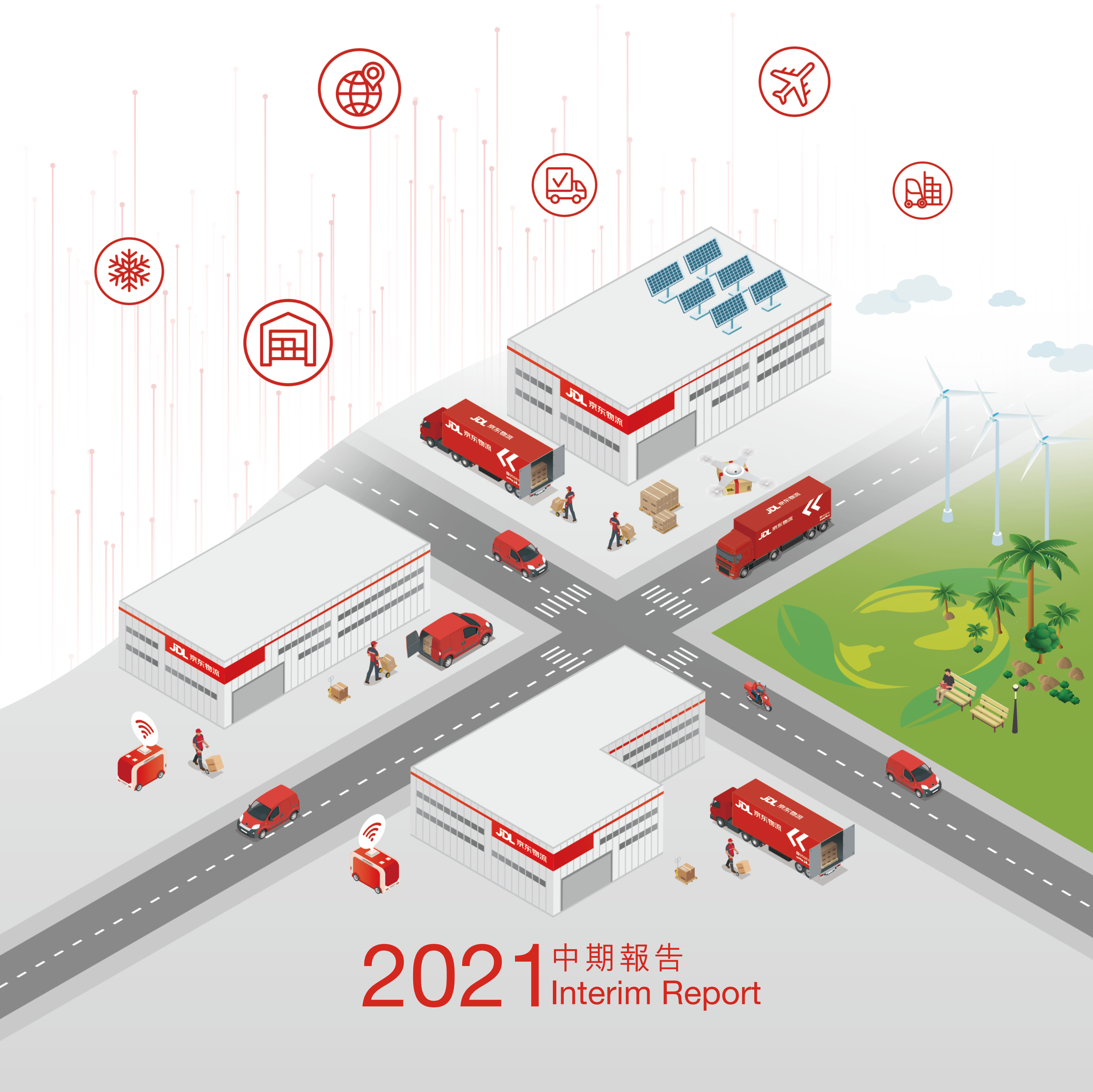
京东物流

JD Logistics, Inc.
京东物流股份有限公司

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

股份代號 Stock Code: 2618



2021 中期報告 Interim Report

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Yui Yu (余睿) *(Chief Executive Officer)*
Yanlei Chen (陳岩磊)
Jun Fan (樊軍)

Non-Executive Directors

Richard Qiangdong Liu (劉強東) *(Chairman)*
Sandy Ran Xu (許冉)
Pang Zhang (張雱)

Independent Non-Executive Directors

Nora Gu Yi Wu (顧宜)
Liming Wang (王利明)
Carol Yun Yau Li (李恩祐)

Audit Committee

Nora Gu Yi Wu (顧宜) *(Chairperson)*
Carol Yun Yau Li (李恩祐)
Sandy Ran Xu (許冉)

Remuneration Committee

Liming Wang (王利明) *(Chairperson)*
Nora Gu Yi Wu (顧宜)
Pang Zhang (張雱)

Nomination Committee

Richard Qiangdong Liu (劉強東) *(Chairperson)*
Liming Wang (王利明)
Carol Yun Yau Li (李恩祐)

Company secretary

Ming King Chiu (趙明璟)

Authorized representatives

Yui Yu (余睿)
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

10th Floor, Building B
No. 18 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District, Beijing
People's Republic of China

Room 302, 3rd Floor
Zhiheng Building,
E-Commerce Industrial Park,
Suyu District, Suqian,
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
Wanchai
Hong Kong

Compliance adviser

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Principal bankers

Bank of China Limited, Head Office
Bank of China Limited, Suqian Suyu Branch
Bank of Communications Co., Ltd.
Standard Chartered Bank (China) Limited

Stock code

2618

Company website

https://ir.jdl.cn

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		
	2021	2020	Year-on-year
	RMB'000	RMB'000	change
	(Unaudited)	(Unaudited)	(%)
Revenue	**48,472,450**	31,542,866	53.7
Gross profit	**1,769,541**	4,054,355	(56.4)
(Loss)/profit before income tax	**(15,161,151)**	644,163	NA
(Loss)/profit for the period	**(15,213,960)**	647,418	NA
Non-IFRS (loss)/profit for the period	**(1,501,540)**	1,982,934	NA

CEO STATEMENT

To our Shareholders:

I am pleased to present our interim performance for the six months ended June 30, 2021 to our Shareholders.

Business review

We are the leading technology-driven supply chain solutions and logistics services provider in China. Our mission is to drive superior efficiency and sustainability for global supply chains through technology. We continually strengthen our full spectrum of integrated supply chain solutions and high-quality logistics services with full digitalization and end-to-end coverage. Through our high quality services, we empower more customers and substantially optimize their operational efficiencies, and in turn, enhance their customers' experience and loyalty to our services. In the first half of 2021, our total revenue increased by 53.7% year-on-year to RMB48.5 billion, of which revenue from external customers was RMB26.5 billion, representing an increase of 109.6% comparing to the same period last year and 54.7% of our total revenue for the Reporting Period.

We primarily focus on six industries: FMCG, apparel, home appliances and home furniture, 3C, automotive and fresh produce. By leveraging over a decade of experience and the know-how we have accumulated from serving leading players in these key verticals, we have developed standardized and modularized solution services which have enabled us to capture an increasing market share among small- and medium-sized market players.

As we expand our customer base, we have always been prioritizing high-quality services and best-in-class customer experience, demonstrated by the high satisfaction ratings in national surveys published by the State Post Bureau. During JD Group's 618 Grand Promotion, i.e. the shopping festival from June 1 to June 18, we provided outstanding delivery experiences to the customers, with delivery within minutes of order placement in over 200 cities across the country and same- or next-day delivery covering 92% of districts and counties and 84% of townships in China.

We are committed to investing in technology and innovation to continuously expand our service offerings and enhance our competitive advantages. In particular, we place strong emphasis on our automation, digitalization, and intelligentization capabilities, which optimize the customer experience and operating efficiencies across our business segments. In the first half of 2021, our research and development expenses were RMB1.4 billion, representing 2.8% of our total revenue.

At the same time, we are continually strengthening our logistics infrastructure as the base of our operations and the foundation of our core advantages. As of June 30, 2021, we operated approximately 1,200 warehouses, approximately 7,800 delivery stations and employed approximately 200,000 in-house delivery personnel. Over and above our strong in-house infrastructure, we have also adopted a synergistic approach to expanding network coverage and promoting flexibility with strategic collaboration partners in maritime, land and air transportation.

Logistics infrastructure and networks

Our superior supply chain solutions and logistics services are built on a foundation comprised of six highly-synergized networks, including our warehouse network, line-haul transportation network, last-mile delivery network, bulky item logistics network, cold chain logistics network and cross-border logistics network. Our networks are extensive, flexible and digitally-integrated, providing compelling advantages in delivering excellent customer experiences and maintaining a formidable competitive barrier to entry.

Warehouse network

Our nationwide warehouse network is one of the largest in China and serve as a critical component of our integrated supply chain logistics services. As of June 30, 2021, our warehouse network covered nearly all counties and districts in China, consisting of approximately 1,200 self-operated warehouses and over 1,600 owner-operator cloud warehouses under our Open Warehouse Platform. Our warehouse network has an aggregate GFA of approximately 23 million square meters, including warehouse space managed through the Open Warehouse Platform.

We harness the power of technology to enhance operating efficiency in our warehouse network, one of them being our Asia No. 1 smart mega-warehouses, which also demonstrate our industry-leading technological innovations and high technology standards. In these warehouses, we utilize AGVs and robotics along with advanced technologies to deliver critical improvements in speed and accuracy that are scalable to 24/7 operation during peak fulfillment and delivery periods. As of June 30, 2021, we operated 38 Asia No. 1 smart mega-warehouses in 28 cities across China, six of which has commenced operations in 6 cities including Nanning, Haikou and etc. during the first half of 2021.

Line-haul transportation network

As of June 30, 2021, we operated over 210 sorting centers in China and had over 1,000 air cargo routes. We have adopted a synergistic approach to expand the coverage of our integrated transportation network.

In the first half of 2021, we deepened our collaboration with China Railway Corporation by jointly establishing a joint venture, namely China Railway Jingdong Logistics Co., Ltd. (中鐵京東物流有限公司), setting up numerous high-quality multimodality transportation routes, and extending to integrated supply chain logistics services (such as distribution services between warehouses). As of June 30, 2021, our cooperation with China Railway Corporation has enabled us to utilize over 300 railway routes, approximately 200 of which are high-speed railway routes.

Last-mile delivery network

Our vast last-mile delivery network primarily consists of delivery stations, service stations and self-service lockers, supported by our well-trained in-house delivery team. Combined, they enable us to provide best-in-class last mile delivery services, which are critical in driving end customer satisfaction and strengthening our brand image.

As of June 30, 2021, we employed approximately 200,000 in-house delivery personnel and operated approximately 7,800 delivery stations covering 32 provinces and municipalities and 445 districts in different cities and municipalities in China. The vast majority of our delivery stations are self-operated to ensure top-quality service.

In addition, we operate over 10,000 service stations and self-service lockers, as well as 280,000 partnered self-service lockers and service points, providing 24/7 smart pick-up and drop-off services.

Bulky item logistics network

Our bulky item logistics network, comprising multi-level warehouses, door-to-door delivery, value-added installation and after-sales service capabilities, ensures we deliver a compelling customer experience by offering one-stop delivery and installation solutions to end customers.

For lower-tier cities with growing e-commerce penetration, we leverage the resources of our network partners under the Jing Dong Bang (京東幫) brand to cost-effectively meet customers' demands. As of June 30, 2021, we were able to utilize approximately 1,800 bulky item delivery and installation stations under Jing Dong Bang (京東幫).

Cold chain logistics network

As of June 30, 2021, we had over 100 temperature-controlled cold storage warehouses designated for fresh, frozen and refrigerated products with an operation area of more than 600,000 square meters. In addition, as of June 30, 2021, we operated 23 warehouses designated for pharmaceuticals and medical instruments with an operation area of 160,000 square meters.

In 2021, we were appointed by the Ministry of Transport as a key service provider to transport the COVID-19 vaccine for distribution in Beijing. As part of this effort, we also initiated several projects for vaccine transportation.

Cross-border logistics network

In the second quarter of 2021, we flew inaugural flights on two brand-new charter flight routes, from China to Thailand and from China to the U.S. The China-Thailand route enables next-day delivery from China to Thailand, deliveries within Thailand and from Thailand to China as fast as same-day, and door-to-door within 48 hours. Customers can choose any front distribution center to drop off their goods, after which items are processed for collection, customs clearance and local distribution immediately following the charter flight, allowing door-to-door delivery within 48 hours.

Separately, by leveraging our rich technical expertise and years of experience in automation planning and implementation, in February 2021, we implemented automated goods-to-person sorting by AGV in our warehouses in Poland and Germany. This achieved a 2.5 times increase in terms of the efficiency in racking, sorting and picking from pre-automation levels.

As of June 30, 2021, we had approximately 50 bonded warehouses and overseas warehouses, covering an aggregate GFA of over 500,000 square meters.

Logistics technology

Logistics technology is the bedrock of our operations and what differentiates us from our competitors. We are continuously strengthening our technological innovation and applications in various aspects of supply chain services to achieve service automation, operation digitalization and intelligent decision-making.

Our scientific and technological innovations are deeply integrated with operation scenarios, aiding us in our constant pursuit of higher operating efficiency, and the enhanced customer experience that naturally follows.

One example of our applied innovative technologies is the BeiDou Smart Flow-picking Innovation Warehouse (北斗新倉) that we recently built in North China. This facility is capable of simultaneously handling millions of SKUs in different product categories with AI (artificial intelligence)-driven automation and high flexibility. In this warehouse, picking can be carried out for diverse merchandise types in extremely complex settings with high efficiency, precision, automation and density. We own the full intellectual property rights for this warehouse's software, hardware, and operating model. Along with our Asia No. 1 smart mega-warehouses, BeiDou Smart Flow-picking Innovation Warehouse represents a major breakthrough in smart logistics.

The BeiDou Smart Flow-picking Innovation Warehouse offers a technological upgrade of the entire picking process by utilizing the industry's most state-of-the-art picking model, which significantly increases picking density, reduces warehouse workers' walking distance and streamlines picking motions from 14 to 6 steps. Applying multiple cutting-edge technologies along with advanced innovative equipment integration, our BeiDou Smart Flow-picking Innovation Warehouse enables customers in the greater Beijing-Tianjin-Hebei region to enjoy a better service experience and have their orders fulfilled with 2–3 hours faster than before.

To further enhance last-mile delivery capabilities, we have established a comprehensive system for R&D, testing and application of autonomous driving technologies. As of June 30, 2021, we had applied for and obtained more than 500 patents related to autonomous driving technologies. Our latest fleet of fully self-developed L4 autonomous driving smart delivery vehicles can drive on open roads without the supervision of safety officers, making us one of the leaders in autonomous driving in the world.

Thanks to our leading technological capabilities, we have deployed over 100 smart delivery vehicles in more than 10 cities including Beijing, Shanghai, Changshu, and Wuhu, providing services in 8 delivery scenarios including urban communities, business parks, office buildings, apartments, hotels, campuses, supermarkets, and stores. In May 2021, we were among the first companies to receive pilot licenses for operating unmanned delivery vehicles in Beijing.

In addition to improving our operating efficiency, our smart delivery vehicles have played a pivotal role in ensuring the distribution of essential materials in the fight against the pandemic.

Our technologies not only support our own operations, but can also be exported to support our customers' supply chain management. We have capitalized on our prowess and know-how in AI, IoT (Internet of things) and robotics to empower digital transformation and high-quality growth in other industries.

One area we brought significant improvements is material management and control, an important part of the workflow for production cost reduction. Generally, the lengthier the material handling process and the bigger the capital investment, the greater the likelihood for manpower and inventory wastage. We help our customers plan and implement solutions tailored to their unique needs, to facilitate more efficient and cost-effective material handling and achieve significant cost reduction. For example, Yubei Xiaobaodang Mining Company (榆北小保當礦業公司), a subsidiary of Shaanxi Coal and Chemical Industry Group (陝西煤業化工集團), collaborated with JD Logistics to implement unmanned intelligent material warehousing by adopting automated and smart equipment such as unmanned AGVs, four-way pallet shuttles and smart forklifts. We created custom solutions for Yubei Xiaobaodang Mining Company utilizing technologies including facial recognition, algorithm design, data mining and analysis and fast and accurate simulation. We integrated these technologies into warehousing and system planning and implemented applications such as warehouse control system (WCS) and warehousing management system (WMS), empowering Yubei Xiaobaodang Mining Company to automate 100% of its material handling processes, improve space utilization by 150%, and raise overall storage capacity and operating efficiency by 70% and 50%, respectively.

Integrated logistics solutions and services

As we continued to develop diverse solutions and services to empower our customers' supply chains management and significantly improve their operating efficiencies, the number of our customers kept increasing. Our total revenue reached RMB48.5 billion in the first half of 2021, representing 53.7% higher comparing to the same period last year.

Integrated supply chain customers

As we brought measurable improvements to our customers' supply chain operations and deepened our penetration into a wide array of industries, such as FMCG, apparel, home appliances and home furniture, 3C, automotive and fresh produce, our revenue from integrated supply chain customers grew 29.6% year-over-year in the first half of 2021 to RMB33.6 billion, of which the revenue from our external integrated supply chain customers reached to RMB11.7 billion, representing 65.6% year-over-year growth.

As of June 30, 2021, the number of external integrated supply chain customers reached 59,067, expanding 58.7% year-over-year. ARPC was RMB197,339 in the first half of 2021, versus RMB189,069 in the first half of 2020, reflecting strong customer endorsement for our integrated supply chain logistics services along with deepening collaborations and growing customer stickiness.

Through cooperating with industry leaders, we have accumulated industry insights, cultivated tailored solutions to address industry-specific pain points and enhanced our brand with benchmark cases.

For example, we significantly improved supply chain operations efficiency for Xiaomi Youpin (小米有品). Our service scope expanded from standardized transportation to integrated supply chain logistics services during the past three years. In June of this year, we further strengthened our collaboration and officially opened a warehousing and distribution center in Tianjin covering all product categories in China. This facility provides one-stop logistics services including collection, sorting, warehousing, packaging and distribution. Collectively these services serve to underpin Xiaomi Youpin's excellent customer experience. Our services have helped Xiaomi Youpin shorten its fulfillment cycle by five hours and we are now actively offering this solution and services to more customers in the same industry.

Leveraging our bulky item logistics network and service capabilities, we have also served and empowered many well-known home furnishings and furniture brands. For Cheers (芝華仕), a nationally recognized furniture brand, we provide one-stop services including transportation and installation as well as product transportation from multiple manufacturing facilities to delivery destinations across the country. We have grown to become a mission-critical logistics service provider for Cheers and our solutions have become benchmark standards for the home furnishings industry, adopted by many home furnishings brands.

Furthermore, we deepened our penetration into SMEs. Our standardized services help them improve supply chain operating efficiency throughout the entire process, including warehousing, transportation, last-mile delivery and reverse logistics.

We innovatively provided JINGHUI (京慧), a standardized supply chain optimization product, with logistics services to SMEs. We can assess a customer's business to determine the optimal number of regional warehouses and the best allocation of inventory across different regional warehouses within 1–2 weeks (far more quickly than the industry norm). This solution enabled a maternity and infant brand customer to reduce its proportion of cross-region orders to 7% from 40%, improving next-day delivery coverage to nearly 90% of total orders received. We simultaneously reduced the customer's inventory turnover days by 48%, contributing to significantly improved supply chain efficiency and overall operating cost reduction.

Other customers

Our revenue from other customers increased by 164.8% year-over-year in the first half of 2021 to RMB14.9 billion, driven by an increase in the number of customers served. Standard products such as express delivery and freight delivery services not only help us expand our customer pool but also serve as a gateway for our integrated supply chain logistics services.

Service quality and customer experience

"Customer-first" is our core value. We are proud that our superior service quality is widely recognized by our customers. Over the years, we have consistently maintained best-in-class customer satisfaction ratings as reported by survey results published by the State Post Bureau.

We continue to expand our logistics network's penetration and improve efficiency to make our customer experience more compelling. We have strengthened our transregional transportation networks via road, railway and air, ensuring overnight delivery within the same province and district, and 24-hour delivery for intra-province packages.

We are also introducing our premium delivery services to more customers in remote areas and lower-tier cities. Notably, we have expanded our warehousing and distribution center capacity in the Tibet Autonomous Region and have now achieved local fulfillment for approximately 80% of ordered merchandise, which has resulted a substantial increase in our same-day delivery coverage in the region.

Corporate social responsibility

JD Logistics is committed to fulfilling its corporate social responsibility and incorporates sustainable development into its day-to-day management.

We practise green and sustainable development on a strategic level. By promoting the "Green Stream Initiative", we seek to connect upstream and downstream supply chain partners in order to reduce carbon emissions, improve energy efficiency and develop green supply chains in storage, transportation, and packaging. We are the first logistics company in China to have completed the Science Based Targets initiative (SBTi). We are also motivated to use more new energy vehicles as well as promote and utilize more renewable energy and environmentally-friendly materials, in addition to other green development measures.

In the first half of 2021, JD Logistics took an active part in the fight against COVID-19 and disaster relief efforts in the wake of earthquakes and floods. Thanks to our supply chain capabilities and technological advantages, we were able to dispatch and deliver emergency supplies to the affected regions promptly and efficiently, helping businesses to resume operations and production with much-needed support.

Appreciation

On behalf of the Board, I would like to express sincere gratitude to all our employees, customers and our partners, as well as my heartfelt thanks to Shareholders and stakeholders for their consistent support and trust. Going forward, we will continue to spare no efforts to facilitate the development of the real economy and the advancement of emerging industries with our technology-driven integrated supply chain solutions. We will also remain firmly committed to delivering high-quality service experiences to our customers while collaborating with our partners to reduce social logistics costs, and drive efficiency improvement for business and society.

Executive Director and CEO
Yui Yu
August 23, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue

Our revenue increased by 53.7% from RMB31.5 billion for the six months ended June 30, 2020 to RMB48.5 billion for the six months ended June 30, 2021. The increase in our total revenue was driven by a 29.6% increase in revenue from our integrated supply chain customers and a 164.8% increase in revenue from other customers.

The increase in revenue from integrated supply chain customers was primarily driven by an increase in the number of our external integrated supply chain customers, as well as the increase of ARPC. The number of our external integrated supply chain customers increased from 37,229 for the six months ended June 30, 2020 to 59,067 for the six months ended June 30, 2021. The increase in the number of external integrated supply chain customers was due to the increased demand of our services as well as our ongoing sales and marketing efforts. In addition, we achieved an ARPC of RMB189,069 and RMB197,339 for the six months ended June 30, 2020 and the six months ended June 30, 2021, respectively. Such improvement reflected strong customer endorsement for our integrated supply chain solutions and logistics services along with deepening collaborations and growing customer stickiness.

Revenue from other customers increased by 164.8% from RMB5.6 billion for the six months ended June 30, 2020 to RMB14.9 billion for the six months ended June 30, 2021, primarily due to the increases in parcel volume and tonnage of our express delivery and freight delivery services driven by the increase in the number of other customers, as well as the acquisition of Kuayue Express in August 2020.

Cost of revenue

Our cost of revenue increased by 69.9% from RMB27.5 billion for the six months ended June 30, 2020 to RMB46.7 billion for the six months ended June 30, 2021, which was in line with the rapid growth of our revenue during the same period. The increase in cost of revenue was also driven by the reduction in benefits from COVID-19 related government support.

Our employee benefit expenses for employees involved in warehouse management, sorting, picking, packaging, shipping, delivery and customer services increased by 48.6% from RMB11.5 billion for the six months ended June 30, 2020 to RMB17.2 billion for the six months ended June 30, 2021, primarily due to an increase in the number of employees involved in the provision of our services, which was in line with the continued growth of our business.

Outsourcing cost, including costs charged by transportation companies, couriers and other service providers for sorting, shipping, dispatching, delivering and labor outsourcing services, increased by 94.0% from RMB9.8 billion for the six months ended June 30, 2020 to RMB19.0 billion for the six months ended June 30, 2021. The increase was primarily driven by the growth of external businesses which required higher outsourcing capacity. In addition, the significant growth of our express delivery and freight delivery services, for which suppliers are frequently used for the line haul transportation portion, also contributed to the increase in our outsourcing cost. Further, the increase was also driven by the acquisition of Kuayue Express in August 2020.

Rental cost increased by 60.4% from RMB2.8 billion for the six months ended June 30, 2020 to RMB4.5 billion for the six months ended June 30, 2021, primarily due to expansion of leased warehouses areas, sorting centers and delivery stations in support of the growth of our integrated supply chain solutions and logistics services.

Depreciation and amortization increased by 36.1% from RMB0.7 billion for the six months ended June 30, 2020 to RMB0.9 billion for the six months ended June 30, 2021, primarily due to an increase in the number of our logistics facilities, which in turn resulted in a larger amount of capital expenditure having been incurred for the logistics equipment in these facilities.

Other cost of revenue increased by 91.8% from RMB2.7 billion for the six months ended June 30, 2020 to RMB5.1 billion for the six months ended June 30, 2021, primarily due to the increase of fuel cost, cost of maintenance service, cost of packaging and other consumable materials.

Gross profit and gross profit margin

As a result of the foregoing, we recorded (i) a gross profit of RMB4.1 billion and RMB1.8 billion for the six months ended June 30, 2020 and the six months ended June 30, 2021, respectively, and (ii) a gross profit margin of 12.9% and 3.7% for the six months ended June 30, 2020 and the six months ended June 30, 2021, respectively. The decrease in the gross profit margin was primarily due to the reduction in benefits from COVID-19 related government support and in the second half of 2020 our efforts in enhancing and expanding our logistics networks including increases in headcount of operational personnel, warehouse space, line-haul routes and other logistics infrastructure.

Selling and marketing expenses

Our selling and marketing expenses increased by 131.1% from RMB0.6 billion for the six months ended June 30, 2020 to RMB1.4 billion for the six months ended June 30, 2021. The increase was in line with the growth of our revenue from external customers and was primarily due to the increase in headcount of sales and marketing personnel to promote our service offerings to both new and existing customers, the increase in branding and promotional activities and the acquisition of Kuayue Express in August 2020.

Research and development expenses

Our research and development expenses increased by 55.2% from RMB0.9 billion for the six months ended June 30, 2020 to RMB1.4 billion for the six months ended June 30, 2021. The increase was primarily attributable to the increase of research and development headcount and other research and development related expenses as we continued to invest in technology and innovation.

General and administrative expenses

Our general and administrative expenses increased by 59.3% from RMB1.0 billion for the six months ended June 30, 2020 to RMB1.5 billion for the six months ended June 30, 2021, primarily due to an increase of employee benefits expenses including the share-based payments, also partially driven by the acquisition of Kuayue Express in August 2020.

Other income, gains/(losses), net

Our other income, gains/(losses), net increased by 268.6% from a gain of RMB140.3 million for the six months ended June 30, 2020 to a gain of RMB517.2 million for the six months ended June 30, 2021, primarily due to an increase in government grants and gains on fair value changes of financial assets at fair value through profit or loss.

Finance income

Our finance income decreased by 47.9% from RMB127.7 million for the six months ended June 30, 2020 to RMB66.5 million for the six months ended June 30, 2021, primarily due to a decrease in interest income from bank deposits and related parties.

Finance costs

Our finance costs increased by 64.7% from RMB214.1 million for the six months ended June 30, 2020 to RMB352.6 million for the six months ended June 30, 2021, primarily due to an increase in interest on lease liabilities.

Fair value changes of convertible redeemable preferred shares

We recorded a loss on fair value changes of convertible redeemable preferred shares of RMB0.8 billion for the six months ended June 30, 2020 and RMB12.8 billion for the six months ended June 30, 2021, respectively, primarily due to an increase in the fair value of our Series A Preference Shares, as a result of an increase in our Company's equity value. Upon the completion of the Company's Listing on the Main Board of the Hong Kong Stock Exchange and Global Offering on May 28, 2021, all convertible redeemable preferred shares have been converted into ordinary shares on a conversion ratio of 1:1.

(Loss)/profit for the period

As a result of the foregoing, we generated a profit of RMB0.6 billion for the six months ended June 30, 2020 and a loss of RMB15.2 billion for the six months ended June 30, 2021. The loss for the six months ended June 30, 2021 was primarily due to (i) the changes in fair value of convertible redeemable preferred shares, (ii) the reduction in benefits from COVID-19 related government support, and (iii) in the second half of 2020 our efforts in enhancing and expanding our logistics networks including increases in our warehouse space, line-haul routes and other logistics infrastructure.

Non-IFRS measures

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

We believe non-IFRS (loss)/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 (loss)/profit may not be comparable to similarly titled measures presented by other companies. The use of non-IFRS (loss)/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 (loss)/profit as (loss)/profit for the period, excluding share-based payments, listing expense, amortization of intangible assets resulting from acquisitions, fair value changes of financial assets at fair value through profit or loss, and fair value changes of convertible redeemable preferred shares. We exclude these items because they are either non-operating in nature or not indicative of our core operating results and business outlook, or do not generate any cash outflows.

We account for the compensation cost from share-based payment transactions with employees based on the grant-date fair value of the equity instrument issued by JD.com, us and Kuayue Express. The reconciling item is non-cash in nature and does not result in cash outflow. We exclude listing expense as this item, which arises from activities relating to the Listing, is one-off and nonrecurring. Amortization of intangible assets resulting from acquisitions represents the amortization expenses of other intangible assets acquired in a business combination with finite useful lives, which is recognized on a straight-line basis over the estimated useful lives. The reconciling item is non-cash and not related to our normal activities. Fair value changes of financial assets at fair value through profit or loss represents gains or losses from fair value changes on investments measured at fair value. Multiple valuation techniques are used to determine the fair values of these investments. The reconciling item is non-cash and not related to our normal activities. Further, we account for the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. The fair value of convertible redeemable preferred shares has been determined by using the income approach and is affected primarily by the changes in our equity value. The convertible redeemable 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. In particular, we exclude fair value changes of convertible redeemable preferred shares because we do not believe this item is reflective of ongoing operating results in the period, as this non-cash item is affected by varying valuation methodologies and assumptions and has no direct correlation to the operation of our business.

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reconciliation of (loss)/profit to Non-IFRS (loss)/profit:		
(Loss)/profit for the period	**(15,213,960)**	647,418
Add:		
Share-based payments	**727,751**	451,967
Listing expense	**57,528**	—
Amortization of intangible assets resulting from acquisitions	**177,333**	—
Fair value changes of financial assets at fair value through profit or loss	**(93,995)**	65,367
Fair value changes of convertible redeemable preferred shares	**12,843,803**	818,182
Non-IFRS (loss)/profit for the period	**(1,501,540)**	1,982,934

Liquidity and capital resources

For the six months ended June 30, 2021, we funded our cash requirements principally from cash generated from financing activities through the Global Offering. Our cash and cash equivalents represent cash and bank balances. We had cash and cash equivalents of RMB25.9 billion as of June 30, 2021.

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**239,750**	5,192,347
Net cash used in investing activities	**(1,142,512)**	(1,794,976)
Net cash generated from/(used in) financing activities	**20,340,108**	(3,142,167)
Net increase in cash and cash equivalents	**19,437,346**	255,204
Cash and cash equivalents at the beginning of the period	**6,346,869**	9,274,203
Effects of foreign exchange rate changes on cash and cash equivalents	**103,491**	128,778
Cash and cash equivalents at the end of the period	**25,887,706**	9,658,185

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities and the net proceeds received from the Global Offering. We currently do not have any other plans for material additional external financing.

Net cash generated from operating activities

For the six months ended June 30, 2021, net cash generated from operating activities was RMB239.8 million. Our cash generated from operations was primarily attributable to our loss of RMB15.2 billion, as adjusted by (i) non-cash and non-operating items, which primarily consist of loss on fair value changes of convertible redeemable preferred shares of RMB12.8 billion, depreciation of right-of-use assets of RMB2.6 billion, depreciation of property and equipment of RMB911.6 million, and share-based payments of RMB727.8 million and (ii) changes in working capital, which primarily result from an increase in accrued expenses and other payables of RMB1.7 billion and an increase in trade payables of RMB1.1 billion, offset by an increase in trade receivables of RMB4.4 billion.

For the six months ended June 30, 2020, net cash generated from operating activities was RMB5.2 billion. Our cash generated from operations was primarily attributable to our profit of RMB647.4 million, as adjusted by (i) non-cash and non-operating items, which primarily consist of depreciation of right-of-use assets of RMB1.6 billion, loss on fair value changes of convertible redeemable preferred shares of RMB818.2 million, depreciation of property and equipment of RMB793.3 million, and share-based payments of RMB452.0 million and (ii) changes in working capital, which primarily result from an increase in trade payables of RMB619.4 million, partially offset by an increase in trade receivables of RMB564.4 million.

Net cash used in investing activities

For the six months ended June 30, 2021, net cash used in investing activities was RMB1.1 billion, which was primarily attributable to payment for financial assets at fair value through profit or loss (wealth management products) of RMB5.9 billion, placement of term deposits of RMB3.1 billion, and capital expenditures of RMB1.6 billion, partially offset by maturity of financial assets at fair value through profit or loss (wealth management products) of RMB6.0 billion and maturity of term deposits of RMB3.6 billion.

For the six months ended June 30, 2020, net cash used in investing activities was RMB1.8 billion, which was primarily attributable to capital expenditures of RMB1.4 billion, and payment for financial assets at fair value through profit or loss (wealth management products) of RMB1.0 billion, partially offset by maturity of financial assets at fair value through profit or loss (wealth management products) of RMB737.0 million.

Net cash generated from/(used in) financing activities

For the six months ended June 30, 2021, net cash generated from financing activities was RMB20.3 billion, which was primarily attributable to net proceeds from issuance of ordinary shares relating to the Global Offering of RMB23.0 billion and proceeds from borrowings of RMB0.6 billion, partially offset by principal portion of lease payments of RMB2.4 billion and payment to JD Group of RMB0.6 billion.

For the six months ended June 30, 2020, net cash used in financing activities was RMB3.1 billion, which was primarily attributable to principal portion of lease payments of RMB1.5 billion and payment to JD Group of RMB1.5 billion.

Gearing ratio

As of June 30, 2021, our gearing ratio, calculated as total borrowings divided by total equity attributable to owners of the Company, was approximately 1.5%.

Significant investments held

The Group did not make or hold any significant investments during the six months ended June 30, 2021.

Future plans for material investments and capital assets

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

Material acquisitions and/or disposals of subsidiaries and affiliated companies

Save for the Group's reorganisation as described in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, we did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies for the six months ended June 30, 2021.

Employee and remuneration policy

The following table sets forth the numbers of our employees categorized by function as of June 30, 2021.

Function	Number of Staff	% of Total
Operations	**261,238**	**95.5**
Sales and marketing	**4,918**	**1.8**
Research and development	**3,890**	**1.4**
General administration	**3,556**	**1.3**
Total	**273,602**	**100.0**

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

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

The total remuneration expenses, including share-based payments, for the six months ended June 30, 2021 were RMB19.8 billion, as opposed to RMB13.3 billion for the six months ended June 30, 2020, representing a year-on-year increase of 48.6%.

Foreign exchange risk

We conduct our businesses mainly in RMB, with certain transactions denominated in United States dollars, and, to a lesser extent, other currencies. 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 intragroup balances with several subsidiaries denominated in foreign currency which also expose us to foreign currency risk.

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

Pledge of assets

As of June 30, 2021, restricted cash of RMB403.7 million was pledged, compared with RMB61.7 million as of December 31, 2020.

Contingent liabilities

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

Save as disclosed in this interim report and as of the date of this interim report, there were no other significant events that might affect the Group since June 30, 2021.

Borrowings

As of June 30, 2021, our outstanding borrowings amounted to RMB560.0 million.

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

(i) Interest in the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate % of holding[1]
Yui Yu (余睿)	Beneficial owner[2]	5,900,000[L]	0.10
Yanlei Chen (陳岩磊)	Beneficial owner[2]	2,200,000[L]	0.04
Jun Fan (樊軍)	Beneficial owner[2]	1,800,000[L]	0.03
Richard Qiangdong Liu (劉強東)	Beneficial owner[2]; Interest in a controlled corporation[3]	4,023,186,705[L]	65.07
Sandy Ran Xu (許冉)	Beneficial owner[2]	100,000[L]	0.00
Pang Zhang (張雱)	Beneficial owner[2]	200,000[L]	0.00

Notes:

(1) The percentages are calculated on the basis of 6,182,981,772 Shares in issue as of June 30, 2021.

(2) The beneficial ownership of the Directors listed here are pursuant to the exercise of options granted to them under the Pre-IPO ESOP, subject to the conditions (including vesting conditions) of those options.

(3) Jingdong Technology Group Corporation, which holds 3,924,000,000 Shares, is wholly-owned by JD.com. As of June 30, 2021, Mr. Liu is interested in approximately 76.9% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings, further details of which are set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

(4) (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 June 30, 2021.

The calculations in the table below are based on 3,112,453,115 ordinary shares of JD.com outstanding as of June 30, 2021.

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

	Ordinary Shares Beneficially Owned**				
Directors and Executive Officers	**Class A Ordinary Shares**	**Class B Ordinary Shares**	**Total Ordinary Shares**	**% of Beneficial Ownership**	**% of Average Voting Power#**
Richard Qiangdong Liu (劉強東)	15,600,000[(1)]	421,507,423[(1)]	437,107,423[(1)]	14.0[(1)]	76.9[(2)(3)]
Sandy Ran Xu (許冉)	*	—	*	*	*
Pang Zhang (張雱)	*	—	*	*	*

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. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of the Class B ordinary shares is entitled to 20 votes per share on all matters submitted to them for a vote. JD.com's Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of JD Shareholders and other matters as may otherwise be required by law. Each Class B ordinary share is convertible at any time by the holder thereof into one Class A ordinary share.

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

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

(1) Represents (i) 421,507,423 Class B ordinary shares directly held by Max Smart Limited, and (ii) 15,600,000 Class A ordinary shares Mr. Liu had the right to acquire upon exercise of options that shall have become vested within 60 days after June 30, 2021. Max Smart Limited is a British Virgin Islands company beneficially owned by Mr. Liu through a trust and of which Mr. Liu is the sole director. The ordinary shares beneficially owned by Mr. Liu do not include 21,128,296 Class B ordinary shares held by Fortune Rising Holdings Limited, a British Virgin Islands company, as described in footnote (2) below.

(2) The aggregate voting power includes the voting power with respect to the 21,128,296 Class B ordinary shares held by Fortune Rising Holdings Limited. Mr. Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited and he may be deemed to beneficially own the voting power with respect to all of the ordinary shares held by Fortune Rising Holdings Limited in accordance with the rules and regulations of the U.S. SEC, notwithstanding the facts described in note (3) below.

(3) Fortune Rising Holdings Limited holds the 21,128,296 Class B ordinary shares for the purpose of transferring such shares to the plan participants 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. Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited.

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

Name of Director	Associated corporation	Nature of interest	Number of shares/ underlying shares	% of interest in associated corporation
Yui Yu (余睿)	JD.com	Beneficial owner	1,411,930[(1)(L)]	0.05
Yanlei Chen (陳岩磊)	JD.com	Beneficial owner	155,258[(2)(L)]	0.00
Jun Fan (樊軍)	JD.com	Beneficial owner	97,590[(3)(L)]	0.00
Richard Qiangdong Liu (劉強東)	JD Health	Interest in controlled corporation; Beneficial owner	2,202,296,248[(4)(L)]	69.16
Sandy Ran Xu (許冉)	JD Health	Beneficial owner	100,000[(5)(L)]	0.00
Pang Zhang (張雱)	JD Health	Beneficial owner	100,000[(5)(L)]	0.00

Notes:

(1) These interests comprise of Mr. Yu's entitlement to receive shares in JD.com pursuant to restricted share units under the share incentive plan of JD.com.

(2) These interests comprise of Mr. Chen's entitlement to receive shares in JD.com pursuant to options and restricted share units under the share incentive plan of JD.com.

(3) These interests comprise of Mr. Fan's entitlement to receive shares in JD.com pursuant to restricted share units under the share incentive plan of JD.com.

(4) These interests comprise of (i) 2,149,253,732 shares of JD Health directly held by JD Jiankang Limited which is wholly-owned by JD.com, and (ii) 53,042,516 underlying shares of JD Health in respect of the options granted to Mr. Liu. As of June 30, 2021, Mr. Liu is interested in approximately 76.9% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings — further details of which are set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

(5) These interests comprise of Ms. Xu and Ms. Zhang's entitlement to receive shares in JD Health pursuant to awards under the share award scheme of JD Health.

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

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

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

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

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate % of holding(3)
Jingdong Technology Group Corporation(1)	Beneficial owner	3,924,000,000(L)	63.46
JD.com(1)	Interest in controlled corporation	3,924,000,000(L)	63.46
TCT (BVI) Limited(2)	Trustee	523,111,646(L)	8.46
The Core Trust Company Limited(2)	Trustee	523,111,646(L)	8.46
Perfect Match Limited(2)	Nominee	315,000,000(L)	5.09

Notes:

(1) Jingdong Technology Group Corporation is wholly-owned by JD.com. Under the SFO, JD.com is deemed to be interested in and control the 3,924,000,000 Shares held by Jingdong Technology Group Corporation.

(2) The Core Trust Company Limited, as a trustee, holds 523,111,646 shares on trust under certain share incentive scheme of the Company through Perfect Match Limited, Jungle Den Limited and Jazz Dream Limited ("**Nominees**"). The Nominees are wholly-owned by TCT (BVI) Limited, which is in turn wholly-owned by The Core Trust Company Limited.

(3) The percentages are calculated on the basis of 6,182,981,772 Shares in issue as of June 30, 2021.

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

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

Share option schemes

1. Pre-IPO ESOP

The Pre-IPO ESOP was approved and adopted by the Company on March 31, 2018, as amended from time to time. The purpose of the Pre-IPO ESOP is to promote the success and enhance the value of the Company by linking the personal interests of the members of the Board, employees and consultants to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Shareholders. The Pre-IPO ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of its recipients upon whose judgment, interest and special effort the successful conduct of the Company's operation is largely dependent.

As of June 30, 2021, outstanding options representing 279,514,680 underlying Shares, representing approximately 4.5% 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 22 to the interim financial statements.

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

Details of the outstanding options granted to the Directors under the Pre-IPO ESOP during the period from the Listing Date up to June 30, 2021 are as follows:

Name	Role	Date of Grant	Vesting Period[1]	Exercise Price (per Share)	Outstanding as of the Listing Date	Exercised during the Period	Cancelled/ Lapsed/ Repurchased during the period	Outstanding as of June 30, 2021
Directors								
Yui Yu (余睿)	Executive Director and chief executive officer	April 1, 2019 to March 1, 2021	5 years and 10 months from date of grant to 6 years from date of grant	US$0.01	5,900,000	—	—	5,900,000
Yanlei Chen (陳岩磊)	Executive Director	April 1, 2018 to April 1, 2020	5 years and 9 months from date of grant to 6 years from date of grant	US$0.01	2,200,000	—	—	2,200,000
Jun Fan (樊軍)	Executive Director	April 1, 2018 to April 1, 2020	5 years and 9 months from date of grant to 6 years from date of grant	US$0.01	1,800,000	—	—	1,800,000
Richard Qiangdong Liu (劉強東)	Chairman of the Board and Non-executive Director	October 15, 2020	6 years from date of grant	US$0.01	99,186,705	—	—	99,186,705
Sandy Ran Xu (許冉)	Non-executive Director	April 1, 2021	4 years from date of grant	US$0.01	100,000	—	—	100,000
Pang Zhang (張雱)	Non-executive Director	January 1, 2020 to April 1, 2021	4 years from date of grant to 6 years from date of grant	US$0.01	200,000	—	—	200,000
Other grantees in aggregate		April 1, 2018 to April 1, 2021	9 months from date of grant to 7 years and 3 months from date of grant	US$0.01	171,602,950	—	1,474,975	170,127,975
Total	4,710 grantees				280,989,655	—	1,474,975	279,514,680

Note:

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

2. Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to the written resolutions of the Shareholders passed on May 10, 2021.

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

As of June 30, 2021, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 609,160,767 Shares, representing 10% of the issued share capital of the Company as of the Listing Date.

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 May 10, 2021. The purpose of the Post-IPO Share Award Scheme is to align the interests of Eligible Persons' (as defined in the Prospectus) with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

As of June 30, 2021, no Shares had been granted or agreed to be granted pursuant to the Post-IPO Share Award Scheme.

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.

Use of net proceeds from listing

With the Shares listed on the Main Board of the Stock Exchange on May 28, 2021, the net proceeds from the Global Offering (following the full exercise of the Over-allotment Option, as defined in the Prospectus) were approximately RMB23 billion, after deducting underwriting commissions and offering expenses paid or payable. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Company will gradually utilize the residual amount of the net proceeds in accordance with such intended purposes depending on actual business needs.

- approximately 55% of the net proceeds is expected to be used for the upgrade and expansion of our logistics networks in the next 12 to 36 months. Specifically, we expect to invest in the following networks in order to continue to maintain our competitive advantages:

  (i) Warehouse network: (a) increase the number of smart warehouses in our network, including additional Asia No. 1 smart mega warehouses in suitable locations. While we typically lease our warehouses, significant investments are required for the installation of logistics equipment including robotic picking and packaging, storage, goods-to-person systems and equipment, among others; (b) broaden our warehouse network and extend penetration with smaller scale warehouses; and (c) expand into lower tier cities and potentially rural areas in order to facilitate the increasing e-commerce traffic and demand for supply chain services into those regions.

  (ii) Line-haul network: (a) strengthen our line-haul network by adding the number of routes and enhance the efficiency of existing routes by purchasing our own transportation resources and selectively evaluating and upgrading our outsourcing partners. We also plan to invest in and expand our air cargo network by increasing the number of destinations and flight frequencies, either through charter flights or charter cabin, and (b) in addition, we plan to increase the number of automated sorting centers and upgrade existing sorting centers with our latest automation equipment and technologies, which will further increase the efficiency of our line-haul network.

  (iii) Cold-chain network: As Chinese consumers increasingly switch to online channels for certain products such as pharmaceutical products and fresh produce, there is increasing demand for high-quality and customized cold-chain solutions. As such, we plan to invest in upgrading our existing cold chain network through (a) adding more temperature-controlled warehouses and sorting centers in order to increase the capacity and broaden the coverage of our existing network; and (b) adding more specialized delivery vehicles for cold-chain transportation.

  (iv) Cross-border network: In order to benefit from for the increasing cross-border flow of e-commerce traffic, we plan to (a) increase additional bonded warehouses in China to facilitate inbound flow, as demands from Chinese consumers for foreign products continue to remain robust, (b) grow the number of overseas warehouses in key growth region, including North America, Europe and Southeast Asia, to facilitate Chinese merchants selling directly to overseas consumers, and (c) partnerships with foreign local logistics players so as to provide end-to-end solutions for our customers.

(v) Bulky item logistics network: (a) grow the number of delivery and installation stations in order to increase coverage and density of the network; and (b) train our delivery and installation personnel to improve their skills and provide them with technical support in order to strengthen our service capabilities.

(vi) Last-mile delivery network: (a) prudently invest in new delivery stations in order to broaden the coverage of the network while striking a fine balance between user experiences and operational efficiency; and (b) enhance automation level of our delivery stations and equip the delivery personnel with more smart devices and software applications.

We plan to invest in the expansion and upgrade of our logistics networks primarily on an organic basis but may also pursue opportunistic acquisitions which we believe are complementary to our existing logistics network. When evaluating acquisition targets, we will consider various criteria, including (i) the target's existing logistics infrastructure and if it is complementary to ours, (ii) the target's service capabilities and quality, (iii) the target's existing customer base, (iv) the target's operating history, track record of growth and reputation, and (v) the target's financial performance.

- approximately 20% of the net proceeds is expected to develop advanced technologies to be used in our supply chain solutions and logistics services in the next 12 to 36 months:

  (i) Invest in automation technologies, which we believe are critical to our long-term competitiveness. Such technologies include (i) hardware improvements as well as software and algorithms which power our automation equipment and devices, and (ii) research and development of use cases of our automation technologies, which will allow us to broaden the application of automation and reduce the extent of human involvement.

  (ii) Invest in our data analytic and algorithm capabilities which are at the core of our intelligent decision-making capabilities, which in turn is a key differentiator between our Group and our competitors. Enhanced data analytic and algorithmic capabilities will allow us not only to support our customers' logistics operations but also to drive their consumer experience and potentially financial performance by increasing inventory turnover and sales volume.

  (iii) Invest in other fundamental technologies including 5G, cloud computing, IoT technologies which we expect to drive our long-term service innovation.

- approximately 15% of the net proceeds is expected to be used for expanding the breadth and depth of our solutions, as well as for penetrating existing customers and attracting potential customers in the next 12–36 months:

  (i) Industry solutions: Invest in (a) further enhancing and customizing our existing industry solutions so as to address more industry-specific pain points; (b) modularization of our solutions so as to be able to provide customized solutions to other customers in the same industry with minimum lead time and cost; and (c) expanding our integrated solutions to more industry verticals, such industrial products and electronic components manufactured by corporate customers.

(ii) Sales and marketing: We plan to invest in sales and marketing personnel whose primary responsibilities include engaging existing and potential corporate customers in order to understand their logistics needs and provide suitable solutions from our services offerings; and

- approximately 10% of the net proceeds is expected to be used for general corporate purposes and working capital needs in the next 12 to 36 months.

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

During the period from the Listing Date up to June 30, 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.

Compliance with the Corporate Governance Code

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

During the period from the Listing Date to June 30, 2021, the Company has adopted and complied with all the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules, except as disclosed below.

Code provision A.1.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on May 28, 2021, the Company did not hold any Board meeting throughout the period from the Listing Date and up to June 30, 2021.

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

Compliance with the Model Code for Securities Transactions by Directors

The Company has devised its own code of conduct for securities transactions (the "**Insider Trading Policy**") regarding the Directors' dealings in the securities of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Insider Trading Policy throughout the period from the Listing Date up to June 30, 2021.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and the CG Code to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee comprises three members, namely Nora Gu Yi Wu (顧宜), Carol Yun Yau Li (李恩祐) and Sandy Ran Xu (許冉), with Nora Gu Yi Wu (顧宜) (being our independent non-executive Director with the appropriate professional qualifications) as chairperson of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2021 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and Deloitte Touche Tohmatsu, the auditor of the Company.

Dividends

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

Changes in information of Directors

Save as disclosed in this interim 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.

Important events after reporting date

Save as disclosed in this interim report, there were no important events affecting the Company which occurred after June 30, 2021 and up to the Latest Practicable Date.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

To the Board of Directors of JD Logistics, Inc.
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of JD Logistics, Inc. (the "Company") and its subsidiaries and consolidated affiliated entities (collectively referred to as the "Group") set out on pages 32 to 78, which comprise the condensed consolidated statement of financial position as of June 30, 2021 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income/(loss), condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Other Matter

The comparative condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income/(loss), condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended June 30, 2020 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with ISRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 23, 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	5	**48,472,450**	31,542,866
Cost of revenue		**(46,702,909)**	(27,488,511)
Gross profit		**1,769,541**	4,054,355
Selling and marketing expenses		**(1,380,429)**	(597,362)
Research and development expenses		**(1,379,029)**	(888,271)
General and administrative expenses		**(1,513,330)**	(950,026)
Other income, gains/(losses), net	6	**517,186**	140,303
Finance income	7	**66,492**	127,742
Finance costs	8	**(352,597)**	(214,070)
Fair value changes of convertible redeemable preferred shares	27	**(12,843,803)**	(818,182)
Impairment losses under expected credit loss model, net of reversal	9	**(28,584)**	(203,251)
Share of results of an associate and joint ventures		**(16,598)**	(7,075)
(Loss)/profit before income tax	11	**(15,161,151)**	644,163
Income tax (expense)/credit	10	**(52,809)**	3,255
(Loss)/profit for the period		**(15,213,960)**	647,418
(Loss)/profit for the period attributable to:			
Owners of the Company		**(15,360,404)**	650,456
Non-controlling interests		**146,444**	(3,038)
		(15,213,960)	647,418
		RMB (Unaudited)	RMB (Unaudited)
(Loss)/earnings per share	12		
Basic (loss)/earnings per share		**(3.62)**	0.17
Diluted (loss)/earnings per share		**(3.62)**	0.16

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(15,213,960)**	647,418
Other comprehensive income/(loss)		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	**718,115**	(34,415)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(43,246)**	54,712
Share of other comprehensive income of an associate, net of related income tax	**658**	9
Other comprehensive income for the period	**675,527**	20,306
Total comprehensive (loss)/income for the period	**(14,538,433)**	667,724
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	**(14,684,877)**	670,762
Non-controlling interests	**146,444**	(3,038)
	(14,538,433)	667,724

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	13	**8,131,578**	6,652,425
Right-of-use assets	14	**13,997,016**	12,185,603
Goodwill		**1,499,142**	1,499,142
Other intangible assets		**2,629,385**	2,807,787
Interest in an associate	15	**209,464**	224,021
Interests in joint ventures	16	**19,859**	7,742
Financial assets at fair value through profit or loss	17	**1,128,480**	1,057,358
Deferred tax assets	29	**31,973**	43,112
Prepayments, other receivables and other assets	19	**1,315,620**	1,101,033
Restricted cash		**3,420**	4,991
Total non-current assets		**28,965,937**	25,583,214
Current Assets			
Inventories		**538,741**	393,086
Trade receivables	18	**12,785,589**	5,371,323
Contract assets		**82,219**	58,602
Prepayments, other receivables and other assets	19	**2,331,533**	12,376,832
Financial assets at fair value through profit or loss	17	**935,233**	947,738
Term deposits		**2,644,040**	3,588,695
Restricted cash		**400,308**	56,743
Cash and cash equivalents		**25,887,706**	6,346,869
Total current assets		**45,605,369**	29,139,888
Total assets		**74,571,306**	54,723,102

	Notes	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	20	**971**	611
Treasury shares		**(84)**	—
Reserves		**61,877,168**	3,368,733
Accumulated losses		**(23,871,420)**	(8,511,016)
Equity attributable to owners of the Company		**38,006,635**	(5,141,672)
Non-controlling interests	21	**2,399,169**	2,248,040
Total equity		**40,405,804**	(2,893,632)
Liabilities			
Non-current liabilities			
Lease liabilities		**8,990,282**	7,844,604
Convertible redeemable preferred shares	27	**—**	21,918,414
Equity instruments with preference rights	28	**614,197**	597,380
Deferred tax liabilities	29	**686,415**	717,285
Other non-current liabilities		**1,200,000**	200,000
Total non-current liabilities		**11,490,894**	31,277,683
Current liabilities			
Trade payables	24	**6,863,368**	5,811,619
Contract liabilities		**80,408**	67,548
Accrued expenses and other payables	25	**9,490,017**	15,410,593
Advances from customers		**212,452**	258,861
Borrowings	26	**560,000**	—
Lease liabilities		**5,268,570**	4,619,073
Payables to interest holders of consolidated investment funds		**130,161**	116,950
Tax liabilities		**69,632**	54,407
Total current liabilities		**22,674,608**	26,339,051
Total liabilities		**34,165,502**	57,616,734
Total equity and liabilities		**74,571,306**	54,723,102

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company								
		Share capital	Treasury shares	Share premium	Contribution reserve*	Other reserves**	Accumulated losses	Sub-total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2021 (Audited)		**611**	**–**	**1,615,550**	**(2,851,784)**	**4,604,967**	**(8,511,016)**	**(5,141,672)**	**2,248,040**	**(2,893,632)**
(Loss)/profit for the period		**–**	**–**	**–**	**–**	**–**	**(15,360,404)**	**(15,360,404)**	**146,444**	**(15,213,960)**
Other comprehensive income for the period		**–**	**–**	**–**	**–**	**675,527**	**–**	**675,527**	**–**	**675,527**
Total comprehensive income/(loss) for the period		**–**	**–**	**–**	**–**	**675,527**	**(15,360,404)**	**(14,684,877)**	**146,444**	**(14,538,433)**
Issuance of ordinary shares relating to initial public offering, net of issuance costs	20	**112**	**–**	**23,010,686**	**–**	**–**	**–**	**23,010,798**	**–**	**23,010,798**
Conversion of convertible redeemable preferred shares to ordinary shares upon the initial public offering	20	**164**	**–**	**34,100,675**	**–**	**–**	**–**	**34,100,839**	**–**	**34,100,839**
Issuance of ordinary shares to Share Scheme Trusts	20	**84**	**(84)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share-based payments	22	**–**	**–**	**–**	**–**	**723,066**	**–**	**723,066**	**4,685**	**727,751**
Repurchase of share options		**–**	**–**	**–**	**–**	**(1,519)**	**–**	**(1,519)**	**–**	**(1,519)**
As of June 30, 2021 (Unaudited)		**971**	**(84)**	**58,726,911**	**(2,851,784)**	**6,002,041**	**(23,871,420)**	**38,006,635**	**2,399,169**	**40,405,804**
As of January 1, 2020 (Audited)		610	—	1,499,694	(2,851,784)	3,567,403	(4,333,365)	(2,117,442)	32,446	(2,084,996)
Profit/(loss) for the period		—	—	—	—	—	650,456	650,456	(3,038)	647,418
Other comprehensive income for the period		—	—	—	—	20,306	—	20,306	—	20,306
Total comprehensive income/(loss) for the period		—	—	—	—	20,306	650,456	670,762	(3,038)	667,724
Share-based payments	22	—	—	—	—	451,967	—	451,967	—	451,967
Repurchase of share options		—	—	—	—	(1,517)	—	(1,517)	—	(1,517)
Additional non-controlling interests arising on partial disposal of a subsidiary		—	—	—	—	695	—	695	149,305	150,000
As of June 30, 2020 (Unaudited)		610	—	1,499,694	(2,851,784)	4,038,854	(3,682,909)	(995,535)	178,713	(816,822)

* Contribution reserve consists of the profits or losses generated/funds utilized by the Remaining Listing Business as defined in Note 1.2 in JD Group prior to the Agreement Effective Date of Series A Preference Shares financing.

** Other reserves mainly consist of share-based payment reserve from the deemed contribution from JD.com, Inc. and granting of share options and restricted share units ("RSUs") under the Company's share award scheme, exchange differences on foreign currency translation recognized in other comprehensive income/(loss), and statutory reserves required by relevant laws of the People's Republic of China (the "PRC") applicable to the Company's PRC subsidiaries and consolidated affiliated entities.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

As detailed and defined in Note 1.2, prior to the completion of the Spin-off, the Listing Business was carried out by the PRC Operating Entities and Remaining JD Group. No separate bank accounts were maintained by the Remaining Listing Business as defined in Note 1.2. The treasury and cash disbursement functions of the Remaining Listing Business were centrally administrated under JD Group. The net cash flows generated by the Remaining Listing Business were kept in the bank accounts of JD Group. Prior to the Agreement Effective Date of the Series A Preference Shares financing as set out in Note 1.2, the Group was not able to receive and retain the profits/repay the losses arising from the Remaining Listing Business. Accordingly, the profits generated/loss incurred or funds utilized/provided by JD Group were presented as movements in the equity while there were no cash and cash equivalents balances for the Remaining Listing Business and there were no cash received/paid directly by the Group in relation to the operation of the Remaining Listing Business.

Subsequent to the Agreement Effective Date of the Series A Preference Shares financing, the Group was eligible to receive and retain the profits or obligated to repay the losses arising from the Remaining Listing Business accumulated in JD Group since January 1, 2017 in accordance with the Series A Share Subscription Agreement as defined in Note 1.2, stipulating that the profits generated/loss incurred or funds utilized/provided by the Listing Business of the Group will be reflected in the combined financial statements of the Group since January 1, 2017 and will be settled between the Group and JD Group, which is mutually agreed among the Group and all the investors of the Series A Preference Share financing. Accordingly, the profits generated/loss incurred or funds utilized/provided by the Remaining Listing Business in JD Group on behalf of the Group since January 1, 2017 were recognized as the amounts due from/to related parties without any cash flows from/to the Remaining Listing Business.

Subsequent to the completion of the Spin-off, as the Listing Business were carried out by the PRC Operating Entities, the treasury and cash disbursement functions were administrated under the Group. The profits generated/loss incurred or funds utilized/provided by the Remaining Listing Business in JD Group on behalf of the Group since January 1, 2017 and prior to the completion of the Spin-off had been fully settled between the Group and JD Group prior to the Listing.

For the purpose of presenting the financial information of the Group, the following comprises the information of cash inflow/outflow of the Group and cash inflow/outflow of the Remaining Listing Business which was received/paid via JD Group prior to completion of the Spin-off, and information of cash inflow/outflow of the Group subsequent to the completion of the Spin-off.

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	**231,958**	5,131,881
Interest received	**65,107**	80,194
Income tax paid	**(57,315)**	(19,728)
Net cash generated from operating activities	**239,750**	5,192,347
INVESTING ACTIVITIES		
Placement of restricted cash	**(6,441)**	—
Withdrawal of restricted cash	**54,447**	—
Placement of term deposits	**(3,078,520)**	—
Maturity of term deposits	**3,594,154**	—
Payment for financial assets at fair value through profit or loss	**(5,931,750)**	(1,037,520)
Maturity of financial assets at fair value through profit or loss	**5,950,413**	736,956
Payment for interest in a joint venture	**(13,500)**	—
Loans to related parties	**—**	(3,230)
Purchases of property and equipment	**(1,582,704)**	(1,410,474)
Proceeds from disposal of property and equipment	**23,336**	7,538
Purchases of other intangible assets	**(6,204)**	(5,150)
Payments for right-of-use assets	**(19,312)**	(11,991)
Payments for rental deposits	**(126,431)**	(71,105)
Net cash used in investing activities	**(1,142,512)**	(1,794,976)

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Net proceeds from issuance of ordinary shares	**23,049,955**	—
Proceeds from borrowings	**570,000**	—
Repayment of borrowings	**(10,000)**	—
Repurchase of share options	**(1,906)**	(1,496)
Principal portion of lease payments	**(2,394,116)**	(1,450,327)
Interest paid	**(321,697)**	(202,113)
Payment to JD Group	**(565,328)**	(1,503,231)
Cash injection by interest holders of consolidated investment funds	**13,200**	15,000
Net cash generated from/(used in) financing activities	**20,340,108**	(3,142,167)
Net increase in cash and cash equivalents	**19,437,346**	255,204
Cash and cash equivalents at the beginning of the period	**6,346,869**	9,274,203
Effects of foreign exchange rate changes on cash and cash equivalents	**103,491**	128,778
Cash and cash equivalents at the end of the period	**25,887,706**	9,658,185

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General information, reorganization and basis of preparation and presentation of the Condensed Consolidated Financial Statements

1.1 General information

JD Logistics, Inc. (the "Company"), formerly known as Jingdong Express Group Corporation, was incorporated in the Cayman Islands in January 2012 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 headed "Corporate Information" of this interim report.

The Company is an investment holding company. The Company and its subsidiaries and consolidated affiliated entities (collectively, the "Group"), engage in the business of providing integrated supply chain solutions and logistics services to customers across a wide array of industries (collectively, the "Listing Business") through its leading logistics network in the PRC. The Group's principal operations and geographic markets are in the PRC.

Jingdong Technology Group Corporation 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 May 28, 2021 (the "Listing").

The condensed consolidated financial statements comprise the condensed consolidated statement of financial position as of June 30, 2021, the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income/(loss), the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes (the "Condensed Consolidated Financial Statements"). The Condensed Consolidated Financial Statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated. The current interim period refers to the six-month period ended June 30, 2021.

1.2 History, reorganization and basis of preparation and presentation of the Condensed Consolidated Financial Statements

The Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB"). The Condensed Consolidated Financial Statements should be read in conjunction with the Group's historical financial information as set out in the accountants' report (the "Accountants' Report") included in Appendix I to the prospectus of the Company in connection with the initial public offering of the Company's shares on the Main Board of the Hong Kong Stock Exchange dated May 28, 2021, which have been prepared based on accounting policies that conform with International Financial Reporting Standards ("IFRSs") and the conventions applicable for the Reorganization and Spin-off (details are set out below).

In January 2012, the Company was incorporated in the Cayman Islands by Jingdong Technology Group Corporation.

1 General information, reorganization and basis of preparation and presentation of the Condensed Consolidated Financial Statements (Continued)

1.2 History, reorganization and basis of preparation and presentation of the Condensed Consolidated Financial Statements (Continued)

In August 2012, Beijing Jingbangda Trade Co., Ltd. ("Beijing Jingbangda") was incorporated in the PRC as a wholly foreign-owned subsidiary of the Company through an intermediate holding company.

Prior to the Reorganization as defined below, the Listing Business was carried out by the Group's subsidiaries in the PRC, and certain subsidiaries and consolidated affiliated entities of JD Group (collectively, the "Remaining JD Group", and the portion of the Listing Business carried out by the Remaining JD Group is referred to as "Remaining Listing Business"). Subsequent to the completion of the Reorganization, the Listing Business was carried out by the Group's subsidiaries and consolidated affiliated entities in the PRC (collectively, the "PRC Operating Entities") and the Remaining JD Group.

Reorganization

The Group underwent a reorganization (the "Reorganization") which primarily involved the following:

In May 2017, Xi'an Jingxundi Supply Chain Technology Co., Ltd. ("Xi'an Jingxundi") was incorporated in the PRC as a wholly foreign-owned subsidiary of the Company through an intermediate holding company.

In June 2017, Xi'an Jingdong Xincheng Information Technology Co., Ltd. ("Xi'an Jingdong Xincheng") was incorporated in the PRC. The paid-in capital of Xi'an Jingdong Xincheng was funded by the Company, and the equity interests are held by certain individuals ("Nominee Shareholders"). Xi'an Jingxundi, Xi'an Jingdong Xincheng and its Nominee Shareholders entered into a series of agreements, which enable Xi'an Jingxundi to obtain control over Xi'an Jingdong Xincheng and its subsidiaries. See the section headed "Contractual Arrangements" below for further details.

Subsequent to the incorporation of Xi'an Jingdong Xincheng, all the equity interests of Beijing Jingbangda were transferred to Xi'an Jingdong Xincheng at a cash consideration of RMB980,000,000. Upon completion of the transfer, Beijing Jingbangda became a subsidiary of Xi'an Jingdong Xincheng. As both Xi'an Jingdong Xincheng and Beijing Jingbangda were under the common control of the Group, the transfer of Beijing Jingbangda had been accounted for as business combination involving entities under common control using the principle of merger accounting.

1 General information, reorganization and basis of preparation and presentation of the Condensed Consolidated Financial Statements (Continued)

1.2 History, reorganization and basis of preparation and presentation of the Condensed Consolidated Financial Statements (Continued)

Spin-off

Subsequently in February 2018, the Group commenced to undertake a series of spin-off transactions for the Remaining Listing Business, which primarily include obtaining relevant business licenses and permissions, and the transfer of relevant management and employees, operating assets and liabilities, retained profits or accumulated losses, as well as the replacement of the business contracts of counter parties to the Group (the "Spin-off").

The Group has completed the Spin-off of the Remaining Listing Business prior to the Listing. Upon completion of the Spin-off, the entire Listing Business became operated and controlled by the Group.

Throughout the Spin-off and prior to the Listing, to the extent the assets, liabilities, income and expenses that are specifically identified to the Listing Business, such items are included in the Condensed Consolidated Financial Statements throughout the periods prior to the Listing. To the extent the assets, liabilities, income and expenses that are impracticable to be identified specifically, these items are allocated to the Listing Business on the basis of the combination of revenues, the headcount of employees, and total operating expenses (such items include certain cost of revenue, selling and marketing expenses, research and development expenses, and general and administrative expenses). Items that do not meet the criteria above are not included in the Condensed Consolidated Financial Statements of the Group.

Series A Preference Shares

In February 2018, 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 Agreement"), which became effective on February 14, 2018 (the "Agreement Effective Date"), details are set out in Note 27. Based on the terms stipulated in the Series A Share Subscription Agreement, pricing policies of certain related party transactions between JD Group and the Group were established and became effective since January 1, 2018 (the "Pricing Policies Effective Date").

Prior to the Pricing Policies Effective Date of the Series A Preference Shares financing, expenses incurred by JD Group that are impracticable to be specifically identified to the Listing Business are determined on the following basis: (i) items included in selling and marketing expenses, research and development expenses, and general and administrative expenses that are impracticable to be specifically identified were allocated from the JD Group's respective expenses on the basis of the combination of revenues, the headcount of employees, and total operating expenses; (ii) income tax expense was calculated based on the tax rate of the entities that the Listing Business were spun off from, as if the Listing Business was a separate tax reporting entity.

After the Pricing Policies Effective Date of the Series A Preference Shares financing, revenue or expenses that were generated from/charged by JD Group in accordance with the related party transactions listed out in the Series A Share Subscription Agreement was recognized by the Group directly in accordance with the terms stipulated in the Series A Share Subscription Agreement. Other items of expenses that are impracticable to be specifically identified to the Listing Business are determined as same as before the Pricing Policies Effective Date.

1 General information, reorganization and basis of preparation and presentation of the Condensed Consolidated Financial Statements (Continued)

1.2 History, reorganization and basis of preparation and presentation of the Condensed Consolidated Financial Statements (Continued)

Series A Preference Shares (Continued)

The Company believes that the method of the allocation and the recognition of the above expense items forms a reasonable basis for presenting the operating results of the Listing Business on a stand-alone basis. Other than those items mentioned above, all other items of assets and liabilities, income and expenses of the Listing Business are specifically identified.

In May 2021, the Group entered into a series of continuing connected transaction arrangements (the "CCT Arrangements") with JD Group and its associates in respect of Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. Majority of related party transactions between the Group and JD Group/associates of JD Group are recognized based on the terms stipulated in the CCT Arrangements.

Contractual Arrangements

In June 2017, to comply with the relevant laws and regulations in the PRC which prohibit or restrict foreign ownership of the companies where the PRC operating licenses are required, Xi'an Jingxundi entered into a series of contractual arrangements (the "Contractual Arrangements") with Xi'an Jingdong Xincheng and its Nominee Shareholders, including loan agreement, exclusive option agreement, share pledge agreement, exclusive business cooperation agreement, shareholders' right entrustment agreement and powers of attorney. These Contractual Arrangements can be extended at Xi'an Jingxundi's option prior to the expiration date.

The Contractual Arrangements enable Xi'an Jingxundi to control Xi'an Jingdong Xincheng by:

- Irrevocably exercising equity holders' voting rights of Xi'an Jingdong Xincheng;

- Exercising effective financial and operational control over Xi'an Jingdong Xincheng;

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

- Obtaining an irrevocable and exclusive right which Xi'an Jingxundi may exercise at any time to purchase all or part of the equity interests in Xi'an Jingdong Xincheng 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 Xi'an Jingdong Xincheng from its Nominee Shareholders as collateral security for all of Xi'an Jingdong Xincheng's payments due to Xi'an Jingxundi and to secure performance of Xi'an Jingdong Xincheng's obligation under the Contractual Arrangements.

1 General information, reorganization and basis of preparation and presentation of the Condensed Consolidated Financial Statements (Continued)

1.2 History, reorganization and basis of preparation and presentation of the Condensed Consolidated Financial Statements (Continued)

Contractual Arrangements (Continued)

In September 2020, to comply with the relevant laws and regulations in the PRC which prohibit or restrict foreign ownership of the companies where the PRC operating licenses are required, Jingdong Logistics Supply Chain Co., Ltd., a wholly foreign-owned subsidiary of the Company, entered into a series of contractual arrangements, which substantially mirror the terms of the Contractual Arrangements, with Guangdong Jingxi Logistics Technology Co., Ltd. and its shareholders.

In January 2021, each series of the aforementioned contractual arrangements have been terminated and replaced with the current set of contractual arrangements. No substantial terms of the contractual arrangements were modified.

2 Application of new and amendments to IFRSs

During the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Group's Condensed Consolidated Financial Statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021".

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

3 Summary of significant accounting policies

The Condensed Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Accountants' Report.

4 Segment information

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. No other discrete financial information is provided to the CEO, hence, the Group has only one reportable segment.

5 Revenue

Given the central role of inventory management in the Group's integrated supply chain solutions and logistics services, customers of the Group are categorized based on whether such customers have utilized the Group's warehouse or inventory management related services. Customers are reviewed by the Group on a regular basis, and customers who have utilized the Group's warehouse or inventory management related services in the recent past are classified as the Group's integrated supply chain customers.

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of customer:		
Integrated supply chain customers	**33,617,508**	25,932,253
Other customers	**14,854,942**	5,610,613
Total	**48,472,450**	31,542,866
Timing of revenue recognition:		
Overtime	**45,953,194**	30,186,075
A point in time	**2,519,256**	1,356,791
Total	**48,472,450**	31,542,866

6 Other income, gains/(losses), net

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	**407,966**	150,226
Fair value changes of financial assets at fair value through profit or loss	**93,995**	(65,367)
(Losses)/gains on disposal of property and equipment	**(432)**	2,797
Investment (gains)/losses attributable to interest holders of consolidated investment funds	**(11)**	525
Others	**15,668**	52,122
Total	**517,186**	140,303

The government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments, to reward the Group's support and contribution for the development of local economies. As of June 30, 2020 and 2021, there were no unfulfilled conditions or contingencies relating to these government grants.

7 Finance income

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income from bank deposits	**60,110**	98,083
Interest income from related parties (Note 30)	**6,382**	29,659
Total	**66,492**	127,742

8 Finance costs

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**321,173**	211,061
Interest expense from borrowings	**8,084**	—
Others	**23,340**	3,009
Total	**352,597**	214,070

9 Impairment losses under expected credit loss model, net of reversal

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment losses recognized, net of reversal, on:		
— trade receivables	**29,669**	184,251
— other receivables	**(1,085)**	19,000
Total	**28,584**	203,251

The basis of determining the inputs and assumptions and the estimation techniques used in the Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Accountants' Report.

10 Income tax (expense)/credit

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	**(72,540)**	(4,521)
Deferred tax (Note 29)	**19,731**	7,776
Total	**(52,809)**	3,255

11 (Loss)/profit before income tax

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefit expenses	**19,833,098**	13,348,350
Depreciation of right-of-use assets	**2,554,520**	1,582,436
Depreciation of property and equipment	**911,555**	701,788
Amortization of other intangible assets	**186,714**	6,008
Outsourcing cost	**19,032,958**	9,812,031

12 (Loss)/earnings per share

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

12.1 Basic (loss)/earnings per share

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
(Loss)/earnings for the period attributable to owners of the Company (RMB'000)	**(15,360,404)**	650,456
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**4,243,826,718**	3,924,000,000
Basic (loss)/earnings per share attributable to owners of the Company (RMB per share)	**(3.62)**	0.17

12 (Loss)/earnings per share (Continued)

12.2 Diluted (loss)/earnings per share

As the Group incurred losses for the current interim period, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the current interim period was the same as basic loss per share.

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
(Loss)/earnings for the period attributable to owners of the Company (RMB'000)	**(15,360,404)**	650,456
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**4,243,826,718**	3,924,000,000
Effect of dilutive potential ordinary shares	**—**	171,541,775
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**4,243,826,718**	4,095,541,775
Diluted (loss)/earnings per share attributable to owners of the Company (RMB per share)	**(3.62)**	0.16

The computation of diluted earnings per share for the six months ended June 30, 2020 does not assume the conversion of the convertible redeemable preferred shares of the Company as the conversion effect would be anti-dilutive.

13 Property and equipment

Property and equipment of the Group primarily consists of buildings, logistics equipment, vehicles, leasehold improvement, electronic equipment, office equipment and construction in progress. During the current interim period, additions to property and equipment amounted to RMB2,477,577,000 (six months ended June 30, 2020: RMB647,672,000).

14 Right-of-use assets

During the current interim period, the Group entered into several new lease agreements with lease terms ranging from 1 to 10 years. On lease commencement, the Group recognized right-of-use assets of RMB4,365,933,000 (six months ended June 30, 2020: RMB2,090,545,000) and lease liabilities of RMB4,347,084,000 (six months ended June 30, 2020: RMB2,075,014,000).

15 Interest in an associate

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Cost of listed investment in an associate	**357,350**	357,350
Share of post-acquisition loss and other comprehensive loss	**(147,886)**	(133,329)
	209,464	224,021

16 Interests in joint ventures

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Cost of investments in unlisted entities	**171,500**	158,000
Share of post-acquisition loss and other comprehensive loss	**(1,641)**	(258)
Impairment provision	**(150,000)**	(150,000)
	19,859	7,742

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

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Non-current:		
Equity securities in listed entities	**465,947**	397,649
Preferred shares investments in unlisted entities	**488,021**	497,529
Equity investments in unlisted entities	**174,512**	162,180
	1,128,480	1,057,358
Current:		
Wealth management products	**935,233**	947,738

Equity securities in listed entities

The fair values of equity securities in listed entities are determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on quoted market prices (level 1: quoted price (unadjusted) in active markets) without any deduction for transaction costs.

Preferred shares investments in unlisted entities

All of these investments are convertible redeemable preferred shares or ordinary shares with preferential rights. The Group has the right to require and demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of issuers. Hence, these investments are accounted for as debt instruments and are measured as financial assets at fair value through profit or loss. The major assumptions used in the valuation for investment in these unlisted entities are set out in Note 31.1.

Equity investments in unlisted entities

These investments represent equity investments in unlisted entities, in the form of ordinary shares without significant influence. The major assumptions used in the valuation for investment in these unlisted entities are set out in Note 31.1.

Wealth management products

Wealth management products purchased by the Group are issued by major and reputable commercial banks without guaranteed returns. The expected rates of return for such wealth management products held by the Group as of June 30, 2021 ranged from 3.20% to 3.86%. 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.

18 Trade receivables

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Trade receivables from third parties	**6,155,244**	5,517,630
Trade receivables from related parties* (Note 30)	**6,897,954**	93,473
Less: allowance for credit losses	**(267,609)**	(239,780)
	12,785,589	5,371,323

* As of December 31, 2020, trade receivables from related parties do not include trade receivables from JD Group in relation to the provision of integrated supply chain solutions and logistics services by the Group. Upon completion of the Spin-off, trade receivables from JD Group in relation to the provision of integrated supply chain solutions and logistics services by the Group had been accounted for as trade receivables in the Condensed Consolidated Financial Statements.

The Group allows a credit period of 30 to 180 days to its trade customers. The following is an aging analysis of trade receivables presented based on the billing date.

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Within 3 months	**12,721,917**	5,337,485
3 to 6 months	**139,428**	100,283
6 to 12 months	**72,035**	61,987
Over 12 months	**119,818**	111,348
	13,053,198	5,611,103
Less: allowance for credit losses	**(267,609)**	(239,780)
	12,785,589	5,371,323

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.

19 Prepayments, other receivables and other assets

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Non-current:		
Refundable deposits	**624,634**	483,750
Pallets	**353,075**	299,332
Long-term prepaid expenses	**203,668**	216,142
Receivables from partial disposal of a subsidiary	**75,000**	75,000
Prepayments for property and equipment	**48,683**	24,992
Others	**10,560**	1,817
	1,315,620	1,101,033
Current:		
Prepaid expenses	**1,439,937**	1,262,489
Amounts due from related parties (Note 30)	**300,134**	10,722,372
Refundable deposits	**243,297**	179,141
Prepayments to suppliers	**100,951**	72,354
Receivables from partial disposal of a subsidiary	**75,000**	75,000
Loans to related parties*	**42,084**	42,084
Interest receivables	**11,805**	16,802
Others	**149,943**	37,884
	2,363,151	12,408,126
Less: allowance for credit losses	**(31,618)**	(31,294)
	2,331,533	12,376,832

* As of June 30, 2021 and December 31, 2020, loans to related parties were secured by unlisted equity interest in debtors, of which RMB7,084,000 were with interest rate at 12% per annum and RMB35,000,000 were interest-free, respectively.

20 Share capital

Authorized

	Number of ordinary shares	Nominal value of ordinary shares USD'000	Number of preference shares	Nominal value of preference shares USD'000
As of January 1, 2021 (Audited)	**38,962,800,000**	**974**	**1,037,200,000**	**26**
Conversion of convertible redeemable preferred shares[2]	**1,037,200,000**	**26**	**(1,037,200,000)**	**(26)**
As of June 30, 2021 (Unaudited)	**40,000,000,000**	**1,000**	**—**	**—**
As of January 1, 2020 (Audited) and June 30, 2020 (Unaudited)	38,962,800,000	974	1,037,200,000	26

Issued and fully paid

	Number of ordinary shares	Nominal value of ordinary shares USD'000	Nominal value of ordinary shares RMB'000	Share premium RMB'000
As of January 1, 2021 (Audited)	**3,932,467,879**	**98**	**611**	**1,615,550**
Issuance of ordinary shares to Share Scheme Trusts[1]	**523,111,646**	**13**	**84**	**—**
Conversion of convertible redeemable preferred shares to ordinary shares[2]	**1,026,867,347**	**26**	**164**	**34,100,675**
Issuance of ordinary shares relating to initial public offering, net of issuance costs[3]	**700,534,900**	**18**	**112**	**23,010,686**
As of June 30, 2021 (Unaudited)	**6,182,981,772**	**155**	**971**	**58,726,911**
As of January 1, 2020 (Audited) and June 30, 2020 (Unaudited)	3,924,000,000	98	610	1,499,694

Notes:

1. In May 2021, as defined in Note 22.2, the Company issued 203,221,646 ordinary shares with par value of USD0.000025 per share to Jungle Den Limited and 4,890,000 ordinary shares with par value of USD0.000025 per share to Jazz Dream Limited with respect to the Pre-IPO ESOP, and 315,000,000 ordinary shares with par value of USD0.000025 per share with respect to the Post-IPO Share Award Scheme to Perfect Match Limited. Jungle Den Limited, Jazz Dream Limited and Perfect Match Limited were established to hold the shares on trust for the benefit of the participants of the JD Logistics Share Incentive Plan (collectively, "Share Scheme Trusts"). As the Company has control over the Share Scheme Trusts, the shares held by the Share Scheme Trusts were consolidated and presented as treasury shares in the Condensed Consolidated Financial Statements.

20 Share capital (Continued)

Issued and fully paid (Continued)

2. In May 2021, upon completion of the Listing, the issued Series A Preference Shares with par value of USD0.000025 per share in entirety have been converted into 1,026,867,347 ordinary shares on a one-to-one basis, as set out in Note 27. In addition, the unissued and authorized Series A Preference Shares in entirety were re-designated and reclassified as ordinary shares.

3. In May and June 2021, upon completion of the Listing, the Company issued 700,534,900 ordinary shares (including the exercise of the over-allotment option of the Listing) at par value of USD0.000025 per share for cash consideration of Hong Kong dollars ("HKD") 40.36 per share (exclusive of brokerage, SFC transaction levy and stock exchange trading fee). The Company raised gross proceeds of approximately HKD28,274 million (equivalent to RMB23,298 million), whereas the respective share capital amount was approximately RMB112,000 and share premium was approximately RMB23,298 million. The share issuance costs amounting to approximately RMB287 million were treated as a deduction against the share premium arising from the issuance, mainly including share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. The listing expenses amounted to RMB58 million were charged to the condensed consolidated statement of profit or loss for the current interim period.

21 Non-controlling interests

	Share of net assets of subsidiaries RMB'000	Share options reserve of subsidiaries RMB'000	Total RMB'000
As of January 1, 2021 (Audited)	**2,239,149**	**8,891**	**2,248,040**
Share of profit for the period	**146,444**	**—**	**146,444**
Share options of a subsidiary	**—**	**4,685**	**4,685**
As of June 30, 2021 (Unaudited)	**2,385,593**	**13,576**	**2,399,169**
As of January 1, 2020 (Audited)	32,446	—	32,446
Share of loss for the period	(3,038)	—	(3,038)
Additional non-controlling interests arising on partial disposal of a subsidiary	149,305	—	149,305
As of June 30, 2020 (Unaudited)	178,713	—	178,713

22 Share-based payments

Share-based awards to the Group's employees and non-employees are granted under a share incentive plan of JD Group (the "JD Group Share Incentive Plan"). As detailed in Note 22.2, the Group launched the Pre-IPO ESOP, the Post-IPO Share Option Scheme and the Post-IPO Share Awards Scheme (collectively, the "JD Logistics Share Incentive Plan"). In addition, share-based awards to the employees and non-employees of Kuayue-Express Group Co., Ltd. ("Kuayue Express") are granted under a share incentive plan of Kuayue Express (the "Kuayue Express Share Incentive Plan").

The table below sets forth share-based payments for RSUs and share options:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Share options	**630,406**	355,789
RSUs	**97,345**	96,178
Total	**727,751**	451,967

22.1 JD Group Share Incentive Plan

The Condensed Consolidated Financial Statements include allocation of the expenses recorded at JD Group based on the Group's employees and non-employees participating under JD Group Share Incentive Plan. JD Group grants its service-based share options and RSUs to the Group's eligible employees and non-employees, which are treated as deemed contribution from JD Group and recorded in other reserves in the Group's Condensed Consolidated Financial Statements.

Under the JD Group Share Incentive Plan, 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 the 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 the year ended December 31, 2016, certain awards had multiple tranches with tiered vesting commencement dates from 2016 to 2025, and each of the tranches is subject to a six-year vesting schedule.

The Group recognizes share-based payments in its condensed consolidated statement of profit or loss based on awards ultimately expected to vest, after considering estimated forfeitures of the Group. Forfeitures are estimated based on the historical experience and revised in the subsequent periods if actual forfeitures differ from those estimates. The impact of the revision of the original estimates on non-market vesting conditions, if any, is recognized in the profit and loss over the remaining vesting period, with a corresponding adjustment to other reserves.

22 Share-based payments (Continued)

22.1 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, 2021	**158,766**	**7.58**	**3.7**
Exercised	**(21,504)**	**10.99**	
Transferred*	**6,250**	**13.03**	
Outstanding as of June 30, 2021	**143,512**	**7.30**	**3.1**

* The transfer represents the addition or deduction of share options that were previously granted to employees who transferred into or out of the Listing Business.

The number of exercisable share options as of June 30, 2021 was 96,842.

The fair value of share options was estimated using the binominal option-pricing model. 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 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, the risk-free interest rate and expected dividends, if any.

22 Share-based payments (Continued)

22.1 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
Outstanding as of January 1, 2021	**7,490,192**	**15.72**
Granted	**129,406**	**42.26**
Vested	**(2,027,218)**	**14.80**
Transferred*	**63,410**	**31.64**
Forfeited or cancelled	**(695,144)**	**16.77**
Outstanding as of June 30, 2021	**4,960,646**	**16.84**

* The transfer represents the addition or deduction of RSUs that were previously granted to employees who transferred into or out of the Listing Business.

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.

22.2 JD Logistics Share Incentive Plan

On March 31, 2018, the Board of Directors of the Company approved and adopted a share incentive plan (the "Pre-IPO ESOP"). As of June 30, 2021, the maximum aggregate number of underlying shares which may be issued pursuant to all awards under the Pre-IPO ESOP is 598,847,916 shares that are reserved under the Pre-IPO ESOP. The Pre-IPO ESOP is valid and effective for 10 years from the approval of the Board of Directors of the Company.

On May 10, 2021, the Company approved and adopted a share option scheme (the "Post-IPO Share Option Scheme"). As of June 30, 2021, the total number of ordinary shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme was 609,160,767 shares. The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the date of the Listing.

On May 10, 2021, the Company approved and adopted a share award scheme (the "Post-IPO Share Award Scheme"). As of June 30, 2021, the aggregate number of shares underlying all grants made pursuant to the Post-IPO Share Award Scheme will not exceed 609,160,767 shares without shareholders' approval.

22 Share-based payments (Continued)

22.2 JD Logistics Share Incentive Plan (Continued)

Pre-IPO ESOP

Under Pre-IPO ESOP, the Company granted service-based and performance-based share options to employees and non-employees. The share options are generally scheduled to be vested over six years. One-sixth of the awards shall be vested upon the first anniversary dates of the grants or the end of the calendar year, and the remaining of the awards shall be vested on straight line basis at the anniversary years or the end of the remaining calendar year.

The Company would not grant further share options under the Pre-IPO ESOP after the Listing.

As of June 30, 2021, the Group had reserved 319,333,237 ordinary shares available to be granted as share-based awards under the Pre-IPO ESOP (December 31, 2020: 310,968,071).

As of June 30, 2021, the Company has issued 208,111,646 ordinary shares with respect to the Pre-IPO ESOP to Share Scheme Trusts.

(a) Service-based share options

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

	Number of share options	Weighted average exercise price USD	Weighted average remaining contractual term Year
Outstanding as of January 1, 2021	**284,045,846**	**0.01**	**8.7**
Granted	**30,030,446**	**0.01**	
Repurchased	**(458,911)**	**0.01**	
Forfeited or cancelled	**(37,431,699)**	**0.01**	
Outstanding as of June 30, 2021	**276,185,682**	**0.01**	**8.5**

The number of exercisable share options as of June 30, 2021 was 49,740,386.

22 Share-based payments (Continued)

22.2 JD Logistics Share Incentive Plan (Continued)

Pre-IPO ESOP (Continued)

(a) Service-based share options (Continued)

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 estimated fair value of each option grant is estimated on the date of grant using the binominal option-pricing model with the following assumptions:

	Six months ended June 30, 2021
Expected volatility	**40.3% to 45.0%**
Risk-free interest rate (per annum)	**1.7% to 2.3%**
Expected dividend yield	**—**
Expected term (in years)	**10**
Fair value of the underlying shares on the date of option grants (USD)	**3.11 to 4.60**

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. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The weighted average grant date fair value of options granted for the current interim period was USD4.31 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 January 1, 2021	**3,834,000**	**0.01**	**8.3**
Forfeited or cancelled	**(505,002)**	**0.01**	
Outstanding as of June 30, 2021	**3,328,998**	**0.01**	**7.8**

The number of exercisable share options as of June 30, 2021 was 1,191,308. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on performance conditions, with the impact of the revision to original estimates, if any, in profit or loss, along with a corresponding adjustment to equity.

22 Share-based payments (Continued)

22.2 JD Logistics Share Incentive Plan (Continued)

Post-IPO Share Option Scheme

As of June 30, 2021, no share options had been granted under the Post-IPO Share Option Scheme.

Post-IPO Share Award Scheme

As of June 30, 2021, no shares had been granted or agreed to be granted under the Post-IPO Share Award Scheme.

As of June 30, 2021, the Company has issued 315,000,000 ordinary shares with respect to the Post-IPO Share Award Scheme to Share Scheme Trusts.

22.3 Other share-based payments allocation

The share-based payments of JD Group's employees in the headquarters, including service-based share options and RSUs, were allocated to the Group based on corresponding drivers, amounting to RMB76,994,000 for the current interim period (six months ended June 30, 2020: RMB39,995,000), which were treated as deemed contribution from JD Group and recorded in other reserves in the Condensed Consolidated Financial Statements.

22.4 Kuayue Express Share Incentive Plan

In October 2019, Kuayue Express granted share-based awards to eligible employees to attract and retain the best available personnel, provide additional incentives to employees and directors and promote the success of Kuayue Express under the Kuayue Express Share Incentive Plan. The Kuayue Express Share Incentive Plan consists of service-based share options, which are generally scheduled to be vested over 1 to 3 years.

As of June 30, 2021, Kuayue Express has granted in aggregate 10,417,390 share options of Kuayue Express to its employees. For the current interim period, total share-based payments of RMB4,685,000 was recognized in the Group's condensed consolidated statement of profit or loss and included in non-controlling interests for the share options granted under the Kuayue Express Share Incentive Plan.

23 Dividends

No dividends were paid, declared or proposed during the current interim period. The Board has determined that no dividend will be paid in respect of the current interim period (six months ended June 30, 2020: nil).

24 Trade payables

The following is an aging analysis of trade payables presented based on the recognition date:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Within 3 months	**6,154,160**	5,092,371
3 to 6 months	**401,339**	501,446
6 to 12 months	**167,449**	122,484
Over 12 months	**140,420**	95,318
	6,863,368	5,811,619

The credit period of trade payables is mainly ranging from 30 to 120 days.

Certain reputable financial institutions offer supply chain financing services to the Group's suppliers. Suppliers can sell one or more of the Group's payment obligations at their sole discretion to the financial institutions to receive funds ahead of time from the financial institutions to meet their cash flow needs. The Group's rights and obligations to suppliers are not impacted. The original payment terms, timing and amount, remain unchanged.

As of June 30, 2021, RMB515,880,000 of the outstanding payment obligations were elected by the suppliers and sold to the financial institutions (December 31, 2020: RMB472,981,000).

25 Accrued expenses and other payables

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Salary and welfare payables	**2,933,097**	3,500,957
Accrued expenses	**2,172,976**	1,550,083
Property and equipment payables	**1,606,371**	612,408
Packing materials payables	**856,858**	812,589
Deposits	**777,077**	626,567
Other tax payables	**248,071**	314,738
Temporary receipts	**177,590**	109,903
Amount due to non-controlling shareholder*	**111,336**	104,640
Amounts due to related parties (Note 30)	**55,806**	7,141,788
Others	**550,835**	636,920
	9,490,017	15,410,593

* As of June 30, 2021, amount due to non-controlling shareholder of RMB111,336,000 (December 31, 2020: RMB104,640,000) and other non-current liabilities of RMB200,000,000 (December 31, 2020: RMB200,000,000) were originated from the interest-bearing borrowings provided by non-controlling shareholder of Kuayue Express, the non-current portion of which had a term to maturity of 3 years.

26 Borrowings

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Secured bank loans*	**400,000**	—
Unsecured bank loans**	**160,000**	—
	560,000	—

* As of June 30, 2021, RMB400,000,000 of bank loans were secured by restricted cash and should be repaid within one year from the end of the reporting period.

** As of June 30, 2021, RMB160,000,000 of bank loans were unsecured, unguaranteed, and should be repaid within one year from the end of the reporting period.

27 Convertible redeemable preferred shares

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Financial liability at FVTPL		
Series A Preference Shares	—	21,918,414

Series A Preference Shares

In February 2018, the Group entered into definitive agreements with third-party investors to raise financing, with the total amount of USD2,510,000,000 (equivalent to RMB15,973,564,000) by issuance of 1,004,000,000 Series A Preference Shares, representing approximately 19% of the ownership of the Company on a fully diluted basis. The Series A Preference Shares are contingently redeemable by the holders 5 years from the issuance date in the event that a qualified initial public offering (the "Qualified IPO") has not occurred and the Series A Preference Shares have not been converted. The Qualified IPO is defined as an initial public offering that (i) has been approved by the Board of Directors of the Company, or (ii) with the offering price per share that values the Company at no less than USD20,000,000,000 on a fully diluted basis immediately following the completion of such offering.

In August 2020, the Company issued 22,867,347 Series A Preference Shares to third-party investors in exchange for USD64,029,000 (equivalent to RMB443,039,000).

The rights, preferences and privileges of the Series A Preference Shares are as follows:

Dividend Rights

As regards to dividends, the Series A Preference Shares shall rank pari passu with the ordinary shares and the holders of the Series A Preference Shares shall be entitled to the same amount of dividends as the holders of the ordinary shares on an as converted basis as if they were a single class. No dividend or distribution shall be payable except out of any funds legally available.

Voting Rights

The holder of each ordinary share issued and outstanding should have one vote in respect of each ordinary share held and the holder of each Series A Preference Share shall carry such number of votes as is equal to the number of votes of ordinary shares then issuable upon the conversion of such Series A Preference Shares. The holders of the Series A Preference Shares and the holders of ordinary shares shall vote together and not as a separate class.

27 Convertible redeemable preferred shares (Continued)

Series A Preference Shares (Continued)

Liquidation Preferences

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, all assets and funds of the Company legally available for distribution (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed ratably among the holders according to their relative number of ordinary shares held by such holders (all the Series A Preference Shares as if they had been converted into ordinary shares immediately prior to such liquidation, dissolution or winding up of the Company).

Redemption Rights

From and after the fifth anniversary of the Series A Preference Shares' original issuance date, and prior to the consummation of a Qualified IPO, each holder of the Series A Preference Shares shall have the rights at any time to require and demand the Company to redeem all or any portion of the Series A Preference Shares held by such holder.

The initial redemption price payable on each Series A Preference Share is the total of:

(i) any dividend relating to each Series A Preference Share which has been declared by the Company but unpaid, to be calculated up to and including the date of the redemption; plus

(ii) the Series A Preference Shares purchase price, that is USD2.50 per share, subject to appropriate adjustments in the event of any share dividend, share combination or similar recapitalization events.

Conversion Rights

Each Series A Preference Share shall be convertible, at the option of the holder of the Series A Preference Shares, at any time after the date of issuance of such Series A Preference Shares, into such number of fully paid and non-assessable ordinary shares as is determined by dividing the Series A Preference Shares purchase price by the conversion price then applicable to such Series A Preference Shares. The conversion price of each Series A Preference Share is the same as its original issuance price if no adjustments to conversion price have occurred.

Each Series A Preference Share shall automatically be converted into ordinary shares (i) upon the consummation of a Qualified IPO; or (ii) in the event that the holders of the Series A Preference Shares holding at least 50% of the Series A Preference Shares in issue elect to convert the Series A Preference Shares.

27 Convertible redeemable preferred shares (Continued)

Series A Preference Shares (Continued)

The movements of the Series A Preference Shares issued by the Company are set out as below:

	Six months ended June 30, 2021 RMB'000 (Unaudited)	Year ended December 31, 2020 RMB'000 (Audited)
Carrying amount at the beginning of the period/year	**21,918,414**	18,069,639
Issuance of Series A Preference Shares	**—**	443,039
Changes in fair value	**12,843,803**	4,861,109
Currency translation differences	**(661,378)**	(1,455,373)
Conversion of convertible redeemable preferred shares to ordinary shares	**(34,100,839)**	—
Carrying amount at the end of the period/year	**—**	21,918,414

Prior to the Listing, the Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set out as below:

	As of December 31, 2020
Discount rate	16%
Risk-free interest rate	0.54% to 3.73%
Discount for lack of marketability ("DLOM")	10%
Expected volatility	38%

Discount rate was estimated by weighted average cost of capital as of each valuation date. 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 plus country risk spread. The DLOM was estimated based on the option-pricing method. Under the option pricing method, the cost of put option, which can hedge the price change before the private held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before respective valuation date and with similar span as time to expiration. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of the Series A Preference Shares on each valuation date.

All Series A Preference Shares were converted into ordinary shares upon completion of the Listing on May 28, 2021. The offering price of HKD40.36 was used to determine the underlying value of the Series A Preference Shares as of May 28, 2021.

28 Equity instruments with preference rights

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31 2020 RMB'000 (Audited)
Financial liability at amortized cost		
Equity instruments with preference rights issued by Kuayue Express	**614,197**	597,380

Equity instruments with preference rights issued by Kuayue Express

In August and October 2018, Kuayue Express entered into definitive agreements with third-party investors and issued equity instruments of Kuayue Express with preference rights ("Kuayue Express Series A and A+ Preference Equity Instruments").

The primary preference rights of Kuayue Express Series A and A+ Preference Equity Instruments are as follows:

Voting rights

Each of the Kuayue Express Series A and A+ Preference Equity Instrument has voting rights equivalents to the number of ordinary equity securities into which such equity instrument with preference rights could be then convertible.

Dividends rights

The holders of Kuayue Express Series A and A+ Preference Equity Instruments are entitled to receive dividends, out of any assets legally available, as and if declared by the board of directors of Kuayue Express. Such distributions shall not be cumulative. To the extent any dividend is declared and paid, such dividend shall be paid ratably to all holders of equity securities in Kuayue on a fully diluted basis. The dividend right is considered as an equity component included in the equity instruments with preferential rights and will not be remeasured in subsequent periods.

Liquidation Preferences

In the event of any liquidation, dissolution or winding up of Kuayue Express, either voluntary or involuntary, distributions to shareholders of Kuayue Express shall be made in the following manner (after satisfaction of all creditors' claims and claims that may be preferred by law):

Each holder of Kuayue Express Series A and A+ Preference Equity Instrument shall be entitled to receive the amount equal to 100% of the applicable purchase price of such Kuayue Express Series A and A+ Preference Equity Instruments, plus the corresponding share of retained profits of Kuayue Express, prior and in preference to any distribution of any of the assets or surplus funds of Kuayue Express to the holders of ordinary equity securities.

28 Equity instruments with preference rights (Continued)

Equity instruments with preference rights issued by Kuayue Express (Continued)

Liquidation Preferences (Continued)

If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full preferred preference amount, the liquidation preference amount will be distributed ratably to the holders of Kuayue Express Series A and A+ Preference Equity Instruments in accordance with their relative shareholding.

After distributing or paying in full the liquidation preference amount to all of the holders of Kuayue Express Series A and A+ Preference Equity Instruments, the remaining assets of Kuayue Express available for distribution, if any, shall be distributed to the holders of ordinary equity securities on a pro-rata basis, based on the number of equity securities then held by each holder on a fully diluted basis.

Redemption Rights

Upon the earlier to occur of (i) Kuayue Express has not completed an initial public offering following the ninth anniversary of the issuance date of Kuayue Express Series A or A+ Preference Equity Instruments, or (ii) any material breach of any transaction agreement by Kuayue Express or any founder party of Kuayue Express, any holder of Kuayue Express Series A or A+ Preference Equity Instruments may require Kuayue Express to redeem any or all of the then outstanding equity securities held by such holders at the redemption price which represent the purchase price, plus an interest at an annual rate of 5% calculating from the issuance date to the payment date, less any retained profits collected by such holder.

The effective interest rate of the liability component is 5.63%. The movements of the liability component of Kuayue Express Series A and A+ Preference Equity Instruments are set out as below:

	Six months ended June 30, 2021 RMB'000 (Unaudited)	From August 17, 2020 to December 31, 2020 RMB'000 (Audited)
Carrying amount at the beginning of the period	**597,380**	585,774
Accreted interest	**16,817**	11,606
Carrying amount at the end of the period	**614,197**	597,380

29 Deferred tax assets/liabilities

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31 2020 RMB'000 (Audited)
Deferred tax assets	**31,973**	43,112
Deferred tax liabilities	**(686,415)**	(717,285)
	(654,442)	(674,173)

The movements in deferred tax assets and liabilities during the current interim period are as follows:

	Tax losses RMB'000	ECL provision and others RMB'000	Accelerated depreciation RMB'000	Other intangible assets acquired in business combinations RMB'000	Changes in fair value of financial instruments RMB'000	Total RMB'000
As of January 1, 2021 (Audited)	**35,730**	**7,382**	**(21,563)**	**(694,601)**	**(1,121)**	**(674,173)**
Credit/(charge) to profit or loss	**100**	**(5,456)**	**(16,212)**	**44,382**	**(3,083)**	**19,731**
As of June 30, 2021 (Unaudited)	**35,830**	**1,926**	**(37,775)**	**(650,219)**	**(4,204)**	**(654,442)**
As of January 1, 2020 (Audited)	—	—	(41,488)	—	(566)	(42,054)
Credit/(charge) to profit or loss	—	—	8,123	—	(347)	7,776
As of June 30, 2020 (Unaudited)	—	—	(33,365)	—	(913)	(34,278)

29 Deferred tax assets/liabilities (Continued)

Deferred tax assets have not been recognized in respect of the following items:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31 2020 RMB'000 (Audited)
Tax losses	**4,782,156**	3,137,575
Deductible temporary differences	**1,978,673**	896,570
	6,760,829	4,034,145

Due to the unpredictability of future profit streams, no deferred tax assets had been recognized for these unused tax losses and deductible temporary differences.

As of June 30, 2021, these unrecognized tax losses primarily arising from the Company's subsidiaries and consolidated affiliated entities established in the PRC, which can be carried forward to offset future taxable income and will expire during period from 2021 to 2026.

30 Related party transactions

Other than as disclosed elsewhere in the Condensed Consolidated Financial Statements, the following significant transactions and balances were carried out between the Group and its related parties during the current interim period. In the opinion 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.

30.1 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 current interim period.

Name of related parties	Relationship
JD.com, Inc.	Ultimate parent company of the Company
Jingdong Technology Group Corporation	Immediate parent company of the Company
JD Group	Controlled by JD.com, Inc.
Tencent Holdings Limited and its subsidiaries ("Tencent Group")	A shareholder of the ultimate parent company
AiHuiShou International Co. Ltd. and its subsidiaries ("AiHuiShou Group")	An associate of JD Group
JD Logistics Properties Core Fund, L.P., JD Logistics Properties Core Fund II, L.P. and JD Logistics Properties Development Fund I, L.P. ("Core Funds and Development Fund")	Associates of JD Group
Dada Nexus Limited and its subsidiaries ("Dada Group")	An associate of JD Group
Jingdong Technology Holding Co., Ltd. and its subsidiaries ("JD Technology")*	An associate of JD Group, and controlled by Mr. Richard Qiangdong Liu

* JD Technology became an associate of JD Group since June 2020.

30.2 Significant transactions with related parties

Prior to the completion of the Spin-off, the supply chain solutions and logistics services revenue, advertising revenue, back-office administrative expenses, and shared service expenses attributable to the Remaining Listing Business were carved out from the JD Group as all of these transactions and activities were carried out by the Remaining JD Group. Prior to the Pricing Policies Effective Date of the Series A Preference Shares financing, these transactions have been recorded in the financial statements based on the actual amounts recognized/incurred by Remaining JD Group (other than certain expenses that were not able to specifically identified, which were allocated on the method as disclosed in Note 1.2) as if they were the revenue and expenses of the Group.

30 Related party transactions (Continued)

30.2 Significant transactions with related parties (Continued)

After the Pricing Policies Effective Date of the Series A Preference Shares financing and prior to the launch of the CCT Arrangements, based on the terms stipulated in the Series A Share Subscription Agreement, terms and pricing policies of these transactions entered into by JD Group for the Group or between JD Group and the Group were established.

Subsequent to the launch of the CCT Arrangements, the majority of transactions between the Group and JD Group/associates of JD Group are continuing connected transactions and recognized based on the terms stipulated in the CCT Arrangements as set out in Note 1.2.

Details of significant transactions with related parties recorded with the abovementioned terms and pricing policies for the current interim period are separately shown as follows:

		Six months ended June 30,	
	Notes	**2021**	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Rendering of services:			
Services provided to JD Group	(a)	**21,961,295**	18,893,409
Services provided to Tencent Group	(b)	**66,415**	14,322
Services provided to JD Technology	(c)	**160,687**	94,383
Services provided to AiHuiShou Group	(b)	**43,042**	32,029
Receiving of services:			
Services received from JD Group	(d)	**611,003**	513,920
Services received from Dada Group	(e)	**507,452**	1,017,225
Share-based compensation received from JD.com, Inc.	(d)	**104,545**	100,635
Services received from JD Technology	(f)	**133,947**	51,473
Lease arrangements:			
Interest on lease liabilities for leases with Core Funds and Development Fund	(g)	**98,740**	96,611
Interest on lease liabilities for leases with JD Group	(h)	**27,587**	7,778
Receiving of interest:			
Interest income from JD Group	(i)	**6,382**	29,659

30 Related party transactions (Continued)

30.2 Significant transactions with related parties (Continued)

Rendering of services:

(a) The Group provides integrated supply chain solutions and logistics services to JD Group in exchange for service fees, including but not limited to warehousing and distribution services, express and freight delivery services, after sales and maintenance services, and other related ancillary services.

The Group provides advertising services to JD Group in return for the advertising fees.

(b) The Group is primarily engaged in providing supply chain solutions and logistics services to Tencent Group and AiHuiShou Group.

(c) The Group is primarily engaged in providing installation and maintenance services, and advertising services to JD Technology.

Receiving of services:

(d) JD Group provides back-office and administrative support services to the Group, including but not limited to cloud service, provision of servers, information technology support service, certain human resources services, in addition to certain shared services, including office premises sharing, transportation and canteen facilities for staff, administrative purchases and various support services. The Group pays JD Group the actual costs incurred during the service process.

JD Group grants share options and RSUs to the Group's eligible employees under the JD Group Share Incentive Plan. In addition, the share-based payments of JD Group's employees in the headquarters are allocated to the Group based on corresponding drivers.

(e) Dada Group primarily provides platform and on-demand delivery services to the Group.

(f) JD Technology primarily provides payment and ancillary services to the Group.

Lease arrangements:

(g) During the current interim period, the Group entered into several lease agreements for operational purposes with Core Funds and Development Fund for 3 to 5 years. As of June 30, 2021, right-of-use assets amounted to RMB2,329,493,000 (December 31, 2020: RMB2,532,697,000), and lease liabilities amounted to RMB2,547,981,000 (December 31, 2020: RMB2,711,907,000).

(h) During the current interim period, the Group entered into several lease agreements for operational purposes with JD Group for 1 to 6 years. As of June 30, 2021, right-of-use assets amounted to RMB1,605,207,000 (December 31, 2020: RMB796,811,000), and lease liabilities amounted to RMB1,625,112,000 (December 31, 2020: RMB799,943,000).

30 Related party transactions (Continued)

30.2 Significant transactions with related parties (Continued)

Receiving of interest:

(i) Prior to the Listing, to better utilize the excessive cash for higher returns, the Group participates in the treasury management scheme administrated by JD Group, through transferring excessive cash to JD Group and charges interest accordingly. The Group is entitled to receive interest income from JD Group based on the terms stipulated in the Series A Share Subscription Agreement.

30.3 Significant balances with related parties

The Group had the following significant balances with related parties:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31 2020 RMB'000 (Audited)
Due from related parties:		
Amount due from JD Group	**6,787,207**	10,538,555
Amount due from JD Technology	**306,282**	199,821
Amount due from Tencent Group	**71,800**	63,202
Amount due from AiHuiShou Group	**14,925**	7,199
Amount due from Dada Group	**3,285**	3,438
Amounts due from other related parties	**14,589**	3,630
	7,198,088	10,815,845
Due to related parties:		
Amount due to JD Group	**—**	6,951,957
Amount due to Dada Group	**198,001**	507,274
Amount due to Core Funds and Development Fund	**55,806**	39,831
Amounts due to other related parties	**—**	154,017
	253,807	7,653,079

30 Related party transactions (Continued)

30.3 Significant balances with related parties (Continued)

Significant balances with related parties as of June 30, 2021:

As of June 30, 2021, amounts due from related parties of RMB6,897,954,000 were included in trade receivables, and RMB300,134,000 were included in prepayments, other receivables and other assets.

As of June 30, 2021, amounts due to related parties of RMB198,001,000 were included in trade payables, and RMB55,806,000 were included in accrued expenses and other payables.

The above amounts due from/due to related parties as of June 30, 2021 were unsecured, non-interest bearing and either repayable on demand or due within one year from the end of the reporting period.

Significant balances with related parties as of December 31, 2020:

As of December 31, 2020, other than amount due from JD Group, amounts due from related parties of RMB93,473,000 were included in trade receivables, and RMB183,817,000 were included in prepayments, other receivables and other assets, the majority of which had been settled prior to the Listing. As of December 31, 2020, amount due from JD Group primarily included (i) trade receivables resulting from the Group's integrated supply chain solutions and logistics services provided to JD Group, and (ii) non-trade receivables arising from the normal course of business, which were typically settled on a monthly basis. The outstanding receivables due from JD Group as of December 31, 2020 had been fully settled prior to the Listing.

As of December 31, 2020, other than amount due to JD Group, amounts due to related parties of RMB511,291,000 were included in trade payables, and RMB189,831,000 were included in accrued expenses and other payables, the majority of which had been settled prior to the Listing. As of December 31, 2020, amount due to JD Group primarily included (i) payables for services received from JD Group, and (ii) the funds utilized by the Remaining Listing Business since January 1, 2017 and other non-trade related balances as a result of the carve-out process. The outstanding payables due to JD Group as of December 31, 2020 had been fully settled prior to the Listing.

The above amounts due from/due to related parties as of December 31, 2020 were unsecured and either repayable on demand or due within one year from the end of the reporting period. As of December 31, 2020, other than amount due from/due to JD Group, the above amounts due from/due to related parties are non-interest bearing.

30 Related party transactions (Continued)

30.4 Key management personnel compensation

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and bonuses	**3,269**	1,857
Share-based payments	**336,425**	42,086
Pension cost — defined contribution plans	**41**	23
Welfare, medical and other benefits	**864**	408
Total	**340,599**	44,374

31 Fair value measurement of financial instruments

31.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 Fair value measurement of financial instruments (Continued)

31.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used). The determination of the fair value for convertible redeemable preferred shares is set out in Note 27.

Financial assets/ financial liabilities	Fair value as of June 30, 2021 RMB'000 (Unaudited)	Fair value as of December 31, 2020 RMB'000 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Equity securities in listed entities	**465,947**	397,649	Level 1	Quoted bid prices in an active market	N/A
Equity investments in unlisted entities	**174,512**	162,180	Level 3	A combination of observable and unobservable inputs	Discount for lack of marketability; market multiples
Preferred shares investments in unlisted entities	**141,051**	178,895	Level 2	Recent transaction price	N/A
Preferred shares investments in unlisted entities	**346,970**	318,634	Level 3	A combination of observable and unobservable inputs	Discount for lack of marketability
Wealth management products	**935,233**	947,738	Level 2	Cash flow discounted using the expected return based on observable market inputs	N/A
Payables to interest holders of consolidated investment funds	**130,161**	116,950	Level 3	Net assets value of the investment funds	Net assets value of the investment funds

During the current interim period, fair value changes arose from the financial assets and financial liabilities measured at fair value classified within Level 3 as listed in the table above were insignificant. The directors of the Company consider that any reasonable changes in the significant unobservable inputs would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented.

31 Fair value measurement of financial instruments (Continued)

31.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

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 each reporting end. During the current interim period, there were no transfers among different levels of fair values measurement.

31.2 Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL RMB'000	Convertible redeemable preferred shares RMB'000	Payables to interest holders of consolidated investment funds RMB'000
As of January 1, 2021 (Audited)	**480,814**	**21,918,414**	**116,950**
Capital contribution	**—**	**—**	**13,200**
Distribution	**(354)**	**—**	**—**
Changes in fair value	**44,057**	**12,843,803**	**11**
Currency translation differences	**(3,035)**	**(661,378)**	**—**
Converted to ordinary shares	**—**	**(34,100,839)**	**—**
As of June 30, 2021 (Unaudited)	**521,482**	**—**	**130,161**
As of January 1, 2020 (Audited)	434,821	18,069,639	109,239
Capital contribution	—	—	15,000
Changes in fair value	—	818,182	(525)
Currency translation differences	2,860	273,102	—
As of June 30, 2020 (Unaudited)	437,681	19,160,923	123,714

31.3 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

For the financial assets and financial liabilities that are not measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Condensed Consolidated Financial Statements approximate their fair values.

32 Events after the reporting period

There are no material subsequent events during the period from June 30, 2021 to the approval date of the Condensed Consolidated Financial Statements by the Board of Directors on August 23, 2021.

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
"AGVs"	automated guided vehicles
"ARPC"	average revenue per customer
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Auditor"	Deloitte Touche Tohmatsu, the auditor of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"China", or "the PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. "Chinese" shall be construed accordingly
"Class A ordinary share(s)"	Class A ordinary shares in the share capital of JD.com with par value of US$0.00002 each, conferring a holder of a Class A ordinary share to one vote per share on any resolution tabled at JD.com's general meeting
"Class B ordinary share(s)"	Class B ordinary shares in the share capital of JD.com with par value of US$0.00002 each, conferring weighted voting rights in JD.com such that a holder of a Class B ordinary share is entitled to 20 votes per share on any resolution tabled at JD.com's general meeting
"Company ", "our Company", or "the Company"	JD Logistics, Inc. (京东物流股份有限公司), an exempted company with limited liability incorporated in the Cayman Islands on January 19, 2012
"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, Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) and their respective subsidiaries

"Contractual Arrangement(s)"	the series of contractual arrangements entered into, among others, (i) between the WFOE, the Onshore Holdco and the Registered Shareholders, and (ii) between Jian Cui (崔建), Dingkai Yu (禹定凱), Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) and Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司), as detailed in the section headed "Contractual Arrangements" in the Prospectus
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Jingdong Technology Group Corporation, 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
"FMCG"	fast-moving consumer goods
"GFA"	gross floor area
"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 upon the Reorganization and including our Group prior to the Reorganization
"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 and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6618)

"JD Share(s)"	Class A ordinary shares and Class B ordinary shares in the share capital of JD.com
"Kuayue Express"	Kuayue-Express Group Co., LTD.
"Latest Practicable Date"	September 8, 2021
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	May 28, 2021, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Onshore Holdco"	Xi'an Jingdong Xincheng Information Technology Co., Ltd. (西安京東信成信息技術有限公司), a Consolidated Affiliated Entity
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by our Company on May 10, 2021
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on May 10, 2021
"Pre-IPO ESOP"	the pre-IPO employee share incentive plan adopted by our Company on March 31, 2018
"Prospectus"	the prospectus of the Company dated May 17, 2021
"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)
"Reorganization"	the corporate restructuring of the Group in preparation for the Listing, as described in the section headed "History, Reorganization and Corporate Structure — Corporate Reorganization" in the Prospectus
"Reporting Period"	Six months ended June 30, 2021
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC

"Series A Preference Shares"	the series A preference shares of our Company with par value of US$0.000025 each, of which 1,026,867,347 series A preference shares had been in issue and held by the Series A Preference Shareholders prior to the conversion into ordinary shares upon the Listing
"Series A Preference Shareholders"	China Life Trustees Ltd. (中國人壽信託有限公司), Jungle Parent Limited, Skycus China Fund, L.P., SCC Growth IV Holdco A, Ltd., SCC Growth IV 2018-A, L.P., China Merchants Logistics Synergy Limited Partnership, Image Frame Investment (HK) Limited (意像架構投資（香港）有限公司), TPP Follow-on I Holding E Limited, Qianshan Logistics L.P. (千山物流基金有限合夥), Eastar Capital Fund, L.P., HHJL Holdings Limited, Shanghai Hudeyuezhen Enterprise Management Partnership (Limited Partnership) (上海滬德越貞企業管理合夥企業（有限合夥）), EverestTai Capital LLC (永泰資本有限責任公司), Hidden Hill SPV II, CG Partners Opportunity Fund SP2, Jingdong E-Commerce (Express) LLC and other holders of Series A Preference Shares from time to time
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital our Company with par value of US$0.000025 each
"Shareholder(s)"	holder(s) of our Share(s)
"SMEs"	small- and medium-sized enterprises
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"U.S. SEC"	the Securities and Exchange Commission of the United States
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"WFOE"	Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司), a company established in the PRC on May 18, 2017 and an indirectly wholly-owned subsidiary of our Company
"%"	per cent

JDL 京东物流