November 6, 2006 and subsequently redomiciled to the Cayman Islands on January 16, 2014 as an exempted company registered by way of continuation under the laws of the Cayman Islands and the shares of which are listed on the Main Board (stock code: 9618) under Chapter 19C of the Listing Rules and the ADSs of which are listed on Nasdaq under the symbol "JD"
"JD Group"	JD.com and its subsidiaries and consolidated affiliated entities, excluding our Group
"JD Jiankang"	JD Jiankang Limited, a company incorporated in the BVI on April 24, 2019, wholly-owned by JD.com and one of our Controlling Shareholders
"JD Logistics"	JD Logistics, Inc., JD.com's logistics business that provides integrated supply chain solutions and logistics services to JD.com and third-party business partners across a wide range of industries, and the shares of which are listed on the Main Board (stock code: 2618)
"JD Technology"	Jingdong Technology Holding Co., Ltd. (京東科技控股股份有限公司), formerly known as Jingdong Digits Technology Holding Co., Ltd. (京東數字科技控股股份有限公司), and, where the context requires, includes its consolidated subsidiaries from time to time
"Jiangsu Jingdong Hongyuan"	Jiangsu Jingdong Hongyuan Information Technology Co., Ltd. (江蘇京東弘元信息技術有限公司), a company incorporated under the laws of PRC on August 2, 2019, a wholly-owned subsidiary of the Onshore Holdco and one of our Consolidated Affiliated Entities
"Jingdong Pharmacy Qingdao"	Jingdong Pharmacy (Qingdao) Chain Co., Ltd. (京東大藥房(青島)連鎖有限公司), a company incorporated under the laws of PRC on January 22, 2010, an indirectly wholly-owned subsidiary of the Onshore Holdco and one of our Consolidated Affiliated Entities
"Jingdong Pharmacy Taizhou"	Jingdong Pharmacy Taizhou Chain Co., Ltd. (京東大藥房泰州連鎖有限公司), a company incorporated under the laws of PRC on October 23, 2017, a wholly-owned subsidiary of the Jingdong Pharmacy Qingdao and one of our Consolidated Affiliated Entities
"Jingdong Shanyuan"	Jingdong Shanyuan (Qingdao) E-commerce Co., Ltd. (京東善元(青島)電子商務有限公司), a company incorporated under the laws of PRC on August 28, 2013, the holding company of Jingdong Pharmacy Qingdao and one of our Consolidated Affiliated Entities

"Latest Practicable Date"	April 18, 2022, being the latest practicable date for the inclusion of certain information and data in this annual report prior to its publication
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	December 8, 2020, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Onshore Holdco"	Suqian Jingdong Tianning Jiankang Technology Co., Ltd. (宿遷京東天甯健康科技有限公司), a company established in the PRC on June 10, 2019 and our Consolidated Affiliated Entity
"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by our Company on November 23, 2020
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on November 23, 2020
"PRC Legal Adviser"	Shihui Partners, our legal adviser on PRC law
"Pre-IPO ESOP"	the pre-IPO employee share incentive plan adopted by our Company on September 14, 2020
"Prospectus"	the prospectus of the Company dated November 26, 2020
"Registered Shareholders"	the registered shareholders of the Onshore Holdco, namely Richard Qiangdong Liu (劉強東), Yayun Li (李婭雲) and Pang Zhang (張雱)
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	year ended December 31, 2021

"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"SFO" or "Securities and Futures Ordinance"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0000005 each
"Shareholder(s)"	holder(s) of our Share(s)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"U.S. SEC"	the Securities and Exchange Commission of the United States
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"WFOE"	Beijing Jingdong Jiankang Co., Ltd. (北京京東健康有限公司), a company established in the PRC on June 6, 2019 and a wholly-owned subsidiary of our Company
"%"	per cent

JDH京东健康

— The Go-to Health Management Platform —