

JDL 京东物流

JD Logistics, Inc.
京东物流股份有限公司

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

股份代號 Stock Code: 2618

2022 中期報告
Interim Report



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Yui Yu (余睿) (*Chief Executive Officer*)

Yanlei Chen (陳岩磊) (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>

FINANCIAL HIGHLIGHTS

	Unaudited Three months ended June 30,		Year-over-year change (%)
	2022	2021	
	RMB'000	RMB'000	
Revenue	31,271,702	26,061,431	20.0
Gross profit	2,173,228	1,538,853	41.2
Loss before income tax	(22,496)	(4,208,737)	(99.5)
Loss for the period	(83,382)	(4,214,140)	(98.0)
Non-IFRS profit/(loss) for the period	212,912	(135,609)	N/A

	Unaudited Six months ended June 30,		Year-over-year change (%)
	2022	2021	
	RMB'000	RMB'000	
Revenue	58,623,176	48,472,450	20.9
Gross profit	3,634,597	1,769,541	105.4
Loss before income tax	(1,322,773)	(15,161,151)	(91.3)
Loss for the period	(1,433,499)	(15,213,960)	(90.6)
Non-IFRS loss for the period	(584,944)	(1,501,540)	(61.0)

CEO STATEMENT

I am pleased to present our interim performance for the six months ended June 30, 2022 to our shareholders.

Business Review

We are China's leading technology-driven supply chain solutions and logistics services provider. With the mission of "driving superior efficiency and sustainability for global supply chain through technology", we aim to become the world's most trusted supply chain solutions and logistics services provider. Based on a logistics network that covers the whole nation and reaches every corner of the globe, we have accumulated abundant industry insights and offer a full spectrum of supply chain solutions and high-quality logistics services enabled by technology.

From the beginning of 2022, uncertainties in the macro environment and emergencies such as the resurging pandemic have posed certain challenges to our business development and operations. With the evolving pandemic and business environments, a set of reliable, resilient and agile supply chain solution has become a rigid demand for companies to maximize their capabilities to resist risks. Against this backdrop, our total revenue maintained a sustained and steady growth. In the second quarter of 2022, our total revenue increased by 20.0% year-over-year to RMB31.3 billion, of which revenue from external customers increased by 27.7% year-over-year to RMB18.2 billion, accounting for 58.3% of total revenue for the quarter, representing an increase in the proportion of revenue from external customers compared to the same period of 2021.

We provide industry-specific solutions and services to customers in fast-moving consumer goods ("**FMCG**"), home appliances and home furniture, apparel, 3C, automotive, fresh produce, and other industries.

Furthermore, leveraging accumulated industry insights, we continually develop modularized supply chain solutions and products to satisfy demands for small and medium-sized enterprises ("**SMEs**") customers. Due to constraints in resources and technological capabilities, other major players in the logistics industry were not fully capable of fulfilling SMEs' demands for upgrading supply chain systems to achieve cost reduction and efficiency enhancement. Over the past six months, we actively promoted our modularization strategy to fulfill the growing demand for an increasing number of SMEs by continually standardizing supply chain solutions and products accumulated from serving industry-leading customers. As of June 30, 2022, we have served masses of SMEs and iterated a portfolio of standardized and integrated packages of supply chain products covering eight specific industry verticals such as liquor, snack food, maternal and childcare, and cosmetics. In addition, we achieved major breakthroughs in livestreaming e-commerce. After serving as the logistics partner for Spring Festival sales promotions of a livestreaming e-commerce platform, we have further deepened our partnerships with that platform, and our volume and revenue growth continued to accelerate. As of June 30, 2022, we have served more than 10,000 merchants on the aforementioned livestreaming e-commerce platform.

In the second quarter of 2022, we maintained steady growth in the number of our external integrated supply chain customers, which reached 62,566 with a 13.2% increase year-over-year. In the meantime, the ARPC decreased by 2.2% year-over-year to RMB113,617, primarily due to the pandemic's impact on our customers' business as well as on our fulfillment operations.

Guided by our core value of "customer-first", we have gained the recognition of customers with our professional and reliable services while achieving fast business growth. According to statistics from the State Post Bureau, JD Logistics has consistently maintained top-tier customer satisfaction ratings in express delivery services. As we have been continually deepening our network penetration, our same-day or next-day deliveries covered China's 94% of counties and 84% of towns and villages.



CEO Statement (Continued)

Committed to technological innovation and investment, we strive to bring cutting-edge scientific breakthroughs into real world applications with a team of 3,712 dedicated research and development personnel. 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 the second quarter of 2022, our research and development expenses amounted to RMB694.4 million, representing 2.2% of total revenue.

Meanwhile, we have continued expanding our logistics infrastructure to deliver high-quality services and best-in-class customer experiences.

As of June 30, 2022, we operated over 1,400 warehouses and over 7,600 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 June 30, 2022, we had over 1,000 air cargo routes in China. Our overseas line-haul routes cover the U.S., Canada and the U.K., as well as major European and Southeast Asian countries.

In the first half of 2022, aside from the healthy organic growth of our businesses, we also made significant progress in strategic acquisitions. On March 13, 2022, we announced the acquisition of equity interest in Deppon Holdco which holds approximately 66.50% of the issued share capital of Deppon. On July 26, 2022, we completed the acquisition of over 50% equity interest in Deppon Holdco, and the financial results of Deppon Holdco has been consolidated into the Group's financial results. Deppon is an integrated, customer-centered, logistics company providing a wide range of solutions including Less-Than-Truckload (LTL) transportation, Full-Truckload (FTL) transportation, delivery services, and warehousing management. We anticipate that JD Logistics and Deppon will offer complementary advantages in logistics networks and product categories. Together, we will focus on our competitive advantages, such as express delivery and supply chain, to expand market scale, improve service experience, enhance network operation efficiency, reduce comprehensive operating costs, and continue to create greater value for customers.

Integrated Supply Chain Logistics Solutions and Services

Integrated supply chain management enables customers to enhance the flexibility and efficiency of supply chain management, and to make swift business decisions in an ever-changing business environment, which is essential for any company to remain competitive in the industry. As the supply chain moves to the forefront of many companies' competitive strategy, our steadfast commitment in providing our customers with a full range of integrated supply chain solutions and logistics services has attracted a growing number of customers. Since 2022, uncertainties in the macro environment and emergencies such as the resurging pandemic have posed certain challenges to our business development and operations. Nevertheless, our warehouse-centric supply chain management and fulfillment approach demonstrated exceptional resilience and operational stability in emergency and extreme situations. In the meantime, we quickly adjusted our products and services to capture emerging business opportunities. In the second quarter of 2022, our total revenue increased by 20.0% year-over-year to RMB31.3 billion.

Integrated supply chain customers

In the second quarter of 2022, revenue from integrated supply chain customers increased by 10.7% year-over-year to RMB20.2 billion, of which RMB7.1 billion was from external integrated supply chain customers, representing an increase of 10.6% year-over-year. The number of our external integrated supply chain customers reached 62,566 with a 13.2% increase year-over-year. ARPC decreased by 2.2% year-over-year to RMB113,617, primarily due to the pandemic's impact on our customers' business and our fulfillment operations.

For customers of 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 directly address their pain points. Among them, FMCG is our top industry vertical, accounting for the highest percentage of our external integrated supply chain revenue. In the first half of 2022, we deepened cooperation with FMCG and home appliances industry-leading customers by empowering their omni-channel business development and further enhancing their supply chain efficiency.

Over the past six months, we actively promoted our modularization strategy to fulfill the growing demand for an increasing number of SMEs by continually standardizing supply chain solutions and products accumulated from serving industry-leading customers. As of June 30, 2022, we have served masses of SMEs and iterated a portfolio of standardized and integrated packages of supply chain products covering eight specific industry verticals such as liquor, snack food, maternal and childcare, and cosmetics.

We also continued with the expansion of our international footprint. In the first half of 2022, we formalized a partnership with a well-known Chinese company of which its business covers multiple sectors including multimedia, home appliances, intelligent IT systems, and modern services. More than 40% of its total revenue in 2021 came from international businesses. Through our flexible overseas line-haul transportation resources and extensive local warehousing operation and overseas service capabilities, we provided this Chinese company with integrated supply chain services covering line-haul transportation in Europe, and warehousing along with door to door service for heavy bulky items in Germany.

Other customers

In the second quarter of 2022, revenue from other customers increased by 41.6% year-over-year to RMB11.1 billion. While expanding our integrated logistics solutions and service capabilities, we continually strengthen network infrastructure to ensure that our standard products, such as express delivery and freight delivery services, represent the highest industry standards in terms of quality, reliability and convenience.

In 2022, we continue to increase our investment on strengthening network infrastructure and logistics capabilities in key cities, including expanding pick-up and delivery services coverage and improving our overall operation timeliness, to ultimately further enhance customer experience and satisfaction, and to drive revenue growth.

In the second quarter of 2022, revenue growth from C2C express delivery exceeded 60%, illustrating our strong brand value and recognition among individual customers, both built on our superior services.

In the meantime, we achieved major breakthroughs in livestreaming e-commerce. After serving as the logistics partner for Spring Festival sales promotions of a livestreaming e-commerce platform, we have further deepened our partnerships with that platform. Leveraging our comprehensive network coverage, our digital capabilities in real-time, end-to-end tracking, our value-added services such as reverse logistics, and our superior customer experiences, our volume and revenue growth continued to accelerate. As of June 30, 2022, we have served more than 10,000 merchants on the aforementioned livestreaming e-commerce platform.



CEO Statement (Continued)

Logistics Technology

At JD Logistics, we have always prioritized technological innovation. Our competitive edge in supply chain logistics software, hardware and system integration continues to expand as we remain deeply committed to long-term technology investment and innovation. Our technology-driven products and solutions now cover all major supply chain processes and key steps, including logistics parks, warehousing, sortation, transportation and delivery, for improved forecasting, decision-making and smart execution capabilities.

Our technological innovations provide strong support to our own operations. For example, 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. In warehousing, we separately store best-selling products and constantly optimize sorting routes to improve sorting efficiency. Moreover, we can export our technologies to support our customers' supply chain management, enhancing their digital and intelligent capabilities and operating efficiency. We have already utilized our expertise and know-how in IoT (Internet of things), AI (Artificial Intelligence) and robotics to empower digital transformation and high-quality growth in other industries.

For a modern food conglomerate with assets and revenue both exceeding RMB100 billion, we developed a smart operation and management platform for its cold chain logistics park and a supply chain data middle platform, among other enhancements, to help it achieve end-to-end product monitoring and digitalized deployment of vehicles in the park. These effectively elevated its operating efficiency and refined management. By strengthening capabilities for logistics parks and business management processes, we expanded our partnership on top of our existing cooperation.

Leveraging our years of experience in innovative applications, we now have technology products, solutions and a supply chain ecosystem that cover end-to-end logistics scenarios to empower external customers.

Our smart products provide solutions across the supply chain from warehousing to distribution and last-mile delivery. Our core products include self-developed Automated Guided Vehicles (AGVs), high-density storage systems with integrated software and hardware, vision-based robotic arms, and smart delivery vehicles. We were the first logistics company to employ autonomous driving in real-world logistics distribution scenarios. Leveraging self-developed Level-4 autonomous driving technology, we deployed over 400 smart delivery vehicles in over 25 cities such as Beijing, Tianjin and Changshu, providing logistics support for the international winter sports events, the combat against the COVID in Shanghai, 618 Grand Promotion, and other key events.

We apply technological innovations to all key steps of supply chain services to promote digitalized operations and intelligent decision-making. During exceptional times such as the pandemic outbreak, we were the first company in China's logistics industry to perform accurate address identification for last-mile pick-up and delivery services. We forecasted and managed timeliness by applying accurate identification technology to order addresses to ensure accurate order fulfillment in pandemic-afflicted areas, thereby ensuring customer experience.

As of June 30, 2022, JD Logistics had applied for over 7,000 patents and software licenses, among which more than 4,000 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.

On July 26, 2022, we completed the acquisition of the controlling interest in Deppon Holdco, marking the further enhancement of our comprehensive logistics network, supply chain capabilities and service quality.

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 June 30, 2022, our warehouse network covered nearly all counties and districts in China, consisting of over 1,400 self-operated warehouses and over 1,700 owner-operator cloud warehouses under our Open Warehouse Platform. Our warehouse network has an aggregate gross floor area (“**GFA**”) of approximately 26 million square meters, including warehouse space managed through the Open Warehouse Platform.

We improved the warehouse network’s operating efficiency through technology, including the Asia No. 1 smart industrial parks, which embodies our industry-leading technological innovation and high-tech standards. As of June 30, 2022, we operated 32 Asia No. 1 smart industrial parks in 26 cities across China¹. During the second quarter of 2022, we launched two new Asia No. 1 smart industrial parks into operations in the cities of Yiwu and Wenzhou in Zhejiang province. Together with the existing Asia No. 1 in Hangzhou, the three smart logistics parks cover the entire Zhejiang province and drive the same or next-day delivery ratio of JD Group’s online orders within the province to around 95%, while extending the service to the rest of Yangtze River Delta region.

We set and operated dedicated warehouses for FMCG, apparel, automotive and other industries to cater to customer- and industry-specific use cases and distribution channels. During the first half of 2022, we deployed dedicated warehouses totaling more than 200,000 square meters of floor area through self-operation and ecosystem partnerships. These warehouses further strengthened the competitiveness of our integrated supply chain products and solutions, supporting the rapid expansion of our business.

We also collaborated with more cloud warehouse partners under our Open Warehouse Platform to form a stronger ecosystem with continually upgraded system capabilities and enhanced operational stability. This will help to enrich our portfolio of integrated supply chain products to meet the needs of diverse customers and ultimately facilitate their cost reductions and efficiency improvements.

Line-haul transportation network

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

As of June 30, 2022, we had a self-operated fleet consisting of over 19,000 trucks and other vehicles. In addition, we operated approximately 210 sorting centers in China and had more than 1,000 air cargo routes.

As of June 30, 2022, our cooperation with China Railway Express enabled us to utilize over 400 railway routes, more than 200 of which are high-speed railway routes.

1. Starting from the Interim Results Announcement, we further adjusted and raised the classification standard for the Asia No. 1 smart industrial parks, including but not limited to the GFA, the investment scale, and the level of automation. Based on the new standard, as of the end of 2021, we operated 28 Asia No. 1 smart industrial parks in 24 cities nationwide, whereas under the old standard, as of the end of 2021, we operated 43 Asia No. 1 smart industrial parks in 33 cities nationwide.



CEO Statement (Continued)

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 June 30, 2022, we employed over 200,000 in-house delivery personnel and operated over 7,600 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 that we deliver a compelling customer experience by offering one-stop delivery and installation services to end customers.

As of June 30, 2022, we operated approximately 90 warehouses with bulky- and heavy-item storage capabilities and nearly 100 sorting centers, with an aggregate GFA of over 3 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 June 30, 2022, we were able to utilize approximately 1,800 bulky item delivery and installation stations under Jing Dong Bang (京東幫).

Cold chain logistics network

As of June 30, 2022, 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 June 30, 2022, we operated more than 30 warehouses designated for pharmaceuticals and medical instruments with an operation area of over 200,000 square meters.

Cross-border logistics network

As of June 30, 2022, we operated approximately 90 bonded warehouses, international direct mail warehouses and overseas warehouses, covering an aggregate GFA of approximately 900,000 square meters with an over 70% increase year-over-year.

On June 6, 2022, upon official launch of our first automated warehouse in the United States, "Los Angeles No. 2", the GFA of our self-operated warehouses in the United States reached approximately 1,000,000 square feet. Since 2020, we have consistently accelerated our overseas expansion of warehouses and other infrastructure. The establishment of self-operated overseas warehouses in the United States, Germany, the Netherlands, France, the United Kingdom, Vietnam, the United Arab Emirates, Australia, Malaysia and other places represents the initial milestone achievements of our global network expansion plan.

We continued to expand our end-to-end global network centered on the warehouse network and further enhance regional synergies enabled by intercontinental freight routes, railways, maritime and multimodal transportation routes. We provide digitalized solutions and high-quality, high-efficiency and holistic integrated supply chain and logistics experiences to customers around the globe, and more importantly, assist the globalization of more Chinese products and brands.

Deppon logistics

On July 26, 2022, we completed the acquisition of over 50% equity interest in Deppon Holdco, and the financial results of Deppon Holdco has been consolidated into the Group's financial results. Deppon Holdco holds approximately 66.50% of the issued share capital of Deppon.

Deppon is an integrated, customer-centered logistics company providing a wide range of solutions including Less-Than-Truckload (LTL) transportation, Full-Truckload (FTL) transportation, delivery services, and warehousing management. As of the end of 2021, Deppon had over 9,000 service stations in China, covering almost all counties and districts in China with 153 transfer centers of over 2 million square meters. It also owned over 20,000 vehicles.

Corporate Social Responsibility

We are deeply aware that the future of our Company is closely tied to the future of our environment, society and the industry. As detailed in our 2021 ESG Report, our first ESG Report since the Listing released on May 30, 2022, we categorize our ESG governance into five segments: 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.

In support of the combat against the COVID, we, as always, undertook our social responsibility to safeguard public well-being. As one of the first enterprises to ensure essential supplies for those in need, leveraging advantages of nationwide spread of warehouses, we urgently transported daily necessities, maternal and childcare products, and medicines from areas across the country to pandemic-afflicted areas through road, railway, air and maritime transportation. With the outbreak of the COVID in Shanghai, we promptly mobilized our couriers to assist the city, with a total of over 5,000 couriers dispatched to support local supply operations and deliveries throughout the period between mid-April and end of June. We also built more than 1,600 contact-free community supply stations in Shanghai to ensure supply for local residents.

Guided by our core value of "customer-first", we have gained the recognition of customers with our professional and reliable services. We continually improve the speed, coverage and service of our network to satisfy, and striving to exceed, our customers' expectations. According to statistics from the State Post Bureau, we consistently maintained top-tier customer satisfaction ratings in express delivery services over the years. Continually deepening our network penetration, our same-day or next-day deliveries covered China's 94% of counties and 84% of towns and villages.

As we firmly believe that our employees are our greatest asset, we strive to offer a safe workplace that embraces inclusiveness, diversity and equality. Among our front-line employees, more than 80% come from rural area of China. We provide our employees with competitive salaries, comprehensive healthcare, wellness and other benefits that support their ability to thrive in the workplace. We implement strict safety management measures to ensure the safety of our couriers and drivers. In addition, we inspire employees to grow and advance alongside the Company through our comprehensive employee training system for employees at all levels.



CEO Statement (Continued)

Actively responding and contributing to the national dual carbon goal, and in partnership with ecosystem advocacy partners, we released the “Carbon Neutral Guide for Logistics Parks” in June 2022 and took the lead in presenting a comprehensive solution for carbon neutrality in logistics parks. June 5, 2022, this year’s World Environment Day, marked the fifth anniversary of the commencement of our “Green Stream Initiative”. Five years after our initial proposal and promotion of the “original packaging” concept in the industry in 2017, we released the industry’s first Delivered with Original Package (“**DWOP**”) certification, and joined hands with many partners to set the new goal of green packaging, aiming at achieving more than 80% of e-commerce products support DWOP by 2030. In the meantime, by promoting solar-energy and new energy vehicles, etc., we are striving for lower emissions and higher energy efficiency for both ourselves and our business partners.

Appreciation

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

Yui Yu

Executive Director and CEO

August 23, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2022 Compared to Second Quarter of 2021

The following table sets forth the comparative figures for the second quarter of 2022 and the second quarter of 2021:

	Unaudited	
	Three months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Revenue	31,271,702	26,061,431
Cost of revenue	(29,098,474)	(24,522,578)
Gross profit	2,173,228	1,538,853
Selling and marketing expenses	(951,744)	(714,028)
Research and development expenses	(694,380)	(699,214)
General and administrative expenses	(661,861)	(697,111)
Others, net ⁽¹⁾	112,261	(3,637,237)
Loss before income tax	(22,496)	(4,208,737)
Income tax expense	(60,886)	(5,403)
Loss for the period	(83,382)	(4,214,140)
(Loss)/profit for the period attributable to:		
Owners of the Company	(76,330)	(4,291,683)
Non-controlling interests	(7,052)	77,543
	(83,382)	(4,214,140)
Non-IFRS measure:		
Non-IFRS profit/(loss) for the period	212,912	(135,609)

(1) Including "other income, gains/(losses), net", "finance income", "finance costs", "fair value changes of convertible redeemable preferred shares", "impairment losses under expected credit loss model, net of reversal", and "share of results of an associate and joint ventures".

Management Discussion and Analysis (Continued)

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. The following table sets forth a breakdown of our revenue by integrated supply chain customers and other customers, both in absolute amount and as a percentage of our total revenue for the periods presented.

	Unaudited Three months ended June 30,			
	2022 RMB'000	%	2021 RMB'000	%
Revenue:				
Integrated supply chain customers	20,160,570	64.5	18,214,937	69.9
Other customers	11,111,132	35.5	7,846,494	30.1
Total	31,271,702	100.0	26,061,431	100.0

Revenue increased by 20.0% to RMB31.3 billion in the second quarter of 2022 from RMB26.1 billion in the same period of 2021. The increase in our total revenue was driven by a 10.7% increase in revenue from our integrated supply chain customers and a 41.6% increase in revenue from other customers.

Revenue from integrated supply chain customers increased by 10.7% to RMB20.2 billion in the second quarter of 2022 from RMB18.2 billion in the same period of 2021. The increase in revenue from integrated supply chain customers was primarily driven by (i) an increase in revenue from JD Group, and (ii) an increase in the number of our external integrated supply chain customers, partially offset by the decrease in the ARPC. The number of our external integrated supply chain customers, who have contributed to our revenue for the periods presented, increased to 62,566 in the second quarter of 2022 from 55,289 in the same period of 2021. The increase in the number of external integrated supply chain customers was due to the increased demand for our services as well as our ongoing sales and marketing efforts. On the contrary, we achieved an ARPC of RMB113,617 in the second quarter of 2022, compared to an ARPC of RMB116,227 in the same period of 2021. The decrease in the ARPC was primarily due to the resurgence of the COVID.

Revenue from other customers increased by 41.6% to RMB11.1 billion in the second quarter of 2022, from RMB7.8 billion in the same period of 2021, primarily due to the increases in business volume of our express delivery and freight delivery services.

Management Discussion and Analysis (Continued)

In addition, the following table sets forth a breakdown of our revenue by (i) JD Group and (ii) others, both in absolute amount and as a percentage of our total revenue for the periods presented.

	Unaudited		2021	
	2022	%	RMB'000	%
	RMB'000			
Revenue:				
From JD Group	13,052,012	41.7	11,788,874	45.2
From others	18,219,690	58.3	14,272,557	54.8
Total	31,271,702	100.0	26,061,431	100.0

Cost of revenue


Cost of revenue increased by 18.7% to RMB29.1 billion in the second quarter of 2022, compared to RMB24.5 billion in the same period of 2021, which was in line with the rapid growth of our revenue during the same period.

Employee benefit expenses for employees involved in warehouse management, sorting, picking, packaging, shipping, delivery and customer services increased by 23.2% to RMB10.7 billion in the second quarter of 2022 from RMB8.6 billion in the same period of 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, and additional costs incurred by the resurgence of the COVID.

Outsourcing cost, including costs charged by transportation companies, couriers and other service providers for sorting, shipping, dispatching, delivering and labor outsourcing services, increased by 10.8% to RMB11.4 billion in the second quarter of 2022 from RMB10.3 billion in the same period of 2021. The increase was primarily driven by the growth of external businesses which required higher outsourcing capacity. 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. Furthermore, additional costs incurred by the resurgence of the COVID also contributed to the increase in our outsourcing cost.

Rental cost increased by 14.5% to RMB2.7 billion in the second quarter of 2022 from RMB2.3 billion in the same period of 2021, primarily due to the expansion of leased warehouses areas in support of the growth of our integrated supply chain solutions and logistics services.

Depreciation and amortization increased by 26.5% to RMB0.6 billion in the second quarter of 2022 from RMB0.5 billion in the same period of 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.



Management Discussion and Analysis (Continued)

Other cost of revenue increased by 36.1% to RMB3.8 billion in the second quarter of 2022 from RMB2.8 billion in the same period of 2021, primarily due to the increase in fuel cost, cost of maintenance services, cost of packaging and other consumable materials, and additional costs incurred by the resurgence of the COVID.

Gross profit and gross profit margin

As a result of the foregoing, we recorded (i) a gross profit of RMB2.2 billion and RMB1.5 billion in the second quarter of 2022 and the same period of 2021, respectively, and (ii) a gross profit margin of 6.9% and 5.9% in the second quarter of 2022 and the same period of 2021, respectively. The increase in the gross profit margin was primarily due to (i) refined cost control measures, (ii) effective restructuring of customer portfolio, and (iii) economies of scale as our revenue grew rapidly, driving efficiency gains in most of our cost components, partially offset by the additional costs incurred by the resurgence of the COVID.

Selling and marketing expenses

Selling and marketing expenses increased by 33.3% to RMB951.7 million in the second quarter of 2022, compared to RMB714.0 million in the same period of 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.

Research and development expenses

Research and development expenses decreased by 0.7% to RMB694.4 million in the second quarter of 2022, compared to RMB699.2 million in the same period of 2021. The decrease was primarily driven by enhanced efficiency and refined cost control measures.

General and administrative expenses

General and administrative expenses decreased by 5.1% to RMB661.9 million in the second quarter of 2022, compared to RMB697.1 million in the same period of 2021. The decrease was primarily attributable to a decrease in employee benefit expenses including share-based payments.

Loss for the period

As a result of the foregoing, we incurred a loss of RMB83.4 million in the second quarter of 2022 and a loss of RMB4,214.1 million in the same period of 2021. The decrease in the loss was primarily due to (i) the decrease in loss on fair value changes of convertible redeemable preferred shares, (ii) refined cost control measures, (iii) effectively restructuring customer portfolio, and (iv) economies of scale as our revenue grew rapidly, driving efficiency gains in most of our cost components, partially offset by the additional costs incurred by the resurgence of the COVID.

Management Discussion and Analysis (Continued)

First Half of 2022 Compared to First Half of 2021

The following table sets forth the comparative figures for the six months ended June 30, 2022 and the six months ended June 30, 2021:

	Unaudited	
	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Revenue	58,623,176	48,472,450
Cost of revenue	(54,988,579)	(46,702,909)
Gross profit	3,634,597	1,769,541
Selling and marketing expenses	(1,902,797)	(1,380,429)
Research and development expenses	(1,438,016)	(1,379,029)
General and administrative expenses	(1,303,415)	(1,513,330)
Others, net ⁽¹⁾	(313,142)	(12,657,904)
Loss before income tax	(1,322,773)	(15,161,151)
Income tax expense	(110,726)	(52,809)
Loss for the period	(1,433,499)	(15,213,960)
(Loss)/profit for the period attributable to:		
Owners of the Company	(1,462,059)	(15,360,404)
Non-controlling interests	28,560	146,444
	(1,433,499)	(15,213,960)
Non-IFRS measure:		
Non-IFRS loss for the period	(584,944)	(1,501,540)

(1) Including "other income, gains/(losses), net", "finance income", "finance costs", "fair value changes of convertible redeemable preferred shares", "impairment losses under expected credit loss model, net of reversal", and "share of results of an associate and joint ventures".

Management Discussion and Analysis (Continued)

Revenue

The following table sets forth a breakdown of our revenue by integrated supply chain customers and other customers, both in absolute amount and as a percentage of our total revenue for the periods presented.

	Unaudited Six months ended June 30,			
	2022 RMB'000	%	2021 RMB'000	%
Revenue:				
Integrated supply chain customers	38,062,155	64.9	33,617,508	69.4
Other customers	20,561,021	35.1	14,854,942	30.6
Total	58,623,176	100.0	48,472,450	100.0

Revenue increased by 20.9% to RMB58.6 billion for the six months ended June 30, 2022 from RMB48.5 billion for the six months ended June 30, 2021. The increase in our total revenue was driven by a 13.2% increase in revenue from our integrated supply chain customers and a 38.4% increase in revenue from other customers.

Revenue from integrated supply chain customers increased by 13.2% to RMB38.1 billion for the six months ended June 30, 2022 from RMB33.6 billion for the six months ended June 30, 2021. The increase in revenue from integrated supply chain customers was primarily driven by (i) an increase in revenue from JD Group, and (ii) an increase in the number of our external integrated supply chain customers, as well as the increase in the ARPC. The increase in the number of external integrated supply chain customers was due to the increased demand for our services as well as our ongoing sales and marketing efforts. The increase in the ARPC was primarily due to strong customer endorsement for our integrated supply chain solutions and logistics services along with deepening collaborations and growing customer stickiness, partially offset by the impact of the resurgence of the COVID.

Revenue from other customers increased by 38.4% to RMB20.6 billion for the six months ended June 30, 2022, from RMB14.9 billion for the six months ended June 30, 2021, primarily due to the increases in business volume of our express delivery and freight delivery services.

Management Discussion and Analysis (Continued)

In addition, the following table sets forth a breakdown of our revenue by (i) JD Group and (ii) others, both in absolute amount and as a percentage of our total revenue for the periods presented.

	Unaudited			
	Six months ended June 30,			
	2022		2021	
	RMB'000	%	RMB'000	%
Revenue:				
From JD Group	24,438,783	41.7	21,961,295	45.3
From others	34,184,393	58.3	26,511,155	54.7
Total	58,623,176	100.0	48,472,450	100.0

Cost of revenue


Cost of revenue increased by 17.7% to RMB55.0 billion for the six months ended June 30, 2022, compared to RMB46.7 billion for the six months ended June 30, 2021, which was in line with the rapid growth of our revenue during the same period.

Employee benefit expenses for employees involved in warehouse management, sorting, picking, packaging, shipping, delivery and customer services increased by 20.2% to RMB20.6 billion for the six months ended June 30, 2022 from RMB17.2 billion for the six months ended June 30, 2021, primarily due to an increase in the number of employees involved in the provision of our services, which was in line with the continued growth of our business, and additional costs incurred by the resurgence of the COVID.

Outsourcing cost, including costs charged by transportation companies, couriers and other service providers for sorting, shipping, dispatching, delivering and labor outsourcing services, increased by 10.8% to RMB21.1 billion for the six months ended June 30, 2022 from RMB19.0 billion for the six months ended June 30, 2021. The increase was primarily driven by the growth of external businesses which required higher outsourcing capacity. 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. Furthermore, additional costs incurred by the resurgence of the COVID also contributed to the increase in our outsourcing cost.

Rental cost increased by 16.0% to RMB5.2 billion for the six months ended June 30, 2022 from RMB4.5 billion for the six months ended June 30, 2021, primarily due to the expansion of leased warehouses areas in support of the growth of our integrated supply chain solutions and logistics services.

Depreciation and amortization increased by 25.4% to RMB1.1 billion for the six months ended June 30, 2022 from RMB0.9 billion for the six months ended June 30, 2021, primarily due to an increase in the number of our logistics facilities, which in turn resulted in a larger amount of depreciation expenses having been incurred for the logistics equipment in these facilities.



Management Discussion and Analysis (Continued)

Other cost of revenue increased by 35.4% to RMB6.9 billion for the six months ended June 30, 2022 from RMB5.1 billion for the six months ended June 30, 2021, primarily due to the increase in fuel cost, cost of maintenance services, cost of packaging and other consumable materials, and additional costs incurred by the resurgence of the COVID.

Gross profit and gross profit margin

As a result of the foregoing, we recorded (i) a gross profit of RMB3.6 billion and RMB1.8 billion for the six months ended June 30, 2022 and the six months ended June 30, 2021, respectively, and (ii) a gross profit margin of 6.2% and 3.7% for the six months ended June 30, 2022 and the six months ended June 30, 2021, respectively. The increase in the gross profit margin was primarily due to (i) refined cost control measures, (ii) effective restructuring of customer portfolio, and (iii) economies of scale as our revenue grew rapidly, driving efficiency gains in most of our cost components, partially offset by the additional costs incurred by the resurgence of the COVID.

Selling and marketing expenses

Selling and marketing expenses increased by 37.8% to RMB1.9 billion for the six months ended June 30, 2022, compared to RMB1.4 billion for the six months ended June 30, 2021. The increase was in line with the growth of our revenue from external customers and was primarily due to the increase in headcount of sales and marketing personnel to promote our service offerings to both new and existing customers.

Research and development expenses

Research and development expenses increased by 4.3% to RMB1,438.0 million for the six months ended June 30, 2022, compared to RMB1,379.0 million for the six months ended June 30, 2021. The increase was primarily attributable to an increase in employee benefit expenses.

General and administrative expenses

General and administrative expenses decreased by 13.9% to RMB1.3 billion for the six months ended June 30, 2022, compared to RMB1.5 billion for the six months ended June 30, 2021. The decrease was primarily attributable to a decrease in employee benefit expenses including share-based payments.

Loss for the period

As a result of the foregoing, we incurred a loss of RMB1.4 billion for the six months ended June 30, 2022 and a loss of RMB15.2 billion for the six months ended June 30, 2021. The decrease in the loss was primarily due to (i) the decrease in loss on fair value changes of convertible redeemable preferred shares, (ii) refined cost control measures, (iii) effectively restructuring customer portfolio, and (iv) economies of scale as our revenue grew rapidly, driving efficiency gains in most of our cost components, partially offset by the additional costs incurred by the resurgence of the COVID.

Management Discussion and Analysis (Continued)

Non-IFRS Measures

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

We believe non-IFRS profit/(loss) provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of non-IFRS profit/(loss) may not be comparable to similarly titled measures presented by other companies. The use of non-IFRS profit/(loss) 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.

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

	Unaudited	
	Three months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Reconciliation of loss to non-IFRS profit/(loss):		
Loss for the period	(83,382)	(4,214,140)
Adjusted for:		
Share-based payments	259,310	289,699
Listing expense	—	20,348
Amortization of intangible assets resulting from acquisitions ⁽¹⁾	88,667	88,666
Fair value changes of financial assets at fair value through profit or loss ⁽²⁾	(51,683)	(149,273)
Fair value changes of convertible redeemable preferred shares ⁽³⁾	—	3,829,091
Non-IFRS profit/(loss) for the period	212,912	(135,609)

Management Discussion and Analysis (Continued)

	Unaudited	
	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Reconciliation of loss to non-IFRS loss:		
Loss for the period	(1,433,499)	(15,213,960)
Adjusted for:		
Share-based payments	567,859	727,751
Listing expense	—	57,528
Amortization of intangible assets resulting from acquisitions ⁽¹⁾	177,334	177,333
Fair value changes of financial assets at fair value through profit or loss ⁽²⁾	103,362	(93,995)
Fair value changes of convertible redeemable preferred shares ⁽³⁾	—	12,843,803
Non-IFRS loss for the period	(584,944)	(1,501,540)

(1) 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.

(2) 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.

(3) 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. Upon completion of the Listing, all convertible redeemable preferred shares had been converted into ordinary shares on a conversion ratio of 1:1. No further loss or gain on fair value changes had been recognized afterwards.

Liquidity and Capital Resources

In April 2022, pursuant to the Placing Agreement dated March 25, 2022, the Company issued 150,500,000 Shares to independent investors at a placing price of HKD20.71 per Share. In May 2022, pursuant to the Subscription Agreement dated March 25, 2022, the Company issued 261,400,000 Shares to Jingdong Technology Group Corporation at a subscription price of HKD20.71 per Share. The net proceeds from the Placing and the Subscription were approximately RMB6,924 million. For further details, please refer to the Company's announcements dated April 1, 2022 and May 26, 2022 and the Company's circular dated April 25, 2022.

For the six months ended June 30, 2022, we funded our cash requirements principally from cash generated from operating activities and financing activities through the Placing and the Subscription. Our cash and cash equivalents represent cash and bank balances. We had cash and cash equivalents of RMB27.4 billion as of June 30, 2022.

Management Discussion and Analysis (Continued)

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

	Unaudited	
	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Net cash generated from operating activities	4,094,308	239,750
Net cash generated from/(used in) investing activities	731,694	(1,142,512)
Net cash generated from financing activities	3,738,956	20,340,108
Net increase in cash and cash equivalents	8,564,958	19,437,346
Cash and cash equivalents at the beginning of the period	17,922,779	6,346,869
Effects of foreign exchange rate changes on cash and cash equivalents	934,850	103,491
Cash and cash equivalents at the end of the period	27,422,587	25,887,706

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

Net cash generated from operating activities

For the six months ended June 30, 2022, net cash generated from operating activities was RMB4.1 billion. Our cash generated from operations was primarily attributable to our loss of RMB1.4 billion, as adjusted by (i) non-cash and non-operating items, which primarily consist of depreciation of right-of-use assets of RMB3.0 billion, depreciation of property and equipment of RMB1.2 billion, and share-based payments of RMB567.9 million, and (ii) changes in working capital, which primarily resulted from an increase in trade payables of RMB1.3 billion, partially offset by an increase in trade receivables of RMB1.9 billion.

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

Net cash generated from/(used in) investing activities

For the six months ended June 30, 2022, net cash generated from investing activities was RMB731.7 million, which was primarily attributable to maturity of term deposits of RMB3.3 billion, partially offset by capital expenditures of RMB1.4 billion, and increase in prepayment for investments of RMB0.7 billion relating to the general offer for unrestricted and tradable shares of Deppon.

Management Discussion and Analysis (Continued)

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

Net cash generated from financing activities

For the six months ended June 30, 2022, net cash generated from financing activities was RMB3.7 billion, which was primarily attributable to net proceeds from issuance of ordinary shares relating to the Placing and the Subscription of RMB6.9 billion, partially offset by principal portion of lease payments of RMB2.8 billion and acquisition of partial interests of subsidiaries of RMB0.8 billion.

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

Gearing Ratio

As of June 30, 2022, our gearing ratio, calculated as total borrowings divided by total equity attributable to owners of the Company, was approximately 1.9%.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

On March 11, 2022, the Group entered into a series of agreements with the shareholders of Deppon Holdco, in relation to the acquisition of approximately 99.99% equity interest of Deppon Holdco (the “**Acquisition**”), which in turn holds approximately 66.50% of the issued share capital of Deppon, for a total consideration of approximately RMB8,975.9 million. The Acquisition was completed on July 26, 2022. Upon completion of the Acquisition, the Group controlled Deppon Holdco through a series of arrangements. Accordingly, Deppon Holdco (including Deppon and its subsidiaries) has become a subsidiary of the Company, and its financial results, except for that of certain excluded business, have been consolidated into the Group’s consolidated financial statements. Details of the Acquisition are set out in the announcement of the Company dated March 13, 2022 and July 27, 2022 and the circular of the Company dated June 30, 2022. On August 8, 2022, the Group acquired additional approximately 0.01% equity interest of Deppon Holdco.

On May 19, 2022, JD Logistics Holding Limited (a direct wholly-owned subsidiary of the Company) entered into an equity transfer agreement with an indirect wholly-owned subsidiary of JD Technology, an associate of a connected person of the Company, pursuant to which the Group conditionally agreed to sell, and JD Technology conditionally agreed to acquire, 100% equity interest in Jingdong International Financial Leasing, at a cash consideration of USD30 million (equivalent to approximately RMB201.3 million as of the disposal date) (the “**Disposal**”). The Disposal constitutes connected transaction under Chapter 14A of the Listing Rules. Upon completion of the Disposal on June 30, 2022, Jingdong International Financial Leasing was ultimately deconsolidated from the Group’s consolidated financial statements. Details of the Disposal are set out in the announcement of the Company dated May 20, 2022.

Management Discussion and Analysis (Continued)

Significant Investments Held

Save as disclosed above, 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 Group's total assets as of June 30, 2022) during the six months ended June 30, 2022.

Future Plans for Material Investments and Capital Assets

Save as disclosed above, as of June 30, 2022, we did not have other plans for material investments and capital assets.

Employee and Remuneration Policy


The following table sets forth the numbers of our employees categorized by function as of June 30, 2022.

Function	Number of Staff	% of Total
Operations	303,311	95.6
Sales and marketing	6,558	2.1
Research and development	3,712	1.2
General administration	3,610	1.1
Total	317,191	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 six months ended June 30, 2022 were RMB23.6 billion, as opposed to RMB19.8 billion for the six months ended June 30, 2021, representing a year-on-year increase of 18.8%.



Management Discussion and Analysis (Continued)

Foreign Exchange Risk

We conduct our 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 our entities. In addition, we have intra-group balances with several subsidiaries denominated in foreign currency which also expose us to foreign currency risk. The Group monitors the exposure to foreign exchange risk and considers hedging certain foreign currency risks with derivative financial instruments should the need arise.

During the six months ended June 30, 2022, exchange gains and losses recognized in profit or loss from those foreign currency transactions denominated in a currency other than the functional currency were insignificant.

Pledge of Assets

As of June 30, 2022, restricted cash of RMB14.9 million was pledged, compared with RMB7.3 million as of December 31, 2021.

Contingent Liabilities

As of June 30, 2022, we did not have any material contingent liabilities or guarantees.

Borrowings

As of June 30, 2022, our outstanding borrowings amounted to RMB850.0 million.

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

As of June 30, 2022, 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:

Interest in the Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of holding ⁽¹⁾
Yui Yu (余睿)	Beneficial owner ⁽²⁾	5,900,000 ^(L)	0.09%
Richard Qiangdong Liu (劉強東)	Beneficial owner ⁽²⁾ ; Interest in a controlled corporation ⁽³⁾	4,291,457,805 ^(L)	65.06%
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⁾	20,056 ^(L)	0.00%

Notes:

- (1) The percentages are calculated on the basis of 6,596,381,772 Shares in issue as of June 30, 2022.
- (2) The beneficial ownership of the Directors listed here is 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 4,192,271,100 Shares, is wholly-owned by JD.com. As of June 30, 2022, Mr. Richard Qiangdong Liu is interested in approximately 74.1% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings.
- (4) The beneficial ownership of the Directors listed here is 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.

Other Information (Continued)

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 (collectively, the “**DI Waivers**”). Further details regarding the waiver and exemption in relation to disclosure of interests information (including the conditions of such waiver and exemption) are set out in the section headed “Waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and exemption in relation to disclosure of interests information” in the Prospectus.

Except as specifically noted, the following table sets forth the directors’ or chief executives’ beneficial ownership of JD.com’s Class A ordinary shares and Class B ordinary shares as of June 30, 2022.

The calculations in the table below are based on 3,130,475,303 ordinary shares of JD.com outstanding as of June 30, 2022.

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*				
	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	% of Beneficial Ownership	% of Aggregate Voting Power#
Directors and Executive Officers					
Richard Qiangdong Liu (劉強東)	36,134,550 ⁽¹⁾	368,007,423 ⁽¹⁾	404,141,973 ⁽¹⁾	12.9 ⁽¹⁾	74.1 ⁽²⁾⁽³⁾

Other Information (Continued)

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.
- * 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) 22,974,550 Class A ordinary shares directly held by Max Smart Limited and 13,160,000 Class A ordinary shares Mr. Richard Qiangdong Liu had the right to acquire upon exercise of options that shall have become vested within 60 days after June 30, 2022 and (ii) 368,007,423 Class B ordinary shares directly held by Max Smart Limited. Max Smart Limited is a British Virgin Islands company beneficially owned by Mr. Richard Qiangdong Liu through a trust and of which Mr. Richard Qiangdong Liu is the sole director. The ordinary shares beneficially owned by Mr. Richard Qiangdong Liu do not include 19,091,634 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 19,091,634 Class B ordinary shares held by Fortune Rising Holdings Limited. Mr. Richard Qiangdong 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 19,091,634 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. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited.

Other Information (Continued)

The following table lists out the interests of Directors or chief executives (who are not entitled to the DI Waivers) in JD.com, JD Health and CNLP, both of which are associated corporations of the Company that are also subsidiaries of JD.com (i.e. a fellow subsidiaries), as of June 30, 2022:

Name of Director	Associated corporation	Nature of interest	Number of shares/ underlying shares	Interest in associated corporation
Yui Yu (余睿)	JD.com	Beneficial owner	1,107,772 ^{(L)(1)}	0.04%
Xiande Zhao (趙先德)	JD.com	Beneficial owner	661 ^(L)	0.00%
Richard Qiangdong Liu (劉強東)	JD Health	Interest in controlled corporation; Beneficial owner	2,193,455,829 ^{(L)(2)}	69.01%
Richard Qiangdong Liu (劉強東)	CNLP	Interest in controlled corporation	4,023,202,734 ^{(L)(3)}	115.80% ⁽⁴⁾

Notes:

- (1) These interests comprise of Mr. Yui 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 (i) 2,149,253,732 shares of JD Health directly held by JD Jiankang Limited which is wholly owned by JD.com, and (ii) 44,202,097 underlying shares of JD Health in respect of the options granted to Mr. Richard Qiangdong Liu. As of June 30, 2022, Mr. Richard Qiangdong Liu is interested in approximately 74.1% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings.
- (3) These interests comprise of (i) 3,418,044,158 shares of CNLP and (ii) 605,158,576 shares underlying CNLP's convertible bonds listed on the Stock Exchange in long position directly held by JD Property Group Corporation ("**JD Property**") which is owned as to 77.24% by JD.com, all such convertible bonds remain outstanding as of June 30, 2022. As of June 30, 2022, Mr. Richard Qiangdong Liu is interested in approximately 74.1% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings. On July 14, 2022, JD Property has completed the compulsory acquisition of the remaining shares of CNLP not already acquired by JD Property and as a result, the shares of CNLP have been withdrawn from listing on the Stock Exchange with effect from July 15, 2022. For details, please refer to the announcement of JD.com dated July 14, 2022 in relation to the completion of the compulsory acquisition of CNLP.
- (4) The percentage is calculated on the basis of 3,474,283,058 shares in issue of CNLP as of June 30, 2022.
- (5) (L) denotes a long position in the Shares.

Save as disclosed above, as of June 30, 2022, none of the Directors and chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As of June 30, 2022, the persons other than the Directors, whose interests have been disclosed in this interim report, had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of holding ⁽³⁾
Jingdong Technology Group Corporation ⁽¹⁾	Beneficial owner	4,192,271,100 ^(L)	63.55%
JD.com ⁽¹⁾	Interest in controlled corporation	4,192,271,100 ^(L)	63.55%
TCT (BVI) Limited ⁽²⁾	Trustee	515,445,611 ^(L)	7.81%
The Core Trust Company Limited ⁽²⁾	Trustee	515,445,611 ^(L)	7.81%

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 4,192,271,100 Shares held by Jingdong Technology Group Corporation.
- (2) The Core Trust Company Limited, as a trustee, holds 515,445,611 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"), respectively. 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 6,596,381,772 Shares in issue as of June 30, 2022.
- (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 June 30, 2022, no person, other than the Directors whose interests are set out in this interim report, had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Other Information (Continued)

Share Incentive Schemes

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 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 of June 30, 2022, outstanding options representing 187,761,947 underlying Shares, representing approximately 2.85% of the issued share capital of the Company, were granted to eligible participants pursuant to the Pre-IPO ESOP. Details of the Pre-IPO ESOP are set out in Note 22 to the condensed 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 Shareholders or the approval of the affected participants.

Other Information (Continued)

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 six months ended June 30, 2022 are as follows:

Name	Role	Date of Grant	Vesting Period ⁽¹⁾	Exercise Price (per Share)	Outstanding as of January 1, 2022	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as of June 30, 2022
Directors								
Yui Yu (余睿)	Executive Director and chief executive officer	April 1, 2019 to March 1, 2021	0 to 6 years	USD0.01	5,650,000	983,333	—	4,666,667
Richard Qiangdong Liu (劉強東)	Non-executive Director and chairman of the Board	October 15, 2020	1 to 6 years	USD0.01	82,655,588	—	—	82,655,588
Other grantees in aggregate		April 1, 2018 to April 1, 2021	0 to 9 years	USD0.01	111,790,485	3,093,456	8,257,337	100,439,692
Total					200,096,073	4,076,789	8,257,337	187,761,947

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.

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.

Other Information (Continued)

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 of June 30, 2022, 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 9.23% 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 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.

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.

Other Information (Continued)

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.

Other Information (Continued)

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

Details of the outstanding award shares granted under the Post-IPO Share Award Scheme during the six months ended June 30, 2022 are as follows:

Name	Role	Date of Grant	Vesting Period	Outstanding as of January 1, 2022	Granted during the period	Vested during the period	Cancelled/ Lapsed during the period	Outstanding as of June 30, 2022
Directors								
Nora Gu Yi Wu (顧宜)	Independent non-executive director	July 14, 2021	0 to 3 years	21,859	—	7,286	—	14,573
Carol Yun Yau Li (李恩祐)	Independent non-executive director	July 14, 2021	0 to 3 years	21,859	—	7,286	—	14,573
Liming Wang (王利明)	Independent non-executive director	July 14, 2021	0 to 3 years	21,859	—	7,286	—	14,573
Other grantees in aggregate		July 1, 2021 to April 1, 2022	0 to 6 years	8,974,956	26,459,306	583,465	2,204,697	32,646,100
Total				9,040,533	26,459,306	605,323	2,204,697	32,689,819

Use of Proceeds

Net Proceeds from the Global Offering

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.

Other Information (Continued)

The following table sets forth a summary of the utilization of the net proceeds as of June 30, 2022:

Purpose	Percentage of net proceeds	Net proceeds (RMB million)	Unutilized	Utilized amount	Unutilized	Expected timeline of full utilization
			amount as of January 1, 2022 (RMB million)	for the six months ended June 30, 2022 (RMB million)	amount as of June 30, 2022 (RMB million)	
Upgrading and expansion of our logistics networks	55%	12,620	7,860	2,967	4,893	12 to 36 months from the Listing
Developing advanced technologies to be used in our supply chain solutions and logistics services	20%	4,589	3,758	479	3,279	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	2,729	508	2,221	12 to 36 months from the Listing
General corporate purposes and working capital needs	10%	2,294	1,096	210	886	12 to 36 months from the Listing
Total	100%	22,945	15,443	4,164	11,279	

Net Proceeds from the Placing and the Subscription

On March 25, 2022, the Company entered into the Placing Agreement with the Placing Agents, pursuant to which the Company has agreed to appoint the Placing Agents to procure to independent purchasers to purchase 150,500,000 Shares at the placing price of HKD20.71 for each Share. 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 subscription shares at the subscription price of HKD20.71 (equivalent to approximately USD2.65) for each subscription share. Completion of the Placing and Subscription took place on April 1, 2022 and May 26, 2022 respectively. For further details, please refer to the Company's announcements dated March 25, 2022, April 1, 2022 and May 26, 2022 and the circular of the Company dated April 25, 2022.

The net proceeds from the Placing and the Subscription were approximately RMB6,924 million. The Company intends to use the 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. There has been no change in the intended use of net proceeds as previously disclosed in the announcements of the Company dated April 1, 2022 and May 26, 2022, and the circular of the Company dated April 25, 2022.

As of June 30, 2022, the Company had not utilized the net proceeds from the Placing and the Subscription.

Purchase, Sale or Redemption of the Company's Listed Securities

Save for the Placing and Subscription as disclosed in the above section headed "Net Proceeds from the Placing and the Subscription" in this report, during the six months ended June 30, 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. The Company has adopted and complied with all the applicable code provisions of the Corporate Governance Code (the "**Previous CG Code**") as set out in Appendix 14 to the Listing Rules before the amendments to the Corporate Governance Code (the "**New CG Code**") came into effect on January 1, 2022, throughout the Reporting Period. The requirements under the New CG Code would apply to corporate governance reports for financial year commencing on or after January 1, 2022.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance and alignment with the latest measures and standards set out in the New CG Code, and maintain a high standard of corporate governance practices of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Company has devised its own code of conduct for securities transactions (the "**Insider Trading Policy**") regarding the Directors' dealings in the securities of the Company on terms no less exacting than the Model Code. An insignificant number of Shares (i.e. 1,803 Shares) were disposed by the agent of the Company on May 13, 2022 in accordance with a pre-determined mechanism related to the vesting of award shares of Mr. Liming Wang ("**Mr. Wang**") in order to settle related PRC tax liabilities under a prior arrangement between the Company and the said agent. Such arrangement was pre-determined and did not require further approval or instructions from Mr. Wang on that day. Mr. Wang was not aware of such disposal until after the black-out period as disclosed in the related disclosure of interest filing. Save as disclosed in this report and having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Insider Trading Policy during the six months ended June 30, 2022.

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee comprises three members, namely Nora Gu Yi Wu (顧宜), Carol Yun Yau Li (李恩祐) and Xiande Zhao (趙先德), with Nora Gu Yi Wu (顧宜) (being our independent non-executive Director with the appropriate professional qualifications) as chairperson of the Audit Committee. During the Reporting Period, Sandy Ran Xu (許冉) resigned from, and Xiande Zhao (趙先德) was appointed to, the Audit Committee with effect on April 7, 2022.

Other Information (Continued)

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2022 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and Deloitte Touche Tohmatsu, the Auditor.

The condensed consolidated financial statements of the Group for the six months ended June 30, 2022 have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

Other Board Committees

In addition to the Audit Committee, the Company has also established the Nomination Committee and the Remuneration Committee.

Interim Dividend

The Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2022.

Change in Information of Directors

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

Significant Events after the Reporting Period

General offer

As Deppon is listed on The Shanghai Stock Exchange, pursuant to the relevant rules of the PRC authorities, on July 29, 2022, the Group made a general offer for 277,109,539 unrestricted and tradable shares of Deppon (representing approximately 26.98% equity interest in Deppon), at an offer price of RMB13.15 per share, for the period between August 2, 2022 and August 31, 2022 (the “**General Offer**”). Based on the offer price of RMB13.15 per share, the maximum amount for the General Offer was RMB3,644 million.

Bank borrowings

Subsequent to June 30, 2022, the Group obtained bank borrowings amounting to RMB4,270 million, with term to maturity ranging from 1 month to 36 months.

Save as disclosed above, there were no other significant events affecting the Company which occurred after June 30, 2022 and up to the date of the Interim Results Announcement.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the Board of Directors of JD Logistics, Inc.

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of JD Logistics, Inc. (the "**Company**") and its subsidiaries and consolidated affiliated entities (collectively referred to as the "**Group**") set out on pages 42 to 83, which comprise the condensed consolidated statement of financial position as of June 30, 2022 and the related condensed consolidated statement of profit or loss, statement of comprehensive loss, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 23, 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	58,623,176	48,472,450
Cost of revenue		(54,988,579)	(46,702,909)
Gross profit		3,634,597	1,769,541
Selling and marketing expenses		(1,902,797)	(1,380,429)
Research and development expenses		(1,438,016)	(1,379,029)
General and administrative expenses		(1,303,415)	(1,513,330)
Other income, gains/(losses), net	6	36,491	517,186
Finance income	7	161,978	66,492
Finance costs	8	(408,404)	(352,597)
Fair value changes of convertible redeemable preferred shares		—	(12,843,803)
Impairment losses under expected credit loss model, net of reversal	9	(88,887)	(28,584)
Share of results of an associate and joint ventures		(14,320)	(16,598)
Loss before income tax	11	(1,322,773)	(15,161,151)
Income tax expense	10	(110,726)	(52,809)
Loss for the period		(1,433,499)	(15,213,960)
(Loss)/profit for the period attributable to:			
Owners of the Company		(1,462,059)	(15,360,404)
Non-controlling interests	21	28,560	146,444
		(1,433,499)	(15,213,960)
		RMB	RMB
Loss per share			
Basic and diluted loss per share	12	(0.25)	(3.62)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Loss for the period	(1,433,499)	(15,213,960)
Other comprehensive income/(loss)		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	920,613	718,115
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	344,462	(43,246)
Share of other comprehensive income of an associate, net of related income tax	1	658
Other comprehensive income for the period	1,265,076	675,527
Total comprehensive loss for the period	(168,423)	(14,538,433)
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(196,983)	(14,684,877)
Non-controlling interests	28,560	146,444
	(168,423)	(14,538,433)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	13	9,554,230	8,875,146
Right-of-use assets	14	14,670,614	14,699,396
Goodwill		1,499,142	1,499,142
Other intangible assets		2,278,455	2,458,116
Interest in an associate	15	81,531	140,445
Interests in joint ventures	16	16,406	15,266
Financial assets at fair value through profit or loss	17	1,438,544	1,527,296
Deferred tax assets	28	64,608	87,788
Prepayments, other receivables and other assets	19	2,472,181	2,091,606
Total non-current assets		32,075,711	31,394,201
Current assets			
Inventories		717,750	683,168
Trade receivables	18	14,020,193	12,164,028
Contract assets		141,466	113,685
Prepayments, other receivables and other assets	19	3,495,257	3,519,000
Financial assets at fair value through profit or loss	17	2,755,303	2,577,978
Term deposits		5,845,930	8,412,913
Restricted cash		14,882	7,316
Cash and cash equivalents		27,422,587	17,922,779
Total current assets		54,413,368	45,400,867
Total assets		86,489,079	76,795,068

Condensed Consolidated Statement of Financial Position (Continued)

	Notes	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	20	1,039	971
Treasury shares		(73)	(74)
Reserves		70,894,518	62,298,093
Accumulated losses		(25,822,953)	(24,360,894)
Equity attributable to owners of the Company		45,072,531	37,938,096
Non-controlling interests	21	2,527,533	2,451,037
Total equity		47,600,064	40,389,133
Liabilities			
Non-current liabilities			
Lease liabilities		9,186,143	9,409,162
Equity instruments with preference rights	27	—	631,014
Deferred tax liabilities	28	753,684	720,178
Other non-current liabilities		1,184,318	1,100,000
Total non-current liabilities		11,124,145	11,860,354
Current liabilities			
Trade payables	24	8,053,301	6,772,692
Contract liabilities		167,787	125,638
Accrued expenses and other payables	25	11,873,859	11,044,538
Advances from customers		735,476	723,009
Borrowings	26	850,000	—
Lease liabilities		5,988,995	5,763,509
Payables to interest holders of consolidated investment funds		41,460	46,145
Tax liabilities		53,992	70,050
Total current liabilities		27,764,870	24,545,581
Total liabilities		38,889,015	36,405,935
Total equity and liabilities		86,489,079	76,795,068

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Treasury shares	Share premium	Contribution reserve	Other reserves**	Accumulated losses	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As of January 1, 2022 (audited)		971	(74)	59,478,659	(2,851,784)	5,671,218	(24,360,894)	37,938,096	2,451,037	40,389,133
(Loss)/profit for the period		—	—	—	—	—	(1,462,059)	(1,462,059)	28,560	(1,433,499)
Other comprehensive income for the period		—	—	—	—	1,265,076	—	1,265,076	—	1,265,076
Total comprehensive income/(loss) for the period		—	—	—	—	1,265,076	(1,462,059)	(196,983)	28,560	(168,423)
Issuance of ordinary shares, net of issuance costs	20	68	—	6,924,080	—	—	—	6,924,148	—	6,924,148
Issuance of ordinary shares to Share Scheme Trusts	20	*	*	—	—	—	—	—	—	—
Share-based payments	22	—	—	—	—	556,314	—	556,314	11,545	567,859
Repurchase of share options		—	—	—	—	(1,444)	—	(1,444)	—	(1,444)
Exercise of share options and vesting of RSUs	20	—	1	73,214	—	(72,951)	—	264	—	264
Acquisition of partial interests of subsidiaries	21	—	—	—	—	(146,860)	—	(146,860)	36,391	(110,469)
Disposal of a subsidiary under common control	31	—	—	—	—	(1,004)	—	(1,004)	—	(1,004)
As of June 30, 2022 (unaudited)		1,039	(73)	66,475,953	(2,851,784)	7,270,349	(25,822,953)	45,072,531	2,527,533	47,600,064
As of January 1, 2021 (audited)		611	—	1,615,550	(2,851,784)	4,604,967	(8,511,016)	(5,141,672)	2,248,040	(2,893,632)
(Loss)/profit for the period		—	—	—	—	—	(15,360,404)	(15,360,404)	146,444	(15,213,960)
Other comprehensive income for the period		—	—	—	—	675,527	—	675,527	—	675,527
Total comprehensive income/(loss) for the period		—	—	—	—	675,527	(15,360,404)	(14,684,877)	146,444	(14,538,433)
Issuance of ordinary shares relating to initial public offering, net of issuance costs	20	112	—	23,010,686	—	—	—	23,010,798	—	23,010,798
Conversion of convertible redeemable preferred shares to ordinary shares upon the initial public offering	20	164	—	34,100,675	—	—	—	34,100,839	—	34,100,839
Issuance of ordinary shares to Share Scheme Trusts	20	84	(84)	—	—	—	—	—	—	—
Share-based payments	22	—	—	—	—	723,066	—	723,066	4,685	727,751
Repurchase of share options		—	—	—	—	(1,519)	—	(1,519)	—	(1,519)
As of June 30, 2021 (unaudited)		971	(84)	58,726,911	(2,851,784)	6,002,041	(23,871,420)	38,006,635	2,399,169	40,405,804

* Less than RMB1,000.

** 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 incentive plan, exchange differences on foreign currency translation recognized in other comprehensive income/(loss), and statutory reserves required by relevant laws of the People's Republic of China (the "PRC") applicable to the Company's PRC subsidiaries and consolidated affiliated entities.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	4,027,440	231,958
Interest received	136,966	65,107
Income tax paid	(70,098)	(57,315)
Net cash generated from operating activities	4,094,308	239,750
INVESTING ACTIVITIES		
Placement of restricted cash	(10,994)	(6,441)
Withdrawal of restricted cash	3,428	54,447
Placement of term deposits	(419,281)	(3,078,520)
Maturity of term deposits	3,331,603	3,594,154
Payment for financial assets at fair value through profit or loss	(1,845,749)	(5,931,750)
Maturity of financial assets at fair value through profit or loss	1,843,211	5,950,413
Proceeds from disposal of financial assets at fair value through profit or loss	22,000	—
Proceeds from disposal of investment in an associate	65,487	—
Payment for interest in a joint venture	—	(13,500)
Increase in prepayment for investments	(728,800)	—
Net cash outflow on disposal of a subsidiary	(1,324)	—
Purchases of property and equipment	(1,422,227)	(1,582,704)
Proceeds from disposal of property and equipment	39,087	23,336
Purchases of other intangible assets	(10,381)	(6,204)
Payments for right-of-use assets	(19,089)	(19,312)
Payments for rental deposits	(115,277)	(126,431)
Net cash generated from/(used in) investing activities	731,694	(1,142,512)

Condensed Consolidated Statement of Cash Flows (Continued)

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
Net proceeds from issuance of ordinary shares	6,924,148	23,049,955
Proceeds from borrowings	1,530,000	570,000
Repayment of borrowings	(730,000)	(10,000)
Repurchase of share options	(2,888)	(1,906)
Principal portion of lease payments	(2,836,499)	(2,394,116)
Interest paid	(389,528)	(321,697)
Payment to JD Group	—	(565,328)
Cash injection by interest holders of consolidated investment funds	—	13,200
Acquisition of partial interests of subsidiaries	(756,277)	—
Net cash generated from financing activities	3,738,956	20,340,108
Net increase in cash and cash equivalents	8,564,958	19,437,346
Cash and cash equivalents at the beginning of the period	17,922,779	6,346,869
Effects of foreign exchange rate changes on cash and cash equivalents	934,850	103,491
Cash and cash equivalents at the end of the period	27,422,587	25,887,706

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of preparation

1.1 General information

JD Logistics, Inc. (the “**Company**”) was incorporated in the Cayman Islands in January 2012 as an exempted company registered under the laws of the Cayman Islands. The addresses of the registered office and principal place of business of the Company are stated in the section headed “Corporate Information” of this interim report.

The Company is an investment holding company. The Company and its subsidiaries and consolidated affiliated entities (collectively, the “**Group**”), engage in the business of providing integrated supply chain solutions and logistics services to customers across a wide array of industries 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 issued shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) since May 28, 2021 (the “**Listing**”).

The condensed consolidated financial statements comprise the condensed consolidated statement of financial position as of June 30, 2022, the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive loss, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes (the “**Condensed Consolidated Financial Statements**”). The Condensed Consolidated Financial Statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated. The current interim period refers to the six-month period ended June 30, 2022.

1.2 Basis of preparation

The Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board (the “**IASB**”), as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The Condensed Consolidated Financial Statements do not include all the notes of the type normally included in an annual financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), as set out in the 2021 annual report of the Company released on April 29, 2022 (the “**2021 Annual Report**”).

Notes to the Condensed Consolidated Financial Statements (Continued)

1 General information and basis of preparation (Continued)

1.2 Basis of preparation (Continued)

The Condensed Consolidated Financial Statements are presented in RMB, which is different from the Company's functional currency of United States dollars ("USD"). The management adopted RMB as the presentation currency as the management controls and maintains the performance and financial position of the Group based on RMB.

2 Application of amendments to IFRSs

During the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2022 for the preparation of the Group's Condensed Consolidated Financial Statements:

Amendments	Content
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020

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

3 Summary of significant accounting policies

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

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the 2021 Annual Report.

Notes to the Condensed Consolidated Financial Statements (Continued)

4 Segment information

The Group's chief operating decision maker, who has been identified as the Chief Executive Officer (the "CEO"), reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and no other discrete financial information is provided to the CEO. Hence, the Group has only one reportable segment.

5 Revenue

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

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of customer:		
Integrated supply chain customers	38,062,155	33,617,508
Other customers	20,561,021	14,854,942
Total	58,623,176	48,472,450
Timing of revenue recognition:		
Overtime	55,419,121	45,953,194
A point in time	3,204,055	2,519,256
Total	58,623,176	48,472,450

Notes to the Condensed Consolidated Financial Statements (Continued)

6 Other income, gains/(losses), net

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Government grants	314,733	407,966
Fair value changes of financial assets at fair value through profit or loss	(62,826)	93,995
Losses on disposal of property and equipment	(16,302)	(432)
Investment losses/(gains) attributable to interest holders of consolidated investment funds	4,685	(11)
Others	(203,799)	15,668
Total	36,491	517,186

The government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments, to reward the Group's support and contribution for the development of local economies. As of June 30, 2022, there were no unfulfilled conditions or contingencies relating to these government grants (June 30, 2021: none).

7 Finance income

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest income from bank deposits	161,978	60,110
Interest income from related parties (Note 29)	—	6,382
Total	161,978	66,492

Notes to the Condensed Consolidated Financial Statements (Continued)

8 Finance costs

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest expense on lease liabilities	375,570	321,173
Interest expense from borrowings	18,040	8,084
Others	14,794	23,340
Total	408,404	352,597

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

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Impairment losses recognized, net of reversal, on:		
— trade receivables	90,862	29,669
— other receivables	(1,975)	(1,085)
Total	88,887	28,584

The basis of determining the inputs and assumptions and the estimation techniques used in the Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the 2021 Annual Report.

Notes to the Condensed Consolidated Financial Statements (Continued)

10 Income tax expense

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax	(54,040)	(72,540)
Deferred tax (Note 28)	(56,686)	19,731
Total	(110,726)	(52,809)

11 Loss before income tax

Loss before income tax has been arrived at after charging:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Employee benefits expenses	23,553,186	19,833,098
Outsourcing cost	21,089,656	19,032,958
Depreciation of right-of-use assets	2,989,576	2,554,520
Depreciation of property and equipment	1,179,028	911,555
Amortization of other intangible assets	188,334	186,714

Notes to the Condensed Consolidated Financial Statements (Continued)

12 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:

	Six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Numerator		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share (RMB'000)	(1,462,059)	(15,360,404)
Denominator		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	5,854,587,253	4,243,826,718
Basic and diluted loss per share attributable to owners of the Company (RMB per share)	(0.25)	(3.62)

For the current interim period, 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 current interim period was the same as basic loss per share (six months ended June 30, 2021: diluted loss per share was the same as basic loss per share).

13 Property and equipment

Property and equipment of the Group primarily consists of buildings, logistics equipment, vehicles, leasehold improvement, electronic equipment, office equipment and construction in progress. During the current interim period, additions to property and equipment amounted to RMB1,953,635,000 (six months ended June 30, 2021: RMB2,477,577,000).

14 Right-of-use assets

During the current interim period, the Group entered into several new lease agreements with lease terms ranging from 1 to 15 years (six months ended June 30, 2021: 1 to 10 years). On lease commencement, the Group recognized right-of-use assets of RMB2,960,794,000 (six months ended June 30, 2021: RMB4,365,933,000) and lease liabilities of RMB2,802,695,000 (six months ended June 30, 2021: RMB4,347,084,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

15 Interest in an associate

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Cost of listed investment in an associate	264,249	307,704
Share of post-acquisition loss and other comprehensive loss	(182,718)	(167,259)
	81,531	140,445
Fair value of listed investment in an associate*	98,056	156,092

* 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.

During the current interim period, the Group disposed of approximately 2.63% equity interest in Henan Xinning Modern Logistics Co., Ltd. ("**Xinning Logistics**"), formerly known as Jiangsu Xinning Modern Logistics Co., Ltd., with cost of investment amounting to RMB43,455,000, for proceeds of RMB65,487,000, which resulted in the recognition of a gain of RMB22,032,000 in profit or loss (six months ended June 30, 2021: none). The Group remains to hold significant influence over Xinning Logistics subsequent to the partial disposal.

16 Interests in joint ventures

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Cost of investments in unlisted entities	171,500	171,500
Share of post-acquisition loss and other comprehensive loss	(1,443)	(2,583)
Impairment provision	(153,651)	(153,651)
	16,406	15,266

Notes to the Condensed Consolidated Financial Statements (Continued)

17 Financial assets at fair value through profit or loss

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Non-current:		
Equity securities in listed entities	502,904	695,037
Preferred shares investments in unlisted entities	935,640	832,259
	1,438,544	1,527,296
Current:		
Wealth management products	2,755,303	2,577,978

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: unadjusted quoted price 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 30.1.

Wealth management products

Wealth management products purchased by the Group are issued by major and reputable commercial banks without guaranteed returns. The expected rates of return for such wealth management products held by the Group as of June 30, 2022 range from 2.80% to 3.55% (December 31, 2021: 2.80% to 3.50%). 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 within level 2 and level 3 of the fair value hierarchy as set out in Note 30.1.

Notes to the Condensed Consolidated Financial Statements (Continued)

18 Trade receivables

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Trade receivables from third parties	8,114,422	7,334,970
Trade receivables from related parties (Note 29)	6,293,666	5,145,307
Less: allowance for credit losses	(387,895)	(316,249)
	14,020,193	12,164,028

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

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Within 3 months	13,889,504	12,040,147
3 to 6 months	202,526	220,533
6 to 12 months	173,565	109,657
Over 12 months	142,493	109,940
	14,408,088	12,480,277
Less: allowance for credit losses	(387,895)	(316,249)
	14,020,193	12,164,028

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

19 Prepayments, other receivables and other assets

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Non-current:		
Prepayment for investments*	728,800	—
Refundable deposits	551,218	668,829
Prepayments for property and equipment	529,338	530,297
Pallets	405,176	481,458
Long-term prepaid expenses	180,894	174,247
Receivables from partial disposal of a subsidiary	75,000	75,000
Non-current term deposits	—	160,000
Others	1,755	1,775
	2,472,181	2,091,606
Current:		
Prepaid expenses	1,539,226	1,667,021
Refundable deposits	610,781	378,166
Recoverable value-added tax	565,433	474,123
Prepayments to suppliers	410,881	473,384
Funds receivable from third party payment platforms	161,399	177,181
Receivables from partial disposal of a subsidiary	75,000	75,000
Loans to related parties	7,084	7,084
Amounts due from related parties (Note 29)	—	90,183
Interest receivables	—	32,518
Others	167,154	186,781
	3,536,958	3,561,441
Less: allowance for credit losses	(41,701)	(42,441)
	3,495,257	3,519,000

* As defined and set out in Note 32, prepayment for investments represents the security deposit placed by the Group for the purpose of the General Offer.

Notes to the Condensed Consolidated Financial Statements (Continued)

20 Share capital

Authorized

	Number of ordinary shares	Nominal value of ordinary shares USD'000	Number of preference shares	Nominal value of preference shares USD'000
As of January 1, 2022 (audited) and June 30, 2022 (unaudited)	40,000,000,000	1,000	—	—
As of January 1, 2021 (audited)	38,962,800,000	974	1,037,200,000	26
Conversion of convertible redeemable preferred shares ⁴	1,037,200,000	26	(1,037,200,000)	(26)
As of June 30, 2021 (unaudited)	40,000,000,000	1,000	—	—

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, 2022 (audited)	6,183,281,772	155	971	59,478,659
Issuance of ordinary shares to Share Scheme Trusts ¹	1,200,000	*	*	—
Exercise of share options and vesting of RSUs ²	—	—	—	73,214
Issuance of ordinary shares pursuant to the placing and subscription agreement, net of issuance costs ³	411,900,000	10	68	6,924,080
As of June 30, 2022 (unaudited)	6,596,381,772	165	1,039	66,475,953

Notes to the Condensed Consolidated Financial Statements (Continued)

20 Share capital (Continued)

	Number of ordinary shares	Nominal value of ordinary shares USD'000	Nominal value of ordinary shares RMB'000	Share premium RMB'000
As of January 1, 2021 (audited)	3,932,467,879	98	611	1,615,550
Issuance of ordinary shares to Share Scheme Trusts ¹	523,111,646	13	84	—
Conversion of convertible redeemable preferred shares to ordinary shares ⁴	1,026,867,347	26	164	34,100,675
Issuance of ordinary shares relating to initial public offering, net of issuance costs ⁵	700,534,900	18	112	23,010,686
As of June 30, 2021 (unaudited)	6,182,981,772	155	971	58,726,911

Notes:

* Less than USD1,000 or RMB1,000.

1. In March and June 2022, the Company issued 1,200,000 ordinary shares with par value of USD0.000025 per share with respect to the Post-IPO Share Award Scheme to Mille Stelle Limited.

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.

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.

2. The exercised share options and vested RUSs were satisfied by the ordinary shares previously issued to and held by the Share Scheme Trusts.

3. In April 2022, pursuant to the placing agreement dated March 25, 2022, the Company issued 150,500,000 ordinary shares with par value of USD0.000025 per share to independent investors at a placing price of HKD20.71 per share. In May 2022, pursuant to the subscription agreement dated March 25, 2022, the Company issued 261,400,000 ordinary shares with par value of USD0.000025 per share to Jingdong Technology Group Corporation at a subscription price of HKD20.71 per share. The premium on the issue of shares, amounting to approximately RMB6,938 million, was credit to the share premium account. The share issuance costs amounting to approximately RMB14 million were treated as a deduction against the share premium arising from the issuance.

Notes to the Condensed Consolidated Financial Statements (Continued)

20 Share capital (Continued)

4. 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**”). 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. In addition, the unissued and authorized Series A Preference Shares in entirety were re-designated and reclassified as ordinary shares.
5. 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.

21 Non-controlling interests

	Share of net assets of subsidiaries RMB’000	Share options reserve of subsidiaries RMB’000	Total RMB’000
As of January 1, 2022 (Audited)	2,420,377	30,660	2,451,037
Acquisition of partial interests of subsidiaries*	36,391	—	36,391
Share of profit for the period	28,560	—	28,560
Share options of a subsidiary	—	11,545	11,545
As of June 30, 2022 (Unaudited)	2,485,328	42,205	2,527,533
As of January 1, 2021 (Audited)	2,239,149	8,891	2,248,040
Share of profit for the period	146,444	—	146,444
Share options of a subsidiary	—	4,685	4,685
As of June 30, 2021 (Unaudited)	2,385,593	13,576	2,399,169

* In January and February 2022, the Group acquired an aggregate of 47.1% of equity interest in Zhongjing Supply Chain Technology Co., Ltd. (“**Zhongjing**”) from third-party investors, at cash consideration of RMB36.2 million. Upon completion of the acquisition, Zhongjing became a wholly-owned subsidiary of the Company.

In June 2022, the Group acquired equity interest in Kuayue-Express Group Co., Ltd. (“**Kuayue Express**”) from third-party investors. Details of the transaction are set out in Note 27.

Notes to the Condensed Consolidated Financial Statements (Continued)

22 Share-based payments

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

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

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Share options	365,014	630,406
RSUs	202,845	97,345
Total	567,859	727,751

22.1 JD Group Share Incentive Plan

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

Under the JD Group Share Incentive Plan, the RSUs and share options are generally service-based and scheduled to be vested over two to ten years. One-second, one-third, one-fourth, one-fifth, one-sixth, or one-tenth of the awards, depending on different vesting schedules of the JD Group Share Incentive Plan, shall be vested upon the end of the calendar year in which the awards were granted or the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight line basis at the end of the remaining calendar or the anniversary years. Starting from the year ended December 31, 2016, certain awards had multiple tranches with tiered vesting commencement dates from 2016 to 2025, and each of the tranches is subject to a six-year vesting schedule. Starting from the year ended December 31, 2021, certain granted RSUs are subject to vesting ratably over a four-year vesting period from the grant dates.

The Group recognizes share-based payments in 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

22 Share-based payments (Continued)

22.1 JD Group Share Incentive Plan (Continued)

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, 2022	5,242,700	17.59
Granted	262,766	30.66
Vested	(1,574,686)	15.56
Forfeited or cancelled	(412,888)	29.01
Transferred	132,348	27.19
Outstanding as of June 30, 2022	3,650,240	18.47

The estimated compensation cost of RSUs was based on the fair value of JD.com, Inc.'s ordinary shares on the date of the grant. The Group recognizes the compensation cost, net of estimated forfeitures, over the vesting term of the RSUs.

22.2 JD Logistics Share Incentive Plan

On March 31, 2018, the Board of Directors of the Company approved and adopted a share incentive plan (the "Pre-IPO ESOP"). As of June 30, 2022, 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.

On May 10, 2021, the Company approved and adopted a share option scheme (the "Post-IPO Share Option Scheme"). As of June 30, 2022, the total number of ordinary shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme was 609,160,767 shares. The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the date of the Listing.

On May 10, 2021, the Company approved and adopted a share award scheme (the "Post-IPO Share Award Scheme"). As of June 30, 2022, 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.

22 Share-based payments (Continued)

22.2 JD Logistics Share Incentive Plan (Continued)

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 within 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. Certain granted RSUs are subject to vesting ratably over a four-year vesting period from the grant dates.

(a) Pre-IPO ESOP

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

As of June 30, 2022, the Company has issued 208,111,646 ordinary shares with respect to the Pre-IPO ESOP to Share Scheme Trusts.

During the current interim period, 4,076,789 share options under the Pre-IPO ESOP (six months ended June 30, 2021: none) were exercised. The weighted average price of the shares at the time these options were exercised was HKD21.37 per share (six months ended June 30, 2021: none).

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, 2022	198,161,717	0.01	8.2
Exercised	(4,035,123)	0.01	
Forfeited or cancelled	(8,115,667)	0.01	
Outstanding as of June 30, 2022	186,010,927	0.01	7.8

The number of exercisable share options as of June 30, 2022 was 23,457,523.

22 Share-based payments (Continued)

22.2 JD Logistics Share Incentive Plan (Continued)

(a) Pre-IPO ESOP (Continued)

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, 2022	1,934,356	0.01	7.2
Exercised	(41,666)	0.01	
Forfeited or cancelled	(141,670)	0.01	
Outstanding as of June 30, 2022	1,751,020	0.01	6.7

The number of exercisable share options as of June 30, 2022 was 402,323. 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 June 30, 2022, no share options had been granted under the Post-IPO Share Option Scheme.

(c) Post-IPO Share Award Scheme

As of June 30, 2022, the Company has issued 316,500,000 ordinary shares with respect to the Post-IPO Share Award Scheme to Share Scheme Trusts.

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, 2022	9,040,533	34.81
Granted	26,459,306	19.72
Vested	(605,323)	32.31
Forfeited or cancelled	(2,204,697)	30.21
Outstanding as of June 30, 2022	32,689,819	22.95

22 Share-based payments (Continued)

22.2 JD Logistics Share Incentive Plan (Continued)

As of June 30, 2022, 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 575,865,625 shares. The fair values of the RSUs granted during the current interim period were determined based on the market value of the Company's shares at the respective grant dates.

22.3 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 RMB36,543,000 for the current interim period (six months ended June 30, 2021: RMB76,994,000), which were treated as deemed contribution from JD Group and recorded in other reserves.

22.4 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 June 30, 2022, Kuayue Express has granted accumulative 17,505,053 options of Kuayue Express to its employees (December 31, 2021: 17,505,053). For the current interim period, total share-based payments of RMB11,545,000 was recognized in profit or loss and included in non-controlling interests for the share options granted under the Kuayue Express Share Incentive Plan (six months ended June 30, 2021: RMB4,685,000).

23 Dividends

No dividends were paid, declared or proposed during the current interim period. The Board has determined that no dividend will be paid in respect of the current interim period (six months ended June 30, 2021: none).

Notes to the Condensed Consolidated Financial Statements (Continued)

24 Trade payables

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Trade payables	7,907,683	6,293,923
Trade payables under supplier financing arrangements*	145,618	478,769
	8,053,301	6,772,692

* 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 June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Within 3 months	7,659,861	6,419,263
3 to 6 months	158,197	226,395
6 to 12 months	142,488	57,111
Over 12 months	92,755	69,923
	8,053,301	6,772,692

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

Notes to the Condensed Consolidated Financial Statements (Continued)

25 Accrued expenses and other payables

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Salary and welfare payables	3,986,399	3,843,959
Accrued expenses	2,983,289	2,634,158
Property and equipment payables	1,744,100	1,265,819
Packing materials payables	1,083,555	864,204
Deposits	1,020,202	969,755
Other tax payables	367,906	388,404
Temporary receipts	68,277	53,897
Amount due to non-controlling shareholder*	65,958	111,970
Amounts due to related parties (Note 29)	137,587	80,595
Others	416,586	831,777
	11,873,859	11,044,538

* As of June 30, 2022, amount due to non-controlling shareholder of RMB65,958,000 (December 31, 2021: RMB111,970,000) and other non-current liabilities of RMB100,000,000 (December 31, 2021: RMB100,000,000) 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 more than one year (December 31, 2021: two years).

26 Borrowings

As of June 30, 2022, the Group had unsecured and unguaranteed bank borrowings amounted to RMB850 million, which should be repaid within one year from the end of the reporting period (December 31, 2021: none).

Notes to the Condensed Consolidated Financial Statements (Continued)

27 Equity instruments with preference rights

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Financial liability at amortized cost		
Equity instruments with preference rights issued by Kuayue Express	—	631,014

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 equivalent 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.

27 Equity instruments with preference rights (Continued)

Liquidation Preferences (Continued)

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

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

Redemption Rights

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

In June 2022, the Group acquired Kuayue Express Series A and A+ Preference Equity Instruments in entirety from third-party investors at cash consideration of RMB720 million. Upon completion of the acquisition, all Kuayue Express Series A and A+ Preference Equity Instruments were converted into ordinary shares of Kuayue Express. The proportion of ordinary shares of Kuayue Express held by the Group increased from 60.2% to 63.6%, and the proportion of equity interest on fully diluted basis and voting rights held by the Group increased from 55.1% to 63.6%.

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

	Six months ended June 30, 2022 RMB'000 (Unaudited)	Year ended December 31, 2021 RMB'000 (Audited)
Carrying amount at the beginning of the period/year	631,014	597,380
Accreted interest	14,794	33,634
Conversion of equity instruments with preference rights to ordinary shares of Kuayue Express	(645,808)	—
Carrying amount at the end of the period/year	—	631,014

Notes to the Condensed Consolidated Financial Statements (Continued)

28 Deferred tax assets/liabilities

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

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Deferred tax assets	64,608	87,788
Deferred tax liabilities	(753,684)	(720,178)
	(689,076)	(632,390)

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

	Tax losses	ECL provision and others	Accelerated depreciation	Other intangible assets acquired in business combinations	Changes in fair value of financial instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2022 (audited)	105,394	42,650	(142,361)	(605,837)	(32,236)	(632,390)
(Charge)/credit to profit or loss	(24,092)	(7,899)	(66,968)	44,382	(2,109)	(56,686)
As of June 30, 2022 (unaudited)	81,302	34,751	(209,329)	(561,455)	(34,345)	(689,076)
As of January 1, 2021 (audited)	35,730	7,382	(21,563)	(694,601)	(1,121)	(674,173)
Credit/(charge) to profit or loss	100	(5,456)	(16,212)	44,382	(3,083)	19,731
As of June 30, 2021 (unaudited)	35,830	1,926	(37,775)	(650,219)	(4,204)	(654,442)

Notes to the Condensed Consolidated Financial Statements (Continued)

28 Deferred tax assets/liabilities (Continued)

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

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Tax losses	6,171,032	5,051,617
Deductible temporary differences	3,246,339	1,967,340
	9,417,371	7,018,957

Due to the unpredictability of future profit streams, no deferred tax assets had been recognized for these unused tax losses and deductible temporary differences. As of June 30, 2022, 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 2027 (December 31, 2021: the period from 2022 to 2026), except for those arose from High and New Technologies Enterprises, which will expire during the period from 2022 to 2032 (December 31, 2021: the period from 2022 to 2031).

Notes to the Condensed Consolidated Financial Statements (Continued)

29 Related party transactions

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

29.1 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.
ATRenew Inc. and its subsidiaries ("ATRenew 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")*	Controlled by JD Group
Jingdong Technology Holding Co., Ltd. and its subsidiaries ("JD Technology")**	An associate of JD Group, and controlled by Mr. Richard Qiangdong Liu
China Railway Jingdong Logistics Co., Ltd. ("Railway Jingdong")	A joint venture of the Group

* JD Group consolidated Dada Group since February 28, 2022.

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

29.2 Significant transactions with related parties

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

29 Related party transactions (Continued)

29.2 Significant transactions with related parties (Continued)

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. The related party transactions with other related parties other than JD Group were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. The Group's pricing policies of the transactions with related parties are determined on the basis of mutual negotiations between the relevant parties.

Save as disclosed in Note 31, 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	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Rendering of services:			
Services provided to JD Group	(i)	24,438,783	21,961,295
Services provided to Dada Group	(ii)	50,404	—
Services provided to ATRenew Group	(ii)	53,457	43,042
Services provided to JD Technology	(iii)	168,525	160,687
Receiving of services:			
Services received from JD Group	(iv)	822,847	611,003
Share-based compensation received from JD.com, Inc.	(iv)	101,322	104,545
Services received from Dada Group	(v)	118,363	507,452
Services received from Railway Jingdong	(vi)	88,423	—
Services received from JD Technology	(vii)	200,004	133,947
Lease arrangements:			
Interest on lease liabilities for leases with Core Funds and Development Fund	(viii)	78,088	98,740
Interest on lease liabilities for leases with JD Group	(ix)	61,239	27,587
Receiving of interest:			
Interest income from JD Group	(x)	—	6,382

29 Related party transactions (Continued)

29.2 Significant transactions with related parties (Continued)

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 Dada Group and ATRenew Group. The amount of services provided to Dada Group represents the transaction amount prior to it was consolidated by JD Group on February 28, 2022, and subsequent transactions with Dada Group had been included in the transaction amounts with JD Group.
- (iii) The Group is primarily engaged in providing installation and maintenance services, and advertising services to JD Technology.

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.

Upon completion of the acquisition of Dada Group, JD Group provides platform and on-demand delivery services to the Group.

- (v) Dada Group primarily provides platform and on-demand delivery services to the Group. The amount of services received from Dada Group represents the transaction amount prior to it was consolidated by JD Group on February 28, 2022, and subsequent transactions with Dada Group had been included in the transaction amounts with JD Group.
- (vi) Railway Jingdong primarily provides railway transportation services to the Group.
- (vii) JD Technology primarily provides the Group with payment and ancillary services, along with certain technology support related services.

29 Related party transactions (Continued)

29.2 Significant transactions with related parties (Continued)

Lease arrangements

- (viii) During the current interim period, the Group entered into a lease agreement for operational purposes with Core Funds and Development Fund for 4 years (six months ended June 30, 2021: 3 to 5 years). As of June 30, 2022, right-of-use assets amounted to RMB1,688,470,000 (December 31, 2021: RMB2,099,549,000), and lease liabilities amounted to RMB2,105,732,000 (December 31, 2021: RMB2,456,523,000).
- (ix) During the current interim period, the Group entered into several lease agreements for operational purposes with JD Group for 1 to 10 years (six months ended June 30, 2021: 1 to 6 years). As of June 30, 2022, right-of-use assets amounted to RMB2,404,810,000 (December 31, 2021: RMB2,457,746,000), and lease liabilities amounted to RMB2,481,089,000 (December 31, 2021: RMB2,509,432,000).

Receiving of interest

- (x) 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

29 Related party transactions (Continued)

29.3 Significant balances with related parties

The Group had the following significant balances with related parties:

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Due from related parties:		
Amount due from JD Group	6,261,545	5,064,428
Amount due from JD Technology	4,013	145,524
Amount due from ATRenew Group	16,037	15,272
Amounts due from other related parties	12,071	10,266
	6,293,666	5,235,490
Due to related parties:		
Amount due to JD Group	166,208	—
Amount due to Dada Group	—	153,541
Amount due to Railway Jingdong	29,481	—
Amount due to Core Funds and Development Fund	137,587	80,595
Amounts due to other related parties	3,379	—
	336,655	234,136

As of June 30, 2022, amounts due from related parties of RMB6,293,666,000 were included in trade receivables (December 31, 2021: RMB5,145,307,000 were included in trade receivables and RMB90,183,000 were included in prepayments, other receivables and other assets).

As of June 30, 2022, amounts due to related parties of RMB199,068,000 were included in trade payables (December 31, 2021: RMB153,541,000), and RMB137,587,000 were included in accrued expenses and other payables (December 31, 2021: RMB80,595,000).

The above amounts due from/due to related parties as of June 30, 2022 were unsecured, non-interest bearing and either repayable on demand or due within one year from June 30, 2022 (December 31, 2021: unsecured, non-interest bearing and either repayable on demand or due within one year from December 31, 2021).

Notes to the Condensed Consolidated Financial Statements (Continued)

29 Related party transactions (Continued)

29.4 Key management personnel compensation

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

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and bonuses	3,131	3,269
Share-based payments	208,600	336,425
Pension cost — defined contribution plans	67	41
Welfare, medical and other benefits	736	864
Total	212,534	340,599

30 Fair value measurements of financial instruments

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

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

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements (Continued)

30 Fair value measurements of financial instruments (Continued)

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

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	Fair value as of		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)			
Equity securities in listed entities	502,904	695,037	Level 1	Quoted bid prices in an active market	N/A
Preferred shares investments in unlisted entities	208,658	106,377	Level 2	Recent transaction price	N/A
Preferred shares investments in unlisted entities	726,982	725,882	Level 3	A combination of observable and unobservable inputs	Discount for lack of marketability; expected volatility
Wealth management products	1,754,832	2,577,978	Level 2	Cash flow discounted using the expected return based on observable market inputs	N/A
Wealth management products	1,000,471	—	Level 3	Cash flow discounted using the estimated return	Estimated return
Payables to interest holders of consolidated investment funds	41,460	46,145	Level 3	Net assets value of the investment funds	Net assets value of the investment funds

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

Notes to the Condensed Consolidated Financial Statements (Continued)

30 Fair value measurements of financial instruments (Continued)

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting end.

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

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

30.3 Reconciliation of Level 3 fair value measurements

	Preferred shares investments in unlisted entities RMB'000	Wealth management products RMB'000	Convertible redeemable preferred shares RMB'000	Payables to interest holders of consolidated investment funds RMB'000
As of January 1, 2022 (audited)	725,882	—	—	46,145
Purchased/capital contribution	5,000	1,000,000	—	—
Distribution	—	—	—	—
Transfer to Level 2	(100,603)	—	—	—
Changes in fair value	89,414	14,422	—	(4,685)
Disposal/redemption	(22,000)	(13,951)	—	—
Currency translation differences	29,289	—	—	—
As of June 30, 2022 (unaudited)	726,982	1,000,471	—	41,460
As of January 1, 2021 (audited)	480,814	—	21,918,414	116,950
Purchased/capital contribution	—	—	—	13,200
Distribution	(354)	—	—	—
Changes in fair value	44,057	—	12,843,803	11
Currency translation differences	(3,035)	—	(661,378)	—
Converted to ordinary shares	—	—	(34,100,839)	—
As of June 30, 2021 (unaudited)	521,482	—	—	130,161

Notes to the Condensed Consolidated Financial Statements (Continued)

31 Disposal of a subsidiary

On May 19, 2022, the Group entered into the equity transfer agreement with JD Technology, pursuant to which the Group has conditionally agreed to sell, and JD Technology has conditionally agreed to acquire 100% equity interest in Jingdong International Financial Leasing Co., Ltd. (“**Jingdong International Financial Leasing**”), at cash consideration of USD30 million (equivalent to approximately RMB201.3 million as of the disposal date).

Upon completion of the disposal on June 30, 2022, Jingdong International Financial Leasing was ultimately deconsolidated from the Group’s consolidated financial statements. As the Group and JD Technology are both controlled by Mr. Richard Qiangdong Liu before and after the disposal, the disposal was achieved through an under the common control transaction and the disposal loss was recorded under other reserves.

32 Subsequent events

Acquisition of Deppon Holdco

On March 11, 2022, the Group entered into a series of agreements with the shareholders of Ningbo Meishan Baoshui Area Deppon Investment Holding Company Limited (“**Deppon Holdco**”), in relation to the acquisition of approximately 99.99% equity interest of Deppon Holdco (the “**Acquisition**”), which in turn holds approximately 66.50% of the issued share capital of Deppon Logistics Co., Ltd. (“**Deppon**”), for a total consideration of approximately RMB8,975.9 million. The Acquisition was completed on July 26, 2022. Upon completion of the Acquisition, the Group controlled Deppon Holdco through a series of arrangements. Accordingly, Deppon Holdco (including Deppon and its subsidiaries) has become a subsidiary of the Company, and its financial results, except for that of certain excluded business, have been consolidated into the Group’s consolidated financial statements. Details of the Acquisition are set out in the announcement of the Company dated March 13, 2022 and July 27, 2022 and the circular of the Company dated June 30, 2022.

On August 8, 2022, the Group acquired additional approximately 0.01% equity interest of Deppon Holdco.

The financial impact and disclosure for the fair value of each major class of assets acquired and liabilities assumed as of the acquisition date are being estimated as the preparation of initial accounting for this business combination, for example, valuation of assets acquired and liabilities assumed, is in progress at the time the Condensed Consolidated Financial Statements are authorized for issue.

32 Subsequent events (Continued)

General offer

As Deppon is listed on The Shanghai Stock Exchange, pursuant to the relevant rules of the PRC authorities, on July 29, 2022, the Group made a general offer for 277,109,539 unrestricted and tradable shares of Deppon (representing approximately 26.98% equity interest in Deppon), at an offer price of RMB13.15 per share, for the period between August 2, 2022 and August 31, 2022 (the “**General Offer**”). Based on the offer price of RMB13.15 per share, the maximum amount for the General Offer was RMB3,644 million.

Bank borrowings

Subsequent to June 30, 2022, the Group obtained bank borrowings amounting to RMB4,270 million, with term to maturity ranging from 1 month to 36 months.

DEFINITIONS

“ADSs”	American Depositary Shares (each representing two Class A ordinary shares) of JD.com
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“ARPC”	average revenue per customer
“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 set out in Appendix 14 of the Listing Rules, as amended from time to time
“China”, or “the PRC”	the People’s Republic of China
“Class A ordinary share(s)”	Class A ordinary shares in the share capital of JD.com with par value of USD0.00002 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 USD0.00002 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
“CNLP”	China Logistics Property Holdings Co., Ltd. (中國物流資產控股有限公司), an associated corporation of the Company that is also a subsidiary of JD.com (i.e. a fellow subsidiary)
“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

Definitions (Continued)

“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
“Deppon”	Deppon Logistics Co., Ltd. (德邦物流股份有限公司), a logistics company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange (stock code: 603056)
“Deppon Holdco”	Ningbo Meishan Baoshui Area Deppon Investment Holding Company Limited (寧波梅山保稅港區德邦投資控股股份有限公司), a company incorporated in the PRC
“Director(s)”	the director(s) of our Company
“ESG”	Environmental, Social and Governance
“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 “HKD”	Hong Kong dollars, the lawful currency of Hong Kong

Definitions (Continued)

“IFRSs”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Interim Results Announcement”	the announcement of the results for the six months ended June 30, 2022 of the Company dated August 23, 2022
“JD.com”	JD.com, Inc., one of our Controlling Shareholders, a company incorporated in the BVI on November 6, 2006 and subsequently redomiciled to the Cayman Islands on January 16, 2014 as an exempted company registered by way of continuation under the laws of the Cayman Islands and the shares of which are listed on the Main Board (stock code: 9618) under Chapter 19C of the Listing Rules and the ADSs of which are listed on NASDAQ under the symbol “JD”
“JD Group”	JD.com and its subsidiaries and consolidated affiliated entities, excluding our Group
“JD 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)
“Jingdong International Financial Leasing”	Jingdong International Financial Leasing Co., Ltd. (京東國際融資租賃有限公司)
“Kuayue Express”	Kuayue-Express Group Co., LTD. (跨越速運集團有限公司)
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules

Definitions (Continued)

“Nomination Committee”	the nomination committee of the Company
“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
“Placing”	the placement of 150,500,000 Shares to the Placing Agents at the placing price of HKD20.71 for each Share in accordance with the Placing Agreement
“Placing Agents”	Goldman Sachs (Asia) L.L.C., Merrill Lynch (Asia Pacific) Limited, Haitong International Securities Company Limited and UBS AG Hong Kong Branch
“Placing Agreement”	the agreement entered into between the Company and the Placing Agents dated March 25, 2022 in respect of the Placing
“Post-IPO Share Award Scheme”	the post-IPO share award scheme adopted by our Company on May 10, 2021
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on May 10, 2021
“Pre-IPO ESOP”	the pre-IPO employee share incentive plan adopted by our Company on March 31, 2018
“Prospectus”	the prospectus of the Company dated May 17, 2021
“Registered Shareholders”	the registered shareholders of the Onshore Holdco, namely Richard Qiangdong Liu (劉強東), Yayun Li (李姪雲) and Pang Zhang (張雱)
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the six months ended June 30, 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of PRC
“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 USD0.000025 each
“Shareholder(s)”	holder(s) of our Share(s)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

Definitions (Continued)

“Subscription”	the subscription by Jingdong Technology Group Corporation of an aggregate of 261,400,000 Shares issued by the Company pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Company and Jingdong Technology Group Corporation dated March 25, 2022 in respect of the Subscription
“subsidiary” or “subsidiaries”	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“U.S. SEC”	the Securities and Exchange Commission of the United States
“United States”, “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”, “U.S. dollars”, 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