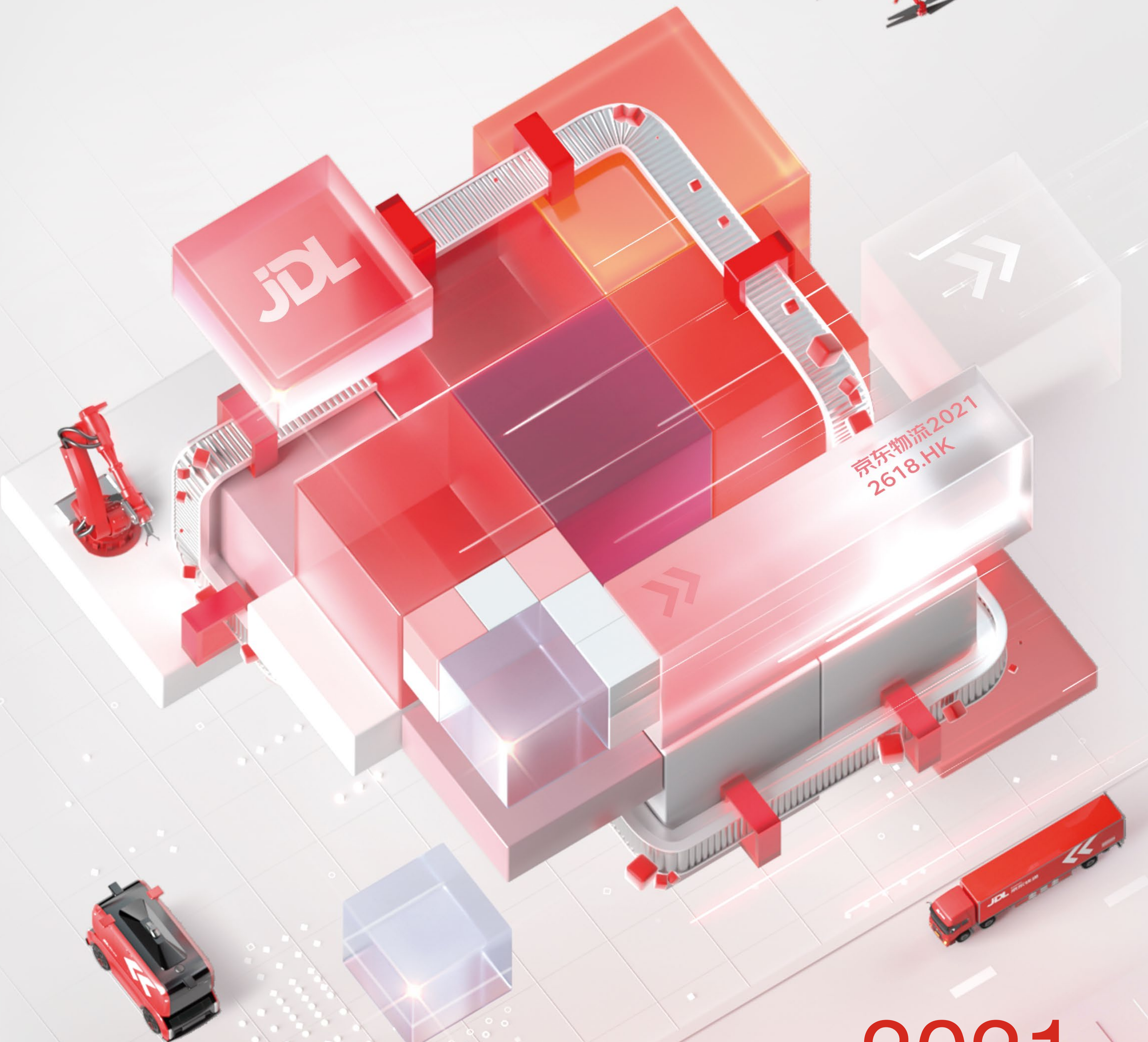
JD Logistics, Inc.

京东物流股份有限公司

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

Stock Code: 2618



2021
Annual Report

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JDL 京东物流

CORPORATE INFORMATION

Board of Directors

Executive Directors

Yui Yu (余睿) *(Chief Executive Officer)*
Yanlei Chen (陳岩磊) (resigned on April 7, 2022)
Jun Fan (樊軍) (resigned on April 7, 2022)

Non-executive Directors

Richard Qiangdong Liu (劉強東) *(Chairman)*
Sandy Ran Xu (許冉) (resigned on April 7, 2022)
Pang Zhang (張雱) (resigned on April 7, 2022)

Independent non-executive Directors

Nora Gu Yi Wu (顧宜)
Liming Wang (王利明)
Carol Yun Yau Li (李恩祐)
Xiande Zhao (趙先德) (appointed on April 7, 2022)
Yang Zhang (張揚) (appointed on April 7, 2022)

Audit Committee

Nora Gu Yi Wu (顧宜) *(Chairperson)*
Carol Yun Yau Li (李恩祐)
Sandy Ran Xu (許冉) (resigned on April 7, 2022)
Xiande Zhao (趙先德) (appointed on April 7, 2022)

Remuneration Committee

Liming Wang (王利明) *(Chairperson)*
Nora Gu Yi Wu (顧宜)
Pang Zhang (張雱) (resigned on April 7, 2022)
Xiande Zhao (趙先德) (appointed on April 7, 2022)

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.com

JDL 京东物流

FINANCIAL SUMMARY

Condensed consolidated statements of profit or loss and statements of comprehensive loss

	Year ended December 31,			
	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**104,693,402**	73,374,716	49,847,639	37,873,445
Gross profit	**5,784,076**	6,293,639	3,432,214	1,080,180
Loss before income tax	**(15,600,358)**	(4,049,296)	(2,160,156)	(2,763,991)
Loss for the year	**(15,660,732)**	(4,037,289)	(2,237,486)	(2,764,547)
Loss attributable to owners of the Company	**(15,841,960)**	(4,133,995)	(2,233,900)	(2,764,547)
Total comprehensive loss for the year	**(15,275,536)**	(3,904,251)	(2,195,576)	(2,782,480)
Total comprehensive loss attributable to owners of the Company	**(15,456,764)**	(4,000,957)	(2,191,990)	(2,782,480)
Non-IFRS measures:				
Non-IFRS (loss)/profit for the year	**(1,225,916)**	1,794,754	(304,856)	(1,601,956)

Condensed consolidated statements of financial position

	As of December 31,			
	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets	**31,394,201**	25,583,214	15,777,656	6,342,753
Current assets	**45,400,867**	29,139,888	24,275,462	22,101,312
Total assets	**76,795,068**	54,723,102	40,053,118	28,444,065
EQUITY				
Equity attributable to owners of the Company	**37,938,096**	(5,141,672)	(2,117,442)	(916,605)
Non-controlling interests	**2,451,037**	2,248,040	32,446	—
Total equity	**40,389,133**	(2,893,632)	(2,084,996)	(916,605)
LIABILITIES				
Non-current liabilities	**11,860,354**	31,277,683	23,684,960	17,462,915
Current liabilities	**24,545,581**	26,339,051	18,453,154	11,897,755
Total liabilities	**36,405,935**	57,616,734	42,138,114	29,360,670
Total equity and liabilities	**76,795,068**	54,723,102	40,053,118	28,444,065

CEO'S STATEMENT

Dear Shareholders,

2021 was an important year for JD Logistics as we opened a new chapter for our business development. We were successfully listed on the Main Board of the Hong Kong Stock Exchange, which brought us closer to our vision of becoming the world's most trusted supply chain solutions and logistics services provider. Our revenue from external customers exceeded 50% of our total revenue for the first year, solidifying and reinforcing our leading position in the integrated supply chain logistics market.

In recent years, China's business ecosystem has undergone tremendous changes. We have seen new technology iterations and broad industry revolution, as well as consumption upgrades and a transformation to all-scenario and omni-channel operations. The combined effect of these modifications have given rise to innovative business structures under China's dynamic economic landscape, which is continuously evolving. To stay competitive amid the many changes, enterprises are increasingly in need of technology-driven, fast-response supply chains and agile services.

To meet customer demands, we have focused on integrated supply chain logistics services. We provide data- and algorithm-based end-to-end supply chain solutions spanning strategy, planning and final execution in the digital world, as well as a full spectrum of integrated support from solution designs to implementations on-the-ground in the physical world to help enterprises improve their in-stock rate, inventory turnover, fulfillment efficiency and reduce operating costs and, to achieve high-quality growth.

In 2021, we helped industry-leading customers such as Volvo Group, Xiaomi Youpin (小米有品), Cheers, Shaanxi Coal and Chemical Industry Group (陝西煤業化工集團) and EAChain (億安倉) to optimize their supply chain network, digital and intelligent capabilities and operating efficiency to comprehensively reduce operating costs. Meanwhile, by modularizing the customized integrated supply chain logistics services solutions for leading customers, we structured and provided standardized products for small- and medium-sized customers. By the end of 2021, we had served more than 300,000 corporate customers. More and more enterprises consider us as an important partner on their way to further development. We were fully responsible for the integrated supply chain logistics services of multiple warehousing centers, competition and non-competition venues in certain international sports events. We ensured the efficient and safe organization of events through the utilization of AGVs robots and smart delivery vehicles.

While expanding our domestic business, we made significant breakthroughs in overseas markets as well. In 2021, JD Logistics established new automated warehouses in six countries, including the U.K., the U.S., Australia and the Netherlands, and we connected overseas line-haul routes to provide more brands with end-to-end overseas and cross-border integrated supply chain logistics services.

In addition to serving corporate customers and boosting the real economy, JD Logistics also shared, in earnest and on a sustainable basis, its supply chain logistics infrastructure, digital and intelligent capabilities and merchandising insights with the rest of the industry and society to facilitate and engage in such social undertakings as rural revitalization, pandemic relief, green and sustainable development and high-quality employment.

Currently, we provide supply chain services to more than 1,000 special agricultural production regions and industry zones, while extending our reach to rural areas, bringing same-day or next-day deliveries coverage to 93% of counties and 84% of towns and villages in the country. Furthermore, we are actively fulfilling our corporate social responsibilities through prompt participation in flooding and earthquake relief efforts and by playing an instrumental role in anti-pandemic measures by ensuring delivery of basic supplies which is critical to people's wellbeing.

With a long-term commitment to promoting the creation of a green supply chain, we worked together with upstream and downstream partners to promote the use of full-cycle circular packaging, clean-energy vehicles and end-to-end operation digitalization. We cooperated with JD Group and took the lead in establishing China's first carbon-neutral demonstration industry park. Ever since our founding, we have taken actions to ensure industry-competitive compensation, full benefits packages and ample room for employee development.

Appreciation

On behalf of the Board, I would like to say thank you to all of our employees, customers and partners. At the same time, I would like to express my sincere gratitude to our shareholders and stakeholders for their long-time support and trust.

In the new year, JD Logistics will continue to leverage its advantages as an innovative player in the real economy and deepen its presence in technology-driven integrated supply chain logistics services. We will continue to provide users with high-quality service experiences and facilitate, to the maximum extent, the development of the real economy and emerging industries. By doing so, we hope to promote cost reductions on social supply chain, enhance efficiency and high-quality industry development, as well as continuously create value for society.

Yui Yu
Executive Director and CEO

March 10, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

We are the leading technology-driven supply chain solutions and logistics services provider in China. Operating with the mission to drive superior efficiency and sustainability for global supply chains through technology, we continuously promote the broad application of integrated supply chain solutions and high-quality logistics services to support customers in various industries to achieve cost reduction, efficiency enhancement and customer experience optimization. As we empower more customers, we consistently enhance our service capabilities.

In 2021, our revenue increased by 42.7% year-over-year to RMB104.7 billion, of which, revenue from external customers was RMB59.1 billion, accounting for 56.5% of total revenue for the year and an increase of 72.7% compared with 2020.

We provide industry specific solutions and services with primary focus on six industries: fast-moving consumer goods ("**FMCG**"), home appliances and home furniture, apparel, 3C, automotive and fresh produce. In 2021, the number of our external integrated supply chain customers grew significantly and reached 74,602, up 41.7% year-over-year. Meanwhile, we continued to expand the scope and depth of our services for existing clients to facilitate the digital and intelligent transformation of their supply chains. In 2021, the average revenue per customer ("**ARPC**") amounted to RMB341,424, growing 9.2% year-over-year.

Guided by our core value of "customer-first", while achieving fast business development, we have won over of customers with our professional and reliable services. According to statistics from the State Post Bureau, we consistently maintained top-tier customer satisfaction ratings in express delivery services throughout 2021. Continuously deepening our network penetration, we achieved same-day or next-day deliveries coverage in 93% of counties and 84% of towns and villages nationwide.

In 2021, approximately 90% of JD Group's online retail orders handled by our network were fulfilled with same-day or next-day deliveries and about 60% were covered by the 211 program.

Committed to technological innovation and investment, and with a team of 3,893 dedicated research and development ("**R&D**") personnel, we strive to bring cutting-edge scientific breakthroughs into real world applications. At the same time, through service automation, operational digitalization and intelligent decision-making, we continually seek solutions that balance cost and efficiency as well as optimize experience. In 2021, our R&D expenses were RMB2.8 billion, up 36.9% year-over-year and represented 2.7% of total revenue.

In parallel with our R&D efforts, we continued expanding our logistics infrastructure to deliver high-quality services and best-in-class customer experiences.

As of December 31, 2021, we operated over 1,300 warehouses, over 7,200 delivery stations and employed over 200,000 in-house delivery personnel. On top of our extensive self-owned infrastructure, we also expanded our network coverage and improved flexibility through synergistic collaborations with strategic partners in land, maritime and air transportation. As of December 31, 2021, we had over 1,000 air cargo routes in China, including 10 all-cargo routes. Our overseas line-haul routes cover the U.S., Canada and the U.K., as well as major European and Southeast Asian countries, the most prominent of which are the China-Southeast Asia and China-U.K. all-cargo routes.

Integrated supply chain logistics solutions and services

Our efforts to continue developing diverse solutions and services to empower our customers' supply chain management and significantly improve their operating efficiencies, have led to a continuous increase in the number of our customers and total revenue. In 2021, we provided services to an aggregate of over 300,000 corporate customers. Our total revenue for the year reached RMB104.7 billion, representing 42.7% growth compared with 2020.

Integrated supply chain customers

Integrated supply chain logistics services are our primary business offering. Our revenue from integrated supply chain customers reached RMB71.1 billion in 2021, growing 27.8% compared with 2020, of which RMB25.5 billion was from external integrated supply chain customers, up 54.7% year-over-year. This was driven by solid growth from integrated supply chain customers, whose number reached 74,602 in 2021, increasing 41.7% year-over-year, as well as by an increase in ARPC to RMB341,424, an expansion of 9.2% compared with 2020.

Focusing on FMCG, home appliances and home furniture, apparel, 3C, automotive and fresh produce industries, we tailored our supply chain solutions and products to each industry to address their pain points. Revenue from the top three industry verticals of FMCG, home appliances and home furniture, and 3C accounted for over 65% of revenue from external integrated supply chain customers.

Starting with serving industry leaders, we accumulated industry-specific solutions and products, which were then standardized to meet the needs of small- and medium-sized customers. As our customer base broadened, we kept scaling network coverage, boosting technological capabilities and accumulating industry insights.

The following table sets forth the information of external integrated supply chain customers whose annual revenue contribution was above or below RMB10 million.

	Year ended December 31,		
	2021	2020	2019
Number of external integrated supply chain customers with annual revenue contribution no less than RMB10 million	**296**	179	113
ARPC (RMB million)	**42.4**	37.7	37.4
Number of external integrated supply chain customers with annual revenue contribution less than RMB10 million	**74,306**	52,487	39,813

In 2021, we made significant breakthroughs in the automotive industry. We signed a strategic collaboration agreement with the global premium car brand Volvo in August 2021 on a national integrated after-sales supply chain project where we customized a flexible and agile digital supply chain system for Volvo. Leveraging our understanding of product characteristics, we optimized the layout of nationwide warehouse network for spare parts supply and realized smart replenishment based on big data technology, effectively achieving cost reduction, efficiency enhancement and customer experience optimization. Based on the results at the pilot warehouses, inventory turnover improved substantially, even as order fulfillment rate increased by two percentage points. We successfully built an integrated supply chain benchmarking project from the ground up for the automotive aftermarket and developed mature services, including after-sales spare parts integrated services in domestic and international market and inbound logistics. We also served Great Wall Motor and Wuling Motors in 2021. As more automotive industry customers chose to work with JD Logistics, we continued to optimize our solutions and products to boost efficiency, and to form a virtuous business cycle.

As part of our strategic growth initiatives, we have been extending the scope and depth of our services for existing clients to facilitate the digital and intelligent transformation of their supply chains. We started to provide distribution and delivery services to a well-known apparel and consumer goods brand in 2018, and by 2021, we pivoted to multiple collaborations such as strategic consulting, digital platform construction and warehouse automation upgrade. Specifically, our supply chain strategic consulting projects reshaped their logistics network system. The digital platform that we helped created integrated their online and offline data from multiple channels to enable more efficient operations. An automation upgrade at the central warehouse for the client improved their operating efficiency. We further expanded cross-border and overseas integrated logistics fulfillment services. The end-to-end services spanning strategy, planning and final execution not only effectively shifted our role from basic supply chain services to an integrated solutions partner, but also established a benchmark customer case that helped us tap into demands in new markets such as maternal and baby care, apparel and FMCG.

As we deepened our ties with existing customers, in 2021, 20 external integrated supply chain customers contributed more than RMB100 million in annual revenue in a range of industries, such as FMCG, apparel, 3C, and home furniture and home appliances.

With respect to production regions, we created an integrated supply chain model to facilitate the distribution of agricultural products to end customers. In September 2021, JD Logistics's first production region smart supply chain center was established in Wugong county, Shaanxi province. Equipped with state-of-the-art sorting equipment by international standards, the facility enabled end-to-end automation. The smart supply chain center can sort 10 tons of kiwi fruit per hour while screening and repacking the fruit by testing its weight, size, sugar content and defect. In addition to storage, monitoring, sorting and packing, we also undertook transportation and delivery responsibilities, which effectively boosted the sales of local agricultural products. By the end of 2021, JD Logistics had provided supply chain services to over 1,000 special agricultural production regions and industry zones by connecting production regions with end markets, which improved supply chain and distribution efficiency and contributed to rural revitalization.

We continued to expand our overseas presence to provide end-to-end integrated supply chain logistics services on a global scale. In 2021, we provided integrated fulfillment services to Hunkemöller, the eminent European ready-to-wear brand, covering the full range of to-business (B2B) and to-customer (B2C) scenarios and fulfilling orders in the Netherlands, France, Belgium and Luxemburg. Adopting the flexible goods-to-person AGV solution in our warehouse in the Netherlands and combining our automation experience accumulated over the years with the local business scenarios in Europe, we enhanced outbound efficiency and inventory turnover, ultimately elevating end users' shopping experience.

Other customers

Our revenue from other customers in 2021 reached RMB33.6 billion, increasing by 89.5% year-over-year, as we leverage our standard products such as express delivery and freight delivery services to expand our customer pool, upsell our integrated supply chain logistics services and improve network coverage and utilization.

The acquisition of Kuayue Express, which was completed in August 2020, contributed RMB11.3 billion to our total revenue in 2021, the majority of which came from "other customers". As Kuayue Express helped us expand our freight network, strengthen our integrated supply chain solutions and logistics services capabilities, we fully leveraged our synergies to jointly build and operate transportation resources such as air and railway transportation.

Logistics technology

Technology is a key differentiator for us. We have applied technological innovations to all key stages of supply chain services to realize service automation, operation digitalization and intelligent decision-making.

We continued to improve our warehousing automation level. We upgraded the apparel warehouse we operate in Beijing with our self-developed, industry-leading BeiDou technology, which enables RFID (radio-frequency identification)-based automation in receiving inventory and stocktaking. This, together with the cutting-edge robots and sorting equipment, as well as the innovative process and algorithms for integrating goods picking and data entry we designed, have created a highly automated and flexible end-to-end process.

With regard to transportation and delivery, we implemented deep digitalization and full visualization to our operations with smart logistics technologies such as big data and IoT (Internet of Things). Driven by smart algorithms, we used smart deployment and stowage to achieve efficient matching and refined operation of resources, which significantly lowered comprehensive transportation costs and occurrence of safety accidents.

We also continuously modularize our technology products to help more clients comprehensively optimize their supply chain networks and boost digital and intelligent capabilities, as well as operating efficiency. Harnessing our integrated capabilities in supply chain logistics software, hardware and system integration, we have built technological products and solutions covering all key stages of the supply chain across business parks, warehousing and sortation, transportation and delivery, comprehensively boosting our forecasting, decision-making and smart execution capabilities.

Leveraging our rich internal operational scenarios, as well as our extensive practical experience and technical prowess accumulated over the years, we achieved comprehensive breakthroughs in 2021 in our goods-to-person technology and products, including robot hardware and smart deployment algorithm software. We promoted the goods-to-person integration project to external industry customers and enhanced their storage and operating efficiency. Our self-developed core deployment algorithm used in the goods-to-person system was selected by INFORMS (The Institute for Operations Research and the Management Sciences) as one of the finalists for the 50th Franz Edelman Award, making JD Logistics the first Chinese supply chain company to be on the final shortlist since the award was created 50 years ago.

The upgrade of CECport's EAChain (億安倉) with our logistics technology is one of the testaments. As a key supply chain management platform connecting production and distribution, CECport's EAChain (億安倉) is responsible for the storage and distribution of large amounts of electronic components of different makes and models. Confronted with rising labor costs, lagging picking efficiency and the ability to accurately engage in the person-to-goods approach, EAChain (億安倉) sought an upgrade with JD Logistics's assistance. We built a third-generation Sirius three-dimensional warehouse with a height of 21 meters and additional storage space of over 12,000 square meters. The warehouse is equipped with a multi-layer shuttle with goods-to-person sorting, increasing picking productivity by 230% and raising picking accuracy to 99.99%. The advanced warehouse control system captured the operating data of warehouse equipment in real time, leading to full automation and digitization with higher efficiency.

We have pressed on with the pursuit of cutting-edge technology. In 2021, we conducted 5G technology application pilots in our Asia No. 1 smart mega warehouses in Changsha and Beijing, which included mass adoption of the 5G-enabled AGVs. We also jointly explored with telecom operators in the creation of smart logistics parks with full 5G coverage.

In 2021, JD Logistics deployed a total of nearly 400 Level-4 autonomous delivery vehicles in cities such as Beijing, Shanghai and Changshu, which were instrumental in contact-free last-mile delivery.

JD Logistics has maintained its industry leadership in supply chain ecosystem mapping. In December 2021, we received approval of our application for Class A Surveying and Mapping Qualification for Internet Map Services, the top qualification for internet map services, which essentially solidified our leading position in smart order dispatch. In order to strengthen our capabilities in transportation routes planning, smart transportation control and refined delivery management, as well as the application of self-driving delivery vehicles, we constantly explore map-services-related external empowerment.

We have won multiple top technological awards and received accolades both at home and abroad. In October 2021, we became the first logistics enterprise in China to receive the Data Management Capability Maturity Assessment Model (DCMM) Level 4 certification. In November 2021, we also obtained approval to participate in the "new generation of artificial intelligence" project of the National Sci-Tech Innovation 2030 Agenda.

As of December 31, 2021, JD Logistics had applied for over 5,500 patents and software licenses, among which more than 3,000 are related to automation technology and unmanned technology.

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.

Warehouse network

Our warehouse network is one of the largest networks of its kind in China with nationwide coverage, and serves as a core component of our integrated supply chain logistics services.

As of December 31, 2021, our warehouse network covered nearly all counties and districts in China, comprising over 1,300 self-operated warehouses and more than 1,700 owner-operator cloud warehouses under our Open Warehouse Platform. Our warehouse network has an aggregate GFA of over 24 million square meters, including warehouse space managed through the Open Warehouse Platform.

We improve the warehouse network's operating efficiency through technology, including the Asia No. 1 smart mega warehouse, which embodies our industry-leading technological innovation and high-tech standards. By employing AGVs and advanced robotics, these warehouses delivered critical improvements in speed and accuracy that are scalable to 24/7 operation during peak fulfillment and delivery periods. As of December 31, 2021, we operated 43 Asia No. 1 smart mega-warehouses in 33 cities across China, 11 of which commenced operations during 2021 in 11 cities including Nanning, Haikou, Zhengzhou, Deyang and Yiwu.

By establishing and operating first-class, smart, large-scale warehouses, we substantially improved logistics timeliness in remote regions. We established the first smart mega warehouse on the Tibetan plateau in Lhasa, which is equipped with more than 100 warehousing robots enabling automation.

Line-haul transportation network

We adopted a synergistic approach to expanding the coverage of our line-haul transportation network and increasing network flexibility by collaborating with our strategic partners in land, marine and air transportation.

As of December 31, 2021, we had a self-operated fleet consisting of over 18,000 trucks and other vehicles, including 10,000 self-owned vehicles of Kuayue Express. In addition, we operated approximately 210 sorting centers in China and had more than 1,000 air cargo routes, including 10 all-cargo routes.

As of December 31, 2021, our cooperation with China Railway Express had enabled us to utilize over 300 railway routes, more than 200 of which are high-speed railway routes.

In 2021, we innovatively developed the multimodal transportation business by opening up the southwest marine-rail transportation and north-south grain transportation routes. We also signed a strategic cooperation agreement for the container business with China Railway Container and opened the Wuhu-Central Asia international train route, marking a breakthrough in international multimodal transportation 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. 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 December 31, 2021, we employed over 200,000 in-house delivery personnel and operated over 7,200 delivery stations covering 31 provinces and municipalities and 444 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 self-operated service stations and self-service lockers, as well as 300,000 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, 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.

As of December 31, 2021, we had over 80 warehouses with bulky- and heavy-item storage capabilities and nearly 100 sorting centers, with an aggregate GFA of 2.6 million square meters.

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 December 31, 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 December 31, 2021, we operated over 100 temperature-controlled cold storage warehouses designated for fresh, frozen and refrigerated products with an operation area of more than 500,000 square meters. In addition, as of December 31, 2021, we operated 28 warehouses designated for pharmaceuticals and medical instruments with an operation area of over 200,000 square meters.

In 2021, the Ministry of Transport appointed JD Logistics 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. Beyond that, we have become a general food warehouse and logistics service provider for athletes in certain international sports events and provided integrated logistics services covering procurement, storage, transit and cold chain logistics delivery, laying a solid and reliable foundation for the events.

Cross-border logistics network

As we stepped up infrastructure construction in China, we were also committed to building infrastructure facilities around the world to accelerate the development of our integrated supply chain solutions overseas.

As of December 31, 2021, we operated approximately 80 bonded warehouses and overseas warehouses, covering an aggregate GFA of more than 700,000 square meters.

In 2021, we have established self-operated warehouses in six countries, including the U.K., the U.S., Australia and the Netherlands, equipped with large numbers of automated equipment which boosted operating efficiency.

Our overseas line-haul routes cover the U.S., Canada and the U.K., as well as major European and Southeast Asian countries, the most prominent of which are the China-Southeast Asia and China-U.K. all-cargo routes.

In addition, we strengthened our China-U.S., China-Australia and China-Europe maritime transportation line-haul networks, which significantly improved the timeliness of our cross-border freight services and laid a solid operational foundation for expanding our integrated supply chain services overseas.

Service Quality and Customer Experience

"Customer-first" is our core value. We are proud that our professional and reliable service is widely recognized by customers. We have consistently maintained best-in-class customer satisfaction ratings, as reported by survey results published by the State Post Bureau at the end of 2021.

We continued to strengthen network coverage and service timeliness, which improved customer satisfaction.

In 2021, we achieved same-day or next-day deliveries covering 93% of counties and 84% of towns and villages nationwide. During 2021's Singles Day Grand Promotion, we delivered packages within minutes of order placement covering over 300 cities nationwide.

In 2021, approximately 90% of JD Group's online retail orders handled through our network were fulfilled with same-day or next-day deliveries and about 60% of JD Group's online retail orders were covered by the 211 program.

Our superior service quality has won wide acclaim among customers and helped us expand our customer base.

Corporate Social Responsibility

As the leading technology-driven supply chain solutions and logistics services provider in China, JD Logistics incorporates sustainable development into its overall development strategy and day-to-day management.

JD Logistics's ESG governance is divided into five responsibility segments, including providing high-quality customer services, facilitating industry cost reduction and efficiency enhancement, promoting common prosperity, achieving joint growth with partners and leading green low-carbon development. By linking the diverse expectations of our ecosystem partners together and fostering shared views, JD Logistics hopes to mobilize all players along the value chain to take part in the transformation to sustainable development.

Leveraging our integrated supply chain advantages and technological innovations over the years, we connected the diverse logistics services demands from consumers and corporate customers. Upholding our core "experience-based" development strategy, we consistently strive to improve service quality, and enhance consumer and corporate customer satisfaction. Through a highly collaborative approach and open digital and intelligent supply chain capabilities, we meet the diversified integrated supply chain logistics needs of enterprises and industries for warehousing, distribution, and transportation, and continue to help all walks of life to improve quality, reduce costs, and increase efficiency.

In 2021, we continued to deepen the penetration of our integrated supply chain logistics services in rural and remote regions. We provided efficient and high-quality services for more than 1,000 special agricultural production areas and industrial zones across the country, effectively promoting the efficient connection of production and sales, driving more people to achieve high-quality employment, supporting small and medium-sized enterprises, promoting rural revitalization, serving the real economy, and continuing to create social value.

Responding to the nation's call to reach dual carbon goals, JD Logistics cooperated with JD Group and took the lead in establishing the first carbon-neutral demonstration park in China, deploying new energy vehicles on a large scale, reducing packaging and recycling, and continuing to promote technological innovation. JD Logistics is gradually realizing end-to-end energy conservation and carbon reduction in the supply chain.

JD Logistics is also dedicated to creating an ideal working environment and an excellent career prospect for each employee, as well as protecting their rights and interests. We continue to provide employees with industry-competitive salaries, comprehensive welfare guarantees, and broad room for development.

In addition, we fully leveraged our supply chain logistics infrastructure and technical advantages to participate in flood control and disaster relief, earthquake relief and anti-pandemic efforts as soon as possible. At the end of 2021, we were proud to be the logistics service provider for certain international sports events, ensuring efficient and safe performance of the materials supply chain related to the events.

Furthermore, we are facilitating our steady development and sustainable growth by reinforcing corporate governance involving information security, privacy protection, internal control and compliance management.

In the future, JD Logistics will accelerate the development of its integrated supply chain logistics services to continuously enhance value creation and transmission for society. Whether it is through the construction of logistics infrastructure or the application of digital and intelligent technologies, we will fully harness our advantages, to achieve green development, a core competitiveness in the future, and facilitate the sustainable development of enterprises, industries and society, and connect to a better future.

Financial review

Revenue

Our revenue increased by 42.7% from RMB73.4 billion in 2020 to RMB104.7 billion in 2021. The increase in our total revenue was driven by a 27.8% increase in revenue from our integrated supply chain customers and an 89.5% 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 52,666 in 2020 to 74,602 in 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 RMB312,617 and RMB341,424 in 2020 and 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 89.5% from RMB17.8 billion in 2020 to RMB33.6 billion in 2021, primarily due to the increases in business volume 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 47.4% from RMB67.1 billion in 2020 to RMB98.9 billion in 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 37.3% from RMB26.1 billion in 2020 to RMB35.8 billion in 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 54.7% from RMB26.1 billion in 2020 to RMB40.4 billion in 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 43.5% from RMB6.6 billion in 2020 to RMB9.5 billion in 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 32.8% from RMB1.4 billion in 2020 to RMB1.9 billion in 2021, primarily due to an increase in the number of our logistics facilities, which in turn resulted in a larger amount of depreciation expenses having been incurred for the logistics equipment in these facilities.

Other cost of revenue increased by 65.1% from RMB6.9 billion in 2020 to RMB11.4 billion in 2021, primarily due to the increase of fuel cost, cost of maintenance services, 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 RMB6.3 billion and RMB5.8 billion in 2020 and 2021, respectively, and (ii) a gross profit margin of 8.6% and 5.5% in 2020 and 2021, respectively. The decrease in the gross profit margin was primarily due to the reduction in benefits from COVID-19 related government support and 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. The decrease in the gross profit was mainly concentrated in the first half of 2021 and significantly recovered in the second half of 2021.

Selling and marketing expenses

Selling and marketing expenses increased by 69.5% from RMB1.8 billion in 2020 to RMB3.1 billion in 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

Research and development expenses increased by 36.9% from RMB2.1 billion in 2020 to RMB2.8 billion in 2021. The increase was primarily attributable to an increase of employee benefit expenses along with other research and development related expenses as we continued to invest in technology and innovation.

General and administrative expenses

General and administrative expenses increased by 70.8% from RMB1.7 billion in 2020 to RMB2.9 billion in 2021, primarily due to an increase of employee benefit expenses including share-based payments, also partially driven by the acquisition of Kuayue Express in August 2020.

Other income, gains/(losses), net

Other income, gains/(losses), net increased by 65.1% from a gain of RMB542.7 million in 2020 to a gain of RMB896.2 million in 2021, primarily due to an increase in gains on fair value changes of financial assets at fair value through profit or loss and government grants.

Finance costs

Finance costs increased by 58.1% from RMB454.8 million in 2020 to RMB718.9 million in 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 RMB4.9 billion in 2020 and RMB12.8 billion in 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 for the year

As a result of the foregoing, we incurred a loss of RMB4.0 billion in 2020 and a loss of RMB15.7 billion in 2021, respectively. The increase in the loss was primarily due to (i) the increase in loss on fair value changes of convertible redeemable preferred shares, (ii) the reduction in benefits from COVID-19 related government support, and (iii) 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. The loss in 2021 was mainly concentrated in the first half of 2021, and there had been significant improvements in our financial performance for the second half of 2021.

Non-IFRS Measures

To supplement our 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 not indicative of our core 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 profit or loss for the year, 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, impairment of investments, and fair value changes of convertible redeemable preferred shares. We exclude these items because they are either non-operating in nature and not indicative of our core operating results and business outlook, or do not generate any cash outflows.

We account for 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.

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

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 in nature 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 equity investments measured at fair value. Multiple valuation techniques and key inputs are used to determine the fair values of these investments. The reconciling item is non-cash in nature and not related to our normal activities.

Impairment of investments represents impairment loss on interest in joint ventures. The impairment provision mainly resulted from revisions of financial and business outlook of the joint ventures and changes in the market environment of the underlying business. The recoverable amount of the investment is determined with reference to the higher of fair value less costs of disposal and value in use. The reconciling item is non-cash and non-recurring in nature.

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 year, 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 for the year calculated and presented in accordance with IFRSs, to the non-IFRS (loss)/profit for 2021 and 2020:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Reconciliation of loss to non-IFRS (loss)/profit:		
Loss for the year	**(15,660,732)**	(4,037,289)
Add/(less):		
Share-based payments	**1,447,219**	877,594
Listing expense	**57,528**	8,254
Amortization of intangible assets resulting from acquisitions	**354,667**	133,000
Fair value changes of financial assets at fair value through profit or loss	**(272,052)**	(47,914)
Impairment of investments	**3,651**	—
Fair value changes of convertible redeemable preferred shares	**12,843,803**	4,861,109
Non-IFRS (loss)/profit for the year	**(1,225,916)**	1,794,754

Liquidity and Capital Resources

In 2021, we funded our cash requirements principally from cash generated from operating activities and financing activities through the Global Offering. Our cash and cash equivalents represent cash and bank balances. We had cash and cash equivalents of RMB17.9 billion as of December 31, 2021, compared to RMB6.3 billion as of December 31, 2020.

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Net cash generated from operating activities	**6,207,337**	10,201,097
Net cash used in investing activities	**(11,122,435)**	(8,770,504)
Net cash generated from/(used in) financing activities	**16,596,681**	(3,732,868)
Net increase/(decrease) in cash and cash equivalents	**11,681,583**	(2,302,275)
Cash and cash equivalents at the beginning of the year	**6,346,869**	9,274,203
Effects of foreign exchange rate changes on cash and cash equivalents	**(105,673)**	(625,059)
Cash and cash equivalents at the end of the year	**17,922,779**	6,346,869

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, the net proceeds received from the Global Offering and financing.

Net cash generated from operating activities

In 2021, our net cash generated from operating activities was RMB6.2 billion, which was primarily attributable to our loss of RMB15.7 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 RMB5.5 billion, depreciation of property and equipment of RMB2.0 billion, and share-based payments of RMB1.4 billion and (ii) changes in working capital, which primarily result from an increase in accrued expenses, other payables and other non-current liabilities of RMB6.8 billion and an increase in trade payables of RMB1.0 billion, offset by an increase in trade receivables of RMB6.9 billion and an increase in prepayments, other receivables and other assets of RMB1.8 billion.

In 2020, our net cash generated from operating activities was RMB10.2 billion, which was primarily attributable to our loss of RMB4.0 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 RMB4.9 billion, depreciation of right-of-use assets of RMB3.6 billion, depreciation of property and equipment of RMB1.5 billion, and share-based payments of RMB0.9 billion and (ii) changes in working capital, which primarily result from an increase in accrued expenses, other payables and other non-current liabilities of RMB3.3 billion and an increase in trade payables of RMB1.0 billion, partially offset by an increase in trade receivables of RMB1.5 billion.

Net cash used in investing activities
In 2021, our net cash used in investing activities was RMB11.1 billion, which was primarily attributable to payment for financial assets at fair value through profit or loss of RMB16.8 billion, placement of term deposits of RMB11.9 billion, and capital expenditures of RMB4.1 billion, partially offset by maturity of financial assets at fair value through profit or loss of RMB15.0 billion and maturity of term deposits of RMB6.8 billion.

In 2020, our net cash used in investing activities was RMB8.8 billion, which was primarily attributable to payment for financial assets at fair value through profit or loss of RMB6.0 billion, placement of term deposits of RMB3.6 billion, capital expenditures of RMB3.2 billion, and net cash outflow on acquisition of the controlling interest in Kuayue Express of RMB1.5 billion, partially offset by maturity of financial assets at fair value through profit or loss of RMB5.6 billion.

Net cash generated from/(used in) financing activities
In 2021, our net cash generated from financing activities was RMB16.6 billion, which was primarily attributable to net proceeds from issuance of ordinary shares relating to the Global Offering of RMB23.0 billion, partially offset by principal portion of lease payments of RMB5.0 billion.

In 2020, our net cash used in financing activities was RMB3.7 billion, which was primarily attributable to principal portion of lease payments of RMB3.1 billion, and repayment of borrowings of RMB1.0 billion.

Gearing Ratio
As of December 31, 2021, we had no outstanding borrowings. Therefore, the gearing ratio is not presented herein.

Significant Investments Held
The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as of December 31, 2021) during the year ended December 31, 2021.

Future Plans for Material Investments and Capital Assets
As of December 31, 2021, we did not have other plans for material investments and capital assets.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies
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 year ended December 31, 2021.

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

Function	Number of Employees	% of Total
Operations	**303,014**	**95.8**
Sales and marketing	**5,943**	**1.9**
Research and development	**3,893**	**1.2**
General and administration	**3,532**	**1.1**
Total	**316,382**	**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 employee benefit expenses, including share-based payments, for the year ended December 31, 2021 were RMB41.2 billion, as compared to RMB29.8 billion for the year ended December 31, 2020, representing a year-on-year increase of 38.4%.

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 intra-group balances with several subsidiaries denominated in foreign currency which also expose us to foreign currency risk.

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

Pledge of Assets

As of December 31, 2021, restricted cash of RMB7.3 million was pledged, compared with RMB61.7 million as of December 31, 2020.

Contingent Liabilities

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

Borrowings

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

DIRECTORS AND SENIOR MANAGEMENT

Our Directors

From the date of the Prospectus and up to the Latest Practicable Date, our Board comprises the following:

Name	Age	Position(s)	Date of appointment as Director
Directors			
Yui Yu (余睿)	39	Executive Director and chief executive officer	January 18, 2021
Yanlei Chen (陳岩磊)(1)	40	Executive Director	January 27, 2021
Jun Fan (樊軍)(2)	46	Executive Director	January 27, 2021
Richard Qiangdong Liu (劉強東)(3)	49	Chairman and non-executive Director	January 19, 2012
Sandy Ran Xu (許冉)(4)	45	Non-executive Director	September 2, 2020
Pang Zhang (張雱)(5)	33	Non-executive Director	May 12, 2016
Nora Gu Yi Wu (顧宜)	64	Independent non-executive Director	May 17, 2021
Liming Wang (王利明)	61	Independent non-executive Director	May 17, 2021
Carol Yun Yau Li (李恩祐)	42	Independent non-executive Director	May 17, 2021
Xiande Zhao (趙先德)(6)	60	Independent non-executive Director	April 7, 2022
Yang Zhang (張揚)(7)	45	Independent non-executive Director	April 7, 2022

Notes:

1. Mr. Yanlei Chen resigned as an executive Director with effect from April 7, 2022.
2. Mr. Jun Fan resigned as an executive Director with effect from April 7, 2022.
3. Mr. Richard Qiangdong Liu was appointed as a Director from January 2012 to May 2016 and from March 7, 2018 to December 30, 2019, and was subsequently re-appointed as a Director on October 15, 2020.
4. Ms. Sandy Ran Xu resigned as a non-executive Director with effect from April 7, 2022.
5. Ms. Pang Zhang was appointed as a Director from May 12, 2016 to January 1, 2018 and was subsequently re-appointed as a Director on January 27, 2021. She resigned as a non-executive Director with effect from April 7, 2022.
6. Dr. Xiande Zhao has been appointed as an independent non-executive Director with effect from April 7, 2022.
7. Mr. Yang Zhang has been appointed as an independent non-executive Director with effect from April 7, 2022.

Executive Directors

Yui Yu (余睿), aged 39, is an executive Director and the chief executive officer of our Group. Mr. Yu is responsible for the Company's overall strategic planning and business direction.

Mr. Yu joined JD Group in July 2008 and has served as our Group's chief executive officer since December 2020. He has held multiple executive positions within JD Group including its retail and logistics businesses. In particular, Mr. Yu has extensive experience in operations and management in the logistics industry. He served as head of JD Logistics's Central China department and JD Logistics's East China logistics department from January 2011 to October 2012 and from October 2012 to May 2015, respectively, where he helped to establish JD Logistics's operations across China. Mr. Yu then served as the chief executive officer of Yihaodian (1號店) from June 2016 to March 2018 before serving as head of JD Group's customer experience and service department from March 2018 to February 2019. He was also chief human resources officer of JD Group from February 2019 to December 2020.

Mr. Yu received his bachelor of laws degree from China University of Political Science and Law (中國政法大學) in July 2005 and an EMBA from China Europe International Business School (中歐國際工商學院) in November 2017.

Yanlei Chen (陳岩磊), aged 40, was an executive Director until his resignation on April 7, 2022. Mr. Chen joined JD Group in April 2007 and has served as head of Jingxida Express (京喜達快遞) and head of Jingxi Business Group (京喜事業群) since June 2021.

Previously, Mr. Chen served as head of Jingxida Express (京喜達快遞) and head of the Supply Chain Products Department from July 2020 to May 2021, head of JD Logistics's Southeast China Department from May 2017 to July 2020 where he oversaw our Group's supply chain solutions and logistics services in the southeast China region, head of JD Logistics Northeast China Department from January 2016 to May 2017 where he oversaw our Group's supply chain solutions and logistics services in the northeast China region and head of JD Logistics Southeast China Warehouse Management Department from April 2007 to January 2016 where his responsibilities included overseeing warehousing and distribution services.

Mr. Chen received his EMBA from Sun Yat-sen University (中山大學) in April 2012.

Jun Fan (樊軍), aged 46, was an executive Director until his resignation on April 7, 2022. Mr. Fan joined JD Group in February 2017 and has served as head of Line-haul Transportation Platform Department since April 2021 and as the head of the Express Products Department from July 2019 to April 2021. Previously, he served as head of the JD Logistics's Central China Department.

Prior to joining our Group, Mr. Fan was general manager of national sales operations at METRO Jinjiang Cash & Carry Co., Ltd., where he served for approximately 17 years and spent his time in senior managerial roles in sales and operations departments in China. Due to his extensive experience in the logistics industry, Mr. Fan also currently holds the position of vice president of China Express Association.

Mr. Fan received his diploma in business administration from Northwestern Polytechnical University (西北工業大學) in January 2008.

Non-executive Directors

Richard Qiangdong Liu (劉強東), aged 49, is a non-executive Director, chairman of the Board and the chairperson of the Nomination Committee. Mr. Liu has been the chairman of JD.com since inception, and served as the chief executive officer of JD.com until April 2022. Mr. Liu founded JD.com's business in 2004 and has guided its development and growth since then. Mr. Liu received the prestigious award "Person of the Year of Chinese Economy 2011" from CCTV, China's nationwide television network. He was among "World's 50 Greatest Leaders" named by Fortune Magazine in 2015. Mr. Liu has served as the chairman of the board and director of Jingdong Technology Holding Co., Ltd. (京東科技控股股份有限公司) since June 2020, and the chairman and non-executive director of JD Health International Inc. (HKEX: 6618) since September 2020.

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

Sandy Ran Xu (許冉), aged 45, was a non-executive Director and a member of the Audit Committee until her resignation on April 7, 2022. Ms. Xu has served as the chief financial officer of JD Group since June 2020. Ms. Xu joined JD Group in July 2018. From July 2018 to May 2020, Ms. Xu oversaw group finance, accounting and tax functions in addition to serving as chief financial officer of JD Retail business group of JD Group. Prior to joining JD Group, Ms. Xu was an audit partner and spent nearly 20 years with PricewaterhouseCoopers Zhong Tian LLP, Beijing office and PricewaterhouseCoopers LLP, San Jose office, focusing on the TMT industry and capital markets in the U.S. Ms. Xu currently serves as a director of Dada Nexus Limited, whose shares have been listed on the NASDAQ (ticker: DADA), and a director of Jingdong Technology Holding Co., Ltd.. Ms. Xu also served as a non-executive director of JD Health International Inc. (HKEX: 6618) from August 2020 to April 2022.

Ms. Xu was a Certified Public Accountant in both China and the United States. Ms. Xu received her double degree in the bachelor of science and bachelor of economics from Peking University (北京大學) in July 1998.

Pang Zhang (張雱), aged 33, was a non-executive Director and a member of the Remuneration Committee until her resignation on April 7, 2022. Ms. Zhang joined the JD Group in July 2011 and has served as JD Group's chief human resources officer since December 2020. She has significant experience in leadership development as well as organizational processes optimization and has always been committed in exploring a brand-new type of platform-based human resources system, thus to better support the diversified business groups at JD.com. Ms. Zhang has held multiple key roles within different departments in JD Group including JD Group's CEO office, JD Retail and JD Technology.

Ms. Zhang also holds directorships in various subsidiaries of JD Group and our Group, and has been a non-executive director of JD Health International Inc. (HKEX: 6618) for the period between March 2021 and September 2021.

Ms. Zhang received a bachelor's degree of commerce in e-commerce from Central University of Finance and Economics (中央財經大學) in June 2011 and a Cornell-Tsinghua Finance MBA in June 2020.

Independent non-executive Directors

Nora Gu Yi Wu (顧宜), aged 64, is an independent non-executive Director and the chairperson of the Audit Committee. Ms. Wu currently serves as a trustee for the University of San Francisco and is an independent board member of Meditrina, Inc.

Ms. Wu retired from PricewaterhouseCoopers ("**PwC**") in July 2016. Before her retirement, she served as the Vice Chairwoman and Global Human Capital Leader for PwC International Ltd. Prior to this global leadership role, she also served as a PwC Global Board member for PwC International Ltd. from 2013 to 2014.

In 2016, Ms. Wu was named onto the *Financial Times* UPstanding Leader's List of the Top 100 Ethnic-Minority Executives in the U.S. and the U.K.

Ms. Wu received her bachelor of science in business administration with a major in accounting from the University of San Francisco in 1988. In 2018, she completed a year-long fellowship program with Stanford University's Distinguished Careers Institute.

Carol Yun Yau Li (李恩祐), aged 42, is an independent non-executive Director and a member of the Audit Committee and the Nomination Committee. Ms. Li has served as managing director of Yale Center Beijing, Yale University's first university-wide center outside of the United States, since September 2014.

From April 2008 to May 2012, Ms. Li was a senior vice president at China Investment Corporation, China's sovereign wealth fund, where she focused on private equity investments. She started her career in investment banking at Credit Suisse First Boston in New York. Upon completing her Doctor of Jurisprudence degree, Ms. Li worked as an attorney at Sullivan & Cromwell LLP and WilmerHale LLP, specializing in corporate, financial, and transactional matters. Ms. Li was named a World Economic Forum Young Global Leader in 2016. She has served as a member of the Hong Kong X-Tech Startup Platform Advisory Committee since December 2017.

Ms. Li received her bachelor of arts degree in economics and international studies from Yale University in May 2000 and her Doctor of Jurisprudence degree from Stanford University in June 2006. She is admitted to practice law in the State of New York and in the District of Columbia in the United States.

Liming Wang (王利明), aged 61, is an independent non-executive Director and the chairperson of the Remuneration Committee and a member of the Nomination Committee. Mr. Wang has served as a professor of law at Renmin University of China (中國人民大學) since June 1992.

Previously, Mr. Wang also served as the executive vice president of Renmin University of China from June 2014 to August 2020. From December 2008 to June 2014, Mr. Wang held various leadership roles within Renmin University of China. He was formerly dean of School of Law of Renmin University of China from May 2005 to December 2008.

Mr. Wang is widely recognized as a leading figure in the legal industry and was named as one of "China's Top 10 Educational Elites" in 2006, "China Newsweek's Person of the Year in the Rule of Law" in 2019 and "CCTV Person of the Year in the Rule of Law" in both 2007 and 2020. Mr. Wang has served as a delegate to the Ninth, Tenth and Eleventh National People's Congress.

Mr. Wang graduated from Hubei University of Finance and Economics with a bachelor's degree in law in July 1981. He obtained both his master's and doctor's degree in law from Renmin University of China in February 1985 and July 1990, respectively.

Xiande Zhao (趙先德), aged 60, is an independent non-executive Director and a member of the Audit Committee and the Remuneration Committee. Dr. Zhao is the professor of operations and supply chain management at China Europe International Business School ("**CEIBS**"). He is also the associate dean of CEIBS (Shenzhen Campus) and director of CEIBS-ZKH Center of Innovations in Supply Chain and Services.

From August 1990 to December 2012, Dr. Zhao has held various academic and administrative positions at Hampton University in the United States, City University of Hong Kong, Chinese University of Hong Kong and South China University of Technology in China. Dr. Zhao was ranked as one of the most influential researchers in operational supply chain management in Asia, he has published more than 200 articles in top journals and five books. His recent research interests include digital supply chain integration and innovations, business model innovations, and supply chain finance. In addition, he has been listed as one of the most cited Chinese scholars in business, management and accounting by Elsevier for many years. He has also won many top academic awards in China and abroad. In 2020, he was awarded the Fellowship of Decision Science Institute (DSI).

Dr. Zhao also held several positions in professional organizations including the founding president and permanent honorary president of Association for Supply Chain and Operations Management (ASCOM), and founding president of International Society for Information and Management Science (IMS). He also served as the president of the Asia Pacific Institute of Decision Sciences (APDSI). He is also a co-editor-in-chief, associate editor, area editor, and senior editor of several major international journals including the Journal of Operations Management, Production and Operations Management, and the Journal of Supply Chain Management.

Dr. Zhao obtained his bachelor's degree in chemistry from Nankai University (南開大學) in June 1982 and obtained his master's degree in chemistry from the University of Utah in June 1985. He also obtained his master of business administration in June 1987 and PhD in business administration from the University of Utah in June 1990.

Yang Zhang (張揚), aged 45, is an independent non-executive Director. Mr. Zhang has been the chairman and the chief executive officer of TH Capital Industry Investment Fund (華控產業投資集團) since 2007. Mr. Zhang was a director and an associate professor at the Institute of Finance & Banking of Chinese Academy of Social Sciences (中國社會科學院) from 2000 to 2014. He has been the deputy-director of Research Management Committee of Tsinghua University (清華大學) Global PE Research Institute since 2018.

Mr. Zhang obtained his bachelor's degree in economics from Nankai University (南開大學) in July 1998, his master of science degree in finance from Aston Business School in August 1999, and his doctorate degree in finance from Chinese Academy of Social Sciences in July 2006. Mr. Zhang worked in the Tehua Post-Doctoral Programme from 2006 to 2009.

Senior management

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

Name	Age	Position(s)	Date of appointment as senior management
Yue Ma (馬越)	46	Chief financial officer	July 2018

Yue Ma (馬越), aged 46, is the chief financial officer of our Group and oversees the finance and investments of our Group.

Ms. Ma joined JD Group in July 2018 and was JD Group's Head of Property and Insurance Finance Department and the Property Investment and Funds Management Department from July 2018 to February 2019. She was appointed as our Group's chief financial officer in February 2019.

Prior to joining JD Group, Ms. Ma was an audit partner with Ernst & Young Hua Ming LLP, where she spent nearly 18 years of her career. Ms. Ma was a Certified Public Accountant in China.

Ms. Ma received her bachelor's degree in international business management and master's degree in business management from Renmin University of China (中國人民大學) in July 1997 and July 2000, respectively.

Company secretary

Ming King Chiu (趙明璟), our company secretary, is a managing director for Corporate Services at Vistra Corporate Services (HK) Limited. He has over 10 years of experience in the company secretarial field. He is currently (1) the joint company secretary of Shanghai Haohai Biological Technology Co., Ltd., a main board listed company in Hong Kong (HKEX: 6826); (2) the joint company secretary of Kunming Dianchi Water Treatment Co., Ltd., a main board listed company in Hong Kong (HKEX: 3768); (3) the company secretary of Grace Wine Holdings Limited, a GEM listed company in Hong Kong (GEM: 8146); (4) the joint company secretary of AAG Energy Holdings Limited, a main board listed company in Hong Kong (HKEX: 2686); (5) the joint company secretary of CanSino Biologics Inc., a main board listed company in Hong Kong (HKEX: 6185); (6) the company secretary of Sheng Yuan Holdings Limited, a main board listed company in Hong Kong (HKEX: 851); (7) the company secretary of Loco Hong Kong Holdings Limited, a GEM listed company in Hong Kong (GEM: 8162) and (8) the company secretary of JD Health International Inc., a main board listed company in Hong Kong (HKEX: 6618).

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

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

REPORT OF THE DIRECTORS

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

General information

The Company was incorporated in the Cayman Islands on January 19, 2012 as an exempted limited liability company under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**").

The Company's Shares were listed on the Main Board of the Stock Exchange on May 28, 2021.

Principal activities

The Company is an investment holding company, and together with its subsidiaries and consolidated affiliated entities, engage in the business of providing integrated supply chain solutions and logistics services to customers across a wide array of industries, such as FMCG, apparel, home appliances and home furniture, 3C, automotive and fresh produce, through its leading logistics network. The Group's principal operations and geographic markets are in the People's Republic of China.

Business review

The business review of the Group for the year ended December 31, 2021 is set out in the sections headed "CEO's Statement" and "Management Discussion and Analysis" from pages 5 to 6 and pages 7 to 22 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the sections headed "Report of Directors — Principal risks and uncertainties" and "Report of Directors — Risks relating to the Contractual Arrangements" on page 31 and page 61 of this annual report. In addition, discussions on the key relationships with the stakeholders, compliance with the relevant laws and regulations, environmental policies and performance are set out in page 31 of this annual report and will also be set out in the "Environmental, Social and Governance Report" to be published within five months from the year ended December 31, 2021.

Results

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

Financial summary

A summary of the condensed consolidated statements of profit or loss and statements of comprehensive loss, and condensed consolidated statements of financial position of the Group is set out on page 4 of this annual report.

Share capital

Details of movements in the share capital of the Company for the year ended December 31, 2021 are set out in Note 26 to the consolidated financial statements.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in Note 40 to the consolidated financial statements.

Major customers and suppliers

Customers

While we serve both corporate and individual customers, we primarily serve corporate customers, including JD Group. We provide supply chain solutions and logistics services to customers across a wide range of industries, such as FMCG, apparel, home appliances and home furniture, 3C, automotive and fresh produce. Except for JD Group, our top customers are primarily the leading companies among the aforementioned industries in China. For the year ended December 31, 2021, the Group's five largest customers accounted for 45.0% of the Group's total revenue while the Group's largest customer, JD Group, accounted for 43.5% of the Group's total revenue.

As of December 31, 2021, JD Group indirectly owned approximately 63.46% of our total issued share capital. To the best of our knowledge, all of the other four largest customers during the year ended December 31, 2021 were independent third parties. As of December 31, 2021, (i) Mr. Richard Qiangdong Liu (劉強東), a non-executive Director and chairman of the Board, held approximately 76.2% of the voting rights in JD Group through shares capable of being exercised on resolutions in general meetings; and (ii) all the other Directors in aggregate held less than 1% of the beneficial ownership in JD Group.

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

Suppliers

Our top suppliers are primarily outsourced transportation service providers. For the year ended December 31, 2021, the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

As of December 31, 2021, JD Group indirectly owned approximately 63.46% of our total issued share capital and Dada Group is an associate of JD Group. To the best of our knowledge, other than Dada Group and JD Group, all of the other five largest suppliers during the year ended December 31, 2021 were independent third parties. As of December 31, 2021, (i) Mr. Richard Qiangdong Liu, a non-executive Director and chairman of the Board, held approximately 76.2% of the voting rights in JD Group through shares capable of being exercised on resolutions in general meetings; and (ii) all the other Directors in aggregate held less than 1% of the beneficial ownership in JD Group.

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

Key relationship with stakeholders

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

Compliance with the relevant laws and regulations

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

Environmental policies and performance

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

Principal risks and uncertainties

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

- the fact that our business and growth are significantly affected by the development of the e-commerce industry, as well as macroeconomic and other factors that affect demand for supply chain solutions and logistics services, in China and globally;

- intense competition that we face which could adversely affect our results of operations and market share;

- the fact that a significant portion of our revenue was associated with JD Group during the Reporting Period and significant portion of our revenue may continue to be associated with JD Group in the foreseeable future. The fact that we may have different development prospects or conflicts of interest with JD Group and, because of JD Group's controlling ownership interest in our Company, may not be able to resolve such conflicts on favorable terms for us;

- any negative development with respect to our relationship with JD Group or negative publicity concerning JD Group may materially and adversely affect our business and brand;

- the fact that we incurred significant net losses in the past and may not be able to achieve or maintain profitability in the future;

- the fact that as we currently prioritize growth of our business and expansion of our market share over profitability, there can be significant fluctuations in our profitability profile in the near-to-medium term;

- the fact that our historical results of operations and financial performance are not indicative of future performance;

- our reliance on our technology infrastructure and platform in our business operations, and failure to continue to improve and effectively utilize our technology infrastructure and platform or fully monetize and realize the benefits from new technologies could harm our business operations, reputation and prospects;

- fluctuations in the price or availability of fuel, may adversely affect our results of operations;

- our use of some leased properties could be challenged by third parties or government authorities, which may cause interruptions to our business operations. Failure to renew our current leases or locate desirable alternatives for our facilities could materially and adversely affect our business;

- the fact that our investments in warehouses and equipment may not match customer demand or there may be a lack of funding for these investments; and

- severe weather conditions and other natural disasters, health epidemics and other outbreaks, such as the outbreak of COVID-19.

Use of net proceeds from Listing

With the Shares listed on the Hong Kong Stock Exchange on the Listing Date, the net proceeds from the Global Offering (following full exercise of the Over-allotment Option, as defined in the Prospectus) were approximately RMB22,945 million after deducting underwriting commissions and offering expenses paid or payable. There has been no change in the intended use of the net proceeds and the expected timeline as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

- approximately 55% of the net proceeds is expected to be used for the upgrade and expansion of our logistics networks over the 12 to 36 months from the Listing. 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 (a) the target's existing logistics infrastructure and if it is complementary to ours, (b) the target's service capabilities and quality, (c) the target's existing customer base, (d) the target's operating history, track record of growth and reputation, and (e) 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 over the 12 to 36 months from the Listing:

  (i) Invest in automation technologies, which we believe are critical to our long-term competitiveness. Such technologies include (a) hardware improvements as well as software and algorithms which power our automation equipment and devices, and (b) 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 over the 12 to 36 months from the Listing:

(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.

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

The following table sets forth a summary of the utilization of the net proceeds as of December 31, 2021:

Purpose	Percentage of net proceeds	Net proceeds	Utilized amount for the year ended December 31, 2021	Unutilized amount as of December 31, 2021	Expected timeline of full utilization
		(RMB million)	*(RMB million)*	*(RMB million)*	
Upgrading and expansion of our logistics networks	55%	12,620	4,760	7,860	12 to 36 months from the Listing
Developing advanced technologies to be used in our supply chain solutions and logistics services	20%	4,589	831	3,758	12 to 36 months from the Listing
Expanding the breadth and depth of our solutions, as well as for penetrating existing customers and attracting potential customers	15%	3,442	713	2,729	12 to 36 months from the Listing
General corporate purposes and working capital needs	10%	2,294	1,198	1,096	12 to 36 months from the Listing
Total	100%	22,945	7,502	15,443	

Dividends

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

Reserves

As of December 31, 2021, the Company had distributable reserves of RMB43,661 million.

Details of movements in the reserves of the Company during the year ended December 31, 2021 are set out in Note 44 of the consolidated financial statements.

Borrowings

As of December 31, 2021, the Group had no outstanding borrowings.

Debenture issued

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

Equity-linked agreements

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

Directors

The Directors who held office from the date of the Prospectus and up to the Latest Practicable Date were:

Executive Directors

Yui Yu (余睿) *(Chief Executive Officer)*
Yanlei Chen (陳岩磊) *(resigned on April 7, 2022)*
Jun Fan (樊軍) *(resigned on April 7, 2022)*

Non-Executive Directors

Richard Qiangdong Liu (劉強東) *(Chairman)*
Sandy Ran Xu (許冉) *(resigned on April 7, 2022)*
Pang Zhang (張雱) *(resigned on April 7, 2022)*

Independent Non-Executive Directors

Nora Gu Yi Wu (顧宜)
Liming Wang (王利明)
Carol Yun Yau Li (李恩祐)
Xiande Zhao (趙先德) *(appointed on April 7, 2022)*
Yang Zhang (張揚) *(appointed on April 7, 2022)*

Pursuant to Article 16.19 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors. Also, pursuant to Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed to fill a casual vacancy shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

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

Board of Directors and senior management

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 23 to 28 of this annual report.

Changes in information of Directors

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

1. Mr. Yanlei Chen has resigned as an executive Director with effect from April 7, 2022;

2. Mr. Jun Fan has resigned as an executive Director with effect from April 7, 2022;

3. Ms. Sandy Ran Xu has resigned as a non-executive Director and a member of the Audit Committee with effect from April 7, 2022;

4. Ms. Pang Zhang has resigned as a non-executive Director and a member of the Remuneration Committee with effect from April 7, 2022;

5. Dr. Xiande Zhao has been appointed as an independent non-executive Director and a member of the Audit Committee and the Remuneration Committee with effect from April 7, 2022; and

6. Mr. Yang Zhang has been appointed as an independent non-executive Director with effect from April 7, 2022.

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

Permitted indemnity

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

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

Directors' service contracts

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years with effect from the Listing Date or until the third annual general meeting of the Company since the Listing Date (whichever is sooner and subject to re-election as and when required under the Articles of Association).

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial period of 3 years from the date of the Prospectus or from the date of the Prospectus until the third annual general meeting of the Company since the Listing (whichever ends sooner) or for an initial period of 3 years from the date of appointment. Such appointments are subject to retirement as and when required under the Articles of Association, on and subject to the terms and conditions specified in the relevant letter of appointment.

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

Directors' interests in transactions, arrangements or contracts of significance

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

Management contracts

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

Contracts and relationship with Controlling Shareholders

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

As noted in the section headed "Relationship with Controlling Shareholders" of the Prospectus, JD Group is not engaged, and to the Company's knowledge as at the Latest Practicable Date, will not engage in material respects, in the provision of services similar to our Group, save and except for the Excluded Businesses (as defined in the Prospectus) which include the following:

(a) *Intra-city and last-mile delivery services — Dada Group:* Dada Group, is owned as to approximately 52% by JD Group and an associate of JD Group under Listing Rules, it is a leading platform of local on-demand delivery (which includes intra-city delivery service and last-mile delivery service) in China. There are fundamental differences between Dada Group and our business given that our Group focuses on provision of integrated solutions across the entire supply chain and across geographic distances to, our customers which are primarily corporate customers and we also provide inventory management before providing delivery services, whereas Dada Group only provides last-mile delivery services and intra-city delivery services solely on an on-demand basis to logistics companies. Therefore, Dada Group does not provide services comparable to those offered by our Group in all material respects. However, given the end-to-end nature of our services which also cover intra-city delivery and last-mile delivery, there may be rare instances of competition between our Group and Dada Group, which we regard to be immaterial.

(b) *Development and management of logistics and industrial properties — JD Property Holding Limited ("**JD Property**"):* JD Property is a subsidiary of JD Group, which owns, develops and manages logistics and industrial properties which are leased to our Group and other third parties. JD Property does not engage in the provision of supply chain solutions and logistics services similar to our Group. As our Group only leases and operates warehouses and logistics parks as a warehouse and logistics facilities operator and does not own, develop and manage logistics and industrial properties as a property developer and property management services provider, we believe there is no competition between JD Property and our Group.

(c) *Domestic logistics and delivery services in Thailand and Indonesia — Central JD Commerce Limited ("**Central JD**") and PT. Jaya Ekspress Transindo ("**J-Express**"):*

(i) Central JD is a joint venture of JD Group, whose financial results are not consolidated to that of JD Group. It is an e-commerce platform targeting the Thailand domestic market. Central JD has its own logistics division which fulfills orders for Central JD as well as merchants selling on Central JD's platform by providing domestic logistics and last-mile delivery services. Despite Central JD having its own logistics capabilities, it is fundamentally an e-commerce platform which is a different business model compared to that of our Group.

(ii) J-Express is an Indonesia-based subsidiary of JD Group, established to support the local e-commerce operations of JD Group's non-wholly owned subsidiary in Indonesia through the provision of domestic delivery services. In contrast, our Group only provides cross-border logistics services, but does not engage in the provision of domestic logistics and last-mile delivery services in Indonesia.

On the basis of the differences as set forth above, we consider that apart from their interest in our Company, our Controlling Shareholders and our Directors do not currently control a business similar to the principal business of our Group that competes or is likely to compete, either directly or indirectly, with our Group's business.

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

Directors' rights to acquire Shares or debentures

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

Directors' interests in competing business

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

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

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

(i) Interest in the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate % of holding[(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
Nora Gu Yi Wu (顧宜)	Beneficial owner[(4)]	21,859(L)	0.00
Carol Yun Yau Li (李恩祐)	Beneficial owner[(4)]	21,859(L)	0.00
Liming Wang (王利明)	Beneficial owner[(4)]	21,859(L)	0.00

Notes:

(1) The percentages are calculated on the basis of 6,183,281,772 Shares in issue as at December 31, 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 December 31, 2021, Mr. Liu is interested in approximately 76.2% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings, further details of which are set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

(4) The beneficial ownership of the Directors listed here are pursuant to the vesting of the award shares granted to them under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those Award Shares.

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

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

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

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

The calculations in the table below are based on 3,118,832,137 ordinary shares of JD.com outstanding as of December 31, 2021. Beneficial ownership is determined in accordance with the rules and regulations of the U.S. SEC. In computing the number of shares beneficially owned by a person and the percentage ownership and voting power percentage of that person, JD.com has included shares and associated votes that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares and associated votes, however, are not included in the computation of the percentage ownership of any other person. Ordinary shares held by a shareholder are determined in accordance with JD.com's register of members.

	Ordinary Shares Beneficially Owned**				
Directors and Executive Officers	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	% of Beneficial Ownership	% of Average Voting Power#
Richard Qiangdong Liu (劉強東)	22,574,550(1)	408,007,423(1)	430,581,973(1)	13.7(1)	76.2(2)(3)
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 shareholders of JD.com 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) 6,974,550 Class A ordinary shares directly held by Max Smart Limited and 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 December 31, 2021, and (ii) 408,007,423 Class B ordinary shares directly held by Max Smart Limited. 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 20,178,078 Class B ordinary shares held by Fortune Rising Holdings Limited, a British Virgin Islands company, as described in footnote (2) below.

(2) The aggregate voting power includes the voting power with respect to the 20,178,078 Class B ordinary shares held by Fortune Rising Holdings Limited. Mr. 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 20,178,078 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 December 31, 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	1,347,128(L)[(1)]	0.04
Yanlei Chen (陳岩磊)	JD.com	Beneficial owner	155,258(L)[(2)]	0.00
Jun Fan (樊軍)	JD.com	Beneficial owner	87,316(L)[(3)]	0.00
Richard Qiangdong Liu (劉強東)	JD Health	Interest in controlled corporation; Beneficial owner	2,202,296,248(L)[(4)]	68.94
Sandy Ran Xu (許冉)	JD Health	Beneficial owner	100,000(L)[(5)]	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 December 31, 2021, Mr. Liu is interested in approximately 76.2% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings — further details of which are set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

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

Substantial Shareholders' interests and short positions in Shares and underlying Shares

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

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate % of holding[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	522,152,252(L)	8.44
The Core Trust Company Limited[2]	Trustee	522,152,252(L)	8.44
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 522,152,252 Shares on trust under certain share incentive scheme of the Company through Perfect Match Limited, Jungle Den Limited, Jazz Dream Limited and Mille Stelle 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 6,183,281,772 Shares in issue as at December 31, 2021.

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

(5) Pursuant to Section 336 of the SFO, if certain conditions are met, the Shareholders are required to submit a disclosure of interest notice. In the event of changes in the shareholding of the Shareholders in the Company, the Shareholders will not be required to notify the Company and the Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the Shareholders in the Company may be different from the shareholding submitted to the Stock Exchange.

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

Emolument policy and Directors' remuneration

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO ESOP, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 13, Note 36 and Note 14, respectively, to the consolidated financial statements.

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

Share incentive schemes

1. Pre-IPO ESOP

The Pre-IPO ESOP was approved and adopted by the Company on March 31, 2018, as amended from time to time.

Purpose

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

Eligible participants

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

Maximum number of Shares

The maximum aggregate number of underlying Shares which may be issued pursuant to all awards under the Pre-IPO ESOP is 598,847,916 Shares that are reserved under the Pre-IPO ESOP.

As at December 31, 2021, outstanding options representing 200,096,073 underlying Shares, representing approximately 3.2% 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 28 to the consolidated financial statements.

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

Period of the Pre-IPO ESOP

The Pre-IPO ESOP commenced on March 31, 2018 and will expire on March 31, 2028. Upon expiry of the Pre-IPO ESOP, no Award may be granted pursuant to the Pre-IPO ESOP; any awards that are outstanding shall remain in force according to the terms of the Pre-IPO ESOP and the applicable award agreement.

Exercise price

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

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

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

Details of the outstanding options granted under the Pre-IPO ESOP during the period from the Listing up to December 31, 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 at December 31, 2021
Directors								
Yui Yu (余睿)	Executive Director and chief executive officer	April 1, 2019 to March 1, 2021	0 to 6 years	US$0.01	5,900,000	250,000	—	5,650,000
Yanlei Chen (陳岩磊)	Executive Director	April 1, 2018 to April 1, 2020	0 to 6 years	US$0.01	2,200,000	766,663	—	1,433,337
Jun Fan (樊軍)	Executive Director	April 1, 2018 to April 1, 2020	0 to 6 years	US$0.01	1,800,000	600,000	—	1,200,000
Richard Qiangdong Liu (劉強東)	Non-executive Director and chairman of the Board	October 15, 2020	1 to 6 years	US$0.01	99,186,705	16,531,117	—	82,655,588
Sandy Ran Xu (許冉)	Non-executive Director	April 1, 2021	1 to 4 years	US$0.01	100,000	—	—	100,000
Pang Zhang (張雱)	Non-executive Director	January 1, 2020 to April 1, 2021	1 to 6 years	US$0.01	200,000	16,666	—	183,334
Other grantees in aggregate		April 1, 2018 to April 1, 2021	0 to 9 years	US$0.01	171,602,950	46,290,933	16,438,203	108,873,814
Total					280,989,655	64,455,379	16,438,203	200,096,073

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 share option award agreement signed by the grantee.

2. Post-IPO Share Option Scheme

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

Purpose

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

Selected participants

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

Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 609,160,767 Shares, being no more than 10% of the Shares in issue on the Listing Date (the "**Option Scheme Mandate Limit**") (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares to be issued under the Pre-IPO ESOP and grants under the Post-IPO Share Award Scheme). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

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

As at December 31, 2021, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 609,160,767 Shares, representing 9.85% of the issued share capital of the Company.

Maximum entitlement of a grantee

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

Remaining Life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme is valid and effective for a period of 10 years commencing from the Listing Date and up to May 28, 2031. The remaining life of the Post-IPO Share Option Scheme is approximately over 9 years.

Option period

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

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

Exercise price

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

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

3. Post-IPO Share Award Scheme

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

Purpose

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

Eligible participants

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

Award

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

Granting of Awards

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

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

Maximum number of Shares to be awarded

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding award shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 609,160,767 Shares without Shareholders' approval (the "**Post-IPO Share Award Scheme Limit**") subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

Limit for each participant

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

Termination

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

(a) the end of the period of 10 years commencing on the Listing Date except in respect of any non-vested Shares granted hereunder prior to the expiration of the Post-IPO Share Award Scheme, for the purpose of giving effect to the vesting of such Shares or otherwise as may be required in accordance with the provisions of the Post-IPO Share Award Scheme; and

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

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

Details of the outstanding share awards granted under the Post-IPO Share Award Scheme during the period from the Listing up to December 31, 2021 are as follows:

Name	Role	Date of Grant	Vesting Period	Outstanding as of the Listing Date	Granted during the period	Vested during the period	Cancelled/ Lapsed during the period	Outstanding as of December 31, 2021
Directors								
Nora Gu Yi Wu (顧宜)	Independent non-executive director	Jul 14, 2021	0 to 3 years	—	21,859	—	—	21,859
Carol Yun Yau Li (李恩祐)	Independent non-executive director	Jul 14, 2021	0 to 3 years	—	21,859	—	—	21,859
Liming Wang (王利明)	Independent non-executive director	Jul 14, 2021	0 to 3 years	—	21,859	—	—	21,859
Other grantees in aggregate		Jul 1, 2021 to Oct 1,2021	3 to 6 years	—	9,598,376	—	623,420	8,974,956
Total				—	9,663,953	—	623,420	9,040,533

Our connected persons

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

JD.com and its associates

Connected Relationship	Name
Controlling Shareholder	JD.com and its subsidiaries and consolidated affiliated entities
JD.com's associates	Including, but not limited to JD Technology, Dada Group and ATRenew Inc. ("**AiHuiShou Group**")

Continuing connected transactions

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

Continuing Connected Transactions	Proposed Annual Cap in 2021 (RMB'000)	Actual Transaction Amount in 2021 (RMB'000)
Supply Chain Solutions and Logistics Services Framework Agreement		
Transaction amount to be paid by JD Group and its associates to us	52,200,000	46,018,313
Advertising and Promotional Services Framework Agreement		
Transaction amount to be paid by JD Group and its associates to us	240,000	236,541
Property Leasing Framework Agreement		
Transaction amount to be paid by us to JD Group	3,300,000	2,172,412
Dada Delivery Services Framework Agreement		
Transaction amount to be paid by us to Dada Group	N/A	879,502
Payment Services Framework Agreement		
Transaction amount to be paid by us to JD Technology	120,000	110,487
Shared Services Framework Agreement		
Transaction amount to be paid by us to JD Group	2,900,000	2,276,176
JD Technology Shared Services Framework Agreement		
Transaction amount to be paid by us to JD Technology	300,000	177,954
Contractual Arrangements	N/A	–

1. Supply Chain Solutions and Logistics Services Framework Agreement

Our Company entered into a supply chain solutions and logistics services framework agreement with JD.com on May 13, 2021 (the "**Supply Chain Solutions and Logistics Services Framework Agreement**"), pursuant to which our Group will provide integrated supply chain solutions and other logistics services to JD Group and its associates including but not limited to warehouse operation and storage services, domestic and international transportation and delivery services, after sales and maintenance services, cash on delivery services, and other related ancillary services in exchange for service fees.

The period of the Supply Chain Solutions and Logistics Services Framework Agreement commenced on the Listing Date and will end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

The fees we charge JD Group and its associates (i) will be in the range of applicable price we charge third party customers which are strategic clients of our Group; or (ii) will be determined in accordance with the prevailing market rates, taking into account the volume of business. To ensure that the fees we charge JD Group are on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole, our Group and JD Group along with its associates will, on an annual basis, engage an industry consultant or conduct researches on comparable companies to determine the applicable market rates for the services provided under the Supply Chain Solutions and Logistics Services Framework Agreement.

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

2. Advertising and Promotional Services Framework Agreement

Our Company entered into an advertising and promotional services framework agreement with JD.com on May 13, 2021 (the "**Advertising and Promotional Services Framework Agreement**"), pursuant to which our Group will provide JD Group and its associates and its customers certain advertising services utilizing the advertising resources operated and managed by our Group, including the display of advertisements on various vehicles and the packaging of the parcels, and other promotional services among our customers and suppliers in return for service fees which shall be calculated in accordance with the underlying standard services agreements and the standard terms and conditions as amended from time to time.

The period of the Advertising and Promotional Services Framework Agreement commenced on the Listing Date and will end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

The fees our Group charges JD Group and its associates will be determined in accordance with the prevailing market rates, taking into account the volume of business. To ensure that the fees we charge JD Group are on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole, our Group and JD Group along with its associates will, on an annual basis, engage an industry consultant or conduct researches on comparable companies to determine the applicable market rates for the services provided under the Advertising and Promotional Services Framework Agreement.

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

3. Property Leasing Framework Agreement

Our Company entered into a property leasing framework agreement with JD.com on May 13, 2021 (the "**Property Leasing Framework Agreement**"), pursuant to which (i) we will lease properties owned by JD Group including warehouses, dormitories and cafeterias in logistics parks in return for rental fees; and (ii) JD Group will enter into short-term and long-term leases for warehouses on our behalf with third party property owners on a cost basis ("**Agency Lease Arrangements**"). JD Group will not charge our Group additional fees on these lease arrangements beyond its own cost. Our Group shall pay JD Group rental fees (including related ancillary fees) as charged by the third party property owners.

The period of the Property Leasing Framework Agreement commenced on the Listing Date and will end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

To ensure that the fees to be charged by JD Group are on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole, the rental fees to be charged in relation to the properties owned by JD Group will be determined based on the prevailing market rental rates of warehouses of similar functions, gross floor area and location, among others. In respect of the Agency Lease Agreements, JD Group will not charge our Group additional fees beyond what it pays to the relevant third party property owners and our Group shall pay JD Group rental fees (including related ancillary fees) as charged by such third party property owners, and the rental fees will be determined based on the prevailing market rental rates of warehouses of similar functions, gross floor area and location (among others) or determined based on arm's length negotiation between us (or JD Group on behalf of our Group) and third party property owners of the warehouses.

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

4. Dada Delivery Services Framework Agreement

Our Company entered into the Dada delivery services framework agreement with Dada Group on May 13, 2021 (the "**Dada Delivery Services Framework Agreement**"), pursuant to which Dada Group will provide on-demand delivery services to our Group utilizing its crowd-sourced delivery force to supplement our Group's last-mile delivery force, especially during peak seasons.

The period of the Dada Delivery Services Framework Agreement commenced on the Listing Date and will end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

The on-demand delivery services provided by Dada Group include regular last-mile delivery services, in which deliveries are typically made within 4–6 hours after the orders are placed, and premium delivery services, in which deliveries are typically made within 1–2 hours after the orders are placed.

The fees Dada Group charges our Group (i) will be in the range of applicable price Dada Group charges third party customers which are strategic clients of Dada Group; or (ii) will be determined in accordance with the prevailing market rates, taking into account the volume of business from our Group as well as the delivery requirements. To ensure that the fees to be charged by Dada Group are on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole, our Group will, on an annual basis, engage an industry consultant or conduct researches on comparable companies to determine the applicable market rates for the services provided under the Dada Delivery Services Framework Agreement.

The fees Dada Group shall charge us for the regular last-mile delivery services and premium delivery services shall be determined by the following formulae, respectively:

Fees paid on a gross basis: average fee per order * number of orders
Platform fee paid on a net basis: average platform fee per order * number of orders

The average fee per order Dada Group shall charge us on the number of orders shall not exceed RMB10, and the average platform fee per order shall not exceed RMB0.60.

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 14A.53(1) of the Listing Rules to express annual caps for the Dada Delivery Services Framework Agreement in terms of monetary value. As the highest applicable percentage ratio of the transactions contemplated under the Dada Delivery Services Framework Agreement will exceed 0.1%, but less than 5% on an annual basis, such transactions will constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

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

5. Payment Services Framework Agreement

Our Company entered into a payment services framework agreement with JD Technology on May 13, 2021 (the "**Payment Services Framework Agreement**"), pursuant to which JD Technology agreed to provide payment and ancillary services to our Group. For example, for consumers who choose cash on delivery, the pick-up stations or our Group's delivery personnel will have to collect payment for the parcel on behalf of JD Group or online merchants (i.e. customers of our Group) and the delivery fee upon the receipt of the products. The relevant amounts are then settled with our customers through JD Technology.

The initial term of the Payment Services Framework Agreement commenced on the Listing Date and will end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

To ensure that the fees to be charged by JD Technology are on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole, the fees to be charged by JD Technology will be calculated with reference to the prevailing marketing rates (e.g. a commission rate with reference to market rates charged by other payment service providers, and/or the market rate charged by JD Technology to its other third party service receivers), and taking into account the volume of the business to JD Technology.

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

6. Shared Services Framework Agreement

Our Company entered into a shared services framework agreement with JD.com on May 13, 2021 (the "**Shared Services Framework Agreement**"), pursuant to which JD Group will provide to our Group certain back-office and administrative support services, including but not limited to cloud services, provision of servers, information technology support service, certain human resources services, in addition to certain shared services, including office premises sharing and leasing, canteen facilities for staff, administrative purchases and various support services.

The initial term of the Shared Services Framework Agreement commenced on the Listing Date and will end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

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

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

7. JD Technology Shared Services Framework Agreement

Our Company entered into a technology shared services framework agreement with JD Technology on July 2, 2021 (the "**JD Technology Shared Services Framework Agreement**"), pursuant to which JD Technology will provide the Group with certain technology support related services, including but not limited to IDC (Internet data center) related services, cloud computing services, cloud storage services, intelligent customer services, online contract signing cloud platform, information technology support services and corporate business services.

The term of the JD Technology Shared Services Framework Agreement commenced on July 2, 2021 and will end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

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

Further details of the JD Technology Shared Services Framework Agreement are set out in the announcement of the Company dated July 2, 2021.

Confirmation from independent non-executive Directors

Our independent non-executive Directors have reviewed the continuing connected transactions mentioned under sections (1) to (7) under the section headed "Continuing Connected Transactions" above (the "**Continuing Connected Transactions**"), and confirmed that the Continuing Connected Transactions have been entered into:

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

(b) on normal commercial terms or better;

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

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

During the year ended December 31, 2021, save as disclosed in the section headed "Continuing Connected Transactions" of this annual report, no related party transactions disclosed in Note 36 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

Confirmations from the Auditor

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

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

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

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

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

A summary of all significant transactions with related parties (the "**Related Party Transactions**") entered into by the Group during the Reporting Period is contained in Note 36 to the consolidated financial statements. During the Reporting Period, other than the continuing connected transactions of the Group set out and recognized on page 52 which should be disclosed pursuant to the Listing Rules, no related party transactions disclosed in Note 36 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

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

8. Contractual Arrangements

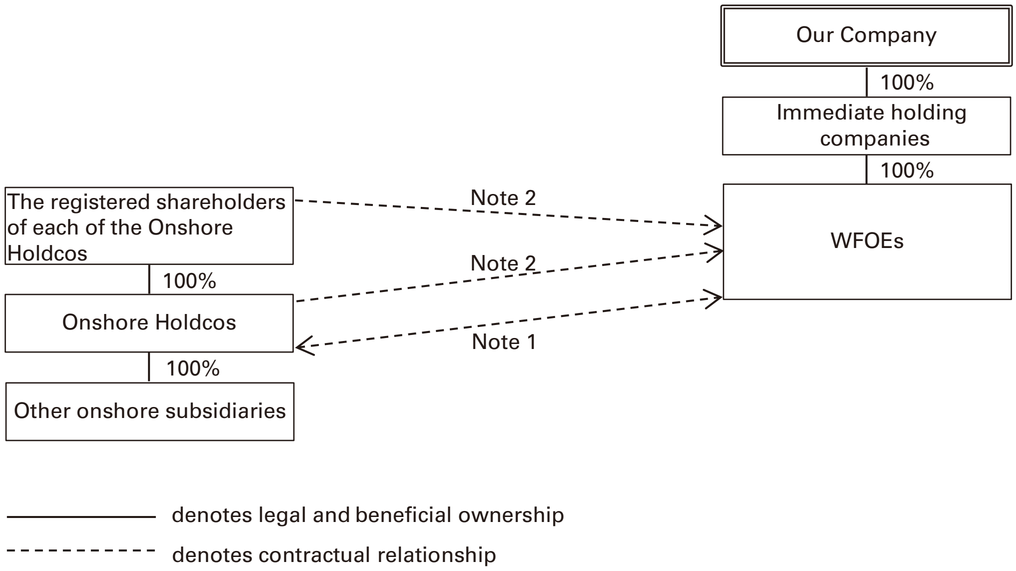
Given that foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations as outlined in further detail in the section headed "Contractual Arrangements" in the Prospectus, we do not directly own any equity interests in our Consolidated Affiliated Entities. The Onshore Holdco is held by Richard Qiangdong Liu (劉強東) as to 45%, Yayun Li (李婭雲) as to 30% and Pang Zhang (張雱) as to 25%. Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) is held by Jian Cui (崔建) as to 50% and Dingkai Yu (禹定凱) as to 50%. Richard Qiangdong Liu (劉強東) and Pang Zhang (張雱) are non-executive Directors of our Company; Yayun Li (李婭雲) is chief executive officer of JD Technology and a former employee (including as Chief Compliance Officer) of JD Group (and has been a shareholder of the Onshore Holdco since June 23, 2017); Jian Cui (崔建) is managerial staff in charge of our Group's customer services center for the north China region; and Dingkai Yu (禹定凱) is managerial staff in charge of our Group's bulky item logistics services for the central China region.

In view of the aforementioned PRC regulatory background, after consultation with our PRC Legal Adviser, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements (i) between the WFOE, on the one hand, and the Onshore Holdco and its shareholders, on the other, and (ii) between Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) on the one hand, and Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) and its shareholders on the other. The Contractual Arrangements allow the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities under IFRSs as if they were subsidiaries of our Group.

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, the Contractual Arrangements currently in effect were entered into on January 25, 2021, whereby the WFOE have acquired effective control over the financial and operational policies of our Consolidated Affiliated Entities and have become entitled to all the economic benefits derived from their operations. Total revenue of the Group's Consolidated Affiliated Entities was RMB92.1 billion for the year ended December 31, 2021 (2020: RMB58.9 billion), and that amount has been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated. Based on the above and as set out in the section headed "Contractual Arrangements" in the Prospectus, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

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

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



Notes:

(1) The WFOE and Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) provide business support, technical and consulting services in exchange for service fees from the Onshore Holdco and Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司), respectively. Please refer to the section headed "Contractual Arrangements — Our Contractual Arrangements — Exclusive Business Cooperation Agreement" in the Prospectus.

(2) The Registered Shareholders, executed the exclusive option agreement in favor of the WFOE for the acquisition of all or part of the equity interests in and all or part of the assets in the Onshore Holdco. Jian Cui (崔建) and Dingkai Yu (禹定凱) executed the exclusive option agreement in favor of Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) for the acquisition of all or part of the equity interests in and all or part of the assets in Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司). Please refer to the section headed "Contractual Arrangements — Our Contractual Arrangements — Exclusive Option Agreement" in the Prospectus.

The Registered Shareholders executed shareholders' rights entrustment agreement and the powers of attorney in favor of the WFOE, for the exercise of all shareholders' rights in the Onshore Holdco. Jian Cui (崔建) and Dingkai Yu (禹定凱) executed shareholders' rights entrustment agreement and the powers of attorney in favor of the Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司), for the exercise of all shareholders' rights in the Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司). Please refer to the section headed "Contractual Arrangements — Our Contractual Arrangements — Shareholders' Rights Entrustment Agreement and Powers of Attorney". The Registered Shareholders granted security interests in favor of the WFOE, over the entire equity interests in the Onshore Holdco. Jian Cui (崔建) and Dingkai Yu (禹定凱) granted security interests in favor of Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司), over the entire equity interests in Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司). Please refer to the section headed "Contractual Arrangements — Our Contractual Arrangements — Share Pledge Agreement" in the Prospectus.

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 64 to 70 of the Prospectus.

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

- We rely on contractual arrangements with our consolidated affiliated entities and their shareholders for a portion of our business operations, which may not be as effective as direct ownership in providing operational control.

- Any failure by our consolidated affiliated entities or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.

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

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

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

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

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

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

Summary of the major terms of the Contractual Arrangements

The Contractual Arrangements which were in place during the period from January 25, 2021 to December 31, 2021 and a description of the specific agreements that comprise the Contractual Arrangements is set out below:

Exclusive Business Cooperation Agreement

The Onshore Holdco entered into an exclusive business cooperation agreement with the WFOE on January 25, 2021 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which the Onshore Holdco agrees to engage WFOE as its exclusive provider of business support, technical and consulting services, including technical services, network support, business consultation, intellectual property licensing, equipment leasing, market consultancy, system integration, product research and development and system maintenance, in exchange for service fees. Under these arrangements, the service fees, subject to the WFOE's adjustment, are equal to all of the net profit of the Onshore Holdco and its subsidiaries. The WFOE may adjust the service fees at its sole discretion, after consideration of certain factors, including but not limited to the deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year, and may also include accumulated losses of the Onshore Holdco and its subsidiaries from previous financial periods, which will be wired to the designated account of the WFOE upon issuance of payment notification by the WFOE. The WFOE enjoys all the economic benefits derived from the businesses of the Onshore Holdco and bears the relevant portion of the business risks of the Onshore Holdco. If the Onshore Holdco runs into financial deficit or suffers severe operation difficulties, the WFOE will provide financial support to the Onshore Holdco.

Intellectual property rights are developed during the normal course of business of the Onshore Holdco and its subsidiaries. Pursuant to the Exclusive Business Cooperation Agreement, the WFOE will have the exclusive and proprietary rights to all intellectual properties developed by the Onshore Holdco and its subsidiaries, in connection with performance of this Exclusive Business Cooperation Agreement. Part of the economic benefits generated by the Onshore Holdco and its subsidiaries will be intellectual properties developed or created during the normal business operation of the Onshore Holdco and its subsidiaries. Though we do not intend to transfer any existing intellectual property rights held by the Onshore Holdco to the WFOE, the Onshore Holdco is required under the Contractual Arrangements to obtain the WFOE's prior written consent before they transfer, assign or dispose of any of the intellectual properties to any third party.

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

Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) also entered into an exclusive business cooperation agreement with Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) on January 25, 2021 which substantially mirrors the terms of Exclusive Business Cooperation Agreement set out above.

Exclusive Option Agreement

The Onshore Holdco and the Registered Shareholders entered into an exclusive option agreement with the WFOE dated January 25, 2021 (the "**Exclusive Option Agreement**"), pursuant to which the WFOE (or our Company or any subsidiary of our Company, the "**designee**") is granted an irrevocable and exclusive right to purchase all of the equity interest in and/or assets of the Onshore Holdco for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, the Registered Shareholders and/or the Onshore Holdco shall return any amount of purchase price they have received to the WFOE or its designee. At the WFOE's request, the Registered Shareholders will promptly transfer their respective equity interests in and/or the relevant assets of the Onshore Holdco to the WFOE (or its designee) after the WFOE exercises its purchase right. Unless otherwise terminated early by the WFOE through written notice, the Exclusive Option Agreement will remain effective until when all the purchased equity interests and/or the relevant assets are transferred to the WFOE and/or the designee and the WFOE and its subsidiaries have the right to legally conduct the business of the Onshore Holdco according to the PRC law.

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

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

Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) and Jian Cui (崔建) and Dingkai Yu (禹定凱) also entered into an exclusive option agreement with Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) dated January 25, 2021 which substantially mirrors the terms of Exclusive Option Agreement set out above.

Loan Agreement

Pursuant to the loan agreement dated January 25, 2021 between the WFOE and the Registered Shareholders (the "**Loan Agreement**"), the WFOE made loans in an aggregate amount of RMB1 million to the Registered Shareholders solely for the capitalization of the Onshore Holdco. Pursuant to the Loan Agreement, the Registered Shareholders can only repay the loans by the sale of all their equity interest in the Onshore Holdco to the WFOE or its designated person. The Registered Shareholders must sell all of their equity interests in the Onshore Holdco to the WFOE or its designated person and pay all of the proceeds from sale of such equity interests or the maximum amount permitted under PRC law to the WFOE. In the event that Registered Shareholders sell their equity interests to the WFOE or its designated person with a price equivalent to or less than the amount of the principal, the loans will be interest free. If the price is higher than the amount of the principal, the excess amount will be paid to the WFOE as the loan interest. The maturity date of the loans is on the tenth anniversary of the date when the Registered Shareholders received the loans and paid the amount as capital contribution to the Onshore Holdco. The term of the loans will be extended automatically for an additional 10 years, unless the WFOE objects, for an unlimited number of times. The loan must be repaid immediately under certain circumstances, including, among others, (i) if any other third-party claims against any Registered Shareholder for an amount more than RMB100,000 and the WFOE has reasonable ground to believe that the shareholder is unable to repay the claimed amount, (ii) if a foreign investor is permitted to hold majority or 100% equity interest in the Onshore Holdco and the WFOE elects to exercise its exclusive purchase option, or (iii) if the Loan Agreement, the Share Pledge Agreement (as defined below) or the Exclusive Option Agreement terminates for cause not attributable to the WFOE or is deemed to be invalid by a court.

Pursuant to the loan agreement dated January 25, 2021 between Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司), Jian Cui (崔建) and Dingkai Yu (禹定凱), Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) made loans in an aggregate amount of RMB5 million to Jian Cui (崔建) and Dingkai Yu (禹定凱) solely for the capitalization of Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) — the terms of such loan agreement substantially mirror the terms of the Loan Agreement set out above.

Shareholders' Rights Entrustment Agreement and Powers of Attorney

Pursuant to the shareholder's rights entrustment agreement entered into among the Registered Shareholders, the WFOE and the Onshore Holdco on January 25, 2021 (the "**Shareholders' Rights Entrustment Agreement**"), and the irrevocable power of attorney executed by each of the Registered Shareholders on the same day (the "**Power of Attorney**"), whereby the Registered Shareholders appointed the WFOE or a director of its offshore holding company or his or her successor (including a liquidator replacing the WFOE's director) as their exclusive agent and attorney to act on their behalf on all matters concerning the Onshore Holdco and to exercise all of its rights as a registered shareholder of the Onshore Holdco. These rights include (i) the right to propose, convene and attend shareholders' meetings; (ii) the right to sell, transfer, pledge or dispose of shares; (iii) the right to exercise shareholders' voting rights; and (iv) the right to act as the legal representative (chairperson), the director, supervisor, the chief executive officer (or general manager) and other senior management members of the Onshore Holdco. The authorized person is entitled to sign minutes, file documents with the relevant companies registry and exercise voting rights on the winding up of the Onshore Holdco on behalf of the Registered Shareholders. The Registered Shareholders have each undertaken to transfer all assets obtained after the winding up of the Onshore Holdco to the WFOE at nil consideration or the lowest price permissible by the then applicable PRC laws. As a result of the Shareholders' Rights Entrustment Agreement and the Powers of Attorney, we, through the WFOE, are able to exercise management control over the activities that most significantly impact the economic performance of the Onshore Holdco.

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

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

Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司), Jian Cui (崔建), Dingkai Yu (禹定凱) and Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) also entered into a shareholder's rights entrustment agreement on January 25, 2021 which substantially mirror the terms of the Shareholders' Rights Entrustment Agreement set out above. Jian Cui (崔建) and Dingkai Yu (禹定凱) also executed irrevocable power of attorney on the same day which substantially mirror the terms of the Power of Attorney set out above.

Share Pledge Agreement

The Onshore Holdco, the Registered Shareholders and the WFOE entered into a share pledge agreement on January 25, 2021 (the "**Share Pledge Agreement**"). Under the Share Pledge Agreement, the Registered Shareholders will pledge as first charge all of their respective equity interests in the Onshore Holdco to the WFOE as collateral security for any or all of their payments due to the WFOE and to secure performance of their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement, Shareholders' Rights Entrustment Agreement and the Powers of Attorney. The Share Pledge Agreement will not terminate until (i) all obligations of the Onshore Holdco and the Registered Shareholders are satisfied in full; (ii) the WFOE exercises its exclusive option to purchase the entire equity interests held by the Registered Shareholders in the Onshore Holdco and/or the entire assets of the Onshore Holdco pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws; (iii) the WFOE exercises its unilateral and unconditional right of termination; or (iv) the Share Pledge Agreement is required to be terminated in accordance with applicable PRC laws. In addition, under the Exclusive Option Agreement, none of the Registered Shareholders may transfer or permit the encumbrance of any of their equity interests in and the relevant assets of the Onshore Holdco without the WFOE's prior written consent.

Furthermore, under the Exclusive Business Cooperation Agreement, the WFOE is entitled to retain and exercise physical control of company seals and certificates that are crucial to the daily operations of the Onshore Holdco, which further strengthens the protection of the WFOE's interests over the Onshore Holdco under the Contractual Arrangements. Should an event of default (as provided in the Share Pledge Agreement) occur, unless it is successfully resolved to the WFOE's satisfaction within 30 days upon being notified by the WFOE, the WFOE may demand that the Onshore Holdco immediately pay all outstanding payments due under the Exclusive Business Cooperation Agreement, repay any loans and make all other payments due to it, and/or dispose of the pledged equity interests and use the proceeds to repay any outstanding payments due to the WFOE. The Registered Shareholders have pledged their equity interests in the Onshore Holdco to WFOE and registered such pledges with the relevant PRC governmental authority pursuant to PRC laws and regulations.

Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司), Jian Cui (崔建), Dingkai Yu (禹定凱) and Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) also entered into a share pledge agreement on January 25, 2021 which substantially mirrors the terms of the Share Pledge Agreement set out above. Jian Cui (崔建) and Dingkai Yu (禹定凱) have pledged their equity interests in Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) to Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司) and registered such pledges with the relevant PRC governmental authority pursuant to PRC laws and regulations.

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

All of the Contractual Arrangements are subject to the restrictions as set out on pages 196 to 210 of the Prospectus. During the period from January 25, 2021 to December 31, 2021, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements had been unwound as the regulatory restrictions that led to their adoptions were not removed.

Listing Rule implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as certain parties to the Contractual Arrangements, namely Richard Qiangdong Liu (劉強東) and Pang Zhang (張雱), are connected persons of the Group. As of the Latest Practicable Date, Richard Qiangdong Liu (劉強東) holds more than 50% of the voting power entitled to be exercised in the general meetings of JD.com, one of our Controlling Shareholders, and Pang Zhang (張雱) was a Director in the last 12 months (resigned as a non-executive Director on April 7, 2022).

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

Waiver from the Stock Exchange and annual review

The Stock Exchange has granted the Company a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to 3 years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject to the following conditions:

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

(b) no change without independent Shareholders' approval;

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

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

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

Confirmation from independent non-executive Directors

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

Confirmations from the Company's independent Auditor

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

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

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

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

Pre-emptive rights

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

Tax relief and exemption

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

Auditor

The consolidated financial statements of the Group for the year ended December 31, 2021 have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

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

During the year ended December 31, 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Public float

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

Important events after reporting date

We refer to our announcement dated March 13, 2022 in relation to the acquisition of equity interest in Ningbo Meishan Baoshui Area Deppon Investment Holding Company Limited ("**Deppon Holdco**"). On March 11, 2022, the Group entered into a series of agreements with the shareholders of Deppon Holdco, pursuant to which the Group has conditionally agreed to acquire, and the shareholders of Deppon Holdco have conditionally agreed to sell an aggregate of 93,862,533 shares of the Deppon Holdco, representing approximately 99.99% of the equity interest of the Deppon Holdco as at the date of the said agreements, at a total consideration of approximately RMB8,976 million (the "**Acquisition**"). The Deppon Holdco in turn holds a total of approximately 66.50% of the issued share capital of Deppon Logistics Co., Ltd. ("**Deppon**") as at the date of the said agreements, a company listed on the Shanghai Stock Exchange. Upon the completion of the Acquisition, the Deppon Holdco (including Deppon and its subsidiaries) will become a subsidiary of the Company and its financial results will be consolidated into the accounts of the Group. As Deppon is listed on the Shanghai Stock Exchange, subject to the satisfaction of the conditions set out in the agreements and the completion, the Group, as required under the relevant rules of the PRC authorities, will make a mandatory general offer for all the Deppon Offer Shares (as defined in the said announcement) at the offer price of RMB13.15 per Deppon Offer Shares (as defined in the said announcement).

We refer to our announcement dated March 25, 2022 in relation to the placing of new Shares under general mandate (the "**Placing**") and connected transaction involving subscription of new Shares under specific mandate. On March 25, 2022, the Company and the placing agents entered into the placing agreement, pursuant to which the Company has agreed to appoint the placing agents, and the placing agents agreed to procure purchasers to purchase 150,500,000 placing Shares at the placing price of HK$20.71 for each placing Share. The estimated net proceeds from the issue of the placing Shares after deducting all fees, costs and expenses properly incurred by the Company, amount to approximately HK$3,102 million, or approximately RMB2,523 million. In addition, on the same day, the Company and Jingdong Technology Group Corporation entered into the subscription agreement, pursuant to which Jingdong Technology Group Corporation has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 261,400,000 subscription Shares at the subscription price of HK$20.71 (equivalent to approximately US$2.65) for each subscription share. The estimated net proceeds from the subscription are expected to be approximately US$692 million, or approximately RMB4,402 million. The Company intends to use the estimated net proceeds of the placing and the subscription to improve the Group's logistics network and solutions, both organically and/or by acquisitions, and to increase cash reserves for general corporate use. The Placing was completed on April 1, 2022. For details, please refer to our announcement dated April 1, 2022.

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

By the order of the Board
Richard Qiangdong Liu
Chairman

Hong Kong, March 10, 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the period from the Listing Date to December 31, 2021.

Corporate governance practices

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

During the period from the Listing Date to December 31, 2021 (the "**Review Period**"), the Company has adopted and complied with all the applicable code provisions of the CG Code (version up to 31 December 2021) as set out in Appendix 14 to the Listing Rules, except as disclosed in this Corporate Governance Report.

Directors' securities transactions

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 those set out in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Insider Trading Policy during the Review Period.

Board of Directors

Board composition

From the date of the Prospectus and up to the Latest Practicable Date, our Board comprises the following:

Name of Director	Membership of Board Committee(s)
Executive Directors:	
Yui Yu (余睿) *(Chief Executive Officer)*	
Yanlei Chen (陳岩磊)(1)	
Jun Fan (樊軍)(2)	
Non-executive Directors:	
Richard Qiandong Liu (劉強東) *(Chairman)*	Chairperson of the Nomination Committee
Sandy Ran Xu (許冉)(3)	Member of the Audit Committee
Pang Zhang (張雱)(4)	Member of the Remuneration Committee

Name of Director	Membership of Board Committee(s)
Independent non-executive Directors:	
Nora Gu Yi Wu (顧宜)	Chairperson of the Audit Committee Member of the Remuneration Committee
Liming Wang (王利明)	Chairperson of the Remuneration Committee Member of the Nomination Committee
Carol Yun Yau Li (李恩祐)	Member of the Audit Committee Member of the Nomination Committee
Xiande Zhao (趙先德)[(5)]	Member of the Audit Committee Member of the Remuneration Committee
Yang Zhang (張揚)[(6)]	

Notes:

1. Mr. Yanlei Chen resigned as an executive Director with effect from April 7, 2022.

2. Mr. Jun Fan resigned as an executive Director with effect from April 7, 2022.

3. Ms. Sandy Ran Xu resigned as a non-executive Director and a member of the Audit Committee with effect from April 7, 2022.

4. Ms. Pang Zhang resigned as a non-executive Director and a member of the Remuneration Committee with effect from April 7, 2022.

5. Dr. Xiande Zhao has been appointed as an independent non-executive Director and a member of the Audit Committee and the Remuneration Committee with effect from April 7, 2022.

6. Mr. Yang Zhang has been appointed as an independent non-executive Director with effect from April 7, 2022.

The biographical information of the Directors and the relationships between the members of the Board are disclosed under the section headed "Directors and Senior Management" on pages 23 to 28 of this annual report.

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

Chairman and chief executive officer

The positions of chairman of the Board and Chief Executive Officer are held by Mr. Richard Qiangdon Liu (劉強東) and Mr. Yui Yu (余睿), respectively. The chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent non-executive Directors

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

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

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

Terms of appointment of non-executive Directors

In accordance with the Articles of Association, all the Directors are subject to retirement by rotation at least once every 3 years. Any new director appointed by the Board (i) to fill a casual vacancy; or (ii) as an addition to the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial period of 3 years from the date of the Prospectus or from the date of the Prospectus until the third annual general meeting of the Company since the Listing (whichever ends sooner) or for an initial period of 3 years from the date of appointment. Such appointments are subject to retirement as and when required under the Articles of Association, on and subject to the terms and conditions specified in the relevant letter of appointment.

Responsibilities, accountabilities and contributions of the Board and management

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

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

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

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

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

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

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

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

Continuous professional development of Directors

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

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

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

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

Name of Director	Participated in continuous professional training[1]
Executive Directors	
Yui Yu (余睿)	√
Yanlei Chen (陳岩磊)[2]	√
Jun Fan (樊軍)[3]	√
Non-executive Directors	
Richard Qiangdong Liu (劉強東)	√
Sandy Ran Xu (許冉)[4]	√
Pang Zhang (張雱)[5]	√
Independent non-executive Directors	
Nora Gu Yi Wu (顧宜)	√
Liming Wang (王利明)	√
Carol Yun Yau Li (李恩祐)	√
Xiande Zhao (趙先德)[6]	—
Yang Zhang (張揚)[7]	—

Notes:

1. Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.
2. Mr. Yanlei Chen resigned as an executive Director with effect from April 7, 2022.
3. Mr. Jun Fan resigned as an executive Director with effect from April 7, 2022.
4. Ms. Sandy Ran Xu resigned as a non-executive Director with effect from April 7, 2022.
5. Ms. Pang Zhang resigned as a non-executive Director with effect from April 7, 2022.
6. Dr. Xiande Zhao has been appointed as an independent non-executive Director with effect from April 7, 2022.
7. Mr. Yang Zhang has been appointed as an independent non-executive Director with effect from April 7, 2022.

Board meetings, general meetings and committee meetings

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 had only held three Board meetings throughout the period from the Listing Date and up to December 31, 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.

Attendance records of Directors

During the Review Period, the attendance record of each Directors at Board and committee meetings is detailed in the table below.

	Attendance/No. of Meeting(s)			
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Yui Yu (余睿)	3/3	—	—	—
Yanlei Chen (陳岩磊)[(1)]	3/3	—	—	—
Jun Fan (樊軍)[(2)]	3/3	—	—	—
Richard Qiangdong Liu (劉強東)	2/3	—	—	Nil
Sandy Ran Xu (許冉)[(3)]	2/3	1/2	—	—
Pang Zhang (張雱)[(4)]	2/3	—	Nil	—
Nora Gu Yi Wu (顧宜)	3/3	2/2	Nil	—
Liming Wang (王利明)	3/3	—	Nil	Nil
Carol Yun Yau Li (李恩祐)	3/3	2/2	—	Nil
Xiande Zhao (趙先德)[(5)]	Nil	Nil	Nil	—
Yang Zhang (張揚)[(6)]	Nil	—	—	—

Notes:

1. Mr. Yanlei Chen resigned as an executive Director with effect from April 7, 2022.
2. Mr. Jun Fan resigned as an executive Director with effect from April 7, 2022.
3. Ms. Sandy Ran Xu resigned as a non-executive Director with effect from April 7, 2022.
4. Ms. Pang Zhang resigned as a non-executive Director with effect from April 7, 2022.
5. Dr. Xiande Zhao has been appointed as an independent non-executive Director with effect from April 7, 2022.
6. Mr. Yang Zhang has been appointed as an independent non-executive Director with effect from April 7, 2022.

No general meeting was held during the Review Period.

Apart from the regular Board meetings above, the chairman of the Board also held meetings with the independent non-executive Directors without the presence of executive Directors during the Review Period.

Board committees

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

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to 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.

As of the Latest Practicable Date, the Audit Committee comprises three members, namely Nora Gu Yi Wu (顧宜), Carol Yun Yau Li (李恩祐) and Xiande Zhao (趙先德). Nora Gu Yi Wu (顧宜), Carol Yun Yau Li (李恩祐) and Xiande Zhao (趙先德) are independent non-executive Directors. Nora Gu Yi Wu (顧宜) is the chairperson of the Audit Committee. Sandy Ran Xu (許冉) resigned from, and Xiande Zhao (趙先德) was appointed to, the Audit Committee on April 7, 2022.

The Audit Committee is mainly responsible for, inter alia, the following matters:

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

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

The Audit Committee held two meetings during the Review Period. The following is a summary of work performed by the Audit Committee during the Review Period:

- reviewed the interim results announcement and the interim report of the Group for six months ended June 30, 2021;
- reviewed the findings and recommendations of the external auditor;
- monitored the Group's financial controls, internal control and risk systems; and
- reviewed the annual audit plan of the external auditor.

On March 10, 2022, the Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2021 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the Auditor.

Remuneration Committee

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

As of the Latest Practicable Date, the Remuneration Committee comprises three members, namely Nora Gu Yi Wu (顧宜), Liming Wang (王利明) and Xiande Zhao (趙先德). Nora Gu Yi Wu (顧宜), Liming Wang (王利明) and Xiande Zhao (趙先德) are independent non-executive Directors. Liming Wang (王利明) is the chairperson of the Remuneration Committee. Pang Zhang (張雱) resigned from, and Xiande Zhao (趙先德) was appointed to, the Remuneration Committee on April 7, 2022.

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

The primary functions of the Remuneration Committee include:

- reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- reviewing and making recommendations to the Board on the remuneration of the non-executive Directors;
- reviewing and making recommendations to the Board on the Company's policy and structure for the remuneration all Directors and senior management; and
- establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

As the Company was listed on the Stock Exchange on the Listing Date, the Remuneration Committee did not hold a meeting during the Review Period.

Details of the fees and other emoluments paid or payable to the Directors for the year ended December 31, 2021 are set out in Note 13 to the audited consolidated financial statements contained in this annual report.

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

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

Nomination Committee

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

As of the Latest Practicable Date, the Nomination Committee comprises three members, namely Richard Qiangdong Liu (劉強東), Liming Wang (王利明) and Carol Yun Yau Li (李恩祐). Richard Qiangdong Liu (劉強東) is a non-executive Director, and Liming Wang (王利明) and Carol Yun Yau Li (李恩祐) are independent non-executive Directors. Richard Qiangdong Liu (劉強東) is the chairperson of the Nomination Committee.

The principal duties of the Nomination Committee include:

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

As the Company was listed on the Stock Exchange on the Listing Date, the Nomination Committee did not hold a meeting during the Review Period.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the Board Diversity Policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. The Board Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors ranging from 33 years old to 64 years old with experience from different industries and sectors. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, e-commerce, engineering, finance, law and computer science. They obtained degrees in various areas including business administration, economics, computer science and technology. The Board is characterised by significant diversity in terms of gender, age, education background and professional experience.

Director Nomination Policy

In accordance with code provision L(d)(ii) of the CG Code, the Company has adopted a director nomination policy for election of Directors (the "**Director Nomination Policy**") on May 10, 2021.

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

According to the Director Nomination Policy:

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

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

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

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

Corporate governance functions

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

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

Directors' responsibility in respect of the consolidated financial statements

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

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

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

Dividend Policy

In accordance with code provision E.1.5 of the CG Code, the Company adopted a dividend policy (the "**Dividend Policy**") on May 10, 2021, which outlines the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders.

According to the Dividend Policy:

1. Subject to Cayman Islands company law and the Articles of Association (as amended from time to time), the Board has absolute discretion on whether to declare and distribute dividends. In addition, the Shareholders in general meeting may declare dividends but no dividend may be declared in excess of the amount recommended by the Board. In either case, a dividend may only be declared and paid out of the profits and reserves of the Company that are lawfully available for distribution (including share premium), and in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Even if the Board decides to pay dividends, the form, frequency and amount of dividends will depend on the Company's future operations and earnings, capital requirements and surplus, cash flows, general financial condition, contractual restrictions and other factors that the Board considers relevant.

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

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

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

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

Risk management and internal control

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

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

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

Organization chart for risk management and internal control

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

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

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

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

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

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

Risk management procedures

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

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

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

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

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

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

Dealings with and disseminating inside information

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

Auditor's remuneration

Set out below is a breakdown of the remuneration paid/payable to the external auditor of the Company, Deloitte Touche Tohmatsu, in respect of the audit and audit-related services and the non-audit services for the year ended December 31, 2021. The audit and audit-related services conducted by the external auditor of the Company mainly include audit and review services for the Group, and services in connection with the Listing. Non-audit services mainly include listing assistance services provided by reporting accountants, internal control training services and other listing related non-audit services.

Service Category	Fees Paid/Payable RMB'000
Audit and audit-related services	13,097
Non-audit services	1,230
	14,327

Company secretary

Ming King Chiu (趙明璟), our company secretary, is a managing director of Corporate Services of Vistra Corporate Services (HK) Limited. The biographical information of Mr. Chiu is disclosed under the section headed "Directors and Senior Management — Company Secretary" on page 28 of this annual report.

Mr. Chiu's primary contact person at the Company is Yue Ma (馬越), the chief financial officer of the Company.

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

Changes in constitutional documents

The Company had passed special resolution on May 10, 2021 to adopt an amended and restated memorandum and articles of association which came into effective from the Listing Date. Save as the above mentioned, there is no significant change in the Company's constitutional documents during the Review Period.

Shareholders' rights

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

Convening an extraordinary general meeting by Shareholders

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

Putting forward proposals at general meetings

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

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

Putting forward enquiries to the Board

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

Contact details

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

Address:	10th Floor, Building B, No. 18 Kechuang 11 Street, Yizhuang Economic and Technological Development Zone, Daxing District, Beijing 101111, People's Republic of China (For the attention of the Board of Directors/Company Secretary)
Email:	jdlir@jd.com

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

Communication with Shareholders and investor relations

The Company considers effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. Directors (or their delegates as appropriate), appropriate management executives and external auditor will use all reasonable endeavours to attend annual general meetings and answer enquiries from Shareholders.

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

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

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

Opinion

We have audited the 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 91 to 207, which comprise the consolidated statement of financial position as of December 31, 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition	

The Group provides delivery services to both corporate and individual customers. Due to the significant volume of transactions from delivery services, the Group uses information systems to process and record its revenue transactions.
 	
Auditing the revenues generated from delivery services required a significant extent of effort due to the large number of transactions and involvement of the complex information systems of the Group.
 	
We identified occurrence and accuracy of revenue recognition on the provision of delivery services as a key audit matter.
	Our procedures in relation to revenue recognition included:
	
	• Understanding the management's process of delivery services and identifying significant information systems used to process revenue transactions in relation to delivery services with concurrence of information technology specialists;
	
	• Understanding, evaluating and testing relevant controls relevant to our audit in relation to the verification and authorization of input of pricing to the information systems;
	
	• With the assistance of our information technology specialists:
	
	  • Testing the general information technology controls over each of these information systems, including access security, system change control and data center and network operation;
	
	  • Testing the automated controls over delivery service completion, calculation of delivery service fee and revenue transactions record;
	
	  • Testing interfaces controls associated with waybill information transmitted from the order and delivery system to the logistic billing systems, payment information transmitted from the large appliance order and delivery system to the settlement system.
	
	• Checking, on a sample basis, sales transactions in relation to the delivery services of the Group by tracing to the supporting documents including waybills, receipts confirmed by customers and further with collection records in the settlement system.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yam Siu Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 10, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended December 31, 2021 RMB'000	2020 RMB'000
Revenue	6	**104,693,402**	73,374,716
Cost of revenue		**(98,909,326)**	(67,081,077)
Gross profit		**5,784,076**	6,293,639
Selling and marketing expenses		**(3,078,384)**	(1,815,760)
Research and development expenses		**(2,813,342)**	(2,054,325)
General and administrative expenses		**(2,867,201)**	(1,678,921)
Other income, gains/(losses), net	7	**896,153**	542,668
Finance income	8	**233,628**	264,395
Finance costs	9	**(718,853)**	(454,774)
Fair value changes of convertible redeemable preferred shares	33	**(12,843,803)**	(4,861,109)
Impairment losses under expected credit loss model, net of reversal	10	**(155,863)**	(221,040)
Share of results of an associate and joint ventures		**(36,769)**	(64,069)
Loss before income tax	12	**(15,600,358)**	(4,049,296)
Income tax (expense)/credit	11	**(60,374)**	12,007
Loss for the year		**(15,660,732)**	(4,037,289)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(15,841,960)**	(4,133,995)
Non-controlling interests	27	**181,228**	96,706
		(15,660,732)	(4,037,289)
		RMB	RMB
Loss per share			
Basic and diluted loss per share	15	**(3.19)**	(1.05)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss for the year	**(15,660,732)**	(4,037,289)
Other comprehensive income/(loss)		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	**485,374**	388,150
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(100,692)**	(255,012)
Share of other comprehensive income/(loss) of an associate, net of related income tax	**514**	(100)
Other comprehensive income for the year	**385,196**	133,038
Total comprehensive loss for the year	**(15,275,536)**	(3,904,251)
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(15,456,764)**	(4,000,957)
Non-controlling interests	**181,228**	96,706
	(15,275,536)	(3,904,251)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of December 31, 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property and equipment	16	**8,875,146**	6,652,425
Right-of-use assets	17	**14,699,396**	12,185,603
Goodwill	18	**1,499,142**	1,499,142
Other intangible assets	19	**2,458,116**	2,807,787
Interest in an associate	20	**140,445**	224,021
Interests in joint ventures	21	**15,266**	7,742
Financial assets at fair value through profit or loss	22	**1,527,296**	1,057,358
Deferred tax assets	35	**87,788**	43,112
Prepayments, other receivables and other assets	24	**2,091,606**	1,101,033
Restricted cash		**—**	4,991
Total non-current assets		**31,394,201**	25,583,214
Current assets			
Inventories		**683,168**	393,086
Trade receivables	23	**12,164,028**	5,371,323
Contract assets		**113,685**	58,602
Prepayments, other receivables and other assets	24	**3,519,000**	12,376,832
Financial assets at fair value through profit or loss	22	**2,577,978**	947,738
Term deposits	25	**8,412,913**	3,588,695
Restricted cash	25	**7,316**	56,743
Cash and cash equivalents	25	**17,922,779**	6,346,869
Total current assets		**45,400,867**	29,139,888
Total assets		**76,795,068**	54,723,102
EQUITY AND LIABILITIES			
Equity			
Share capital	26	**971**	611
Treasury shares		**(74)**	—
Reserves		**62,298,093**	3,368,733
Accumulated losses		**(24,360,894)**	(8,511,016)
Equity attributable to owners of the Company		**37,938,096**	(5,141,672)
Non-controlling interests	27	**2,451,037**	2,248,040
Total equity		**40,389,133**	(2,893,632)

	Notes	As of December 31, 2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	32	**9,409,162**	7,844,604
Convertible redeemable preferred shares	33	**—**	21,918,414
Equity instruments with preference rights	34	**631,014**	597,380
Deferred tax liabilities	35	**720,178**	717,285
Other non-current liabilities		**1,100,000**	200,000
Total non-current liabilities		**11,860,354**	31,277,683
Current liabilities			
Trade payables	30	**6,772,692**	5,811,619
Contract liabilities		**125,638**	67,548
Accrued expenses and other payables	31	**11,044,538**	15,410,593
Advances from customers		**723,009**	258,861
Lease liabilities	32	**5,763,509**	4,619,073
Payables to interest holders of consolidated investment funds		**46,145**	116,950
Tax liabilities		**70,050**	54,407
Total current liabilities		**24,545,581**	26,339,051
Total liabilities		**36,405,935**	57,616,734
Total equity and liabilities		**76,795,068**	54,723,102

The consolidated financial statements on pages 91 to 207 were approved and authorized for issue by the Board of Directors on March 10, 2022 and are signed on its behalf by:

Mr. Yui Yu
Director

Mr. Yanlei Chen
Director

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		**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 year		**–**	**–**	**–**	**–**	**–**	**(15,841,960)**	**(15,841,960)**	**181,228**	**(15,660,732)**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**385,196**	**–**	**385,196**	**–**	**385,196**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**385,196**	**(15,841,960)**	**(15,456,764)**	**181,228**	**(15,275,536)**
Issuance of ordinary shares relating to initial public offering, net of issuance costs	26	**112**	**–**	**23,010,686**	**–**	**–**	**–**	**23,010,798**	**–**	**23,010,798**
Conversion of convertible redeemable preferred shares to ordinary shares upon the initial public offering	26	**164**	**–**	**34,100,675**	**–**	**–**	**–**	**34,100,839**	**–**	**34,100,839**
Issuance of ordinary shares to Share Scheme Trusts	26	**84**	**(84)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share-based payments	28	**–**	**–**	**–**	**–**	**1,425,450**	**–**	**1,425,450**	**21,769**	**1,447,219**
Repurchase of share options		**–**	**–**	**–**	**–**	**(4,675)**	**–**	**(4,675)**	**–**	**(4,675)**
Exercise of share options	26	**–**	**10**	**751,748**	**–**	**(747,638)**	**–**	**4,120**	**–**	**4,120**
Appropriation to statutory reserves		**–**	**–**	**–**	**–**	**7,918**	**(7,918)**	**–**	**–**	**–**
As of December 31, 2021		**971**	**(74)**	**59,478,659**	**(2,851,784)**	**5,671,218**	**(24,360,894)**	**37,938,096**	**2,451,037**	**40,389,133**
As of January 1, 2020		610	—	1,499,694	(2,851,784)	3,567,403	(4,333,365)	(2,117,442)	32,446	(2,084,996)
(Loss)/profit for the year		—	—	—	—	—	(4,133,995)	(4,133,995)	96,706	(4,037,289)
Other comprehensive income for the year		—	—	—	—	133,038	—	133,038	—	133,038
Total comprehensive income/(loss) for the year		—	—	—	—	133,038	(4,133,995)	(4,000,957)	96,706	(3,904,251)
Share-based payments	28	—	—	—	—	868,703	—	868,703	8,891	877,594
Repurchase of share options		—	—	—	—	(8,528)	—	(8,528)	—	(8,528)
Appropriation to statutory reserves		—	—	—	—	43,656	(43,656)	—	—	—
Additional non-controlling interests arising on partial disposal of a subsidiary		—	—	—	—	695	—	695	149,305	150,000
Acquisition of a non-wholly owned subsidiary	42	1	—	115,856	—	—	—	115,857	1,960,692	2,076,549
As of December 31, 2020		611	—	1,615,550	(2,851,784)	4,604,967	(8,511,016)	(5,141,672)	2,248,040	(2,893,632)

* 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 payments 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.

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 consolidated 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 between January 1, 2017 and the completion of the Spin-off 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.

	Notes	Year ended December 31, 2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	39.1	**6,061,935**	10,088,650
Interest received		**231,915**	158,573
Income tax paid		**(86,513)**	(46,126)
Net cash generated from operating activities		**6,207,337**	10,201,097
INVESTING ACTIVITIES			
Placement of restricted cash		**(6,441)**	(47,975)
Withdrawal of restricted cash		**60,857**	83,925
Placement of term deposits		**(11,910,213)**	(3,588,695)
Maturity of term deposits		**6,771,114**	—
Payment for financial assets at fair value through profit or loss		**(16,823,843)**	(5,962,520)
Maturity of financial assets at fair value through profit or loss		**15,007,395**	5,639,149
Proceeds from disposal of financial assets at fair value through profit or loss		**5,757**	28,750
Proceeds from disposal of investment in an associate	20	**45,042**	—
Payment for interest in a joint venture		**(13,500)**	(8,000)
Loans to related parties		**—**	(38,230)
Proceeds from settlement of loan to a related party		**35,000**	—
Net cash outflow on acquisition of a non-wholly owned subsidiary	42	**—**	(1,474,290)
Purchases of property and equipment		**(4,152,475)**	(3,178,221)
Proceeds from disposal of property and equipment		**78,824**	41,659
Purchases of other intangible assets		**(14,851)**	(18,765)
Payments for right-of-use assets		**(73,277)**	(25,932)
Payments for rental deposits		**(131,824)**	(221,359)
Net cash used in investing activities		**(11,122,435)**	(8,770,504)

	Notes	Year ended December 31, 2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES			
Net proceeds from issuance of ordinary shares		**23,010,798**	1
Proceeds from borrowings		**570,000**	300,000
Repayment of borrowings		**(670,000)**	(986,108)
Repurchase of share options		**(5,597)**	(6,335)
Net proceeds from issuance of convertible redeemable preferred shares		**—**	443,039
Principal portion of lease payments		**(5,010,778)**	(3,054,659)
Interest paid		**(669,723)**	(423,563)
Payment to JD Group		**(565,328)**	(20,243)
Cash injection by interest holders of consolidated investment funds		**13,200**	15,000
Cash redemption to interest holders of consolidated investment funds		**(75,891)**	—
Net cash generated from/(used in) financing activities		**16,596,681**	(3,732,868)
Net increase/(decrease) in cash and cash equivalents		**11,681,583**	(2,302,275)
Cash and cash equivalents at the beginning of the year		**6,346,869**	9,274,203
Effects of foreign exchange rate changes on cash and cash equivalents		**(105,673)**	(625,059)
Cash and cash equivalents at the end of the year	25	**17,922,779**	6,346,869

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information, reorganization and basis of preparation and presentation of the 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 annual 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. 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 consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

1.2 History, reorganization and basis of preparation and presentation of the consolidated financial statements

The consolidated financial statements have been prepared based on the accounting policies set out in Note 3, which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") 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.

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.

1 General information, reorganization and basis of preparation and presentation of the consolidated financial statements (Continued)

1.2 History, reorganization and basis of preparation and presentation of the consolidated financial statements (Continued)

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.

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 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 consolidated financial statements of the Group.

1 General information, reorganization and basis of preparation and presentation of the consolidated financial statements (Continued)

1.2 History, reorganization and basis of preparation and presentation of the consolidated financial statements (Continued)

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 33. 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.

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 and July 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.

1 General information, reorganization and basis of preparation and presentation of the consolidated financial statements (Continued)

1.2 History, reorganization and basis of preparation and presentation of the consolidated financial statements (Continued)

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.

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.

1 General information, reorganization and basis of preparation and presentation of the consolidated financial statements (Continued)

1.2 History, reorganization and basis of preparation and presentation of the consolidated financial statements (Continued)

Total assets of the Group's consolidated affiliated entities was RMB43,864,002,000 as of December 31, 2021 (2020: RMB30,604,325,000), and this balance has been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated.

Total revenue of the Group's consolidated affiliated entities was RMB92,066,992,000 for the year ended December 31, 2021 (2020: RMB58,835,840,000), and this amount has been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated.

2 Application of new and amendments to IFRSs

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, 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 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 year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2 Application of new and amendments to IFRSs (Continued)

2.2 New and amendments to IFRSs in issue but not yet effective

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

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

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

3 Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with accounting policies which conform with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

3 Summary of significant accounting policies (Continued)

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

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

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

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

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

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

The principal accounting policies are set out below.

3.1 Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

3 Summary of significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

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

When the Group is an investor of an investment fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant investment fund. An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the investment fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

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

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.2 Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases are new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

3 Summary of significant accounting policies (Continued)

3.2 Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

3.3 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3.4 Investments in associates and joint ventures

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

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

3 Summary of significant accounting policies (Continued)

3.4 Investments in associates and joint ventures (Continued)

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

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9 *Financial Instruments*, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

3 Summary of significant accounting policies (Continued)

3.4 Investments in associates and joint ventures (Continued)

In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

3.5 Revenue from contracts with customers

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.5 Revenue from contracts with customers (Continued)

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

3 Summary of significant accounting policies (Continued)

3.5 Revenue from contracts with customers (Continued)

Principal versus agent (Continued)

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Recognition of revenue from specific major source of revenue

The Group provides integrated supply chain solutions and logistics services through its complementary networks, including warehouse network, line-haul transportation network, last-mile delivery network, bulky item logistics network, cold-chain logistics network and cross-border logistics network, to satisfy customers' supply chain needs for standard goods and parcels, along with specialized goods, such as bulky items, heavy load parcels, fresh produce and pharmaceutical products. Revenue is primarily generated from provision of warehousing and distribution services, express and freight delivery services, and to a lesser extent, other services, to corporate and individual customers. Corporate customers are primarily billed on a monthly basis and make payments according to their granted credit terms.

Warehousing and distribution services

The Group provides warehousing and distribution services, primarily including warehousing services, distribution and delivery services and value added logistics services.

Warehousing services are comprised of multiple service offerings, including (i) pick-up of inbound goods; (ii) storage, consolidation and palletization of goods at transfer center, and delivery to the appropriate warehouse; (iii) inspection of goods upon arrival at the warehouse and completion of the subsequent scheduled storage operations; (iv) product storage in multi-location warehouses based on end-consumer's demands; (v) retrieval of products from storage upon customer request; (vi) product packing and labeling; (vii) kitting and repackaging, which involves assembling custom product packages for delivery to retailers and consumers; (viii) order assembly and load consolidation; and (ix) omni-channel inventory management system that includes customer interface management tools. These service offerings are interrelated and integrated to provide a combined output, and therefore are jointly considered as a single performance obligation. The Group recognizes revenue from warehousing services over time as customers receive the benefits of the Group's performance as it occurs.

The Group recognizes distribution and delivery services over time as customers receive the benefits of the Group's services as the goods are shipped from origin to destination. In addition, the Group also provides value added logistics services such as after-sales reverse logistics services, cash on delivery services and specialized packaging services.

3 Summary of significant accounting policies (Continued)

3.5 Revenue from contracts with customers (Continued)

Recognition of revenue from specific major source of revenue (Continued)

Express and freight delivery services

The Group provides express and freight delivery services to both corporate and individual customers. Express deliveries are provided for standard parcels, while freight delivery services are provided for heavy load parcels. Express and freight delivery services mainly include parcel pickup, parcel sorting, line-haul transportation and last-mile delivery. Each order for delivery of parcels from the point of receiving the parcels from senders all the way through to the point when the parcels are delivered to end recipients, is considered as a performance obligation. The Group recognizes revenue from express and freight delivery services over time since customers receive the benefits of the Group's services as the parcels are delivered from one location to another.

Other services

The Group also provides other value-added services to customers, such as installment, after sales and maintenance, logistics technology services and advertising services. Revenue is recognized over time or upon completion of the services.

3.6 Cost of revenue

Cost of revenue consists primarily of (i) employee benefit expenses for employees involved in warehouse management, sorting, picking, packaging, shipping and delivery, (ii) outsourcing cost, (iii) rental cost of warehouse and delivery stations, (iv) depreciation and amortization of logistics and electronic equipment, and (v) other cost of revenue such as the cost of packaging materials and fuel cost.

3.7 Research and development expenses

Research expenditures are recognized as expenses as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (i) it is technically feasible to complete the software so that it will be available for use; (ii) management intends to complete the software and use or sell it; (iii) there is an ability to use or sell the software; (iv) it can be demonstrated how the software will generate probable future economic benefits; (v) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (vi) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets during the year ended December 31, 2021 (2020: none).

3 Summary of significant accounting policies (Continued)

3.8 Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient.

3 Summary of significant accounting policies (Continued)

3.8 Leases (Continued)

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

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

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3 Summary of significant accounting policies (Continued)

3.8 Leases (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

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

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

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

Lease modifications

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

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3 Summary of significant accounting policies (Continued)

3.8 Leases (Continued)

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived.

3.9 Foreign currencies

The Group's reporting currency is RMB. The functional currency of the Company is United States dollars ("USD") as its key activities and transactions are denominated in USD. The functional currency of the Group's subsidiaries incorporated in Cayman Islands, British Virgin Islands and Hong Kong is USD. The Group's PRC subsidiaries and consolidated affiliated entities determined their functional currency to be RMB.

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

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

3 Summary of significant accounting policies (Continued)

3.10 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "Other income, gains/(losses), net".

3.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.12 Employee benefits

Employee leave entitlement

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

Pension obligations and other social welfare benefits

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

3 Summary of significant accounting policies (Continued)

3.12 Employee benefits (Continued)

Bonus plan

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

Short-term employee benefits

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

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

3.13 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"). The 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 restricted share units ("RSUs") and share options 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 consolidated statement of financial position.

As detailed in Note 28, 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"), under which it receives services from employees and non-employees as consideration for share options of the Company. 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 fair value of the services received in exchange for the grant of options is recognized as an expense on the consolidated statement of profit or loss with a corresponding increase in equity.

3 Summary of significant accounting policies (Continued)

3.13 Share-based payments (Continued)

Equity-settled share-based payments transactions

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

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

When share options are exercised, the amount previously recognized in other reserves will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in other reserves will continue to be held in other reserves.

When RSUs granted are vested, the amount previously recognized in other reserves will continue to be held in other reserves.

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

At each reporting period end, the Group revises the estimates of the number of options and RSUs that are expected to ultimately vest. The Group recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

3 Summary of significant accounting policies (Continued)

3.14 Taxation

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.14 Taxation (Continued)

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

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.15 Property and equipment

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

Property and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

3 Summary of significant accounting policies (Continued)

3.16 Other intangible assets

Other intangible assets acquired separately

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

Other intangible assets acquired in a business combination

Other intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, other intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as other intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

3.17 Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.17 Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

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

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

3.18 Financial instruments

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

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

3 Summary of significant accounting policies (Continued)

3.18 Financial instruments (Continued)

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

(a) Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

All other financial assets are subsequently measured at FVTPL.

Amortized cost and interest income

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

3 Summary of significant accounting policies (Continued)

3.18 Financial instruments (Continued)

(a) Financial assets (Continued)

Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

The Group always recognizes lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

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

3 Summary of significant accounting policies (Continued)

3.18 Financial instruments (Continued)

(a) Financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3 Summary of significant accounting policies (Continued)

3.18 Financial instruments (Continued)

(a) Financial assets (Continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

3 Summary of significant accounting policies (Continued)

3.18 Financial instruments (Continued)

(a) Financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by the directors of the Company to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables, and contract assets where the corresponding adjustment is recognized through a loss allowance account.

3 Summary of significant accounting policies (Continued)

3.18 Financial instruments (Continued)

(a) Financial assets (Continued)

Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

(b) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at amortized cost

Financial liabilities included within trade payables, other payables, advances from customers and other non-current liabilities are subsequently measured at amortized cost, using the effective interest method.

3 Summary of significant accounting policies (Continued)

3.18 Financial instruments (Continued)

(b) Financial liabilities and equity (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Convertible redeemable preferred shares

Series A Preference Shares issued by the Company are contingently redeemable by the holders under certain events. This instrument can be converted into ordinary shares of the Company at the option of the holders of Series A Preference Shares or automatically converted under certain events. The details of Series A Preference Shares are set out in Note 33.

The convertible redeemable preferred shares are initially recognized at fair value. The Group does not account for the embedded derivatives separately from the host contract and designates the entire convertible redeemable preferred shares as financial liabilities at FVTPL with fair value change recognized in "fair value changes of convertible redeemable preferred shares" in profit or loss. Any directly attributable transaction costs are recognized as finance costs in profit or loss.

3 Summary of significant accounting policies (Continued)

3.18 Financial instruments (Continued)

(b) Financial liabilities and equity (Continued)

Equity instruments with preference rights

The equity instruments with preference rights issued by Kuayue Express are contingently redeemable by the holders under certain events. The details of equity instruments with preference rights issued by Kuayue Express are set out in Note 34.

The equity instruments with preference rights issued by Kuayue Express are separated into liability and equity components based on the terms of the contract. On issuance of the equity instruments with preference rights, the fair value of the liability component is determined using a market rate for an equivalent instrument without preference features. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on redemption. The remainder of the proceeds is allocated to the equity. The carrying amount of the equity component is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the equity instruments with preference rights issued by Kuayue Express, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

Payables to interest holders of consolidated investment funds

A financial instrument that gives the holder the right to put it back to the issuer for cash or another financial asset (a 'puttable instrument') is a financial liability. The financial instrument is a financial liability even when the amount of cash or other financial assets is determined on the basis that has the potential to increase or decrease. The existence of an option for the holder to put the instrument back to the issuer for cash or another financial asset means that the puttable instrument meets the definition of a financial liability.

Payables to interest holders of consolidated investment funds are determined based on the attributable shares or units of the residual assets of the consolidated investment funds after deducting the consolidated investment funds' other liabilities. The holders have the right to put their attributable shares to the fund for cash with no cause.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. Summary of significant accounting policies (Continued)

3.18 Financial instruments (Continued)

(c) Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

(d) Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

(a) Critical judgements in applying accounting policies (Continued)

Consolidation of affiliated entities

The Group obtained control over PRC domestic companies, Xi'an Jingdong Xincheng and Guangdong Jingxi Logistics Technology Co., Ltd., by entering into a series of contractual arrangements with the PRC domestic companies and their respective shareholders. Nevertheless, the contractual arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the PRC domestic companies and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC domestic companies. The directors of the Company, based on the advice of its legal counsel, consider that the contractual arrangements in relation to Xi'an Jingdong Xincheng and the contractual arrangements in relation to Guangdong Jingxi Logistics Technology Co., Ltd. are in compliance with the relevant PRC Laws and are legally enforceable.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation of the fair value of financial assets

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions at the end of each reporting period. Changes in these assumptions and estimates could affect the respective fair value of these financial assets. Further details are included in Note 38.

Provision of ECL for trade receivables and contract assets

Credit-impaired trade receivables and contract assets are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables and contract assets which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information including forecast of gross domestic product ratio, forecast of consumer price index and other relevant factors are considered. The provision of ECL is sensitive to changes in estimates. Further details are included in Note 38.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

(b) Key sources of estimation uncertainty (Continued)

Useful lives and amortization of other intangible assets

The Group determines the estimated useful lives and related amortization for the Group's other intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Specifically, the useful life of customer relationship is estimated based on the retention rate of the current customers of the acquisition target as of the acquisition date, the historical retention rate and projected future revenues associated with such customers. Management will revise the amortization charges where useful lives are different from that of previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods. Further details are included in Note 19.

Impairment review of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of cash-generating units to which goodwill has been allocated, which is the higher of the value-in-use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the group of cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Further details are included in Note 18.

5 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 and no other discrete financial information is provided to the CEO. Hence, the Group has only one reportable segment. As the Group's non-current assets are all located in the PRC and most of the Group's revenue is derived from the PRC, no geographical information is presented. During the year ended December 31, 2021, other than the Group's largest customer as disclosed in Note 36, no other single customer contributed over 10% of the total revenue of the Group (2020: none).

6 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.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Type of customer:		
Integrated supply chain customers	**71,054,463**	55,619,685
Other customers	**33,638,939**	17,755,031
Total	**104,693,402**	73,374,716
Timing of revenue recognition:		
Overtime	**99,339,541**	69,873,623
A point in time	**5,353,861**	3,501,093
Total	**104,693,402**	73,374,716

The Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts of the Group are within one year or less.

7 Other income, gains/(losses), net

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Government grants	**606,502**	429,417
Fair value changes of financial assets at fair value through profit or loss	**312,350**	68,456
Gains/(losses) on disposal of property and equipment	**14,402**	(32,955)
Investment losses attributable to interest holders of consolidated investment funds	**8,114**	7,289
Impairment of interest in joint ventures	**(3,651)**	—
Others	**(41,564)**	70,461
Total	**896,153**	542,668

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 December 31, 2021, there were no unfulfilled conditions or contingencies relating to these government grants (2020: none).

8 Finance income

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Interest income from bank deposits	**227,246**	162,348
Interest income from related parties (Note 36)	**6,382**	102,047
Total	**233,628**	264,395

9 Finance costs

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Interest expense on lease liabilities	**662,857**	424,766
Interest expense from borrowings	**22,362**	18,402
Others	**33,634**	11,606
Total	**718,853**	454,774

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

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Impairment losses recognized, net of reversal, on:		
— trade receivables	**143,196**	209,222
— other receivables	**12,667**	11,818
Total	**155,863**	221,040

Details of impairment assessment are set out in Note 38.2.

11 Income tax (expense)/credit

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Current tax	**(102,157)**	(83,762)
Deferred tax (Note 35)	**41,783**	95,769
Total	**(60,374)**	12,007

11 Income tax (expense)/credit (Continued)

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains.

Hong Kong

The Company's subsidiaries domiciled in Hong Kong are subject to a two-tiered income tax rate for taxable income earned in Hong Kong effectively since April 1, 2018. The first 2 million Hong Kong dollars ("HKD") of profits earned by the company are subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%. To avoid abuse of the two-tiered tax regime, each group of connected entities can nominate only one entity to benefit from the two-tiered tax rate. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

PRC

Under the PRC Enterprise Income Tax Law (the "EIT Law"), the standard enterprise income tax rate for PRC operating entities is 25%.

The EIT Law and its implementation rules permit certain High and New Technologies Enterprises, or HNTEs, to enjoy a reduced 15% enterprise income tax rate subject to these HNTEs meeting certain qualification criteria. Certain entities of the Group are qualified as HNTEs, and accordingly are subject to a preferential income tax rate of 15%.

Certain enterprises can benefit from a preferential tax rate of 15% under the EIT Law if they are located in applicable PRC regions as specified in the catalog of encouraged industries in western regions (initially effective through the end of 2010 and further extended to 2030) ("Western Regions Catalog"), subject to certain general restrictions described in the EIT Law and the related regulations. Certain entities of the Group are qualified as enterprises within the Western Regions Catalog, and accordingly are subject to a preferential income tax rate of 15%.

According to the relevant laws and regulations in the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The State Taxation Administration of the PRC announced that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2023.

11 Income tax (expense)/credit (Continued)

Withholding tax on undistributed dividends

The EIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise ("FIE") to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the FIE satisfies the criteria for "beneficial owner" under Circular No. 9, which was issued by the State Administration of Taxation in February 2018, and the foreign investor owns directly at least 25% of the shares of the FIE). The Company did not record any withholding tax on any profits generated by the PRC Operating Entities, as the Company intends to reinvest its profits in China to further expand its business in China, and its FIEs do not intend to declare dividends on the retained earnings to their immediate foreign holding companies.

The income tax (expense)/credit can be reconciled to the loss before income tax per the consolidated statement of profit or loss as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	**(15,600,358)**	(4,049,296)
Tax at PRC statutory income tax rate of 25%	**3,900,090**	1,012,324
Tax effect of income not taxable for tax purpose	**809**	10,055
Tax effect of expenses that are not deductible for tax purpose	**(79,411)**	(242,195)
Tax effect of super deduction for research and development expenses	**221,301**	151,863
Effect of different tax rate of subsidiaries operating in other jurisdictions	**18,221**	3,182
Tax effect of tax-exempt entities	**(3,383,817)**	(1,146,780)
Tax effect of preferential tax treatments	**8,636**	51,251
Tax effect of utilization of tax losses and deductible temporary differences previously not recognized	**116,958**	528,331
Tax effect of tax losses and deductible temporary differences not recognized	**(863,161)**	(356,024)
Total	**(60,374)**	12,007

12 Loss before income tax

Loss before income tax has been arrived at after charging:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Employee benefits expenses*	**41,174,106**	29,757,730
Outsourcing cost	**40,355,956**	26,087,307
Depreciation of right-of-use assets	**5,450,796**	3,591,729
Depreciation of property and equipment	**1,968,647**	1,457,405
Amortization of other intangible assets	**375,097**	147,233
Auditors' remuneration	**14,327**	2,806

* The employee benefits expenses include the remuneration of directors and the CEO during the reporting periods.

13 Directors' and the CEO's emoluments

Directors' and the CEO's remuneration for the year ended December 31, 2021, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

(a) Remuneration of directors and the CEO

	Year ended December 31, 2021					
	Salaries and other emoluments RMB'000	Bonuses RMB'000	Share-based payments RMB'000	Pension cost – defined contribution plans RMB'000	Welfare, medical and other benefits RMB'000	Total RMB'000
Executive director and CEO:						
Yui Yu[1]	1,440	482	50,998	36	1,096	54,052
Executive directors:						
Yanlei Chen[2]	1,291	272	3,108	36	262	4,969
Jun Fan[2]	1,232	833	4,664	31	196	6,956
Non-executive directors:						
Richard Qiangdong Liu[3]	—	—	563,071	—	—	563,071
Sandy Ran Xu[4]	—	—	893	—	—	893
Pang Zhang[5]	—	—	1,080	—	—	1,080
Jianwen Liao[6]	—	—	—	—	—	—
Haoyu Shen[7]	—	—	—	—	—	—
Shilin Shi[7]	—	—	—	—	—	—
Independent non-executive directors:						
Nora Gu Yi Wu[8]	149	—	232	—	—	381
Carol Yun Yau Li[8]	149	—	232	—	—	381
Liming Wang[8]	149	—	232	—	—	381
	4,410	1,587	624,510	103	1,554	632,164

13 Directors' and the CEO's emoluments (Continued)

(a) Remuneration of directors and the CEO (Continued)

	Year ended December 31, 2020					
	Salaries and other emoluments RMB'000	Bonuses RMB'000	Share-based payments RMB'000	Pension cost – defined contribution plans RMB'000	Welfare, medical and other benefits RMB'000	Total RMB'000
Executive director and CEO:						
Yui Yu[1]	—	—	—	—	—	—
Zhenhui Wang[9]	1,724	—	473	51	564	2,812
Non-executive directors:						
Richard Qiangdong Liu[3]	—	—	134,783	—	—	134,783
Sandy Ran Xu[4]	—	—	—	—	—	—
Sidney Xuande Huang[10]	—	—	1,073	—	—	1,073
Jianwen Liao[6]	—	—	1,827	—	—	1,827
Haoyu Shen[7]	—	—	—	—	—	—
Shilin Shi[7]	—	—	—	—	—	—
	1,724	—	138,156	51	564	140,495

Notes:

1. Served as the Group's CEO since December 2020, and appointed as executive director since January 2021.

2. Appointed as executive directors since January 2021.

3. Appointed as non-executive director since October 2020.

4. Appointed as non-executive director since September 2020.

5. Appointed as non-executive director since January 2021.

6. Appointed as non-executive director since December 2019, and resigned in January 2021.

7. Appointed as non-executive directors since March 2018, and resigned in January 2021.

8. Appointed as independent non-executive directors since May 2021.

9. Served as the Group's CEO since April 2017, and appointed as executive director since March 2018. Resigned in December 2020.

10. Appointed as non-executive director since March 2018, and resigned in September 2020.

The emoluments of the executive directors and the CEO disclosed above were mainly for their management services rendered to the Company and the Group. The non-executive and independent non-executive directors' remunerations disclosed above were mainly for their services as directors of the Company.

13 Directors' and the CEO's emoluments (Continued)

(b) Benefits and interests of directors

Except for the amounts disclosed above, there are no other benefits offered to the directors and the CEO.

(c) Directors' termination benefits

No director's termination benefit subsisted at the end of the year or at any time during the year ended December 31, 2021 (2020: none).

(d) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available director's services subsisted at the end of the year or at any time during the year ended December 31, 2021 (2020: none).

(e) Information about loans, quasi-loans and other dealings in favor of directors, their controlled bodies and connected entities

Save as disclosed in the Contractual Arrangements, there are no other loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities subsisted at the end of the year or at any time during the year ended December 31, 2021 (2020: none).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2021 (2020: none).

(g) Inducement to join the Group and compensation for loss of office

No remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended December 31, 2021 (2020: none).

(h) Waiver of emoluments

None of the directors and the CEO waived or agreed to waive any emoluments during the year ended December 31, 2021 (2020: none).

14 Five highest paid employees

The five highest paid employees include two directors whose remuneration is set out in Note 13 for the year ended December 31, 2021 (2020: one). No remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended December 31, 2021 (2020: none). None of the five highest paid employees waived or agreed to waive any emoluments during the year ended December 31, 2021 (2020: none).

14 Five highest paid employees (Continued)

The emoluments payable to the remaining three individuals, who are neither a director nor chief executive of the Company, during the year ended December 31, 2021 (2020: four), are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Salaries and other emoluments	**7,288**	5,047
Bonuses	**1,161**	2,493
Share-based payments	**43,515**	30,046
Pension cost — defined contribution plans	**114**	192
Welfare, medical and other benefits	**563**	319
Total	**52,641**	38,097

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended December 31,	
	2021	2020
	No. of employees	No. of employees
Emolument bands (in HKD)		
HKD9,000,001 to HKD9,500,000	**—**	1
HKD10,000,001 to HKD10,500,000	**—**	1
HKD11,000,001 to HKD11,500,000	**—**	1
HKD11,500,001 to HKD12,000,000	**—**	1
HKD13,000,001 to HKD13,500,000	**1**	—
HKD19,500,001 to HKD20,000,000	**1**	—
HKD30,500,001 to HKD31,000,000	**1**	—
Total	**3**	4

15 Loss per share

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

	Year ended December 31,	
	2021	2020
Numerator		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share (RMB'000)	**(15,841,960)**	(4,133,995)
Impact of subsidiaries' diluted earnings (RMB'000)	**—**	(2,091)
Loss for the year attributable to owners of the Company for the purpose of diluted loss per share (RMB'000)	**(15,841,960)**	(4,136,086)
Denominator		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**4,963,487,733**	3,927,539,851
Basic and diluted loss per share attributable to owners of the Company (RMB per share)	**(3.19)**	(1.05)

For the year ended December 31, 2021, the potential dilutive ordinary shares and the impact of subsidiaries' diluted earnings were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended December 31, 2021 was the same as basic loss per share (2020: the calculation of diluted loss per share for the year ended December 31, 2020 assumes the dilutive impact from the equity instruments with preference rights of Kuayue Express).

16 Property and equipment

	Buildings RMB'000	Logistics equipment RMB'000	Vehicles RMB'000	Leasehold improvement RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
As of January 1, 2021	**38,483**	**6,961,832**	**1,733,655**	**1,599,669**	**905,051**	**88,927**	**488,914**	**11,816,531**
Additions	**–**	**1,044,406**	**1,071,181**	**376,637**	**342,623**	**18,470**	**1,442,549**	**4,295,866**
Transfer from construction in progress	**–**	**1,653,528**	**44,690**	**49,760**	**648**	**–**	**(1,748,626)**	**–**
Disposals	**–**	**(108,204)**	**(234,295)**	**(1,225)**	**(134,197)**	**(8,309)**	**–**	**(486,230)**
As of December 31, 2021	**38,483**	**9,551,562**	**2,615,231**	**2,024,841**	**1,114,125**	**99,088**	**182,837**	**15,626,167**
Depreciation								
As of January 1, 2021	**1,286**	**2,626,403**	**999,945**	**944,748**	**553,356**	**38,368**	**–**	**5,164,106**
Provided for the year	**1,338**	**1,059,567**	**386,349**	**288,142**	**218,739**	**14,512**	**–**	**1,968,647**
Disposals	**–**	**(85,793)**	**(193,197)**	**(1,225)**	**(99,084)**	**(2,433)**	**–**	**(381,732)**
As of December 31, 2021	**2,624**	**3,600,177**	**1,193,097**	**1,231,665**	**673,011**	**50,447**	**–**	**6,751,021**
Carrying values								
As of December 31, 2021	**35,859**	**5,951,385**	**1,422,134**	**793,176**	**441,114**	**48,641**	**182,837**	**8,875,146**
Cost								
As of January 1, 2020	16,778	5,897,449	1,218,022	1,158,626	645,826	48,511	334,195	9,319,407
Additions	—	746,561	311,536	275,163	296,449	41,926	521,180	2,192,815
Acquired on acquisition of a subsidiary	21,705	105,319	319,980	162,074	45,546	3,153	—	657,777
Transfer from construction in progress	—	358,260	3,075	4,290	836	—	(366,461)	—
Disposals	—	(145,757)	(118,958)	(484)	(83,606)	(4,663)	—	(353,468)
As of December 31, 2020	38,483	6,961,832	1,733,655	1,599,669	905,051	88,927	488,914	11,816,531
Depreciation								
As of January 1, 2020	493	1,950,866	862,751	727,225	419,386	20,779	—	3,981,500
Provided for the year	793	789,105	219,879	218,007	207,934	21,687	—	1,457,405
Disposals	—	(113,568)	(82,685)	(484)	(73,964)	(4,098)	—	(274,799)
As of December 31, 2020	1,286	2,626,403	999,945	944,748	553,356	38,368	—	5,164,106
Carrying values								
As of December 31, 2020	37,197	4,335,429	733,710	654,921	351,695	50,559	488,914	6,652,425

16 Property and equipment (Continued)

The above items of property and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Electronic equipment	20% to 33.33%
Office equipment	20%
Vehicles	20% to 33.33%
Logistics equipment	10% to 20%
Buildings	2.5%
Leasehold improvement	Over the shorter of the expected life of leasehold improvement or the lease term

17 Right-of-use assets

	RMB'000
Carrying value	
As of January 1, 2021	**12,185,603**
Additions	**7,964,589**
Depreciation charge	**(5,450,796)**
As of December 31, 2021	**14,699,396**
For the year ended December 31, 2021	
Expense relating to short-term leases	**2,659,169**
Total cash outflow for leases	**7,789,026**
Carrying value	
As of January 1, 2020	8,619,859
Additions	5,706,257
Acquired on acquisition of a subsidiary	1,451,216
Depreciation charge	(3,591,729)
As of December 31, 2020	12,185,603
For the year ended December 31, 2020	
Expense relating to short-term leases	2,072,608
Total cash outflow for leases	5,900,684

17 Right-of-use assets (Continued)

The Group leases various warehouses, delivery stations and pickup stations, offices, staff quarters, and aircraft for its operations. During the year ended December 31, 2021, lease contracts are entered into for a fixed term of 1 to 15 years but may have extension and termination options (2020: 1 to 15 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for warehouses, delivery stations and pickup stations, offices, and staff quarters. As of December 31, 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above (2020: similar).

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended December 31, 2021, there is no such triggering event (2020: none).

Lease liabilities of RMB15,172,671,000 are recognized with related right-of-use assets of RMB14,699,396,000 as of December 31, 2021 (2020: lease liabilities of RMB12,463,677,000 and right-of-use assets of RMB12,185,603,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

18 Goodwill

	Acquisition of Kuayue Express RMB'000
Cost	
As of January 1, 2020	—
Arising on acquisition of a subsidiary	1,499,142
As of December 31, 2020 and 2021	1,499,142
Carrying value	
As of December 31, 2020 and 2021	1,499,142

For the purpose of impairment tests of goodwill, goodwill is allocated to a group of cash-generating units which represent Kuayue Express and its subsidiaries.

18 Goodwill (Continued)

Impairment review on the goodwill of the Group has been conducted by the management as of December 31, 2021 and 2020, according to IAS 36. For the purpose of impairment review, the recoverable amount of the group of cash-generating units containing goodwill is determined based on value-in-use calculations by using the discounted cash flow method, based on 5-year period financial projections with the forecasted average annual revenue growth rate following the business plan approved by the management, plus a terminal value related to cash flows beyond the projection period extrapolated at an estimated terminal growth rate. Pre-tax discount rate was used to reflect market assessment of time value and the specific risks relating to the cash-generating units. The management leveraged their extensive experience in the industry and provided forecast based on past performance and expectation of future business plans and market developments.

The key assumptions used in the value-in-use calculation for the group of cash-generating units allocated with goodwill, which represent Kuayue Express and its subsidiaries, are as follows:

	As of December 31,	
	2021	2020
Annual revenue growth rate for the 5-year period	**11%**	10%
Terminal growth rate	**3%**	3%
Pre-tax discount rate	**22.50%**	22.64%

19 Other intangible assets

	Software RMB'000	Domain names and trademarks RMB'000	Customer relationship RMB'000	License and others RMB'000	Total RMB'000
Cost					
As of January 1, 2021	**405,687**	**3,016**	**2,549,400**	**11,747**	**2,969,850**
Additions	**26,661**	**65**	**—**	**—**	**26,726**
Disposals	**(3,044)**	**—**	**—**	**—**	**(3,044)**
As of December 31, 2021	**429,304**	**3,081**	**2,549,400**	**11,747**	**2,993,532**
Amortization					
As of January 1, 2021	**47,042**	**1,476**	**106,225**	**7,320**	**162,063**
Provided for the year	**89,845**	**291**	**283,267**	**1,694**	**375,097**
Disposals	**(1,744)**	**—**	**—**	**—**	**(1,744)**
As of December 31, 2021	**135,143**	**1,767**	**389,492**	**9,014**	**535,416**
Carrying values					
As of December 31, 2021	**294,161**	**1,314**	**2,159,908**	**2,733**	**2,458,116**
Cost					
As of January 1, 2020	14,730	2,595	—	11,747	29,072
Additions	20,478	421	—	—	20,899
Acquired on acquisition of a subsidiary	370,479	—	2,549,400	—	2,919,879
As of December 31, 2020	405,687	3,016	2,549,400	11,747	2,969,850
Amortization					
As of January 1, 2020	9,812	934	—	4,084	14,830
Provided for the year	37,230	542	106,225	3,236	147,233
As of December 31, 2020	47,042	1,476	106,225	7,320	162,063
Carrying values					
As of December 31, 2020	358,645	1,540	2,443,175	4,427	2,807,787

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Software	3–5 years
Domain names and trademarks	10 years
Customer relationship	9 years
License and others	3–10 years

20 Interest in an associate

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of listed investment in an associate	**307,704**	357,350
Share of post-acquisition loss and other comprehensive loss	**(167,259)**	(133,329)
	140,445	224,021
Fair value of listed investment in an associate*	**156,092**	330,548

* The fair value of the listed investment is determined based on the quoted market bid price multiplied by the quantity of shares held by the Group.

Details of the associate of the Group at the end of the reporting period are as follows:

Entity	Place of incorporation and principal place of operation	Principal activities	Percentage of equity interest		Percentage of voting rights	
			2021	2020	**2021**	2020
Jiangsu Xinning Modern Logistics Co., Ltd. ("Xinning Logistics")	PRC	Warehouse logistics	**7.63%**	10.00%	**7.63%**	10.00%

The Group is able to exercise significant influence over Xinning Logistics because it has the power to appoint two out of the six directors of Xinning Logistics under the articles of association of Xinning Logistics.

During the year ended December 31, 2021, the Group disposed of RMB49,646,000, representing approximately 2.37% of equity interest in Xinning Logistics, for proceeds of RMB45,042,000, which resulted in the recognition of a loss of RMB4,604,000 in profit or loss (2020: none). The Group remains to hold significant influence over Xinning Logistics subsequent to the partial disposal.

The associate of the Group has been accounted for by using the equity method based on the financial information of the associate prepared under the accounting policies consistent with the Group.

As the associate of the Group is not individually material to the consolidated financial statements, no additional financial information of the associate is disclosed.

20 Interest in an associate (Continued)

Reconciliation to the carrying amount of the interest in the associate recognized in the consolidated financial statements is presented as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Equity attributable to owners of Xinning Logistics	**183,431**	286,987
Proportion of the Group's ownership interest in Xinning Logistics	**7.63%**	10.00%
The Group's share of net assets of Xinning Logistics	**13,995**	28,699
Adjustments:		
— Goodwill	**89,780**	134,382
— Other intangible assets	**38,677**	65,175
— Property and equipment	**503**	3,348
— Investments accounted for using the equity method	**7,285**	9,548
— Deferred tax liabilities	**(9,795)**	(17,131)
Carrying amount of the Group's interest in Xinning Logistics	**140,445**	224,021

21 Interests in joint ventures

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of investments in unlisted entities	**171,500**	158,000
Share of post-acquisition loss and other comprehensive loss	**(2,583)**	(258)
Impairment provision	**(153,651)**	(150,000)
	15,266	7,742

21 Interests in joint ventures (Continued)

Details of the joint ventures of the Group at the end of the reporting period are as follows:

Entities	Place of incorporation and principal place of operation	Principal activities	Percentage of equity interest		Percentage of voting rights	
			2021	2020	**2021**	2020
Suqian Jingdong Aosheng Corporation Management Co., Ltd. ("Aosheng")[1]	PRC	Management and consulting	**51%**	51%	**51%**	51%
Jingxin Intelligence Manufacture Co., Ltd. ("Jingxin")[2]	PRC	Warehouse logistics	**40%**	40%	**40%**	40%
China Railway Jingdong Logistics Co., Ltd. ("Railway Jingdong")[3]	PRC	Railway logistics	**45%**	—	**45%**	—

The joint ventures of the Group have been accounted for by using the equity method based on the financial information of the joint ventures prepared under the accounting policies consistent with the Group.

Notes:

1. Although the Group has more than 50% voting rights in Aosheng, pursuant to the articles of association of Aosheng, the board resolutions of Aosheng need the unanimous consent of the directors appointed by each shareholder. Accordingly, the Group accounts for the investment in Aosheng as a joint venture. The investment in Aosheng had been fully impaired.

2. The Group accounts for the investment in Jingxin as a joint venture due to the veto rights that the Group entitled in making significant decisions in the board and shareholder meetings, which enable the Group to share the control with other shareholders of Jingxin. The Group made an impairment provision of RMB3,651,000 against the carrying amount of the investment in Jingxin during the year ended December 31, 2021 (2020: none). The impairment provision mainly resulted from revisions of financial and business outlook of the joint venture and changes in the market environment of the underlying business.

3. In March 2021, the Group made capital contribution of RMB13,500,000 for the establishment of Railway Jingdong. Although the Group has less than 50% voting rights in Railway Jingdong, pursuant to the articles of association of Railway Jingdong, the board resolutions of Railway Jingdong need the unanimous consent of the directors appointed by each shareholder. Accordingly, the Group accounts for the investment in Railway Jingdong as a joint venture.

22 Financial assets at fair value through profit or loss

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Non-current:		
Equity securities in listed entities	**695,037**	397,649
Preferred shares investments in unlisted entities	**832,259**	497,529
Equity investments in unlisted entities	**—**	162,180
	1,527,296	1,057,358
Current:		
Wealth management products	**2,577,978**	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 at 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 38.3.

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 38.3.

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 December 31, 2021 range from 2.80% to 3.50% (2020: 1.35% to 3.65%). 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.

23 Trade receivables

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables from third parties	**7,334,970**	5,517,630
Trade receivables from related parties* (Note 36)	**5,145,307**	93,473
Less: allowance for credit losses	**(316,249)**	(239,780)
	12,164,028	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 consolidated financial statements.

As of January 1, 2020, trade receivables from contracts with customers amounted to RMB3,229,663,000.

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

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 December 31,	
	2021	2020
	RMB'000	RMB'000
Within 3 months	**12,040,147**	5,337,485
3 to 6 months	**220,533**	100,283
6 to 12 months	**109,657**	61,987
Over 12 months	**109,940**	111,348
	12,480,277	5,611,103
Less: allowance for credit losses	**(316,249)**	(239,780)
	12,164,028	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.

23 Trade receivables (Continued)

As of December 31, 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB434,229,000 (2020: RMB213,092,000), which are past due but not credit-impaired as the Group is satisfied with the subsequent settlements and the credit quality of these customers had not seen deteriorated. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables are set out in Note 38.2.

24 Prepayments, other receivables and other assets

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Non-current:		
Refundable deposits	**668,829**	483,750
Pallets	**481,458**	299,332
Long-term prepaid expenses	**174,247**	216,142
Non-current term deposits (Note 25)	**160,000**	—
Receivables from partial disposal of a subsidiary	**75,000**	75,000
Prepayments for property and equipment	**530,297**	24,992
Others	**1,775**	1,817
	2,091,606	1,101,033
Current:		
Prepaid expenses	**1,667,021**	1,262,489
Amounts due from related parties (Note 36)	**90,183**	10,722,372
Refundable deposits	**378,166**	179,141
Prepayments to suppliers	**473,384**	72,354
Receivables from partial disposal of a subsidiary	**75,000**	75,000
Loans to related parties	**7,084**	42,084
Interest receivables	**32,518**	16,802
Recoverable value-added tax	**474,123**	—
Funds receivable from third party payment platforms	**177,181**	81
Others	**186,781**	37,803
	3,561,441	12,408,126
Less: allowance for credit losses	**(42,441)**	(31,294)
	3,519,000	12,376,832

Details of impairment assessment of other receivables are set out in Note 38.2.

25 Cash and bank balances

(a) Cash and cash equivalents

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Cash and bank balances denominated in:		
USD	**5,711,056**	5,090,406
HKD	**6,908,907**	871
RMB	**5,209,024**	1,245,735
Others	**93,792**	9,857
	17,922,779	6,346,869

(b) Restricted cash

As of December 31, 2021 and 2020, restricted cash represents deposits held in designated bank mainly for issuance of bank letters of guarantee.

(c) Term deposits

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Non-current term deposits denominated in:		
RMB	**160,000**	—
Current term deposits denominated in:		
USD	**8,307,913**	3,588,695
RMB	**105,000**	—
	8,412,913	3,588,695

Non-current term deposits, included in prepayments, other receivables and other assets, are bank deposits redeemable on maturity, with original maturities over twelve months. Current term deposits are bank deposits redeemable on maturity, with original maturities between three months and one year. The weighted average interest rate of the term deposits was 1.02% per annum for the year ended December 31, 2021 (2020: 1.11%).

26 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	**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 December 31, 2021	**40,000,000,000**	**1,000**	**—**	**—**
As of January 1, 2020 and December 31, 2020	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	**3,932,467,879**	**98**	**611**	**1,615,550**
Issuance of ordinary shares to Share Scheme Trusts[1]	**523,411,646**	**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**
Exercise of share options[4]	**—**	**—**	**—**	**751,748**
As of December 31, 2021	**6,183,281,772**	**155**	**971**	**59,478,659**
As of January 1, 2020	3,924,000,000	98	610	1,499,694
Issuance of ordinary shares	8,467,879	*	1	115,856
As of December 31, 2020	3,932,467,879	98	611	1,615,550

Notes:

* Less than USD1,000.

26 Share capital (Continued)

Issued and fully paid (Continued)

1. In May 2021, 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. In December 2021, the Company issued 300,000 ordinary shares with par value of USD0.000025 per share with respect to the Post-IPO Share Award Scheme to Mille Stelle Limited.

   Jungle Den Limited, Jazz Dream Limited, Perfect Match Limited and Mille Stelle 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 consolidated financial statements.

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 33. 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 HKD40.36 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 consolidated statement of profit or loss for the year ended December 31, 2021.

4. The exercised share options were satisfied by the ordinary shares previously issued to and held by the Share Scheme Trusts.

27 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	**2,239,149**	**8,891**	**2,248,040**
Share of profit for the year	**181,228**	**—**	**181,228**
Share options of a subsidiary	**—**	**21,769**	**21,769**
As of December 31, 2021	**2,420,377**	**30,660**	**2,451,037**
As of January 1, 2020	32,446	—	32,446
Share of profit for the year	96,706	—	96,706
Acquisition of a non-wholly owned subsidiary	1,960,692	—	1,960,692
Additional non-controlling interests arising on partial disposal of a subsidiary	149,305	—	149,305
Share options of a subsidiary	—	8,891	8,891
As of December 31, 2020	2,239,149	8,891	2,248,040

28 Share-based payments

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Share options	**1,197,210**	661,603
RSUs	**250,009**	215,991
Total	**1,447,219**	877,594

28.1 JD Group Share Incentive Plan

The 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 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 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 or loss over the remaining vesting period, with a corresponding adjustment to other reserves.

28 Share-based payments (Continued)

28.1 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	**(116,974)**	**9.36**	
Transferred*	**6,250**	**13.03**	
Outstanding as of December 31, 2021	**48,042**	**3.96**	**2.0**
Outstanding as of January 1, 2020	852,002	7.88	4.7
Exercised	(601,736)	7.20	
Forfeited or cancelled	(50,000)	13.03	
Transferred*	(41,500)	12.70	
Outstanding as of December 31, 2020	158,766	7.58	3.7

* 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 December 31, 2021 was 48,042 (2020: 112,096).

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.

28 Share-based payments (Continued)

28.1 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	**364,534**	**40.09**
Vested	**(2,494,652)**	**14.92**
Forfeited or cancelled	**(1,435,548)**	**16.38**
Transferred*	**1,318,174**	**15.60**
Outstanding as of December 31, 2021	**5,242,700**	**17.59**
Outstanding as of January 1, 2020	11,364,022	14.78
Granted	518,978	26.04
Vested	(2,516,906)	14.76
Forfeited or cancelled	(1,347,932)	14.14
Transferred*	(527,970)	14.35
Outstanding as of December 31, 2020	7,490,192	15.72

* 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.

28.2 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 December 31, 2021, the maximum aggregate number of underlying shares which may be issued pursuant to all awards under the Pre-IPO ESOP was 598,847,916 shares that are reserved under the Pre-IPO ESOP. The Pre-IPO ESOP is valid and effective for ten years from the approval of the Board of Directors of the Company.

28 Share-based payments (Continued)

28.2 JD Logistics Share Incentive Plan (Continued)

On May 10, 2021, the Company approved and adopted a share option scheme (the "Post-IPO Share Option Scheme"). As of December 31, 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 December 31, 2021, the aggregate number of shares underlying all grants made pursuant to the Post-IPO Share Award Scheme should not exceed 609,160,767 shares without shareholders' approval (excluding award shares which have been forfeited in accordance with the Post-IPO Share Award Scheme).

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

(a) Pre-IPO ESOP

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

As of December 31, 2021, the Company has issued 208,111,646 ordinary shares with respect to the Pre-IPO ESOP to Share Scheme Trusts.

During the year ended December 31, 2021, 64,455,379 share options under the Pre-IPO ESOP (2020: none) were exercised. The weighted average price of the shares at the time these options were exercised was HKD 25.00 per share (2020: none).

28 Share-based payments (Continued)

28.2 JD Logistics Share Incentive Plan (Continued)

(a) Pre-IPO ESOP (Continued)

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**	
Exercised	**(63,307,403)**	**0.01**	
Repurchased	**(791,787)**	**0.01**	
Forfeited or cancelled	**(51,815,385)**	**0.01**	
Outstanding as of December 31, 2021	**198,161,717**	**0.01**	**8.2**
Outstanding as of January 1, 2020	193,595,785	0.01	8.7
Granted	224,511,105	0.01	
Repurchased	(1,230,830)	0.01	
Forfeited or cancelled	(132,830,214)	0.01	
Outstanding as of December 31, 2020	284,045,846	0.01	8.7

The number of exercisable share options as of December 31, 2021 was 5,242,738 (2020: 37,409,445).

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:

	Year ended December 31, 2021	2020
Expected volatility	**40.3% to 45.0%**	41.0% to 43.0%
Risk-free interest rate (per annum)	**1.7% to 2.3%**	1.3% to 3.2%
Expected dividend yield	**—**	—
Expected term (in years)	**10**	10
Fair value of the underlying shares on the date of option grants (USD)	**3.11 to 4.60**	1.68 to 2.37

28 Share-based payments (Continued)

28.2 JD Logistics Share Incentive Plan (Continued)

(a) Pre-IPO ESOP (Continued)

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 year ended December 31, 2021 was USD4.31 per share (2020: USD2.00 per share).

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**
Exercised	**(1,147,976)**	**0.01**	
Repurchased	**(6,666)**	**0.01**	
Forfeited or cancelled	**(745,002)**	**0.01**	
Outstanding as of December 31, 2021	**1,934,356**	**0.01**	**7.2**
Outstanding as of January 1, 2020	14,764,000	0.01	9.3
Repurchased	(26,666)	0.01	
Forfeited or cancelled	(10,903,334)	0.01	
Outstanding as of December 31, 2020	3,834,000	0.01	8.3

The number of exercisable share options as of December 31, 2021 was 10,000 (2020: 598,987). 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.

(b) Post-IPO Share Option Scheme

As of December 31, 2021, no share options had been granted under the Post-IPO Share Option Scheme.

28 Share-based payments (Continued)

28.2 JD Logistics Share Incentive Plan (Continued)

(c) Post-IPO Share Award Scheme

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

	Number of RSUs	Weighted average grant-date fair value HKD
Outstanding as of January 1, 2021	**—**	**—**
Granted	**9,663,953**	**35.00**
Forfeited or cancelled	**(623,420)**	**37.64**
Outstanding as of December 31, 2021	**9,040,533**	**34.81**

As of December 31, 2021, the total number of shares which may be issued upon vest of all RSUs to be granted under the Post-IPO Share Awards Scheme was 600,120,234 shares. The fair values of the RSUs granted during the year ended December 31, 2021 were determined based on the market value of the Company's shares at the respective grant dates.

As of December 31, 2021, the Company has issued 315,300,000 ordinary shares with respect to the Post-IPO Share Award Scheme to Share Scheme Trusts.

28.3 Other share-based payments allocation

The share-based payments of JD Group's employees in the headquarters, including service-based RSUs and share options, were allocated to the Group based on corresponding drivers, amounting to RMB134,671,000 for the year ended December 31, 2021 (2020: RMB85,942,000), which were treated as deemed contribution from JD Group and recorded in other reserves.

28.4 Kuayue Express Share Incentive Plan

In October 2019 and October 2021, 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 one to three years.

As of December 31, 2021, Kuayue Express has granted accumulative 17,505,053 options of Kuayue Express to its employees (2020: 10,417,390). For the year ended December 31, 2021, total share-based payments of RMB21,769,000 was recognized in the Group's consolidated statement of profit or loss and included in non-controlling interests for the share options granted under the Kuayue Express Share Incentive Plan (2020: RMB8,891,000).

29 Dividends

No dividend was paid or proposed for ordinary shareholders of the Company for the year ended December 31, 2021, nor has any dividend been proposed since the end of the reporting period (2020: none).

30 Trade payables

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Trade payables	**6,293,923**	5,338,638
Trade payables under supplier financing arrangements*	**478,769**	472,981
	6,772,692	5,811,619

* Certain reputable financial institutions offer supply chain finance 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.

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

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Within 3 months	**6,419,263**	5,092,371
3 to 6 months	**226,395**	501,446
6 to 12 months	**57,111**	122,484
Over 12 months	**69,923**	95,318
	6,772,692	5,811,619

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

31 Accrued expenses and other payables

	As of December 31, 2021 RMB'000	2020 RMB'000
Salary and welfare payables	**3,843,959**	3,500,957
Accrued expenses	**2,634,158**	1,550,083
Property and equipment payables	**1,265,819**	612,408
Packing materials payables	**864,204**	812,589
Deposits	**969,755**	626,567
Other tax payables	**388,404**	314,738
Temporary receipts	**53,897**	109,903
Amount due to non-controlling shareholder*	**111,970**	104,640
Amounts due to related parties (Note 36)	**80,595**	7,141,788
Others	**831,777**	636,920
	11,044,538	15,410,593

* As of December 31, 2021, amount due to non-controlling shareholder of RMB111,970,000 (2020: RMB104,640,000) and other non-current liabilities of RMB100,000,000 (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 2 years (2020: 3 years).

32 Lease liabilities

	As of December 31, 2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	**5,763,509**	4,619,073
Within a period of more than one year but not exceeding two years	**3,675,081**	3,154,657
Within a period of more than two years but not exceeding five years	**4,423,736**	3,906,885
Within a period of more than five years	**1,310,345**	783,062
	15,172,671	12,463,677
Less: amount due for settlement within 12 months shown under current liabilities	**(5,763,509)**	(4,619,073)
Amount due for settlement after 12 months shown under non-current liabilities	**9,409,162**	7,844,604

32 Lease liabilities (Continued)

The weighted average discount rate applied by the Group was 5.08% for the year ended December 31, 2021 (2020: 5.17%).

As of December 31, 2021, the Group entered into new leases that have not yet commenced, with non-cancellable period ranging from 1 to 10 years (2020: 1 to 2 years), excluding period under extension options, the total future undiscounted cash flows over the non-cancellable period were insignificant (2020: insignificant).

33 Convertible redeemable preferred shares

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
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.

33 Convertible redeemable preferred shares (Continued)

Series A Preference Shares (Continued)

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.

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.

33 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:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Carrying amount at the beginning of the 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 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 December 31, 2020. 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 December 31, 2020.

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.

34 Equity instruments with preference rights

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Financial liability at amortized cost		
Equity instruments with preference rights issued by Kuayue Express	**631,014**	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.

34 Equity instruments with preference rights (Continued)

Equity instruments with preference rights issued by Kuayue Express (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:

	Year ended December 31, 2021 RMB'000	From August 17, 2020 to December 31, 2020 RMB'000
Carrying amount at the beginning of the year/period	**597,380**	585,774
Accreted interest	**33,634**	11,606
Carrying amount at the end of the year/period	**631,014**	597,380

35 Deferred tax assets/liabilities

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

	As of December 31, 2021 RMB'000	2020 RMB'000
Deferred tax assets	**87,788**	43,112
Deferred tax liabilities	**(720,178)**	(717,285)
	(632,390)	(674,173)

The movements in deferred tax assets and liabilities during the reporting 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	**35,730**	**7,382**	**(21,563)**	**(694,601)**	**(1,121)**	**(674,173)**
Credit/(charge) to profit or loss	**48,626**	**(3,950)**	**(60,542)**	**88,764**	**(31,115)**	**41,783**
As of December 31, 2021	**84,356**	**3,432**	**(82,105)**	**(605,837)**	**(32,236)**	**(632,390)**
As of January 1, 2020	—	—	(41,488)	—	(566)	(42,054)
Acquisition of a subsidiary	—	—	—	(727,888)	—	(727,888)
Credit/(charge) to profit or loss	35,730	7,382	19,925	33,287	(555)	95,769
As of December 31, 2020	35,730	7,382	(21,563)	(694,601)	(1,121)	(674,173)

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

	As of December 31, 2021 RMB'000	2020 RMB'000
Tax losses	**5,051,617**	3,137,575
Deductible temporary differences	**1,967,340**	896,570
	7,018,957	4,034,145

35 Deferred tax assets/liabilities (Continued)

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 December 31, 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 2022 to 2026 (2020: the period from 2021 to 2025).

36 Related party transactions

Other than as disclosed elsewhere in the consolidated financial statements, the following significant transactions and balances were carried out between the Group and its related parties during the reporting 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.

36.1 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 reporting 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
ATRenew Inc. 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

* On December 23, 2021, Tencent Holdings Limited announced a special interim dividend in the form of a distribution of JD.com Inc.'s ordinary shares. Martin Chiping Lau, an executive director and president of Tencent Holdings Limited, tendered his resignation as a director of JD.com, Inc., immediately following the announcement. As Tencent Group ceased to have significant influence over the Group, it was not considered to be the Group's related party as of December 31, 2021.

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

36 Related party transactions (Continued)

36.2 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.

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.

36 Related party transactions (Continued)

36.2 Significant transactions with related parties (Continued)

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

	Notes	Year ended December 31, 2021 RMB'000	2020 RMB'000
Rendering of services:			
Services provided to JD Group	(i)	**45,583,569**	39,155,413
Services provided to Tencent Group	(ii)	**125,971**	54,670
Services provided to JD Technology	(iii)	**353,842**	220,093
Services provided to Dada Group	(ii)	**198,350**	—
Services provided to AiHuiShou Group	(ii)	**119,093**	69,455
Receiving of services:			
Services received from JD Group	(iv)	**1,537,774**	1,281,288
Services received from Dada Group	(v)	**879,502**	2,189,983
Share-based compensation received from JD.com, Inc.	(iv)	**224,669**	228,562
Services received from JD Technology	(vi)	**307,169**	97,928
Lease arrangements:			
Interest on lease liabilities for leases with Core Funds and Development fund	(vii)	**193,580**	132,878
Interest on lease liabilities for leases with JD Group	(viii)	**72,343**	20,595
Receiving of interest:			
Interest income from JD Group	(ix)	**6,382**	102,047

Rendering of services

(i) 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.

(ii) The Group is primarily engaged in providing integrated supply chain solutions and logistics services to Tencent Group, Dada Group and AiHuiShou Group.

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

36 Related party transactions (Continued)

36.2 Significant transactions with related parties (Continued)

Receiving of services

(iv) 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.

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

(vi) JD Technology primarily provides the Group with payment and ancillary services, along with certain technology support related services.

Lease arrangements

(vii) During the year ended December 31, 2021, the Group entered into several lease agreements for operational purposes with Core Funds and Development Fund for 2.5 to 5 years (2020: 4 years). As of December 31, 2021, right-of-use assets amounted to RMB2,099,549,000 (2020: RMB2,532,697,000), and lease liabilities amounted to RMB2,456,523,000 (2020: RMB2,711,907,000).

(viii) During the year ended December 31, 2021, the Group entered into several lease agreements for operational purposes with JD Group for 1 to 10 years (2020: 1 to 6 years). As of December 31, 2021, right-of-use assets amounted to RMB2,457,746,000 (2020: RMB796,811,000), and lease liabilities amounted to RMB2,509,432,000 (2020: RMB799,943,000).

Receiving of interest

(ix) 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.

36 Related party transactions (Continued)

36.3 Significant balances with related parties

The Group had the following significant balances with related parties:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Due from related parties:		
Amount due from JD Group	**5,064,428**	10,538,555
Amount due from JD Technology	**145,524**	199,821
Amount due from Tencent Group*	**—**	63,202
Amount due from AiHuiShou Group	**15,272**	7,199
Amount due from Dada Group	**—**	3,438
Amounts due from other related parties	**10,266**	3,630
	5,235,490	10,815,845
Due to related parties:		
Amount due to JD Group	**—**	6,951,957
Amount due to Dada Group	**153,541**	507,274
Amount due to Core Funds and Development Fund	**80,595**	39,831
Amounts due to other related parties	**—**	154,017
	234,136	7,653,079

* As stated in Note 36.1, Tencent Group ceased to be considered as the Group's related party as of December 31, 2021.

Significant balances with related parties as of December 31, 2021:

As of December 31, 2021, amounts due from related parties of RMB5,145,307,000 were included in trade receivables, and RMB90,183,000 were included in prepayments, other receivables and other assets.

As of December 31, 2021, amounts due to related parties of RMB153,541,000 were included in trade payables, and RMB80,595,000 were included in accrued expenses and other payables.

The above amounts due from/due to related parties as of December 31, 2021 were unsecured, non-interest bearing and either repayable on demand or due within one year from December 31, 2021.

36 Related party transactions (Continued)

36.3 Significant balances with related parties (Continued)

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 December 31, 2020. 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.

36.4 Key management personnel compensation

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Salaries and bonuses	**7,848**	3,679
Share-based payments	**633,211**	143,884
Pension cost — defined contribution plans	**147**	103
Welfare, medical and other benefits	**1,851**	844
Total	**643,057**	148,510

37 Capital commitments

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000
Contracted for but not provided in the consolidated financial statements		
Purchase of property and equipment	**450,472**	107,175

38 Financial instruments

38.1 Financial instruments by categories

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000
Financial assets		
Financial assets at fair value:		
Financial assets at FVTPL	**4,105,274**	2,005,096
Financial assets at amortized cost	**40,147,140**	26,942,193
Financial liabilities		
Financial liabilities at fair value:		
Convertible redeemable preferred shares	**—**	21,918,414
Payables to interest holders of consolidated investment funds	**46,145**	116,950
Financial liabilities at amortized cost	**11,572,955**	16,275,755

38.2 Financial risk management

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, term deposits, restricted cash, cash and cash equivalents, trade and other payables, advances from customers, convertible redeemable preferred shares, equity instruments with preference rights, payables to interest holders of consolidated investment funds, financial liabilities included within other non-current liabilities, and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

38 Financial instruments (Continued)

38.2 Financial risk management (Continued)

(a) Market risk

Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, 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 the Group's entities. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk.

During the reporting period, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant. The directors of the Company consider that any reasonable changes in foreign exchange rates of other currencies against the two major functional currencies would not result in a significant change in the Group's results, as the net carrying amounts of financial assets and liabilities denominated in a currency other than the respective subsidiaries' functional currency are considered to be not significant.

Accordingly, no sensitivity analysis is presented for foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, amounts due from/due to JD Group, and borrowing from non-controlling shareholder. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank balances and lease liabilities.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended December 31, 2021 would decrease/increase by RMB15,382,000 (2020: RMB4,744,000).

38 Financial instruments (Continued)

38.2 Financial risk management (Continued)

(a) Market risk (Continued)

Price risk

The Group is mainly exposed to price risk through its investments in listed equity security investments measured at FVTPL. The price risk of these financial assets may arise due to changes in market price. The change may be caused by factors relating to the financial instrument itself or the issuer, and it may also be caused by market factors. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has designated a team to monitor the price risk and will consider hedging the risk exposure should the need arises.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices of the respective listed financial instruments had increased/decreased by 5% with all other variables held constant, the post-tax loss for the year ended December 31, 2021 would decrease/increase by RMB26,064,000 (2020: RMB14,912,000).

(b) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, bank balances and preferred shares investments in unlisted entities. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

Trade receivables and contract assets

In order to minimize the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

38 Financial instruments (Continued)

38.2 Financial risk management (Continued)

(b) Credit risk and impairment assessment (Continued)

The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL for these items. The Group estimates the amount of lifetime ECL of trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information on macroeconomic factors (such as the gross domestic product) affecting the ability of the debtors to settle the receivables, which is available without undue cost or effort. In addition, trade receivables that are credit-impaired are assessed for ECL individually.

For trade receivables from related parties, the Group considers the counterparties with good credit worthiness based on past experience and satisfactory settlement history. As of December 31, 2021, the Group assessed the ECL for trade receivables from related parties was insignificant (2020: insignificant).

As of December 31, 2021, other than the Group's largest customer as disclosed in Note 36, no other single customer contributed over 10% of the total trade receivables of the Group.

Bank balances and debt securities at FVTPL

To manage risk arising from bank balances and wealth management products, the Group only transacts with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to these financial institutions.

The credit risk on bank balances and wealth management products is limited because the counterparties are reputable banks with high credit rating assigned by international credit-rating agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

38 Financial instruments (Continued)

38.2 Financial risk management (Continued)

(b) Credit risk and impairment assessment (Continued)

Other receivables and amounts due from related parties with non-trade nature

In order to minimize the credit risk of other receivables and amounts due from related parties with non-trade nature, the management of the Group continuously monitors the settlement status and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Before granting the loan advances, the management of the Group has obtained an understanding to the credit background of the debtors and undertaken an internal credit approval process. The management of the Group has taken into account the economic outlook of the industries in which the debtors operate and reviewed the recoverable amount of each amount at the end of the reporting period to ensure that adequate impairment losses were recognized for irrecoverable debts. After assessment, the directors of the Company have not identified any items experienced a significant increase in credit risk since initial recognition. In addition, the Group performs periodic individual assessment on 12m ECL of other receivables and amounts due from related parties with non-trade nature based on historical settlement records and past experience.

Preferred shares investments in unlisted entities

The Group invests in debt securities. In order to minimize the credit risk of these investments in preferred shares, the management regularly reviews and assesses the financial performance of the unlisted investees. The management of the Company considers that the credit risk is monitored and significantly reduced.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and contract assets
Performing	The counterparty has a low risk of default and does not have any past-due amounts or debtor repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

38 Financial instruments (Continued)

38.2 Financial risk management (Continued)

(b) Credit risk and impairment assessment (Continued)

The following table provides information about the exposure to credit risk for trade receivables which were assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Credit-impaired with gross carrying amounts of RMB82,442,000 as of December 31, 2021 (2020: RMB87,732,000), were assessed individually.

	As of December 31, 2021		As of December 31, 2020	
	Average loss rate	**Trade receivables RMB'000**	Average loss rate	Trade receivables RMB'000
Within 3 months	**1.3%**	**6,835,457**	1.4%	5,228,439
3 to 6 months	**16.4%**	**196,991**	17.7%	100,242
6 to 12 months	**51.1%**	**99,505**	53.7%	50,448
Over 12 months	**100.0%**	**64,067**	100.0%	35,157
	3.2%	**7,196,020**	2.8%	5,414,286

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort.

As of December 31, 2021, the Group provided RMB233,807,000 (2020: RMB152,048,000) accumulated impairment allowance for trade receivables, based on the provision matrix. Accumulated impairment allowance of RMB82,442,000 (2020: RMB87,732,000), were made on credit-impaired debtors as of December 31, 2021.

38 Financial instruments (Continued)

38.2 Financial risk management (Continued)

(b) Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As of January 1, 2021	**116,891**	**122,889**	**239,780**
Impairment losses recognized, net of reversal	**53,986**	**89,210**	**143,196**
Write-offs	**(1,137)**	**(65,590)**	**(66,727)**
As of December 31, 2021	**169,740**	**146,509**	**316,249**
As of January 1, 2020	46,188	64,732	110,920
Impairment losses recognized, net of reversal	70,703	138,519	209,222
Write-offs	—	(80,362)	(80,362)
As of December 31, 2020	116,891	122,889	239,780

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. The Group has taken legal action against the debtors to recover the amount due.

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

38 Financial instruments (Continued)

38.2 Financial risk management (Continued)

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
As of December 31, 2021							
Trade payables		6,772,692	–	–	–	6,772,692	6,772,692
Advances from customers		723,009	–	–	–	723,009	723,009
Lease liabilities	5.08%	5,962,440	4,205,198	5,459,530	1,496,388	17,123,556	15,172,671
Financial liabilities included in accrued expenses and other payables		3,356,730	–	–	–	3,356,730	3,356,730
Financial liabilities included in other non-current liabilities	4.35%	–	100,000	–	–	100,000	100,000
Equity instruments with preference rights	5.63%	–	–	–	859,865	859,865	631,014
Payables to interest holders of consolidated investment funds		46,145	–	–	–	46,145	46,145
		16,861,016	4,305,198	5,459,530	2,356,253	28,981,997	26,802,261

38 Financial instruments (Continued)

38.2 Financial risk management (Continued)

(c) Liquidity risk (Continued)

	Weighted average interest rate	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
As of December 31, 2020							
Trade payables		5,811,619	—	—	—	5,811,619	5,811,619
Advances from customers		258,861	—	—	—	258,861	258,861
Lease liabilities	5.17%	4,732,571	3,406,675	4,660,926	1,169,196	13,969,368	12,463,677
Financial liabilities included in accrued expenses and other payables		9,407,895	—	—	—	9,407,895	9,407,895
Convertible redeemable preferred shares		—	—	16,502,686	—	16,502,686	21,918,414
Financial liabilities included in other non-current liabilities	4.35%	—	100,000	100,000	—	200,000	200,000
Equity instruments with preference rights	5.63%	—	—	—	859,865	859,865	597,380
Payables to interest holders of consolidated investment funds		116,950	—	—	—	116,950	116,950
		20,327,896	3,506,675	21,263,612	2,029,061	47,127,244	50,774,796

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends to pay to shareholders, capital to return to shareholders, new shares to issue, shares of the Company to repurchase and debts to raise/repay. In the opinion of the directors of the Company, the Group's capital risk is low.

38 Financial instruments (Continued)

38.3 Fair value measurement of financial instruments

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The tables below analyze the Group's financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2021				
Financial assets at FVTPL				
Equity securities in listed entities	**695,037**	**—**	**—**	**695,037**
Preferred shares investments in unlisted entities	**—**	**106,377**	**725,882**	**832,259**
Wealth management products	**—**	**2,577,978**	**—**	**2,577,978**
	695,037	**2,684,355**	**725,882**	**4,105,274**
Financial liabilities at FVTPL				
Payables to interest holders of consolidated investment funds	**—**	**—**	**46,145**	**46,145**
As of December 31, 2020				
Financial assets at FVTPL				
Equity securities in listed entities	397,649	—	—	397,649
Equity investments in unlisted entities	—	—	162,180	162,180
Preferred shares investments in unlisted entities	—	178,895	318,634	497,529
Wealth management products	—	947,738	—	947,738
	397,649	1,126,633	480,814	2,005,096
Financial liabilities at FVTPL				
Convertible redeemable preferred shares	—	—	21,918,414	21,918,414
Payables to interest holders of consolidated investment funds	—	—	116,950	116,950
	—	—	22,035,364	22,035,364

38 Financial instruments (Continued)

38.3 Fair value measurement of financial instruments (Continued)

(a) Fair value of the Group's 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 33.

Financial assets/ financial liabilities	Fair value as of December 31, 2021 RMB'000	2020 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Equity securities in listed entities	**695,037**	397,649	Level 1	Quoted bid prices in an active market	N/A
Equity investments in unlisted entities	**–**	162,180	Level 3	A combination of observable and unobservable inputs	N/A (2020: DLOM of 8%; expected volatility of 29%)
Preferred shares investments in unlisted entities	**106,377**	178,895	Level 2	Recent transaction price	N/A
Preferred shares investments in unlisted entities	**725,882**	318,634	Level 3	A combination of observable and unobservable inputs	DLOM ranging from 5% to 13% (2020: 8%), expected volatility ranging from 39% to 51% (2020: 54%)
Wealth management products	**2,577,978**	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	**46,145**	116,950	Level 3	Net assets value of the investment funds	Net assets value of the investment funds

38 Financial instruments (Continued)

38.3 Fair value measurement of financial instruments (Continued)

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

During the reporting 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.

The Group's interest in China Railway Special Cargo Logistics Co., Ltd. is classified as financial assets at FVTPL and is measured at fair value at each reporting date. The fair value of the investment as of December 31, 2020 was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy. China Railway Special Cargo Logistics Co., Ltd. has become a listed entity on the Shenzhen Stock Exchange since September 2021, with its shares traded in an active market. Therefore, the fair value of the investment as of December 31, 2021 was determined based on a published price quotation available on the Shenzhen Stock Exchange and was classified as Level 1 of the fair value hierarchy.

38 Financial instruments (Continued)

38.3 Fair value measurement of financial instruments (Continued)

(b) 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	**480,814**	**21,918,414**	**116,950**
Purchased	**194,073**	**—**	**—**
Capital contribution	**—**	**—**	**13,200**
Distribution	**(354)**	**—**	**—**
Changes in fair value	**212,365**	**12,843,803**	**(8,114)**
Disposal or redemption	**(1,397)**	**—**	**(75,891)**
Converted to ordinary shares	**—**	**(34,100,839)**	**—**
Transferred to Level 1	**(174,512)**	**—**	**—**
Transferred from Level 2	**25,000**	**—**	**—**
Currency translation differences	**(10,107)**	**(661,378)**	**—**
As of December 31, 2021	**725,882**	**—**	**46,145**
As of January 1, 2020	434,821	18,069,639	109,239
Purchased	25,000	—	—
Issued	—	443,039	—
Capital contribution	—	—	15,000
Changes in fair value	40,384	4,861,109	(7,289)
Currency translation differences	(19,391)	(1,455,373)	—
As of December 31, 2020	480,814	21,918,414	116,950

(c) 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 consolidated financial statements approximate their fair values.

39 Note to consolidated statement of cash flows

39.1 Reconciliation of loss for the year to cash generated from operations

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss for the year	**(15,660,732)**	(4,037,289)
Adjustments for:		
Income tax	**60,374**	(12,007)
Finance costs	**718,853**	454,774
Finance income	**(233,628)**	(264,395)
Share of results of an associate and joint ventures	**36,769**	64,069
Depreciation of property and equipment	**1,968,647**	1,457,405
Depreciation of right-of-use assets	**5,450,796**	3,591,729
Amortization of other intangible assets	**375,097**	147,233
Impairment loss, net of reversal		
— financial assets under expected credit loss model	**155,863**	221,040
— interests in joint ventures	**3,651**	—
Share-based payments	**1,447,219**	877,594
(Gains)/losses on disposal of property and equipment	**(14,402)**	32,955
Fair value changes of financial assets at FVTPL	**(312,350)**	(68,456)
Investment losses attributable to interest holders of consolidated investment funds	**(8,114)**	(7,289)
Fair value changes of convertible redeemable preferred shares	**12,843,803**	4,861,109
Foreign exchange losses, net	**26,522**	41,979
Operating cash flows before movements in working capital	**6,858,368**	7,360,451
Increase in inventories	**(290,205)**	(105,906)
Increase in trade receivables	**(6,935,901)**	(1,521,130)
Increase in prepayments, other receivables and other assets	**(1,772,706)**	(195,816)
Increase in contract assets	**(55,083)**	(8,132)
Increase in trade payables	**961,073**	1,019,001
Increase in contract liabilities	**58,090**	55,613
Increase in accrued expenses, other payables and other non-current liabilities	**6,774,151**	3,293,930
Increase in advances from customers	**464,148**	190,639
Cash generated from operations	**6,061,935**	10,088,650

There were no material non-cash investing and financing activities for the year ended December 31, 2021 except disclosed elsewhere in the consolidated financial statements (2020: none).

39 Note to consolidated statement of cash flows (Continued)

39.2 Reconciliation of liabilities arising from financing activities

	Payables to interest holders of consolidated investment funds RMB'000	Lease liabilities RMB'000	Net amount (due from)/due to JD Group RMB'000	Amount due to non-controlling shareholder RMB'000	Total RMB'000
As of January 1, 2021	116,950	12,463,677	(3,586,598)	304,640	9,298,669
Financing cash flows	(62,691)	(5,671,513)	(565,328)	(103,286)	(6,402,818)
Investment losses attributable to interest holders of consolidated investment funds	(8,114)	–	–	–	(8,114)
New leases entered	–	7,878,949	–	–	7,878,949
Exchange adjustments	–	–	13,406	–	13,406
Interest income	–	–	(6,382)	–	(6,382)
Interest expenses	–	662,857	–	10,616	673,473
Net settlement for operating activities	–	–	(1,010,615)	–	(1,010,615)
Net settlement for investing activities	–	–	(70,210)	–	(70,210)
Net settlement for lease payments	–	(161,299)	161,299	–	–
As of December 31, 2021	46,145	15,172,671	(5,064,428)	211,970	10,366,358

39 Note to consolidated statement of cash flows (Continued)

39.2 Reconciliation of liabilities arising from financing activities (Continued)

	Payables to interest holders of consolidated investment funds RMB'000	Lease Liabilities RMB'000	Net amount (due from)/ due to JD Group RMB'000	Convertible redeemable preferred shares RMB'000	Equity instruments with preference rights RMB'000	Borrowings RMB'000	Amount due to non-controlling shareholder RMB'000	Total RMB'000
As of January 1, 2020	109,239	8,676,817	(4,011,772)	18,069,639	—	—	—	22,843,923
Financing cash flows	15,000	(3,464,461)	(20,243)	443,039	—	(986,108)	300,000	(3,712,773)
Acquisition of a subsidiary	—	1,425,238	—	—	585,774	986,108	—	2,997,120
Investment losses attributable to interest holders of consolidated investment funds	(7,289)	—	—	—	—	—	—	(7,289)
New leases entered	—	5,662,489	—	—	—	—	—	5,662,489
Fair value adjustments	—	—	—	4,861,109	—	—	—	4,861,109
Exchange adjustments	—	—	715,925	(1,455,373)	—	—	—	(739,448)
Interest income	—	—	(102,047)	—	—	—	—	(102,047)
Interest expenses	—	424,766	—	—	11,606	—	4,640	441,012
Net settlement for operating activities	—	—	793,994	—	—	—	—	793,994
Net settlement for investing activities	—	—	(1,223,627)	—	—	—	—	(1,223,627)
Net settlement for lease payments	—	(261,172)	261,172	—	—	—	—	—
As of December 31, 2020	116,950	12,463,677	(3,586,598)	21,918,414	597,380	—	304,640	31,814,463

40 Particulars of principal subsidiaries and consolidated affiliated entities

40.1 General information of subsidiaries and consolidated affiliated entities

Details of the principal subsidiaries directly and indirectly held by the Company are set out below:

Name of subsidiaries**	Place of incorporation/ registration/ operation	Paid up issued/ registered capital	Proportion ownership interest attributable to the Company as of December 31, 2021	2020	Principal activities
JD Logistics Holding Limited	Hong Kong, China	HKD1,000,000	**100%**	100%	International supply chain business
Jingdong Logistics Supply Chain Co., Ltd.	Mainland China	RMB10,000,000,000	**100%**	100%	Logistics services business
Xi'an Jingdong Xuncheng Logistics Co., Ltd.	Mainland China	RMB1,550,000,000	**100%**	100%	Freight transportation service
Xi'an Jingxundi	Mainland China	RMB980,000,000	**100%**	100%	Technology and consulting services
Beijing Jinghong Logistics Co., Ltd.	Mainland China	RMB10,000,000	**100%**	100%	Freight transportation service
Guangdong Jingdong Xingyou Logistics Co., Ltd.	Mainland China	RMB60,000,000	**100%**	100%	Freight transportation service
Beijing Jingdong Zhenshi Information Technology Co., Ltd.	Mainland China	RMB100,000,000	**100%**	100%	Technology and consulting services
Beijing Yuanyi Freight Forwarder Co., Ltd.	Mainland China	RMB8,000,000	**100%**	100%	Freight forwarder business

40 Particulars of principal subsidiaries and consolidated affiliated entities (Continued)

40.1 General information of subsidiaries and consolidated affiliated entities (Continued)

Details of the principal consolidated affiliated entities of the Company are set out below:

Name of consolidated affiliated entities*/**	Place of incorporation/ registration/ operation	Paid up issued/ registered capital	Proportion ownership interest attributable to the Company as of December 31, 2021	2020	Principal activities
Beijing Jingbangda	Mainland China	RMB1,000,000,000	**100%**	100%	Logistics services business
Guangdong Jingbangda Supply Chain Technology Co., Ltd.	Mainland China	RMB100,000,000	**100%**	100%	Courier and warehousing service
Shanghai Xunzan Supply Chain Technology Co., Ltd.	Mainland China	RMB100,000,000	**100%**	100%	Courier and warehousing service
Beijing Jingxundi Technology Co., Ltd.	Mainland China	RMB1,000,000	**100%**	100%	Courier and warehousing service
Xi'an Jingdong Xincheng	Mainland China	RMB1,000,000	**100%**	100%	Technology and consulting services
Shaanxi Jingdong Xincheng Supply Chain Technology Co., Ltd.	Mainland China	RMB50,000,000	**100%**	100%	Courier and warehousing service
Liaoning Jingbangda Supply Chain Technology Co., Ltd.	Mainland China	RMB20,000,000	**100%**	100%	Courier and warehousing service
Sichuan Jingbangda Logistics Technology Co., Ltd.	Mainland China	RMB50,000,000	**100%**	100%	Courier and warehousing service
Hubei Jingbangda Supply Chain Technology Co., Ltd.	Mainland China	RMB50,000,000	**100%**	100%	Courier and warehousing service

40 Particulars of principal subsidiaries and consolidated affiliated entities (Continued)

40.1 General information of subsidiaries and consolidated affiliated entities (Continued)

Name of consolidated affiliated entities*/**	Place of incorporation/ registration/ operation	Paid up issued/ registered capital	Proportion ownership interest attributable by the Company as of December 31, 2021	2020	Principal activities
Beijing Jingdong Qianshi Technology Co., Ltd.	Mainland China	RMB100,000,000	**100%**	100%	Technology and consulting services
Jiangsu Jingdong Cargo Airlines Co., Ltd.	Mainland China	RMB600,000,000	**75%**	75%	Air cargo business
Guangdong Hongbang Tuoxian Logistics Technology Co., Ltd.	Mainland China	RMB5,000,000	**100%**	100%	Courier service
Suqian Jingdong Tonglian Logistics Co., Ltd.	Mainland China	RMB10,000,000	**100%**	100%	Internet freight transportation
Kuayue Express	Mainland China	RMB661,271,496	**55.1%**	55.1%	Logistics services business

* As described in Note 1.2, the Company does not have direct or indirect legal ownership in equity of these affiliated entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with the equity holders of these affiliated entities, the Company and its legally owned subsidiaries have power over these affiliated entities, have rights to variable returns from their involvement with these affiliated entities and have the ability to affect those returns through their power over these affiliated entities, and are considered to have control over these affiliated entities. Consequently, the Company regards these affiliated entities as its indirect subsidiaries.

** The English names of the subsidiaries and consolidated affiliated entities established in the PRC are translated from their registered Chinese names for identification only.

The above table lists the subsidiaries and consolidated affiliated entities of the Company that the directors of the Company believe to principally affect the results or assets of the Group. In the opinion of the directors of the Company, to give details of other subsidiaries would result in particulars of excessive length.

The voting power of the subsidiaries and consolidated affiliated entities held by the Company are same with the ownership interest held by the Company.

None of the subsidiaries and consolidated affiliated entities had issued any debt securities during the year ended December 31, 2021 (2020: none).

40 Particulars of principal subsidiaries and consolidated affiliated entities (Continued)

40.2 Details of consolidated affiliated entity that has material non-controlling interests

The table below shows details of the consolidated affiliated entity of the Group that has material non-controlling interests:

Name of consolidated affiliated entity	Place of incorporation and principal place of business	Proportion of ordinary shares held by non-controlling interests as of December 31,		Proportion of equity interest on fully diluted basis and voting rights held by non-controlling interests as of December 31,		Profit allocated to non-controlling interests for the year ended December 31,		Accumulated non-controlling interests as of December 31,	
		2021	2020	**2021**	2020	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Kuayue Express	Mainland China	**39.8%**	39.8%	**44.9%**	44.9%	**205,418**	98,060	**2,294,830**	2,067,643

Summarized financial information of Kuayue Express is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Non-current assets	**5,455,147**	5,077,855
Current assets	**3,383,278**	2,824,203
Non-current liabilities	**(2,440,064)**	(2,559,501)
Current liabilities	**(2,177,763)**	(1,659,880)
	4,220,598	3,682,677
Equity attributable to owners of the Company	**1,925,768**	1,615,034
Non-controlling interests of Kuayue Express	**2,294,830**	2,067,643
	4,220,598	3,682,677

40 Particulars of principal subsidiaries and consolidated affiliated entities (Continued)

40.2 Details of consolidated affiliated entity that has material non-controlling interests (Continued)

	Year ended December 31, 2021 RMB'000	From August 17, 2020 to December 31, 2020 RMB'000
Revenue	**11,383,031**	3,734,255
Expenses	**(10,866,878)**	(3,487,874)
Profit for the year/period	**516,153**	246,381
Total comprehensive income for the year/period	**516,153**	246,381
Profit and total comprehensive income for the year/period attributable to:		
Owners of the Company	**310,735**	148,321
Non-controlling interests of Kuayue Express	**205,418**	98,060
	516,153	246,381

	Year ended December 31, 2021 RMB'000	From August 17, 2020 to December 31, 2020 RMB'000
Net cash generated from/(used in):		
Operating activities	**1,136,289**	705,268
Investing activities	**(375,370)**	(410,753)
Financing activities	**(749,965)**	(1,075,272)
	10,954	(780,757)

41 Pension cost

Full time employees of the Group in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees. For the year ended December 31, 2021, pension cost amounted to RMB1,648,436,000.

42 Acquisition of a subsidiary

On August 17, 2020, the Group acquired 60.2% of ordinary shares (55.1% of equity interest on a fully diluted basis) in Kuayue Express. The acquisition has been accounted for as acquisition of business using the acquisition method.

Consideration transferred

	RMB'000
Cash	2,850,000
Equity instruments issued less cash proceeds received	115,856
	2,965,856

Acquisition-related costs were insignificant and had been recognized as an expense during the year ended December 31, 2020.

	Fair value RMB'000
Other intangible assets	2,919,879
Including: Customer relationship	*2,549,400*
Technology systems	*357,000*
Property and equipment	657,777
Right-of-use assets	1,451,216
Prepayments, deposits and other assets	260,286
Inventories	33,661
Trade receivables	829,752
Amount due from a related party	2,460
Financial assets at fair value through profit or loss	638,000
Restricted cash	97,567
Cash and cash equivalents	1,375,710
Lease liabilities	(1,425,238)
Long-term borrowings	(123,296)
Short-term borrowings	(862,812)
Trade payables	(835,202)
Accrued expenses and other payables	(278,692)
Deferred tax liabilities	(727,888)
Equity instruments with preference rights	(585,774)
	3,427,406

The trade receivables acquired with a fair value of RMB829,752,000 at the date of acquisition had gross contractual amounts of RMB923,608,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB93,856,000.

42 Acquisition of a subsidiary (Continued)

Non-controlling interests

The non-controlling interests (39.8%) in Kuayue Express recognized at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to RMB1,960,692,000. This fair value was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

- assumed discount rate of 18.5%; and
- assumed long-term sustainable growth rate of 3%.

In addition, the non-controlling interests recognized at the acquisition date include the outstanding share options granted by Kuayue Express to its employees under Kuayue Express Share Incentive Plan.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	2,965,856
Plus: non-controlling interests (39.8% in Kuayue Express)	1,960,692
Less: fair value of net assets acquire	(3,427,406)
Goodwill arising on acquisition	1,499,142

Goodwill arose on the acquisition of Kuayue Express because the acquisition included the assembled workforce of Kuayue Express, benefit of expected synergies, revenue growth and future market development as of the date of acquisition. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition

	RMB'000
Cash consideration paid	2,850,000
Less: cash and cash equivalents acquired	(1,375,710)
	1,474,290

42 Acquisition of a subsidiary (Continued)

Impact of acquisition on the results of the Group

Included in the loss for the year ended December 31, 2020 is a profit of RMB349,817,000 attributable to the additional business generated by Kuayue Express. Revenue for the year ended December 31, 2020 includes RMB3,734,255,000 generated from Kuayue Express.

Had the acquisition of Kuayue Express been completed on January 1, 2020, revenue for the year ended December 31, 2020 of the Group would have been RMB77,569,431,000, and loss for the year ended December 31, 2020 would have been RMB3,857,908,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results. In determining the pro-forma revenue and profit of the Group had Kuayue Express been acquired at the beginning of the year of 2020, depreciation of property and equipment and amortization of other intangible assets is calculated based on the recognized amounts of property and equipment and other intangible assets at the date of the acquisition.

43 Contingencies

The Group did not have any material contingent liabilities as of December 31, 2021 (2020: none).

44 Statement of financial position and reserve movement of the Company

44.1 Statement of financial position of the Company

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
ASSETS		
Non-current asset		
Investments in subsidiaries	**2,963,795**	1,000,000
Total non-current asset	**2,963,795**	1,000,000
Current assets		
Prepayments, other receivables and other assets	**24,208,597**	18,330,918
Term deposits	**5,100,560**	—
Cash and cash equivalents	**11,756,450**	1,389,955
Total current assets	**41,065,607**	19,720,873
Total assets	**44,029,402**	20,720,873
EQUITY AND LIABILITIES		
Equity		
Share capital	**971**	611
Treasury shares	**(74)**	—
Reserves	**62,929,584**	4,281,169
Accumulated losses	**(18,912,936)**	(5,488,554)
Total equity	**44,017,545**	(1,206,774)
Liabilities		
Non-current liability		
Convertible redeemable preferred shares	**—**	21,918,414
Total non-current liability	**—**	21,918,414
Current liabilities		
Accrued expenses and other payables	**3,671**	9,233
Tax liabilities	**8,186**	—
Total current liabilities	**11,857**	9,233
Total liabilities	**11,857**	21,927,647
Total equity and liabilities	**44,029,402**	20,720,873

44 Statement of financial position and reserve movement of the Company (Continued)

44.2 Reserve movement of the Company

	Note	Reserves RMB'000	Accumulated losses RMB'000
As of January 1, 2021		**4,281,169**	**(5,488,554)**
Loss for the year		**—**	**(13,424,382)**
Issuance of ordinary shares relating to initial public offering, net of issuance costs	26	**23,010,686**	**—**
Conversion of convertible redeemable preferred shares to ordinary shares	26	**34,100,675**	**—**
Share-based payments		**1,221,129**	**—**
Repurchase of share options		**(4,675)**	**—**
Exercise of share options		**4,110**	**—**
Currency translation differences		**316,490**	**—**
As of December 31, 2021		**62,929,584**	**(18,912,936)**
As of January 1, 2020		3,120,573	(974,180)
Loss for the year		—	(4,514,374)
Share-based payments		401,632	—
Repurchase of share options		(8,528)	—
Issuance of ordinary shares		115,856	—
Currency translation differences		651,636	—
As of December 31, 2020		4,281,169	(5,488,554)

45 Subsequent events

There were no material subsequent events during the period from December 31, 2021 to the approval date of the consolidated financial statements by the Board of Directors on March 10, 2022.

DEFINITIONS

"3C"	computer, communication, and consumer electronics
"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
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted by special resolutions passed on May 10, 2021 with effect from the Listing Date
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Auditor"	Deloitte Touche Tohmatsu, the auditor of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code (version up to December 31, 2021) set out in Appendix 14 of the Listing Rules
"China", or "the PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this 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

"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company ", "our Company", "the Company", or "JD Logistics"	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
"Dada Group"	Dada Nexus Limited and its subsidiaries
"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 (stock code: 6618)
"JD Technology"	Jingdong Technology Holding Co., Ltd. (京東科技控股股份有限公司), formerly known as Jingdong Digits Technology Holding Co., Ltd. (京東數字科技控股股份有限公司), and, where the context requires, includes its consolidated subsidiaries from time to time
"Kuayue Express"	Kuayue-Express Group Co., LTD.
"Latest Practicable Date"	April 20, 2022, being the latest practicable date for the inclusion of certain information and data in this annual report prior to its publication
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	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, 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
"Onshore Holdcos"	Onshore Holdco and Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司), both Consolidated Affiliated Entities
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"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
"PRC Legal Adviser"	Shihui Partners, our legal adviser on PRC law
"Pre-IPO ESOP"	the pre-IPO employee share incentive plan adopted by our Company on 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)
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	year ended December 31, 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

"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$0.000025 each
"Shareholder(s)"	holder(s) of our Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"U.K."	the United Kingdom of Great Britain and Northern Ireland
"U.S. SEC"	the Securities and Exchange Commission of the United States
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" 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