京东物流

JD Logistics, Inc.

京东物流股份有限公司

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

Stock Code: 2618

2022

Annual Report

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JDL 京东物流

CORPORATE INFORMATION

Board of Directors

Executive Director

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

Non-executive Director

Richard Qiangdong Liu (劉強東) *(Chairman)*

Independent Non-executive Directors

Nora Gu Yi Wu (顧宜)
Liming Wang (王利明)
Xiande Zhao (趙先德)
Yang Zhang (張揚)
Carol Yun Yau Li (李恩祐) (resigned on September 29, 2022)
Jennifer Ngar-Wing Yu (余雅潁) (appointed on September 29, 2022)

Audit Committee

Nora Gu Yi Wu (顧宜) *(Chairperson)*
Xiande Zhao (趙先德)
Carol Yun Yau Li (李恩祐) (resigned on September 29, 2022)
Jennifer Ngar-Wing Yu (余雅潁) (appointed on September 29, 2022)

Remuneration Committee

Liming Wang (王利明) *(Chairperson)*
Nora Gu Yi Wu (顧宜)
Xiande Zhao (趙先德)

Nomination Committee

Richard Qiangdong Liu (劉強東) *(Chairperson)*
Liming Wang (王利明)
Carol Yun Yau Li (李恩祐) (resigned on September 29, 2022)
Jennifer Ngar-Wing Yu (余雅潁) (appointed on September 29, 2022)

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

8th Floor, Building B
No. 20 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
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Compliance Adviser

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

Principal Bankers

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

Stock Code

2618

Company Website

https://ir.jdl.com

JDL 京东物流

FINANCIAL SUMMARY

Condensed Consolidated Statements of Profit or Loss and Statements of Comprehensive Income/(Loss)

	Year ended December 31,				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**137,402,008**	104,693,402	73,374,716	49,847,639	37,873,445
Gross profit	**10,099,637**	5,784,076	6,293,639	3,432,214	1,080,180
Loss before income tax	**(814,180)**	(15,600,358)	(4,049,296)	(2,160,156)	(2,763,991)
Loss for the year	**(1,090,294)**	(15,660,732)	(4,037,289)	(2,237,486)	(2,764,547)
Loss attributable to owners of the Company	**(1,396,834)**	(15,841,960)	(4,133,995)	(2,233,900)	(2,764,547)
Total comprehensive income/(loss) for the year	**1,310,183**	(15,275,536)	(3,904,251)	(2,195,576)	(2,782,480)
Total comprehensive income/(loss) attributable to owners of the Company	**1,032,123**	(15,456,764)	(4,000,957)	(2,191,990)	(2,782,480)
Non-IFRS measures:					
Non-IFRS profit/(loss) for the year	**866,031**	(1,225,916)	1,794,754	(304,856)	(1,601,956)

Condensed Consolidated Statements of Financial Position

	As of December 31,				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets	**49,093,114**	31,394,201	25,583,214	15,777,656	6,342,753
Current assets	**57,604,157**	45,400,867	29,139,888	24,275,462	22,101,312
Total assets	**106,697,271**	76,795,068	54,723,102	40,053,118	28,444,065
EQUITY					
Equity attributable to owners of the Company	**46,580,700**	37,938,096	(5,141,672)	(2,117,442)	(916,605)
Non-controlling interests	**6,627,861**	2,451,037	2,248,040	32,446	—
Total equity	**53,208,561**	40,389,133	(2,893,632)	(2,084,996)	(916,605)
LIABILITIES					
Non-current liabilities	**19,242,483**	11,860,354	31,277,683	23,684,960	17,462,915
Current liabilities	**34,246,227**	24,545,581	26,339,051	18,453,154	11,897,755
Total liabilities	**53,488,710**	36,405,935	57,616,734	42,138,114	29,360,670
Total equity and liabilities	**106,697,271**	76,795,068	54,723,102	40,053,118	28,444,065

CEO'S STATEMENT

Dear Shareholders,

For JD Logistics, 2022 was a year filled with opportunities and challenges alike. COVID-19 pandemic posed unprecedented demand for the safety and stability of supply chain services. Meanwhile, consumers' needs for logistics services continued to grow. These developments prompted more corporate customers to seek supply chain transformation and upgrades, accelerating the transformation of supply chains towards integration, digitalization and intelligentization.

As a leading technology-driven supply chain solutions and logistics services provider, we adhered to our customer-first approach and continued to cultivate our primary business in the integrated supply chain services market, constantly creating value through our trusted supply chain services. Our supply chain solutions provided both stability and flexibility underpinned by our directly operated warehousing-centric logistics network. Our end-to-end digital and intelligent capabilities and in-depth industry insights, allowed us to minimize uncertainties when facing challenges, helping our customers improve their risk resistance capabilities, reduce costs and enhance efficiency. In 2022, our total revenue reached RMB137.4 billion and our revenue from external customers reached RMB89.1 billion, accounting for 64.9% of total revenue. By providing integrated supply chain logistics services to industry leaders including Volvo Cars ("**Volvo**"), SAIC GM Wuling Co., Ltd. (上汽通用五菱汽車股份有限公司) and Shandong Lingong Construction Machinery Co., Ltd. (山東臨工工程機械有限公司), we have successfully built a benchmark for automotive aftermarket integrated supply chain services and further expanded into more industry sectors. Notably, the thriving live streaming e-commerce and other platforms brought us new growth opportunities in 2022. Through establishing innovative supply chain models and providing solid logistics services to platform merchants, we gained considerable business penetration on these platforms.

We continued to invest in infrastructure and logistics technology to expand the breadth and depth of our integrated supply chain logistics services. In the physical world, we constantly reinforced our logistics infrastructure. In July 2022, we completed the strategic acquisition of Deppon Logistics, and in August 2022, JD Airlines officially commenced operation. These strides have been instrumental in bolstering our self-operated, safe and stable supply chain operations, while also broadening our integrated supply chain logistics services. Moreover, we made steady progress in overseas markets, expanding our global coverage by growing our overseas warehouse network and integrating transportation resources across intercontinental cargo routes, railway, maritime and multimodal transportation. In the digital world, with continued investments in science and technology, we comprehensively increased automation coverage, as well as strengthened forecasting and decision-making capabilities throughout the supply chain processes. Leveraging our three-in-one supply chain logistics technology comprising software, hardware and system integration, we achieved end-to-end synergy optimization and efficiency reinforcement.

While actively pursuing business growth, we never lost sight of our commitment to building a "responsible supply chain". Facing a complex and severe pandemic prevention and control situation, we spared no effort in mobilizing resources nationwide many times to ensure the supply of basic human necessities and the stability of supply chain services across the country. We also comprehensively promoted rural revitalization and provided supply chain services to over 1,000 agricultural production zones in China. Furthermore, as the first Chinese logistics company to set up carbon emission reduction targets under the Science Based Targets initiative (SBTi), we worked with numerous business partners to facilitate end-to-end carbon emission reduction along the supply chain, jointly promoting low-carbon transformation and sustainable development of enterprises, industries and our society.

Appreciation

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

Looking ahead into the new year, JD Logistics will continue to focus on integrated supply chain logistics services and provide "real support to the real economy" leveraging the advantages in our supply chain and logistics network. We will further incorporate supply chain solutions and logistics services into the entire corporate business process, across manufacturing, sales and aftersales, helping industries to lower costs, boost efficiency and enhance consumer experiences, hence contributing to high-quality and sustainable development of the real economy.

Yui Yu
Executive Director and CEO

March 9, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are China's leading technology-driven supply chain solutions and logistics services provider. With the mission to "drive 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 our nationwide logistics network with a global reach and abundant industry insights, we offer a full spectrum of supply chain solutions and high-quality logistics services covering various industries to customers and consumers.

In 2022, uncertainties in the macro environment and emergencies such as the resurging pandemic posed challenges to our business development and operations. Nevertheless, our warehousing-centric supply chain management and logistics fulfillment approach demonstrated exceptional resilience and operational stability in case of emergencies. Our directly operated logistics network allows us to swiftly mobilize and organize resources and ensure uninterrupted operations during the pandemic and other emergencies. Our integrated supply chain logistics management capabilities, such as the intelligent, agile inventory deployment from our geographically diverse warehouses, enable customers to quickly realize integrated multi-channel inventory management and guarantee their end customers' experience.

In 2022, our total revenue reached RMB137.4 billion, increasing by 31.2% year-over-year. Notably, revenue from external customers reached RMB89.1 billion, increasing by 50.8% year-over-year, accounting for 64.9% of total revenue, a larger proportion compared with the prior year.

We continued to promote the broad application of integrated supply chain solutions and high-quality logistics services to help customers across a wide range of industries improve operational efficiency, lower costs, and elevate customer experience. As we empowered more customers, we gained valuable experience which further strengthened our service capabilities.

We provide industry-specific integrated supply chain solutions and service products for customers in fast-moving consumer goods ("**FMCG**"), home appliances and home furniture, apparel, 3C, automotive and fresh produce industries. In 2022, the number of our external integrated supply chain customers continued to grow by 7.1% year-over-year to 79,928. At the same time, we further expanded the scope and depth of our collaboration with existing customers to help more of them achieve the digital and intelligent transformation of their supply chains. Our average revenue per customer ("**ARPC**") amounted to RMB365,015 in 2022, rising by 6.9% year-over-year.

In addition, we developed integrated supply chain solutions and products for specific industry verticals such as the liquor, beauty and cosmetics sectors based on their business scenarios and needs, supporting the quick roll-out of our businesses.

On top of that, we achieved significant business growth from live streaming e-commerce and other platforms in 2022. Specifically, we became one of the first batch of logistics companies connected to the Yinxuda (音需達) service of the e-commerce platform operated by Douyin (抖音), offering high-quality delivery services such as to-door delivery to Douyin users. As of December 31, 2022, we had served over 20,000 merchants on Douyin's platform. Additionally, we became the official logistics partner of the e-commerce platform operated by Kuaishou (快手), providing non-stop pick-up and delivery services during the 2023 Spring Festival for the merchants and consumers on Kuaishou's platform.

Guided at all times by our core value, "customer-first", we have received widespread recognition from customers and consumers for our professional and reliable services. According to survey results published by the State Post Bureau of the People's Republic of China, we have constantly maintained best-in-class customer satisfaction ratings. In August 2022, we were selected as one of the world's Top 10 logistics brands in 2022 by Brand Finance, an authoritative global brand valuation consultancy.

Firmly committed to technological innovation and investment, we strive to bring cutting-edge scientific breakthroughs into real world applications with a team of dedicated research and development personnel, which totaled 4,662 members as of December 31, 2022. At the same time, through service automation, operational digitalization and decision-making intelligentization, we continually seek solutions that balance cost and efficiency as well as experience optimization. In 2022, our research and development expenses were RMB3.1 billion, representing 2.3% of total revenue.

Alongside our research and development efforts, we continued to strengthen our logistics infrastructure to deliver high-quality integrated supply chain solutions and logistics services and best-in-class customer experiences.

On July 26, 2022, we completed the strategic acquisition of Deppon Logistics. Deppon Logistics is an integrated, customer-centric logistics company providing a wide range of solutions including delivery services, Less-Than-Truckload transportation, Full Truckload transportation, and warehousing management. This acquisition marked the further enhancement of our comprehensive logistics network, supply chain capabilities and service quality. By the end of 2022, Deppon Logistics owned close to 9,000 service outlets in China covering almost all the counties and districts in China, 132 sorting centers with an aggregate gross floor area ("**GFA**") of over 2 million square meters and more than 20,000 self-owned vehicles. The revenue contribution of Deppon Logistics amounted to RMB14.4 billion from July 26, 2022 to December 31, 2022.

On August 31, 2022, we received the Operation Certification of Public Air Carriers of Large Aircraft (CCAR-Part 121) from the Civil Aviation Administration of China, marking the official commencement of JD Airlines' operation. As of December 31, 2022, our three all-cargo airplanes began regular operations with the routes including Shenzhen-Hangzhou, Nantong-Beijing, and Shenzhen-Wuxi. In addition, we covered more than 1,000 air cargo routes through cooperation with partners.

As of December 31, 2022, we operated more than 1,500 warehouses, over 18,000 delivery stations and service outlets, and employed over 290,000 in-house delivery personnel.

Integrated Supply Chain Solutions and Logistics Services

We empower our customers' supply chain management and enhance their operational efficiency. In 2022, our business continued to grow, with total revenue reaching RMB137.4 billion, a year-over-year increase of 31.2%.

Our warehousing-centric supply chain management and logistics fulfillment approach, as well as our directly operated logistics network, demonstrated exceptional resilience and operational stability in 2022.

Our integrated supply chain logistics management capabilities, such as the intelligent, agile inventory deployment from our geographically diverse warehouses, enable customers to quickly realize integrated multi-channel inventory management and guarantee their end customers' experience. Taking the global premium automobile brand Volvo as an example, we customized a flexible, nimble digitalized supply chain system for Volvo based on the sales and flow characteristics of after-sales spare parts, setting up eight regional warehouses across the country for fast-, medium- and slow-moving products, respectively, to enable refined inventory management across multiple product categories. During the COVID-19 outbreak in Shanghai, we quickly prepared warehousing and transportation resources to deploy Volvo's after-sales spare parts inventory from its central warehouse in Shanghai to the eight regional warehouses according to the parts' sales and flow characteristics, ensuring that each warehouse had sufficient inventory to meet sales requirements for a period of time in the future and reasonably high order fulfillment rates for Volvo during the extraordinary circumstances brought about by the outbreak.

Integrated supply chain customers

Our revenue from integrated supply chain customers reached RMB77.4 billion in 2022. The number of our external integrated supply chain customers continued to grow, reaching 79,928, a year-over-year increase of 7.1%. Our ARPC amounted to RMB365,015, an increase of 6.9% compared with 2021.

For the FMCG, home appliances and home furniture, apparel, 3C, automotive and fresh produce industries, we have tailored our integrated supply chain solutions and products to each industry to directly address their pain points. Among them, FMCG accounted for the highest percentage of our revenue from external integrated supply chain customers. In 2022, we deepened our cooperation with a wide variety of industry leaders by empowering their omni-channel business development and further enhancing their supply chain efficiency.

The following table sets forth the information of our external integrated supply chain customers.

	Year ended December 31,		
	2022	2021	2020
External integrated supply chain customers with annual revenue contribution no less than RMB10 million:			
Number of customers	**362**	296	179
ARPC (RMB in millions)	**42.2**	42.4	37.7
Revenue (RMB in millions)	**15,271**	12,550	6,746
% of revenue from external integrated supply chain customers	**52.3%**	49.3%	41.0%

	Year ended December 31,		
	2022	2021	2020
External integrated supply chain customers with annual revenue contribution less than RMB10 million:			
Number of customers	**79,566**	74,306	52,487
ARPC (RMB in thousands)	**174.8**	173.9	185.2
Revenue (RMB in millions)	**13,904**	12,920	9,718
% of revenue from external integrated supply chain customers	**47.7%**	50.7%	59.0%

We made significant progress in FMCG in 2022. As a key partner in the supply chain digital transformation of Yili Group, one of the largest dairy producers in China, we provided end-to-end supply chain services, including supply chain consulting and planning, digitalized system development, and supply chain operation, as well as basic logistics services such as warehousing, transportation and delivery. By building an integrated supply chain management system, we effectively addressed the problem of their fragmented multi-channel inventory management, reducing their inventory turnover days and lowering the proportion of near-expiration inventory for goods with a high requirement for freshness, such as liquid milk. Deepening our partnership with Yili Group helped us build a benchmark in the FMCG industry, effectively helping us to further grow our market.

In addition, we developed solutions and products for specific industry verticals such as liquor, beauty and cosmetics based on their business scenarios and needs, supporting the further roll-out of our businesses.

Other customers

Our revenue from other customers reached RMB60.0 billion in 2022, increasing by 78.3% year-over-year. While constantly expanding our integrated supply chain logistics and service capabilities, we further strengthened our foundational network capabilities to ensure our standard products such as express delivery and freight delivery services continue to represent the industry's highest standards of quality, reliability and convenience.

In 2022, we continued increasing our investment in key cities to strengthen our network infrastructure and logistics capabilities, including expansion of our pick-up and delivery services coverage and improvements in our overall operation timeliness. These accomplishments further enhanced customer experience and satisfaction, and ultimately drove our revenue growth.

Notably, we achieved significant business growth from serving live streaming e-commerce and other platforms in 2022. Specifically, we became one of the first batch of logistics companies connected to the Yinxuda (音需達) service of the e-commerce platform operated by Douyin (抖音), offering high-quality delivery services such as to-door delivery to Douyin users. As of December 31, 2022, we had served over 20,000 merchants on Douyin's platform. Additionally, we became the official logistics partner of the e-commerce platform operated by Kuaishou (快手), providing nonstop pick-up and delivery services during the 2023 Spring Festival for the merchants and consumers on Kuaishou's platform.

As we completed the acquisition of Deppon Logistics on July 26, 2022, Deppon contributed approximately RMB14.0 billion to our revenue from other customers from July 26, 2022 to December 31, 2022.

Logistics Technology

Technological innovation has always been our priority. We have continuously expanded our competitive advantages in supply chain logistics software, hardware and system integration through long-term technological investments and innovations. Currently, our technology-driven products and solutions cover key processes of the supply chain logistics, across logistics parks, warehousing and sortation, and transportation and delivery, which comprehensively enhance our forecasting, decision-making and smart execution capabilities. Our core technology products include self-developed automated guided vehicles, high-density storage systems integrated with software and hardware, robotic picking and packaging systems, and intelligent delivery vehicles, among others.

We have continually enhanced our automation application throughout the supply chain process. Our self-developed, industry-leading warehousing automation solutions have further shortened the fulfillment time for each individual SKU, realizing high levels of automation and flexibility end-to-end. In 2022, we commenced the operation of our highly automated Beidou Smart Flowpicking Innovation Warehouses (北鬥新倉) in Xi'an and Suqian, effectively elevating operational efficiency and further improving fulfillment timeliness and customer satisfaction.

We apply technological innovations to each key stage of our supply chain services to promote operational digitalization and decision-making intelligentization. For example, in the warehousing stage, we separately store top-selling products and constantly optimize sorting routes to increase sorting efficiency. In the transportation stage, driven by smart algorithms, we use smart deployment and stowage to achieve efficient allocation and refined operation of resources, which has significantly lowered our comprehensive transportation costs and occurrence of accidents. During the pandemic outbreak, we were the first among domestic logistics companies 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 guaranteeing the customer experience.

Leveraging our advantages in Internet of Things, artificial intelligence and robotics technologies accumulated over the years, we have fueled the digital transformation and high-quality growth of customers in various industries. For example, working with a modern food conglomerate with assets and revenue both exceeding RMB100 billion, we built a smart operation and management platform for its cold chain logistics parks and a supply chain data middle platform, helping it achieve end-to-end product monitoring and digitalized deployment of vehicles in its logistics parks. These tools effectively elevated its operational efficiency and refined its management. By strengthening its logistics parks and process management, we expanded our partnership on the basis of our existing cooperation.

As of December 31, 2022, we had received authorization for over 3,500 patents and software licenses, among which more than 2,000 are related to automation technology and unmanned technology.

Logistics Infrastructure and Networks

Our supply chain solutions and logistics services are supported by 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, which together constitute the cornerstone of our supply chain solutions and logistics services.

On July 26, 2022, we completed the acquisition of Deppon Logistics, which marked the further enhancement of our comprehensive logistics network, supply chain capabilities and service quality.

Warehouse network

Our nationwide warehouse network is one of the largest in China and serves as a critical component of our integrated supply chain solutions and logistics services.

As of December 31, 2022, our warehouse network covered nearly all counties and districts in China, consisting of over 1,500 self-operated warehouses and over 2,000 third-party warehouse-owner operated cloud warehouses under our Open Warehouse Platform. Our warehouse network has an aggregate GFA of more than 30 million square meters, including warehouse space managed through the Open Warehouse Platform.

We harness the power of technology to enhance the operational efficiency of our warehouse network. One notable example is our Asia No. 1 smart industrial parks, which also demonstrate our industry-leading technological innovations and high technology standards. As of December 31, 2022, we operated 35 Asia No. 1 smart industrial parks in 27 cities across China[1].

We continued to expand our dedicated warehouses for FMCG, apparel, automotive and other industries, and constantly strengthened our operational efficiency and product competitiveness, supporting the rapid expansion of our business.

We have also established collaborations with numerous cloud warehouses under our Open Warehouse Platform to form a stronger ecosystem with continuously upgraded system capabilities and enhanced operational stability. This will help enrich our portfolio of integrated supply chain logistics products to meet the needs of diverse customers and ultimately facilitate their cost reductions and efficiency improvements.

Line-haul transportation network

Our line-haul transportation network includes various modes of transportation, such as land, air and maritime and multimodal transportation. We adopted a synergistic approach to expanding the coverage of our line-haul transportation network, collaborating with our strategic partners to expand network coverage and flexibility.

As of December 31, 2022, we had a self-operated fleet consisting of over 40,000 vehicles. In addition, we operated approximately 400 sorting centers in China and worked with our partners on more than 400 railway routes.

With the official commencement of JD Airlines' operation in August 2022, our three all-cargo airplanes started regular operations with the routes including Shenzhen-Hangzhou, Nantong-Beijing, and Shenzhen-Wuxi. In addition, we covered more than 1,000 air cargo routes through cooperation with partners as of December 31, 2022.

Last-mile delivery network

Our vast last-mile delivery network primarily consists of delivery stations, service outlets, 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 improving end customer satisfaction and strengthening our brand image.

1. Starting from 2022, we updated and upgraded the criteria (the "**New Criteria**") of the Asia No. 1 smart industrial parks, including but not limited to the GFA, the investment scale, and the level of automation. Under the New Criteria, by the end of 2021, we operated 28 Asia No. 1 smart industrial parks in 24 cities nationwide.

As of December 31, 2022, we employed over 290,000 in-house delivery personnel and operated over 18,000 delivery stations and service outlets, covering more than 300 prefecture-level administrative regions in 31 provinces and municipalities in China. The vast majority of our delivery stations and service outlets are self-operated to ensure top quality services.

Bulky item logistics network

Our bulky item logistics network, comprised of multi-level warehouses, to-door delivery, value-added installation and after-sales service capabilities, ensures that we provide a compelling customer experience by offering one-stop delivery and installation services to consumers.

As of December 31, 2022, we had over 200 warehouses with bulky- and heavy-item storage capabilities and more than 200 sorting centers, with an aggregate GFA of over 4 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 expand our network coverage. As of December 31, 2022, we utilized approximately 1,800 bulky item delivery and installation stations under Jing Dong Bang (京東幫).

Cold chain logistics network

As of December 31, 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 December 31, 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 December 31, 2022, we operated approximately 90 bonded warehouses, international direct distribution warehouses and overseas warehouses, covering an aggregate GFA of nearly 900,000 square meters.

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 and Malaysia, among other locations, represents the achievement of the initial milestone in our global network expansion plan. We will continue to expand our end-to-end global network centered on our warehouse network and further enhance regional synergies enabled by intercontinental freight routes, railways, maritime and multimodal transportation routes.

Corporate Social Responsibility

As a new type of real economy-based enterprise with digitalized technologies and capabilities, we are always committed to fulfilling our social responsibilities by fully leveraging our advantages in integrated supply chain logistics services and exporting our supply chain capabilities cultivated over the years to promote high-quality supply chain development in the wider society.

In 2022, facing COVID-19 outbreaks in various regions, such as Shanghai, Beijing and Chongqing, we immediately undertook our social responsibility and mobilized our in-house delivery personnel nationwide many times to ensure the supply of basic human necessities, including food, maternal and baby care products, and medical supplies, via road, rail, air and maritime transportation. During this process, we also developed tools and methodologies to respond to supply chain emergencies.

We also continued to deepen the penetration of our integrated supply chain logistics services in rural areas and facilitate the distribution of agricultural products to end customers, by providing efficient and high-quality logistics services to over 1,000 agricultural production zones in China. In 2022, we further improved our supply chain infrastructure in northwestern China. With our Xinjiang Jiashi cold chain warehouse and phase II of the Xi'an Asia No. 1 smart industrial parks which recently commenced operation, we have not only substantially improved logistics timeliness in remote regions, but more importantly, also established sales channels for high-quality agricultural products, such as kiwifruits from Shaanxi and plums from Jiashi, contributing to farmers' income growth and rural prosperity.

As we firmly believe that our employees are our greatest asset, we strive to offer a safe workplace that embraces equality, inclusion and diversity. We provide our employees with competitive salaries, comprehensive healthcare, and other benefits, as well as broad career development opportunities.

We have maintained a steadfast commitment to promoting the establishment of a green supply chain ecosystem. In 2022, which marked the fifth anniversary of our "Green Stream Initiative (青流計劃)", we took the lead and released the industry's first Carbon Neutral Guide for Logistics Parks (物流園區碳中和指南) and the Delivered with Original Package (DWOP) certification (原廠直發包裝認證標準). While putting battery swapping vehicles into use on a large scale, we also used clean energy vehicles in the transportation services we provided to Amway and other customers.

We have always incorporated the concept of sustainable development into our development strategy and day-to-day operations. In May 2022, we published our first Environmental, Social and Governance (ESG) Report since our listing. In November 2022, we received an industry-leading ESG score in the S&P Global Corporate Sustainability Assessment. Furthermore, to improve our corporate governance and promote steady development, we have been continuously reinforcing information security, privacy protection, and internal control and compliance management.

Going forward, we will continue to strengthen our integrated supply chain logistics capabilities by solidifying our logistics infrastructure, supply chain technology and business insights. Meanwhile, with our deep roots in the real economy, we will actively fulfill our social responsibilities, and promote the sustainable, high-quality development of enterprises, industries and our society.

Financial Review

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

The following table sets forth the comparative figures for the year ended December 31, 2022 and the year ended December 31, 2021, respectively:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Revenue	**137,402,008**	104,693,402
Cost of revenue	**(127,302,371)**	(98,909,326)
Gross profit	**10,099,637**	5,784,076
Selling and marketing expenses	**(4,062,150)**	(3,078,384)
Research and development expenses	**(3,122,863)**	(2,813,342)
General and administrative expenses	**(3,157,073)**	(2,867,201)
Others, net[1]	**(571,731)**	(12,625,507)
Loss before income tax	**(814,180)**	(15,600,358)
Income tax expense	**(276,114)**	(60,374)
Loss for the year	**(1,090,294)**	(15,660,732)
(Loss)/profit for the year attributable to:		
Owners of the Company	**(1,396,834)**	(15,841,960)
Non-controlling interests	**306,540**	181,228
	(1,090,294)	(15,660,732)
Non-IFRS profit/(loss) for the year attributable to:		
Owners of the Company	**382,931**	(1,553,598)
Non-controlling interests	**483,100**	327,682
	866,031	(1,225,916)

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 associates and joint ventures".

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 years presented.

	Year ended December 31,			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Revenue:				
Integrated supply chain customers	**77,435,959**	**56.4**	71,054,463	67.9
Other customers	**59,966,049**	**43.6**	33,638,939	32.1
Total	**137,402,008**	**100.0**	104,693,402	100.0

Included in the revenue of 2022 was external revenue generated by Deppon Group during the period from July 26, 2022 to December 31, 2022 in the amount of RMB14.4 billion (revenue generated by Deppon Group through providing services to other subsidiaries and consolidated affiliated entities of the Company had been eliminated upon consolidation). The following table sets forth a breakdown of revenue generated by Deppon Group by integrated supply chain customers and other customers, both in absolute amount and as a percentage of revenue generated by Deppon Group for the period presented.

	From July 26, 2022 to December 31, 2022 RMB'000	**%**
Revenue generated by Deppon Group[(1)]:		
Integrated supply chain customers	**428,033**	**3.0**
Other customers	**13,959,737**	**97.0**
Total	**14,387,770**	**100.0**

1. Revenue generated by Deppon Group through providing services to JD Group is not presented separately, as the amount was immaterial for the period presented.

Revenue increased by 31.2% to RMB137.4 billion in 2022 from RMB104.7 billion in 2021. The increase in our total revenue was driven by the increase in revenue from integrated supply chain customers and the increase in revenue from other customers.

Revenue from integrated supply chain customers increased by 9.0% to RMB77.4 billion in 2022 from RMB71.1 billion in 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 of the ARPC. The number of our external integrated supply chain customers, who have contributed to our revenue for the periods presented, increased to 79,928 (79,027, excluding Deppon Group) in 2022 from 74,602 in 2021. The increase in the number of external integrated supply chain customers was due to the increased demand of our services as well as our ongoing sales and marketing efforts. In addition, our ARPC increased to

RMB365,015 (RMB363,761, excluding Deppon Group) in 2022 from RMB341,424 in 2021. Our ARPC improvement reflected customer endorsement for our integrated supply chain solutions and logistics services along with deepening collaborations and growing customer stickiness.

Revenue from other customers increased by 78.3% to RMB60.0 billion in 2022, from RMB33.6 billion in 2021, primarily due to the increases in business volume of our express delivery and freight delivery services, as well as the consolidation of Deppon Group.

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 years presented.

	Year ended December 31,			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Revenue:				
From JD Group	**48,261,010**	**35.1**	45,583,569	43.5
From others	**89,140,998**	**64.9**	59,109,833	56.5
Total	**137,402,008**	**100.0**	104,693,402	100.0

Cost of revenue

Cost of revenue increased by 28.7% to RMB127.3 billion in 2022, from RMB98.9 billion in 2021, which was in line with the rapid growth of our revenue during the corresponding year. The overall increase in cost of revenue was also driven by the consolidation of Deppon Group, including the increases set forth below in employee benefit expenses, outsourcing cost, rental cost, depreciation and amortization, and other cost of revenue.

Employee benefit expenses for employees involved in warehouse management, sorting, picking, packaging, shipping, delivery and customer services increased by 24.8% to RMB44.6 billion in 2022 from RMB35.8 billion in 2021, primarily due to an increase in the number of employees involved in the provision of our services, which was in line with the continued growth of our business.

Outsourcing cost, including costs charged by third-party transportation companies, express delivery companies and other service providers for sorting, shipping, dispatching, delivery and labor outsourcing services, increased by 27.8% to RMB51.6 billion in 2022 from RMB40.4 billion in 2021. The increase was primarily driven by the growth of our business which required higher outsourcing capacity. In addition, the growth of our express delivery and freight delivery services, leading to increasing demand of outsourcing services for line haul transportation, also contributed to the increase in our outsourcing cost.

Rental cost increased by 18.4% to RMB11.2 billion in 2022 from RMB9.5 billion in 2021, primarily due to the expansion of leased warehouses areas, sorting centers and delivery stations in support of the growth of our integrated supply chain solutions and logistics services.

Depreciation and amortization increased by 54.0% to RMB2.9 billion in 2022 from RMB1.9 billion in 2021, primarily due to an increase in the depreciation expenses of logistics equipment and vehicles.

Other cost of revenue increased by 48.8% to RMB17.0 billion in 2022 from RMB11.4 billion in 2021, primarily due to the increase in fuel cost, cost of installation and maintenance services, cost of packaging and other consumable materials.

Gross profit and gross profit margin

As a result of the foregoing, we recorded (i) a gross profit of RMB10.1 billion and RMB5.8 billion in 2022 and 2021, respectively, and (ii) a gross profit margin of 7.4% and 5.5% in 2022 and 2021, respectively. The increase in the gross profit margin was primarily due to (i) refined cost control measures, (ii) effective restructuring of customer portfolio, (iii) economies of scale as our revenue grew rapidly, driving efficiency gains in most of our cost components, and (iv) the positive impact on gross profit as a result of the consolidation of Deppon Group.

Selling and marketing expenses

Selling and marketing expenses increased by 32.0% to RMB4.1 billion in 2022, from RMB3.1 billion in 2021. The increase was in line with the growth of our revenue from external customers and was primarily due to the increase in headcount of sales and marketing personnel to promote our service offerings to both new and existing customers, the increase in branding and promotional activities and the consolidation of Deppon Group.

Research and development expenses

Research and development expenses increased by 11.0% to RMB3.1 billion in 2022, from RMB2.8 billion in 2021. The increase was primarily attributable to an increase in employee benefit expenses and the consolidation of Deppon Group.

General and administrative expenses

General and administrative expenses increased by 10.1% to RMB3.2 billion in 2022, from RMB2.9 billion in 2021. The increase was attributable to the consolidation of Deppon Group.

Loss for the year

As a result of the foregoing, we incurred a loss of RMB1.1 billion in 2022 and a loss of RMB15.7 billion in 2021, respectively.

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Reconciliation of loss to non-IFRS profit/(loss):		
Loss for the year	**(1,090,294)**	(15,660,732)
Adjusted for:		
Share-based payments	**1,242,901**	1,447,219
Listing expense	**—**	57,528
Amortization of intangible assets resulting from acquisitions[1]	**446,387**	354,667
Fair value changes of financial assets at fair value through profit or loss[2]	**267,037**	(272,052)
Impairment of investments, net of reversal	**—**	3,651
Fair value changes of convertible redeemable preferred shares[3]	**—**	12,843,803
Non-IFRS profit/(loss) for the year[4]	**866,031**	(1,225,916)
Non-IFRS profit/(loss) for the year attributable to:		
Owners of the Company	**382,931**	(1,553,598)
Non-controlling interests	**483,100**	327,682
	866,031	(1,225,916)

1. Represents the amortization expenses of other intangible assets acquired in business combinations 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.

4. Included in the non-IFRS profit for the year ended December 31, 2022 was a profit generated by Deppon Group during the period from July 26, 2022 to December 31, 2022 in the amount of RMB588.3 million.

Liquidity and Capital Resources

In April 2022, pursuant to the Placing Agreement, the Company issued 150,500,000 ordinary shares to independent investors at a placing price of HKD20.71 per share. In May 2022, pursuant to the Subscription Agreement, the Company issued 261,400,000 ordinary 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.

In 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 RMB21.5 billion and RMB17.9 billion as of December 31, 2022 and 2021, respectively.

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Net cash generated from operating activities	**13,314,224**	6,207,337
Net cash used in investing activities	**(13,107,418)**	(11,122,435)
Net cash generated from financing activities	**1,480,998**	16,596,681
Net increase in cash and cash equivalents	**1,687,804**	11,681,583
Cash and cash equivalents at the beginning of the year	**17,922,779**	6,346,869
Effects of foreign exchange rate changes on cash and cash equivalents	**1,884,769**	(105,673)
Cash and cash equivalents at the end of the year	**21,495,352**	17,922,779

In the coming year, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities and financing activities.

Net cash generated from operating activities

In 2022, net cash generated from operating activities was RMB13.3 billion. Our cash generated from operations was primarily attributable to our loss of RMB1.1 billion, as adjusted by (i) non-cash and non-operating items, which primarily consist of depreciation of right-of-use assets of RMB6.5 billion, depreciation of property and equipment of RMB3.1 billion, and share-based payments of RMB1.2 billion, and (ii) changes in working capital, which was primarily resulted from an increase in accrued expenses, other payables and other non-current liabilities of RMB2.2 billion, and an increase in trade payables of RMB1.5 billion, partially offset by an increase in trade receivables of RMB1.1 billion.

In 2021, our net cash generated from operating activities was RMB6.2 billion, which was primarily attributable to our loss of RMB15.7 billion, as adjusted by (i) non-cash and non-operating items, which primarily consist of loss on fair value changes of convertible redeemable preferred shares of RMB12.8 billion, depreciation of right-of-use assets of RMB5.5 billion, depreciation of property and equipment of RMB2.0 billion, and share-based payments of RMB1.4 billion and (ii) changes in working capital, which was primarily resulted from an increase in accrued expenses, other payables and other non-current liabilities of RMB6.8 billion, and an increase in trade payables of RMB1.0 billion, offset by an increase in trade receivables of RMB6.9 billion and an increase in prepayments, other receivables and other assets of RMB1.8 billion.

Net cash used in investing activities

In 2022, net cash used in investing activities was RMB13.1 billion, which was primarily attributable to placement of term deposits of RMB12.6 billion, net cash outflow on acquisition of Deppon Holdco of RMB7.7 billion, capital expenditures of RMB4.7 billion, and payment for financial assets at fair value through profit or loss of RMB2.8 billion, partially offset by maturity of term deposits of RMB9.1 billion, and maturity of financial assets at fair value through profit or loss of RMB5.5 billion.

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

Net cash generated from financing activities

In 2022, net cash generated from financing activities was RMB1.5 billion, which was primarily attributable to proceeds from borrowings of RMB9.5 billion, and net proceeds from issuance of ordinary shares relating to the Placing and the Subscription of RMB6.9 billion, partially offset by repayment of borrowings of RMB6.6 billion, principal portion of lease payments of RMB6.2 billion, acquisition of partial interests of subsidiaries of RMB1.5 billion, and interest paid of RMB0.9 billion.

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

Gearing Ratio

As of December 31, 2022, our gearing ratio, calculated as total borrowings divided by total equity attributable to owners of the Company, was approximately 13.8%.

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 held approximately 66.50% of the issued share capital of Deppon, for a total consideration of approximately RMB8,975.9 million. The acquisition of more than 50% equity interest of Deppon Holdco (the "**Completion**"), being the first tranche of the staggered acquisition arrangement, was completed on July 26, 2022. Upon the Completion, the Group controlled Deppon Holdco. 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.

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 offering price of RMB13.15 per share, for the period between August 2, 2022 and August 31, 2022 (the "**General Offer**"). Upon completion of the General Offer, the Group acquired an aggregate of 55,776,083 shares of Deppon, representing approximately 5.4% equity interest in Deppon, at cash consideration of RMB733.5 million.

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 Jingdong Technology Holding Co., Ltd. (an associate of a connected person of the Company) to sell 100% equity interest in Jingdong International Financial Leasing Co., Ltd. at a cash consideration of USD30 million (equivalent to approximately RMB201.3 million as of the disposal date) (the "**Disposal**"). The Disposal constituted connected transaction under Chapter 14A of the Listing Rules. Details of the Disposal are set out in the announcement of the Company dated May 19, 2022.

Save as disclosed in this report, the Group did not have any other material acquisitions and/or disposals of subsidiaries and affiliated companies for the year ended December 31, 2022.

Significant Investments Held

Save as disclosed above, the Group did not make any other significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of December 31, 2022) during the year ended December 31, 2022.

Future Plans for Material Investments and Capital Assets

As of December 31, 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 December 31, 2022.

Function	Number of staff	% of Total
Operations	370,825	95.1
Selling and marketing	8,175	2.1
Research and development	4,662	1.2
General and administrative	6,367	1.6
Total	**390,029**	**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 laws to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time.

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

The total employee benefit expenses, including share-based payments, for the year ended December 31, 2022 were RMB50.8 billion, as compared to RMB41.2 billion for the year ended December 31, 2021, representing a year-on-year increase of 23.4%.

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.

Pledge of Assets

As of December 31, 2022, restricted cash of RMB237.8 million was pledged. We also had pledged certain land use rights and equity interest in subsidiaries for borrowings.

Contingent Liabilities

As of December 31, 2022, we did not have any material contingent liabilities or guarantees.

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DIRECTORS AND SENIOR MANAGEMENT

Our Directors

From January 1, 2022 and up to the Latest Practicable Date, our Board comprises:

Name	Age	Position(s)	Date of appointment as Director
Directors			
Yui Yu (余睿)	40	Executive Director and chief executive officer	January 18, 2021
Yanlei Chen (陳岩磊)[(1)]	41	Executive Director	January 27, 2021
Jun Fan (樊軍)[(2)]	47	Executive Director	January 27, 2021
Richard Qiangdong Liu (劉強東)[(3)]	50	Chairman and non-executive Director	January 19, 2012
Sandy Ran Xu (許冉)[(4)]	46	Non-executive Director	September 2, 2020
Pang Zhang (張雱)[(5)]	34	Non-executive Director	May 12, 2016
Nora Gu Yi Wu (顧宜)	65	Independent non-executive Director	May 17, 2021
Liming Wang (王利明)	62	Independent non-executive Director	May 17, 2021
Carol Yun Yau Li (李恩祐)[(6)]	43	Independent non-executive Director	May 17, 2021
Xiande Zhao (趙先德)[(7)]	61	Independent non-executive Director	April 7, 2022
Yang Zhang (張揚)[(8)]	46	Independent non-executive Director	April 7, 2022
Jennifer Ngar-Wing Yu (余雅頴)[(9)]	41	Independent non-executive Director	September 29, 2022

Notes:

1. Mr. Yanlei Chen resigned as an executive Director with effect from April 7, 2022.
2. Mr. Jun Fan resigned as an executive Director with effect from April 7, 2022.
3. Mr. Richard Qiangdong Liu was appointed as a Director from January 2012 to May 2016 and from March 7, 2018 to December 30, 2019, and was subsequently re-appointed as a Director on October 15, 2020.
4. Ms. Sandy Ran Xu resigned as a non-executive Director with effect from April 7, 2022.
5. Ms. Pang Zhang was appointed as a Director from May 12, 2016 to January 1, 2018 and was subsequently re-appointed a Director on January 27, 2021. She resigned as a non-executive Director with effect from April 7, 2022.
6. Ms. Carol Yun Yau Li resigned as an independent non-executive Director with effect from September 29, 2022.
7. Dr. Xiande Zhao has been appointed as an independent non-executive Director with effect from April 7, 2022.
8. Mr. Yang Zhang has been appointed as an independent non-executive Director with effect from April 7, 2022.
9. Ms. Jennifer Ngar-Wing Yu has been appointed as an independent non-executive Director with effect from September 29, 2022.

Executive Director

Yui Yu (余睿), aged 40, is an executive Director and the chief executive officer of our Group. Mr. Yu is responsible for the Company's overall strategic planning and business direction.

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

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

Non-executive Director

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

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

Independent Non-executive Directors

Nora Gu Yi Wu (顧宜), aged 65, is an independent non-executive Director, the chairperson of the Audit Committee and a member of the Remuneration Committee. Ms. Wu currently serves as a trustee for the University of San Francisco and is an independent board member of Meditrina, Inc.

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

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

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

Liming Wang (王利明), aged 62, is an independent non-executive Director, the chairperson of the Remuneration Committee and a member of the Nomination Committee. Mr. Wang has served as a professor of law at Renmin University of China (中國人民大學) since June 1992.

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

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

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

Xiande Zhao (趙先德), aged 61, is an independent non-executive Director and a member of the Audit Committee and the Remuneration Committee. Dr. Zhao is the professor of operations and supply chain management at China Europe International Business School ("**CEIBS**"). He is also the associate dean of CEIBS (Shenzhen Campus) and director of CEIBS-ZKH Center of Innovations in Supply Chain and Services.

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

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

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

Yang Zhang (張揚), aged 46, is an independent non-executive Director. Mr. Zhang has been the chairman and the chief executive officer of TH Capital Industry Investment Fund (華控產業投資集團) since 2007. Mr. Zhang was a director and an associate professor at the Institute of Finance & Banking of Chinese Academy of Social Sciences (中國社會科學院) from 2000 to 2014. He has been the deputy-director of Research Management Committee of Tsinghua University (清華大學) Global PE Research Institute since 2018.

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

Jennifer Ngar-Wing Yu (余雅穎), aged 41, is an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee. Ms. Yu has been the Deputy Vice Chairwoman of CTF Education Group ("**CTFEG**") since April 2019 and the Group President of CTFEG since February 2021. Prior to her career in education, Ms. Yu worked in investment banking specializing in alternative investments structuring, origination and distribution to Asian institutional investors, corporates, private equity and fund managers.

From 2005 to 2009, Ms. Yu worked at Goldman Sachs Asia LLC ("**Goldman Sachs**") and served as the executive director before co-founding ARCH Education Group in 2009 where she continues to serve as director. Prior to joining Goldman Sachs, Ms. Yu worked at J.P. Morgan Securities (Asia Pacific) Limited from 2003 to 2005.

Ms. Yu has been committed to promoting educational development for more than a decade. She currently serves in the Dean's Advisory Group at Harvard Graduate School of Education, and on the Board of Visitors of the Fu Foundation School of Engineering and Applied Science of Columbia University. She is also a member of the Council of the Hong Kong University of Science and Technology (HKUST), a member of the Courts of the University of Hong Kong, and a member of the Courts of Lingnan University.

Ms. Yu received her Master of Education from Harvard University in May 2022 and graduated magna cum laude from Columbia University with a Bachelor of Science in Operations Research and a minor in Economics in May 2003.

Senior Management

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

Name	Age	Position	Date of appointment as senior management
Su Shan (單甦)[(1)]	41	Chief financial officer	May 17, 2022

Note:

1. Ms. Yue Ma (馬越) has resigned, and Mr. Su Shan (單甦) has been appointed as, the chief financial officer of the Company, with effect from May 17, 2022. For the biographical details of Ms. Yue Ma (馬越), please refer to the annual report of the Company for the year ended December 31, 2021.

Su Shan (單甦), aged 41, is the chief financial officer of our Group and oversees the finance and investments of our Group.

Mr. Shan joined JD Group in December 2021. Prior to that, Mr. Shan worked at Lavender Hill Capital Partners from October 2019 to November 2021 and served as a Managing Director from January 2021 to November 2021. He also worked in the TMT Group of the Investment Banking Division at Goldman Sachs (Asia) L.L.C. from 2015 to 2019 and served as an Executive Director from January 2017 to September 2019.

Mr. Shan received his bachelor's degree in laws from China University of Political Science and Law, and his master's degree in laws from University of Warwick. Mr. Shan is a CFA charterholder.

Company Secretary

Ming King Chiu (趙明璟), our company secretary, is the Head of Corporate and Fund Services of Vistra Corporate Services (HK) Limited. He has over 10 years of experience in the company secretarial field. He is currently (1) the joint company secretary of Shanghai Haohai Biological Technology Co., Ltd., a main board listed company in Hong Kong (HKEX: 6826); (2) the company secretary of Kunming Dianchi Water Treatment Co., Ltd., a main board listed company in Hong Kong (HKEX: 3768); (3) the company secretary of Grace Wine Holdings Limited, a GEM listed company in Hong Kong (GEM: 8146); (4) the joint company secretary of CanSino Biologics Inc., a main board listed company in Hong Kong (HKEX: 6185); (5) the company secretary of Sheng Yuan Holdings Limited, a main board listed company in Hong Kong (HKEX: 851); (6) the company secretary of Loco Hong Kong Holdings Limited, a GEM listed company in Hong Kong (GEM: 8162); (7) the company secretary of JD Health International Inc., a main board listed company in Hong Kong (HKEX: 6618) and (8) the joint company secretary of China Construction Bank Corporation., a main board listed company in Hong Kong (HKEX: 939).

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

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

REPORT OF THE DIRECTORS

The Board of the Company is pleased to present this report of the Directors with the consolidated financial statements of the Group for the year ended December 31, 2022.

General Information

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

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

Principal Activities

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

Business Review

The business review of the Group for the year ended December 31, 2022 is set out in the sections headed "CEO's Statement" and "Management Discussion and Analysis" from pages 5 to 6 and pages 7 to 23 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the sections headed "Report of Directors — Principal risks and uncertainties" and "Report of Directors — Risks relating to the Contractual Arrangements" on page 31 and page 63 of this annual report. In addition, discussions on the key relationships with the stakeholders, compliance with the relevant laws and regulations, environmental policies and performance are set out in page 31 of this annual report and will also be set out in the "Environmental, Social and Governance Report for Year 2022" to be published on the same day as this annual report.

Results

The results of the Group for the year ended December 31, 2022 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on page 96 and page 97 of this annual report.

Financial Summary

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

Share Capital

Details of movements in the share capital of the Company for the year ended December 31, 2022 are set out in Note 28 to the consolidated financial statements.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in Note 43 to the consolidated financial statements.

Major Customers and Suppliers

Customers

While we serve both corporate and individual customers, we primarily serve corporate customers, including JD Group. We provide integrated supply chain solutions and logistics services to customers across a wide range of industries, such as FMCG, apparel, home appliances and home furniture, 3C, automotive and fresh produce. Except for JD Group, our top customers are primarily the leading companies among the aforementioned industries in China. For the year ended December 31, 2022, the Group's five largest customers accounted for 37.7% of the Group's total revenue while the Group's largest customer, JD Group, accounted for 35.1% of the Group's total revenue.

As of December 31, 2022, JD Group indirectly owned approximately 63.54% of our total issued share capital. To the best of our knowledge, all of the other four largest customers during the year ended December 31, 2022 were independent third parties. As of December 31, 2022, (i) Mr. Richard Qiangdong Liu (劉強東), a non-executive Director and chairman of the Board, held approximately 73.9% of the voting rights in JD Group through shares capable of being exercised on resolutions in general meetings; and (ii) all the other Directors in aggregate held less than 1% of the beneficial ownership in JD Group.

Except as disclosed above, none of our other Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital or has any interest in any of our top five customers during the year ended December 31, 2022.

Suppliers

Our top suppliers are primarily outsourced transportation service providers, and leasing and property management service providers. For the year ended December 31, 2022, the Group's five largest suppliers accounted for less than 30.0% of the Group's total purchases, of which four suppliers, other than JD Group, were independent third parties.

Except as disclosed above, none of our other Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital or has any interest in any of our top five suppliers during the year ended December 31, 2022.

Key Relationship with Stakeholders

The Group is committed to maintaining a good relationship with stakeholders that have a significant impact on the Group and on which the Group's success depends. Further details will be set out in the "Environmental, Social and Governance Report for Year 2022" published on the same day as this annual report.

Compliance with the Relevant Laws and Regulations

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

Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Further details will be set out in the "Environmental, Social and Governance Report for Year 2022" published on the same day as this annual report.

Principal Risks and Uncertainties

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

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

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

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

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

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

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

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

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

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

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

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

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

- security breaches and attacks against our system and network, and any potential resultant breach or failure to otherwise protect confidential and proprietary information, could damage our reputation and adversely affect our business, financial condition and results of operations;

- we are subject to changing laws and regulations regarding corporate governance and public disclosure that have increased both our costs and the risk of non-compliance, and any failure to comply with PRC laws and regulations by us or our strategic partners may materially and adversely impact our business, reputation, financial condition and results of operations; and

- we may from time to time become parties to claims, lawsuits, legal or administrative disputes and other proceedings that may adversely affect our reputation, business and results of operations.

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.

The following table sets forth a summary of the utilization of the net proceeds from the Global Offering as of December 31, 2022.

Purpose	Percentage of net proceeds	Net proceeds	Unutilized amount as of January 1, 2022	Utilized amount for the year ended December 31, 2022	Unutilized amount as of December 31, 2022	Expected timeline of full utilization
		(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	*(RMB in millions)*	
Upgrading and expansion of our logistics networks	55%	12,620	7,860	3,350	4,510	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	704	3,054	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	814	1,915	12 to 36 months from the Listing
General corporate purposes and working capital needs	10%	2,294	1,096	315	781	12 to 36 months from the Listing
Total	100%	22,945	15,443	5,183	10,260	

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 for placing 150,500,000 Shares to independent purchasers 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 261,400,000 Shares in aggregate at the subscription price of HKD20.71 (equivalent to approximately USD2.65) for each Share. The closing price as quoted on the Stock Exchange on the last trading day prior to the signing of the Placing Agreement and the Subscription Agreement was HKD23.00 per Share. Completion of the Placing and Subscription took place on April 1, 2022 and May 26, 2022 respectively. The net placing price and the net subscription price, after deducting all fees, costs and expenses properly incurred by the Company, were approximately HKD20.61 and HKD20.70 per Share, 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 March 25, 2022, April 1, 2022 and May 26, 2022, and the circular of the Company dated April 25, 2022.

The following table sets forth a summary of the utilization of the net proceeds from the Placing and the Subscription as of December 31, 2022.

Purpose	**Percentage of net proceeds**	**Net proceeds**	**Utilized amount for the year ended December 31, 2022**	**Unutilized amount as of December 31, 2022**	**Expected timeline of full utilization**
		(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	
Improving our logistics network and solutions, both organically and/or by acquisitions	85%	5,885	5,885	—	12 to 24 months from the closing date of the Subscription
General corporate purposes and working capital needs	15%	1,039	—	1,039	12 to 24 months from the closing date of the Subscription
Total	100%	6,924	5,885	1,039	

Dividends

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2022.

Reserves

As of December 31, 2022, the Company had distributable reserves of RMB50,747 million. Details of movements in the reserves of the Company during the year ended December 31, 2022 are set out in Note 48.2 of the consolidated financial statements.

Borrowings

As of December 31, 2022, our outstanding borrowings amounted to RMB6.4 billion.

Debenture Issued

The Group has not issued any debentures during the year ended December 31, 2022.

Equity-linked Agreements

No equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2022.

Directors

The Directors who held office during the year ended December 31, 2022 and up to the Latest Practicable Date were:

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Nora Gu Yi Wu (顧宜)
Liming Wang (王利明)
Carol Yun Yau Li (李恩祐) *(resigned on September 29, 2022)*
Xiande Zhao (趙先德) *(appointed on April 7, 2022)*
Yang Zhang (張揚) *(appointed on April 7, 2022)*
Jennifer Ngar-Wing Yu (余雅頴) *(appointed on September 29, 2022)*

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

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

Board of Directors and Senior Management

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 24 to 28 of this annual report.

Changes in Information of Directors

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

1. Ms. Carol Yun Yau Li has resigned as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee with effect from September 29, 2022; and

2. Ms. Jennifer Ngar-Wing Yu has been appointed as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee with effect from September 29, 2022.

Save as disclosed above, 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.

Permitted Indemnity

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

Such permitted indemnity provision has been in force for the year ended December 31, 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

Directors' Service Contracts

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

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

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

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the section "Continuing Connected Transactions" below and in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party subsisting during or at the end of the year ended December 31, 2022.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2022.

Contracts and Relationship with Controlling Shareholders

Save as disclosed in the section "Continuing Connected Transactions" below and in this annual report, no contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended December 31, 2022.

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

(a) *Intra-city and last-mile delivery services — Dada Group*: Dada Nexus Limited (Nasdaq: DADA, "**Dada**"), which has been listed on Nasdaq since June 2020, a platform for local on-demand retail and delivery in China, and became a subsidiary of JD.com since February 28, 2022. Dada operates (a) JD-Daojia ("**JDDJ**"), a local on-demand retail platform for retailers and brand owners to offer their products for consumers through its JDDJ platform. JDDJ hosts a wide range of retailers, offering a variety of products. Categories of retailers include supermarkets, fresh produce marketplaces, pharmacies, 3C products shops, flowers shops, bakeries and fashion stores. Consumer can filter and choose retailers based on a variety of factors, including location, popularity and quality rating; and (b) Dada Now, a local on-demand delivery platform in China providing both intra-city delivery and last-mile delivery services. Through the Dada Now platform and crowdsourced-based rider networks, Dada Now's intra-city delivery services enables merchants and individual senders to have their intra-city orders delivered quickly on demand (normally within one hour after the orders were placed for orders within a three-kilometer radius). Dada Now's last-mile delivery service, which mainly provides services to logistics companies (including our Group), enables merchants to deliver parcels from the merchant's delivery station to a final destination on an on-demand basis. Fulfillment of the last-mile delivery services typically takes less than four hours. Dada's two platforms are inter-connected and mutually beneficial. For example, once an order is placed on JDDJ, Dada Now's riders will pick up the products from the respective offline store and deliver them to the consumers, often within approximately an hour from when the order is placed. There are fundamental differences between Dada Group and our business given that our Group focuses on provision of integrated solutions across the entire supply chain and across geographic distances to, our customers which are primarily corporate customers and we also provide inventory management before providing delivery services, whereas Dada Group provides on-demand retail and last-mile delivery services and intra-city delivery services solely on an on-demand basis to logistics companies. Therefore, Dada Group does not provide services comparable to those offered by our Group in all material respects. However, given the end-to-end nature of our services which also cover intra-city delivery and last-mile delivery, there may be rare instances of competition between our Group and Dada Group, which we regard to be immaterial.

(b) *Development and management of logistics and industrial properties — JINGDONG Property, Inc.* ("**JD Property**"): JD Property is a subsidiary of JD.com and a leading modern infrastructure asset management and integrated service platform. Its businesses mainly consist of development, investment, operation and management of modern infrastructure parks (which mainly include logistics parks, business parks and data centers) in China, Southeast Asia and Europe which are leased to our Group and other third parties. JD Property covers all phases from land acquisition to project planning and design to construction and development of the property assets whereas our Group leases and operates warehouses and logistics parks as a warehouse and logistics facilities operator to facilitate the provision of intelligent supply chain solutions and logistic services to our customers after the infrastructures and warehouses have been developed and put into use. It is important to note that our Group does not own, develop or manage logistics and industrial properties as a property developer or property management services provider (save for certain discrete property assets that form part of our Group subsequent to the acquisitions of Deppon and Kuayue Express in July 2022 and August 2020 respectively). JD Property does not offer any supply chain solutions, logistics services or delivery services and is purely infrastructure focused. Based on the above, we believe that there are fundamental differences between JD Property and our Group in terms of business focus and service offerings which are not comparable in all material respects and there is no competition between JD Property and our Group.

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

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

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this annual report, at no time during the year ended December 31, 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

Directors' Interests in Competing Business

Save and except for the interests of our Controlling Shareholders in our Company and its subsidiaries, during the year ended December 31, 2022, neither our Controlling Shareholders nor any of our Directors is considered to have interests in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

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

As of December 31, 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:

Interests in the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]
Yui Yu (余睿)	Beneficial owner[2]	6,850,000(L)	0.10%
Richard Qiangdong Liu (劉強東)	Beneficial owner[3]; Interest in a controlled corporation[4]	4,291,457,805(L)	65.05%
Nora Gu Yi Wu (顧宜)	Beneficial owner[5]	21,859(L)	0.00%
Liming Wang (王利明)	Beneficial owner[6]	20,056(L)	0.00%
Xiande Zhao (趙先德)	Beneficial owner[7]	44,432(L)	0.00%
Yang Zhang (張揚)	Beneficial owner[8]	44,432(L)	0.00%
Jennifer Ngar-Wing Yu (余雅頴)	Beneficial owner[9]	53,568(L)	0.00%

Notes:

1. The percentages are calculated on the basis of 6,597,581,772 Shares in issue as of December 31, 2022.

2. Includes Mr. Yui Yu's entitlement to receive up to 4,666,667 Shares pursuant to the exercise of options granted to him under the Pre-IPO ESOP, subject to the conditions (including vesting conditions) of those options; and up to 950,000 Shares pursuant to the vesting of the awards granted to him under the Post-IPO Share Award Scheme, subject to the conditions (including vesting conditions) of those awards.

3. Includes Mr. Richard Qiangdong Liu's entitlement to receive up to 66,124,471 Shares pursuant to the exercise of options granted to him under the Pre-IPO ESOP, subject to the conditions (including vesting conditions) of those options.

4. Jingdong Technology Group Corporation, which holds 4,192,271,100 Shares, is wholly-owned by JD.com. As of December 31, 2022, Mr. Liu is interested in approximately 73.9% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings, further details of which are set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

5. Includes Ms. Nora Gu Yi Wu's entitlement to receive up to 14,573 Shares pursuant to the vesting of the awards granted to her under the Post-IPO Share Award Scheme, subject to the vesting schedule and conditions of those awards.

6. Includes Mr. Liming Wang's entitlement to receive up to 14,573 Shares pursuant to the vesting of the awards granted to him under the Post-IPO Share Award Scheme, subject to the vesting schedule and conditions of those awards.

7. Includes Dr. Xiande Zhao's entitlement to receive up to 44,432 Shares pursuant to the vesting of the awards granted to him under the Post-IPO Share Award Scheme, subject to the vesting schedule and conditions of those awards.

8. Includes Mr. Yang Zhang's entitlement to receive up to 44,432 Shares pursuant to the vesting of the awards granted to him under the Post-IPO Share Award Scheme, subject to the vesting schedule and conditions of those awards.

9. Includes Ms. Jennifer Ngar-Wing Yu's entitlement to receive up to 53,568 Shares pursuant to the vesting of the awards granted to her under the Post-IPO Share Award Scheme, subject to the vesting schedule and conditions of those awards.

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

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 December 31, 2022.

The calculations in the table below are based on 3,143,016,923 ordinary shares of JD.com outstanding as of December 31, 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.

Director	Ordinary Shares Beneficially Owned* Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	% of Beneficial Ownership	% of Average Voting Power#
Richard Qiangdong Liu (劉強東)	32,174,550[(1)]	368,007,423[(1)]	400,181,973[(1)]	12.7[(1)]	73.9[(2)(3)]

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 9,200,000 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 December 31, 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 18,367,300 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 18,367,300 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 18,367,300 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.

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. fellow subsidiaries), as of December 31, 2022:

Name of Director	Associated corporation	Nature of Interest	Number of shares/ underlying shares	Interest in underlying shares of associated corporation
Yui Yu (余睿)	JD.com	Beneficial owner	777,000(L)[(1)]	0.03%
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)]	68.98%
Richard Qiangdong Liu (劉強東)	CNLP	Interest in controlled corporation	3,474,283,058(L)[(3)]	100.00%

Notes:

1. These interests comprise 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 (i) 2,149,253,732 shares of JD Health directly held by JD Jiankang Limited which is wholly owned by JD.com, (ii) 8,840,419 shares of JD Health directly held by Mr. Richard Qiangdong Liu, and (iii) Mr. Richard Qiangdong Liu's entitlement to receive up to 35,361,678 shares in JD Health pursuant to the exercise of options granted to him. As of December 31, 2022, Mr. Richard Qiangdong Liu is interested in approximately 73.9% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings.

3. These interests comprise 3,474,283,058 shares of CNLP directly held by JD Property which is owned as to 77.24% by JD.com as of December 31, 2022. As of December 31, 2022, Mr. Richard Qiangdong Liu is interested in approximately 73.9% of the voting rights in JD.com through shares capable of being exercised on resolutions in general meetings.

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

Save as disclosed above, as of December 31, 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 December 31, 2022, the persons other than the Directors, whose interests have been disclosed in this annual report, had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate % of holding[3]
Jingdong Technology Group Corporation[1]	Beneficial owner	4,192,271,100(L)	63.54
JD.com[1]	Interest in controlled corporation	4,192,271,100(L)	63.54
TCT (BVI) Limited[2]	Trustee	510,928,463(L)	7.74
The Core Trust Company Limited[2]	Trustee	510,928,463(L)	7.74

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 510,928,463 Shares on trust under certain share incentive scheme of the Company through Perfect Match Limited, Jungle Den Limited, Jazz Dream Limited and Mille Stelle Limited ("**Nominees**"). The Nominees are wholly-owned by TCT (BVI) Limited, which is in turn wholly-owned by The Core Trust Company Limited.

3. The percentages are calculated on the basis of 6,597,581,772 Shares in issue as of December 31, 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 December 31, 2022, no person, other than the Directors whose interests are set out in this annual report, had any interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Emolument Policy and Directors' Remuneration

In compliance with the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and senior management personnel are eligible participants of the Pre-IPO ESOP, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 13, Note 39 and Note 14, respectively, to the consolidated financial statements.

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

Share Incentive Schemes

The Company has three existing share incentive schemes, namely the Pre-IPO ESOP, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. From January 1, 2023, the Company will rely on the transitional arrangements provided for the existing share incentive schemes and will comply with the new Chapter 17 of the Listing Rules accordingly (effective from January 1, 2023).

40,188,106 new Shares, representing approximately 0.62% of the weighted average of issued share capital of the Company, were issued or may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme.

Further details and relevant breakdowns of each of the share incentive schemes of the Company are set out below:

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**"). The awards shall be granted in the form of options, restricted share awards and restricted share units (the "**Pre-IPO Awards**").

Maximum number of new Shares available for issue

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

No further Pre-IPO Awards would be granted under the Pre-IPO ESOP after the Listing.

Given that no further Pre-IPO Awards would be granted under the Pre-IPO ESOP, the outstanding number of options would be equivalent to the maximum number of new Shares available for issue under the Pre-IPO ESOP. As of the Latest Practicable Date, outstanding options representing 154,840,138 underlying Shares, being approximately 2.34% 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 30 to the consolidated financial statements.

Maximum entitlement for each participant

Under the Pre-IPO ESOP, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant but unvested.

Vesting period

The vesting criteria and conditions, and the vesting date are specified in the award agreement. Details of the vesting period of individual grants are stated in the table below.

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, any Pre-IPO Awards that are outstanding shall remain in force according to the terms of the Pre-IPO ESOP and the applicable award agreement.

Exercise price

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

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

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

Details of the outstanding options granted under the Pre-IPO ESOP (to be satisfied by existing Shares) for the year ended December 31, 2022 are as follows:

Name	Role	Date of grant	Vesting period[1]	Exercise price (USD per share)	Outstanding as of January 1. 2022	Exercised during the year	Cancelled/ forfeited during the year	Lapsed during the year	Outstanding as of December 31, 2022	Weighted average closing price of Shares immediately before the date of exercise during the year (HKD)
Directors										
Yui Yu (余睿)	Executive Director and chief executive officer	April 1, 2019 to March 1, 2021	0.8 to 6 years	0.01	5,650,000	983,333	–	–	4,666,667	25.73
Richard Qiangdong Liu (劉強東)	Non-executive Director and chairman of the Board	October 15, 2020	1 to 6 years	0.01	82,655,588	16,531,117	–	–	66,124,471	12.36
Five highest paid individuals during the Reporting Period in aggregate [2]		April 1, 2018 to April 1, 2021	0.8 to 6 years	0.01	4,058,335	80,000	–	–	3,978,335	13.68
Other grantees in aggregate		April 1, 2018 to April 1, 2021	0.5 to 10 years	0.01	107,732,150	5,861,709	15,149,848	–	86,720,593	17.69
Total					200,096,073	23,456,159	15,149,848	–	161,490,066	

Note:

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

2. The five highest paid individuals during the Reporting Period in aggregate did not include the Directors disclosed above.

Post-IPO Share Option Scheme

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

Purpose

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

Selected participants

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

Maximum number of Shares available for grant

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 must not exceed 30% of the Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

As of December 31, 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 over 8 years.

Option period

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

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

Vesting period

The vesting criteria and conditions, and the vesting date as determined by the Board or its delegate will be specified in the award agreement.

Consideration

A nominal consideration of RMB1.00 is payable upon acceptance of the grant of an option.

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 (as defined below) to make contributions to the long-term growth and profits of the Group.

Eligible participants

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

Award

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

Granting of Awards

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

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

Maximum number of Award Shares (which can be satisfied by new Shares or existing Shares) available for grant

The aggregate number of Award Shares granted and to be granted under 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 subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

As of January 1, 2022, 600,120,234 Award Shares were available for grant under the Post-IPO Share Award Scheme. During the Reporting Period, 41,570,538 Award Shares were granted to eligible participants pursuant to the Post-IPO Share Award Scheme. As of December 31, 2022, 562,707,495 Award Shares were available for grant under the Post-IPO Share Award Scheme.

Maximum number of new Shares available for issue

The total number of new Shares issued and may be issued pursuant to the Post-IPO Share Award Scheme will not exceed 609,160,767 Shares, representing 10% of the Company's issued share capital upon the Listing (the "**Scheme Mandate**").

As of January 1, 2022, 293,860,767 new Shares were available for issue under the Scheme Mandate. During the Reporting Period, 2,400,000 new Shares were issued pursuant to the Post-IPO Share Award Scheme. As of December 31, 2022 and the Latest Practicable Date, 291,460,767 new Shares and 285,860,767 new Shares (representing approximately 4.33% of the issued share capital of the Company as of the Latest Practicable Date) were available for issue under the Scheme Mandate, respectively.

Consideration and purchase price

Pursuant to the Post-IPO Share Award Scheme, there is no amount payable on application or acceptance of the Award and no purchase price of Shares awarded.

Maximum entitlement for each participant

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

Termination

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

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

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

Remaining life of the Post-IPO Share Award Scheme

The Post-IPO Share Award 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 Award Scheme is approximately over 8 years.

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 unvested Award Shares granted under the Post-IPO Share Award Scheme for the year ended December 31, 2022 (to be satisfied by new Shares) are as follows:

Name	Date of grant	Vesting period	Purchase price	Unvested Award Shares as of January 1, 2022	Granted during the year	Vested during the year	Cancelled/ forfeited during the year	Lapsed during the year	Unvested Award Shares as of December 31, 2022	Closing price of Shares immediately before the grant during the year (HKD)	Fair value of Award Shares at the date of grant during the year[1] (HKD)	Weighted average closing price of the Share immediately before the date of vesting during the year (HKD)
Employee Participants	July 1, 2021 to October 1, 2022	0.1 to 6 years	Nil	8,695,246	39,623,306	2,241,077	4,143,226	—	41,934,249	13.80 to 26.45	13.80 to 26.45	16.12
Related Entity Participants	April 1, 2022 to July 1, 2022	0.8 to 4 years	Nil	—	440,000	—	—	—	440,000	17.12 to 19.34	17.12 to 18.90	N/A
Service Providers	October 1, 2021 to October 1, 2022	1 to 4 years	Nil	279,710	124,800	26,302	—	—	378,208	13.80 to 19.34	13.80 to 18.90	13.80
Total				8,974,956	40,188,106	2,267,379	4,143,226	—	42,752,457			

Note:

1. The fair value of Award Shares granted during the year ended December 31, 2022 was determined based on the market value of the Shares at the respective grant dates.

Details of the unvested Award Shares granted under the Post-IPO Share Award Scheme for the year ended December 31, 2022 (to be satisfied by existing Shares) are as follows:

Name	Role	Date of grant	Vesting period	Purchase price	Unvested Award Shares as of January 1, 2022	Granted during the year	Vested during the year	Cancelled/ forfeited during the year	Lapsed during the year	Unvested Award Shares as of December 31, 2022	Closing price of Shares immediately before the grant during the year (HKD)	Fair value of Award Shares at the date of grant during the year[1] (HKD)	Weighted average closing price of the Share immediately before the date of vesting during the year (HKD)
Directors													
Yui Yu (余睿)	Executive Director and chief executive officer	July 1, 2022	0.8 to 3.8 years	Nil	–	950,000	–	–	–	950,000	17.12	17.12	N/A
Nora Gu Yi Wu (顧宜)	Independent non-executive Director	July 14, 2021	0.8 to 2.8 years	Nil	21,859	–	7,286	–	–	14,573	N/A	N/A	15.04
Liming Wang (王利明)	Independent non-executive Director	July 14, 2021	0.8 to 2.8 years	Nil	21,859	–	7,286	–	–	14,573	N/A	N/A	15.04
Yang Zhang (張揚)	Independent non-executive Director	July 1, 2022	0.8 to 2.8 years	Nil	–	44,432	–	–	–	44,432	17.12	17.12	N/A
Xiande Zhao (趙先德)	Independent non-executive Director	July 1, 2022	0.8 to 2.8 years	Nil	–	44,432	–	–	–	44,432	17.12	17.12	N/A
Jennifer Ngar-Wing Yu (余雅穎)	Independent non-executive Director	October 1, 2022	1 to 3 years	Nil	–	53,568	–	–	–	53,568	13.80	13.80	N/A
Other grantees in aggregate		July 14, 2021 to July 1, 2022	0.8 to 4 years	Nil	21,859	290,000	7,286	14,573	–	290,000	17.12 to 19.34	17.12 to 18.90	15.04
Total					65,577	1,382,432	21,858	14,573	–	1,411,578			

Note:

1. The fair value of Award Shares granted during the year ended December 31, 2022 was determined based on the market value of the Shares at the respective grant dates.

Our Connected Persons

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

JD.com and its associates

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

Continuing Connected Transactions

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

Continuing Connected Transactions	Proposed Annual Cap for 2022 (RMB'000)	Actual Transaction Amount in 2022 (RMB'000)
Supply Chain Solutions and Logistics Services Framework Agreement		
Transaction amount to be paid by JD Group and its associates to us	66,900,000	48,080,121
Advertising and Promotional Services Framework Agreement		
Transaction amount to be paid by JD Group and its associates to us	320,000	302,016
Property Leasing Framework Agreement		
Transaction amount to be paid by us to JD Group	2,300,000	1,222,274
Dada Delivery Services Framework Agreement		
Transaction amount to be paid by us to Dada Group	N/A	427,169
Payment Services Framework Agreement		
Transaction amount to be paid by us to JD Technology	140,000	124,861
Shared Services Framework Agreement		
Transaction amount to be paid by us to JD Group	3,600,000	2,160,302
JD Technology Shared Services Framework Agreement		
Transaction amount to be paid by us to JD Technology	600,000	369,840
Previous Contractual Arrangements	N/A	—
New Contractual Arrangements	N/A	—

Supply Chain Solutions and Logistics Services Framework Agreement

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

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

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

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

Advertising and Promotional Services Framework Agreement

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

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

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

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

Property Leasing Framework Agreement

Our Company entered into a property leasing framework agreement with JD.com on May 13, 2021 (the "**Property Leasing Framework Agreement**"), pursuant to which (i) we will lease properties owned by JD Group including warehouses, dormitories and cafeterias in logistics parks in return for rental fees; and (ii) JD Group will enter into short-term and long-term leases for warehouses on our behalf with third party property owners on a cost basis (the "**Agency Lease Arrangements**").

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

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

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

Dada Delivery Services Framework Agreement

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

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

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

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

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

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

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

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

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

Payment Services Framework Agreement

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

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

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

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

Shared Services Framework Agreement

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

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

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

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

JD Technology Shared Services Framework Agreement

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

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

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

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

Confirmation from Independent Non-executive Directors

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

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

(b) on normal commercial terms or better;

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

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

During the year ended December 31, 2022, save as disclosed in the section headed "Continuing Connected Transactions" of this annual report, no related party transactions disclosed in Note 39 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

Confirmations from the Auditor

Deloitte Touche Tohmatsu, the Auditor, has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended December 31, 2022:

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

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

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

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

A summary of all significant transactions with related parties (the "**Related Party Transactions**") entered into by the Group during the Reporting Period is contained in Note 39 to the consolidated financial statements. During the Reporting Period, other than the continuing connected transactions of the Group set out and recognized on page 54 which should be disclosed pursuant to the Listing Rules, no related party transactions disclosed in Note 39 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

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

Contractual Arrangements

As disclosed in the Prospectus and the announcement of the Company dated September 16, 2022 (the "**New Contractual Arrangements Announcement**"), the businesses operated by the Group include the provision of domestic express delivery of letters business in the PRC (the "**Relevant Business**"). Pursuant to applicable PRC laws and regulations, foreign investors are prohibited to conduct domestic express delivery of letters business. After consultation with our PRC Legal Adviser, the Group adopted the Previous Contractual Arrangements on January 25, 2021, which enabled the Group, through its wholly owned subsidiary, WFOE, to exercise control over Xi'an Jingdong and its subsidiaries that hold the relevant license required for carrying out such services and operating the aforementioned businesses and to consolidate its financial results into the Group's results. The Previous Contractual Arrangements are a series of contractual arrangements (i) between the WFOE and the Xi'an Jingdong and its shareholders, and (ii) between Jingdong Logistics Supply Chain and Guangdong Jingxi and its shareholders. The registered shareholders of Xi'an Jingdong at that time were Mr. Richard Qiangdong Liu as to 45%, Ms. Yayun Li as to 30% and Ms. Pang Zhang as to 25%; and the register shareholders of Guangdong Jingxi were Jian Cui as to 50% and Dingkai Yu as to 50%.

On September 16, 2022, for administration efficiency purpose (details of which were stated in the New Contractual Arrangements Announcement), Mr. Richard Qiangdong Liu entered into an equity transfer agreement, pursuant to which Mr. Richard Qiangdong Liu agreed to transfer 45% of the equity interests in Xi'an Jingdong to Mr. Qin Miao, the vice president of the JD Group (the "**Equity Transfer**"). Due to the change of one of its registered shareholders, Xi'an Jingdong, WFOE and the New Registered Shareholders entered into the New Xi'an Jingdong Contractual Arrangements with the Previous Xi'an Jingdong Contractual Arrangements being terminated simultaneously. Under the New Xi'an Jingdong Contractual Arrangements, the new registered shareholders of Xi'an Jingdong are Mr. Qin Miao as to 45%, Ms. Yayun Li as to 30% and Ms. Pang Zhang as to 25%. For the avoidance of doubt, there is no change in the Guangdong Jingxi Contractual Arrangements. Therefore, the New Contractual Arrangements consist of the New Xi'an Jingdong Contractual Arrangements and the Guangdong Jingxi Contractual Arrangements.

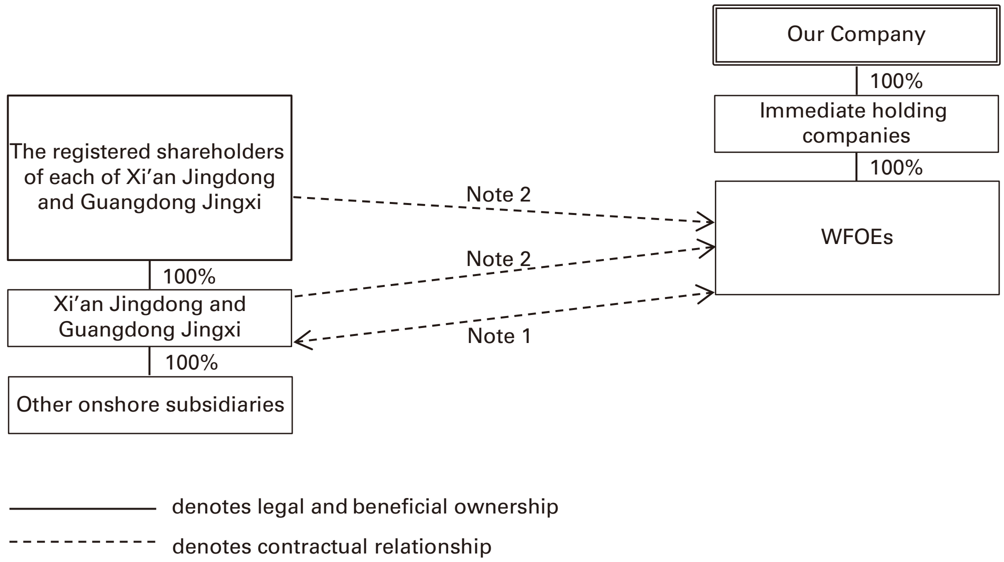
The New Xi'an Jingdong Contractual Arrangements, having their terms and conditions substantially the same as those of the Previous Xi'an Jingdong Contractual Arrangements, were cloned from the Previous Xi'an Jingdong Contractual Arrangements, except for changes to the dates of the relevant agreements and the parties to those agreements — where Mr. Richard Qiangdong Liu has been changed to Mr. Qin Miao as one of the New Registered Shareholders. Accordingly, Xi'an Jingdong will remain a consolidated affiliated entity of the Company and its financial results will continue to be accounted for and consolidated in the accounts of the Group.

The Contractual Arrangements allow the results of operations and assets and liabilities of the consolidated affiliated entities of the Company to be consolidated into our results of operations and assets and liabilities under IFRSs as if they were subsidiaries of our Group. Total revenue of the consolidated affiliated entities of the Company was RMB107.0 billion for the year ended December 31, 2022 (2021: RMB92.1 billion), and that amount has been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated.

Based on the above and as set out in the section headed "Contractual Arrangements" in the Prospectus and the New Contractual Arrangements Announcement, the Board believes that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements were/are only used to enable the Group to conduct businesses in industries that are subject to foreign investment restrictions and prohibitions in the PRC, and minimize the potential conflict with relevant PRC laws and regulations.

Further, the Board is of the view that (i) the Contractual Arrangements are fair and reasonable because: (a) the Contractual Arrangements were freely negotiated and entered into between the WFOE and the consolidated affiliated entities of the Company; (b) by entering into the exclusive business cooperation agreement (details of which are provided in the Prospectus) with the WFOE, the consolidated affiliated entities of the Company shall enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (c) a number of other companies use similar arrangements to accomplish the same purpose; (ii) the termination of the Previous Xi'an Jingdong Contractual Arrangements and the entering into of the New Xi'an Jingdong Contractual Arrangements are fundamental to the Group's legal structure and business operations, and (iii) the New Xi'an Jingdong Contractual Arrangements are entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board believes that the New Xi'an Jingdong Contractual Arrangements are fair and reasonable because the New Xi'an Jingdong Contractual Arrangements were reproduced from the Previous Xi'an Jingdong Contractual Arrangements.

The following simplified diagram illustrates the flow of economic benefits from the consolidated affiliated entities of the Company to our Company stipulated under the New Contractual Arrangements:



Notes:

1. The WFOE and Jingdong Logistics Supply Chain provides business support, technical and consulting services in exchange for service fees from the Xi'an Jingdong. Please refer to the paragraph headed "Contractual Arrangements — Our Contractual Arrangements — Exclusive Business Cooperation Agreement" in the Prospectus and "Exclusive Business Cooperation Agreement" in the New Contractual Arrangements Announcement.

2. The registered shareholders of Xi'an Jingdong, executed the exclusive option agreement in favor of the WFOE for the acquisition of all or part of the equity interests in and all or part of the assets in Xi'an Jingdong. Jian Cui and Dingkai Yu executed the exclusive option agreement in favor of Jingdong Logistics Supply Chain for the acquisition of all or part of the equity interests in and all or part of the assets in Guangdong Jingxi. Please refer to the paragraph headed "Contractual Arrangements — Our Contractual Arrangements — Exclusive Option Agreement" in the Prospectus and "Exclusive Option Agreement" in the New Contractual Arrangements Announcement.

   The registered shareholders executed shareholders' rights entrustment agreement and the powers of attorney in favor of the WFOE, for the exercise of all shareholders' rights in Xi'an Jingdong. Jian Cui and Dingkai Yu executed shareholders' rights entrustment agreement and the powers of attorney in favor of the Jingdong Logistics Supply Chain, for the exercise of all shareholders' rights in the Guangdong Jingxi. Please refer to the paragraph headed "Contractual Arrangements — Our Contractual Arrangements — Shareholders' Rights Entrustment Agreement and Powers of Attorney" in the Prospectus and "Shareholders' Rights Entrustment Agreement and Powers of Attorney" in the New Contractual Arrangements Announcement.

   The registered shareholders granted security interests in favor of the WFOE, over the entire equity interests in Xi'an Jingdong. Jian Cui and Dingkai Yu granted security interests in favor of Jingdong Logistics Supply Chain over the entire equity interests in Guangdong Jingxi. Please refer to the paragraph headed "Contractual Arrangements — Our Contractual Arrangements — Share Pledge Agreement" in the Prospectus and "Share Pledge Agreement" in the New Contractual Arrangements Announcement.

Risks relating to the Contractual Arrangements

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

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

- The Group relies on the contractual arrangements with the Company's consolidated affiliated entities and their shareholders for a portion of the Group's business operations, which may not be as effective as direct ownership in providing operational control.

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

- The shareholders of the Company's consolidated affiliated entities may have potential conflicts of interest with the Group, which may materially and adversely affect its business and financial condition.

- The Company may rely on dividends and other distributions on equity paid by the Company's PRC subsidiaries to fund any cash and financing requirements the Company may have, and any limitation on the ability of the Company's PRC subsidiaries to make payments to the Company could have a material and adverse effect on the Company's ability to conduct the its business.

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

- The contractual arrangements in relation to the Company's consolidated affiliated entities may be subject to scrutiny by the PRC tax authorities and they may determine that the Company or the Company's consolidated affiliated entities owe additional taxes, which could negatively affect the Group's financial condition and the value of the Shareholders' investment.

- The Group's current corporate structure and business operations may be affected by the Foreign Investment Law.

Our Group works closely with the shareholders of the Company's consolidated affiliated entities and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

Summary of the major terms of the Contractual Arrangements

The Contractual Arrangements which were in place during the Reporting Period and a description of the specific agreements that comprise the Contractual Arrangements is set out below:

Exclusive Business Cooperation Agreement

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

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

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

Guangdong Jingxi entered into an exclusive business cooperation agreement with Jingdong Logistics Supply Chain on January 25, 2021 which substantially mirrors the terms of Exclusive Business Cooperation Agreement set out above.

Due to the reasons as stated above, Xi'an Jingdong entered into an exclusive business operation agreement with WFOE on September 16, 2022, the terms of which substantially mirror the terms of the Exclusive Business Cooperation Agreement as set out above. Upon this new agreement taking effect, the Exclusive Business Cooperation Agreement was terminated simultaneously.

Exclusive Option Agreement

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

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

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

Guangdong Jingxi and Jian Cui and Dingkai Yu also entered into an exclusive option agreement with Jingdong Logistics Supply Chain dated January 25, 2021 which substantially mirrors the terms of Exclusive Option Agreement set out above.

Due to the reasons as stated above, Xi'an Jingdong and the New Registered Shareholders entered into an exclusive option agreement with WFOE on September 16, 2022, the terms of which substantially mirror the terms of the Exclusive Option Agreement as set out above. Upon this new agreement taking effect, the Exclusive Option Agreement was terminated simultaneously.

Loan Agreement

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

Pursuant to the loan agreement dated January 25, 2021 between Jingdong Logistics Supply Chain, Jian Cui and Dingkai Yu, Jingdong Logistics Supply Chain made loans in an aggregate amount of RMB5 million to Jian Cui and Dingkai Yu solely for the capitalization of Guangdong Jingxi — the terms of such loan agreement substantially mirror the terms of the Loan Agreement set out above.

Due to the reasons as stated above, Xi'an Jingdong and the New Registered Shareholders entered into a loan agreement with WFOE on September 16, 2022, the terms of which substantially mirror the terms of the Loan Agreement as set out above. Upon this new agreement taking effect, the Loan Agreement was terminated simultaneously.

Shareholders' Rights Entrustment Agreement and Powers of Attorney

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

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

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

Jingdong Logistics Supply Chain, Jian Cui, Dingkai Yu and Guangdong Jingxi also entered into a shareholder's rights entrustment agreement on January 25, 2021 which substantially mirror the terms of the Shareholders' Rights Entrustment Agreement set out above. Jian Cui and Dingkai Yu also executed irrevocable power of attorney on the same day which substantially mirror the terms of the Power of Attorney set out above.

Due to the reasons as stated above, the New Registered Shareholders and the WFOE entered into a shareholder's rights entrustment agreement on September 16, 2022, the terms of which substantially mirror the terms of the Shareholders' Rights Entrustment Agreement as set out above. Each of the New Registered Shareholders also executed irrevocable power of attorney on the same day, the terms of which substantially mirror the terms of the Power of Attorney set out above. Upon the respective said new agreements taking effect, the Shareholders' Rights Entrustment Agreement and the Power of Attorney were terminated simultaneously.

Share Pledge Agreement

Xi'an Jingdong, the Previous Registered Shareholders and the WFOE entered into a share pledge agreement on January 25, 2021 (the "**Share Pledge Agreement**"). Under the Share Pledge Agreement, the Previous Registered Shareholders will pledge as first charge all of their respective equity interests in Xi'an Jingdong to the WFOE as collateral security for any or all of their payments due to the WFOE and to secure performance of their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement, Shareholders' Rights Entrustment Agreement and the Powers of Attorney. The Share Pledge Agreement will not terminate until (i) all obligations of Xi'an Jingdong and the Previous Registered Shareholders are satisfied in full; (ii) the WFOE exercises its exclusive option to purchase the entire equity interests held by the Previous Registered Shareholders in Xi'an Jingdong and/or the entire assets of Xi'an Jingdong pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws; (iii) the WFOE exercises its unilateral and unconditional right of termination; or (iv) the Share Pledge Agreement is required to be terminated in accordance with applicable PRC laws. In addition, under the Exclusive Option Agreement, none of the Previous Registered Shareholders may transfer or permit the encumbrance of any of their equity interests in and the relevant assets of Xi'an Jingdong without the WFOE's prior written consent. Furthermore, under the Exclusive Business Cooperation Agreement, the WFOE is entitled to retain and exercise physical control of company seals and certificates that are crucial to the daily operations of Xi'an Jingdong, which further strengthens the protection of the WFOE's interests over Xi'an Jingdong under the Previous Xi'an Jingdong Contractual Arrangements. Should an event of default (as provided in the Share Pledge Agreement) occur, unless it is successfully resolved to the WFOE's satisfaction within 30 days upon being notified by the WFOE, the WFOE may demand that Xi'an Jingdong immediately pay all outstanding payments due under the Exclusive Business Cooperation Agreement, repay any loans and make all other payments due to it, and/or dispose of the pledged equity interests and use the proceeds to repay any outstanding payments due to the WFOE. The Previous Registered Shareholders have pledged their equity interests in Xi'an Jingdong to WFOE and have registered such pledges with the relevant PRC governmental authority pursuant to PRC laws and regulations.

Jingdong Logistics Supply Chain, Jian Cui, Dingkai Yu and Guangdong Jingxi also entered into a share pledge agreement on January 25, 2021 which substantially mirrors the terms of the Share Pledge Agreement set out above. Jian Cui and Dingkai Yu have pledged their equity interests in Guangdong Jingxi to Jingdong Logistics Supply Chain and registered such pledges with the relevant PRC governmental authority pursuant to PRC laws and regulations.

Xi'an Jingdong, the New Registered Shareholders and the WFOE also entered into a share pledge agreement on September 16, 2022, the terms of which substantially mirror the terms of the Share Pledge Agreement set out above. The New Registered Shareholders have pledged their equity interests in Xi'an Jingdong to the WFOE and registered such pledges with the relevant PRC governmental authority pursuant to PRC laws and regulations. Upon the new agreement taking effect, the Share Pledge Agreement was terminated simultaneously.

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

All of the Contractual Arrangements are subject to the restrictions as set out on pages 196 to 198 of the Prospectus. Save for the Equity Transfer as disclosed in the New Contractual Arrangements Announcement and in this annual report, during the Reporting Period, there was no material change in the Contractual Arrangements and/or the circumstances under which the Contractual Arrangements were adopted. During the Reporting Period, the regulatory restrictions that led to the adoptions of the Contractual Arrangements were not removed and hence, none of the Contractual Arrangements had been unwound as a result thereof.

Listing Rule Implications and waiver from the Stock Exchange and annual review

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules as the Previous Registered Shareholders and the New Registered Shareholders were/are considered as connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

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

b) no change without independent Shareholders' approval;

c) the Previous Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the consolidated affiliated entities of the Company;

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

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

As disclosed in the Prospectus, the Previous Contractual Arrangements may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new operating company engaging in the same business as that of the Group, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Previous Contractual Arrangements.

Since the New Xi'an Jingdong Contractual Arrangements is a reproduction of the Previous Xi'an Jingdong Contractual Arrangements as stipulated under the IPO Waiver, the Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that the transactions contemplated under the New Contractual Arrangements would continue to fall within the scope of the IPO Waiver and are exempt from (i) independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the New Contractual Arrangements; (ii) the requirement of setting an annual cap for the transactions under the New Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the New Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange, subject to compliance with the same conditions of the IPO Waiver.

Confirmation from independent non-executive Directors

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during the year ended December 31, 2022 have been entered into in accordance with the relevant provisions of the relevant Contractual Arrangements, (ii) no dividends or other distributions have been made by the consolidated affiliated entities of the Company to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended December 31, 2022, (iii) save for the New Contractual Arrangements as disclosed in the New Contractual Arrangements Announcement and this annual report, no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities of the Company during the year ended December 31, 2022, and (iv) both the Contractual Arrangements (the Previous Contractual Arrangements being effective up to September 16, 2022 and the New Contractual Arrangements taking effect since September 16, 2022) were entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the relevant agreement governing the Contractual Arrangements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Auditor

The Auditor has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended December 31, 2022:

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

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

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

Pre-emptive Rights

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

Tax Relief and Exemption

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

Auditor

The consolidated financial statements of the Group for the year ended December 31, 2022 have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the upcoming annual general meeting.

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 annual report, during the year ended December 31, 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any other securities of the Company listed on the Hong Kong Stock Exchange.

Public Float

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

Important Events After Reporting Date

Save as disclosed above and in this annual report, there were no other important events affecting the Company which occurred after December 31, 2022 and up to the Latest Practicable Date.

By the order of the Board
Richard Qiangdong Liu
Chairman

Hong Kong, March 9, 2023

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended December 31, 2022.

Corporate Governance Practices

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

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

Directors' Securities Transactions

The Company has devised its own codes 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 Reporting Period.

Board of Directors

Board Composition

During the Reporting Period and up to the Latest Practicable Date, our Board comprises the following:

Name of Director	Membership of Board Committee(s)
Executive Directors:	
Yui Yu (余睿) *(Chief Executive Officer)*	
Yanlei Chen (陳岩磊)[1]	
Jun Fan (樊軍)[2]	
Non-executive Directors:	
Richard Qiangdong Liu (劉強東) *(Chairman)*	Chairperson of the Nomination Committee
Sandy Ran Xu (許冉)[3]	Member of the Audit Committee
Pang Zhang (張雱)[4]	Member of the Remuneration Committee
Independent Non-executive Directors:	
Nora Gu Yi Wu (顧宜)	Chairperson of the Audit Committee
	Member of the Remuneration Committee
Liming Wang (王利明)	Chairperson of the Remuneration Committee
	Member of the Nomination Committee
Carol Yun Yau Li (李恩祐)[5]	Member of the Audit Committee
	Member of the Nomination Committee
Xiande Zhao (趙先德)[6]	Member of the Audit Committee
	Member of the Remuneration Committee
Yang Zhang (張揚)[7]	
Jennifer Ngar-Wing Yu (余雅穎)[8]	Member of the Audit Committee
	Member of the Nomination Committee

Notes:

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

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

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

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

5. Ms. Carol Yun Yau Li resigned as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee with effect from September 29, 2022.

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

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

8. Ms. Jennifer Ngar-Wing Yu has been appointed as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee with effect from September 29, 2022.

The biographical information of the Directors are disclosed under the section headed "Directors and Senior Management" on pages 24 to 28 of this annual report.

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

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

During the Reporting Period, the Board has at all times met the requirements of Rule 3.10(1) and (2) the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

Terms of Appointment of Non-executive Directors

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

During the year ended December 31, 2022, the key methods of attaining continuous professional development by each of the Directors are recognized as follows:

Name of Director	Participated in continuous professional training[(1)]
Executive Directors	
Yui Yu (余睿)	√
Yanlei Chen (陳岩磊)[(2)]	—
Jun Fan (樊軍)[(3)]	—
Non-executive Directors	
Richard Qiangdong Liu (劉強東)	√
Sandy Ran Xu (許冉)[(4)]	—
Pang Zhang (張雱)[(5)]	—
Independent Non-executive Directors	
Nora Gu Yi Wu (顧宜)	√
Liming Wang (王利明)	√
Carol Yun Yau Li (李恩祐)[(6)]	√
Xiande Zhao (趙先德)[(7)]	√
Yang Zhang (張揚)[(8)]	√
Jennifer Ngar-Wing Yu (余雅頴)[(9)]	√

Notes:

1. Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.
2. Mr. Yanlei Chen resigned as an executive Director with effect from April 7, 2022.
3. Mr. Jun Fan resigned as an executive Director with effect from April 7, 2022.
4. Ms. Sandy Ran Xu resigned as a non-executive Director with effect from April 7, 2022.
5. Ms. Pang Zhang resigned as a non-executive Director with effect from April 7, 2022.
6. Ms. Carol Yun Yau Li resigned as an independent non-executive Director with effect from September 29, 2022.
7. Dr. Xiande Zhao has been appointed as an independent non-executive Director with effect from April 7, 2022.
8. Mr. Yang Zhang has been appointed as an independent non-executive Director with effect from April 7, 2022.
9. Ms. Jennifer Ngar-Wing Yu has been appointed as an independent non-executive Director with effect from September 29, 2022.

Board Meetings, Committee Meetings and General Meetings

Code provision C.5.1 of the CG Code stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. Six Board meetings were held during the Reporting Period.

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

Three general meetings were held during the Reporting Period.

Attendance Records of Directors

During the Reporting Period, the attendance record of each Director at Board meetings, committee meetings and general meetings is detailed in the table below.

	Attendance/No. of Meeting(s)				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Yui Yu (余睿)	6/6	—	—	—	3/3
Yanlei Chen (陳岩磊)[1]	1/2	—	—	—	—
Jun Fan (樊軍)[2]	1/2	—	—	—	—
Richard Qiangdong Liu (劉強東)	5/6	—	—	1/1	—
Sandy Ran Xu (許冉)[3]	2/2	1/1	—	—	—
Pang Zhang (張雱)[4]	2/2	—	1/1	—	—
Nora Gu Yi Wu (顧宜)	6/6	5/5	1/1	—	2/3
Liming Wang (王利明)	5/6	—	1/1	1/1	1/3
Carol Yun Yau Li (李恩祐)[5]	4/4	3/3	—	1/1	2/3
Xiande Zhao (趙先德)[6]	3/4	3/4	—	—	1/3
Yang Zhang (張揚)[7]	4/4	—	—	—	—
Jennifer Ngar-Wing Yu (余雅頴)[8]	1/1	2/2	—	—	—

Notes:

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

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

3. Ms. Sandy Ran Xu resigned as a non-executive Director with effect from April 7, 2022.

4. Ms. Pang Zhang resigned as a non-executive Director with effect from April 7, 2022.

5. Ms. Carol Yun Yau Li resigned as an independent non-executive Director with effect from September 29, 2022.

6. Dr. Xiande Zhao has been appointed as an independent non-executive Director with effect from April 7, 2022.

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

8. Ms. Jennifer Ngar-Wing Yu has been appointed as an independent non-executive Director with effect from September 29, 2022.

Board Committees

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

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

As of the Latest Practicable Date, the Audit Committee comprises three members, namely Nora Gu Yi Wu (顧宜), Xiande Zhao (趙先德) and Jennifer Ngar-Wing Yu (余雅潁), all of whom are independent non-executive Directors, with Nora Gu Yi Wu (顧宜) (with the appropriate professional qualifications) as the chairperson of the Audit Committee. During the Reporting Period, the changes in the composition of the Audit Committee included: (i) Sandy Ran Xu (許冉) resigned from, and Xiande Zhao (趙先德) was appointed to, the Audit Committee on April 7, 2022; and (ii) Carol Yun Yau Li (李恩祐) resigned from, and Jennifer Ngar-Wing Yu (余雅潁) was appointed to, the Audit Committee on September 29, 2022.

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

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

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

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

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

Remuneration Committee

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

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

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

The primary functions of the Remuneration Committee include:

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

The Remuneration Committee held one meeting during the Reporting Period. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- reviewed and made recommendations to the Board regarding the policy and structure for the remuneration of the Directors and senior management;
- reviewed and made recommendations to the Board regarding the remuneration of the Directors and senior management;
- reviewed and made recommendations to the Board regarding the remuneration of the new Directors; and
- reviewed and made recommendations to the Board regarding the grant of share awards to the Directors and senior management under the Post-IPO Share Award Scheme. While considering the grant of share awards, the Remuneration Committee had evaluated, among other things, the value of the grantee's position and his/her contributions. After considering those factors, the Remuneration Committee recommended the proposed grant of share awards to the grantee to the Board for approval to appreciate the grantees' devotion and commitment to the Company which align with the purpose of the Post-IPO Share Award Scheme.

Details of the fees and other emoluments paid or payable to the Directors for the year ended December 31, 2022 are set out in Note 13 to the audited consolidated financial statements contained in this annual report.

Directors' Remuneration Policy

The remuneration of Directors comprises an annual directors' fee and may also be entitled to options and/or awards under the rules of the share option scheme or share award scheme adopted by the Company from time to time. Such remuneration is determined and recommended by the Remuneration Committee with reference to the respective Directors' duties and responsibilities with the Company, the Company's remuneration policy (as disclosed in this annual report) and the prevailing market conditions.

The remuneration of the members of senior management by band for the year ended December 31, 2022 is set out below:

	Number of members of senior management
Nil to RMB50,000,000	3

Nomination Committee

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

As of the Latest Practicable Date, the Nomination Committee comprises three members, namely Richard Qiangdong Liu (劉強東), Liming Wang (王利明) and Jennifer Ngar-Wing Yu (余雅頴). Richard Qiangdong Liu (劉強東) is a non-executive Director, and Liming Wang (王利明) and Jennifer Ngar-Wing Yu (余雅頴) are independent non-executive Directors. Richard Qiangdong Liu (劉強東) is the chairperson of the Nomination Committee. During the Reporting Period, the change in the composition of the Nomination Committee included Carol Yun Yau Li (李恩祐) resigned from, and Jennifer Ngar-Wing Yu (余雅頴) was appointed to, the Nomination Committee on September 29, 2022.

The principal duties of the Nomination Committee include:

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

The Nomination Committee held one meeting during the Reporting Period. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- reviewed the Board structure, size, composition and board diversity (including skills, knowledge and experience etc.);
- reviewed the effectiveness of the related Board Diversity Policy and the Directors' Nomination Policy;
- reviewed the independence of independent non-executive directors;
- reviewed and considered the retirement and re-nomination of Directors for re-election at the forthcoming annual general meeting of the Company; and
- reviewed and made recommendations to the Board regarding the appointment of new Director.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talents. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Also, diversity will not be considered to be achieved for a single gender Board.

Pursuant to the Board Diversity Policy, the Company has set the following measurable objectives:

- the Company aims to maintain an appropriate balance of skills, experience and diversity of perspectives on the Board that are relevant to the Company's business growth. The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered; and

- the Nomination Committee will discuss periodically and, where appropriate, agree on measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

During the Reporting Period, the Board has reviewed and considered the implementation of the Board Diversity Policy to be effective. The Board Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors from a diversed age group with experience from different industries and sectors. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, e-commerce, engineering, finance, law and computer science. They obtained degrees in various areas including business administration, economics, law, computer science and technology. As at December 31, 2022, the Board comprises seven Directors, two of which are females. The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender diversity. The Board is characterised by significant diversity in terms of gender, age, education background and professional experience.

Director Nomination Policy

In accordance with mandatory disclosure requirement E(d)(iii) of the CG Code, the Company has adopted a director nomination policy for election of directors (the "**Director Nomination Policy**") on May 10, 2021.

The Director Nomination Policy sets out the criteria and procedure in the nomination and appointment of Directors, and the succession planning (the "**Succession Planning**") for Directors so as to ensure the Board could maintain a balance of skills, experience and diversity of perspectives appropriate to the Company. The Board believes that the defined selection process is good for corporate governance in ensuring the Board's continuity and appropriate leadership at Board level, and enhancing Board effectiveness and diversity.

According to the Director Nomination Policy:

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

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

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

- the Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and Succession Planning for Directors.

The following considerations will be used by the Nomination Committee in making recommendations for Succession Planning:

- required knowledge, skills and experience to effectively fulfil the Board's legal role and responsibilities;
- diversity of the Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- personal qualities of each candidate with reference to but not limited to the considerations listed in the Director Nomination Policy;
- continuity of the Board through a smooth succession of Directors; and
- compliance with the relevant legal and regulatory requirements.

The above considerations are for reference only, and are not meant to be exhaustive or decisive. The Nomination Committee will review Succession Planning with the Board periodically and recommend revisions, if any, to the Board for consideration and approval.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

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

Board Independence Policy

The Company recognizes that Board independence is key to good corporate governance. As part of the established governance framework, the Group has adopted the Policy on Obtaining Independent Views and Inputs (the "**Board Independence Policy**") in November 2022, which demonstrates the Company's commitment to high standards of corporate governance, and making good governance integral to the Company's culture.

According to the Board Independence Policy, the Board, Board committees or individual Directors may seek such independent professional advice, views and input as considered necessary to fulfil their responsibilities and in exercising independent judgement when making decisions in furtherance of their Directors' duties at the Company's expense (the "**Mechanism**"). Independent professional advice shall include legal advice and advice of accountants and other professional financial advisers on matters of law, accounting, tax and other regulatory matters.

In the event that independent professional advice, views and input are considered necessary, the Board, Board committees or individual Directors shall communicate with the company secretary to start the Mechanism, providing background and details of the relevant incidents and/ or transactions, and the issues involved which would require independent views and input. They may direct any questions, queries, concerns or specific advice to be sought to the company secretary who will then contact the Company's professional advisers (including legal advisers, accountants, independent auditor, internal control advisers) or other independent professional parties to obtain such independent professional advice within a reasonable period of time. Any advice obtained through the Mechanism shall be duly documented and made available to other members of the Board.

Despite having obtained any information or advice from the chairman of the Board and/or any independent professional advisers through the Mechanism, the Directors are expected to exercise independent judgement in forming their decisions.

During the Reporting Period, the Board has reviewed and considered the implementation of the Board Independence Policy and the Mechanism to be effective.

Other Governance Policies

During the Reporting Period, the Board has reviewed the compliance status of the Group with respect to the CG Code as well as other corporate governance topics including the Group's policies and practices on compliance with legal and regulatory requirements, and ensured that any deviation from the CG Code was properly explained and disclosed in this annual report.

During the Reporting Period, the Board has also reviewed certain corporate governance policies and system, and in accordance with code provision D.2.6 and D.2.7 of the CG Code, the Company adopted the anti-corruption and whistleblowing policy (the "**Anti-corruption and Whistleblowing Policy**") in December 2022, which outlines the principles and guidelines that the Company intends to apply to promote and support anti-corruption laws and regulations and establishes a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence and anonymity with the related department of the Company, which will then report to the Audit Committee about any material improprieties related to the Company. These policies are reviewed from time to time to ensure their relevance and appropriateness to the Group's business, corporate strategy and stakeholder expectations.

Workforce Diversity

As of December 31, 2022, the gender diversity of the Group was approximately 18.0%, representing 70,298 females out of 390,029 employees (including senior management). With a strong focus on promoting gender diversity in the workforce, the Group continues to increase the number of female employees. To support the achievement of these targets, specific initiatives have been implemented, including a review of the recruitment process, with job descriptions and postings amended to motivate a broader applicant pool, as well as changes to applicant screening and interviews. In addition, to support diversity across all facets, the Group is enhancing diversity and inclusion efforts through employee networks, mentoring programmes, equitable hiring practices, policies and awareness raising events and training for all employees to support inclusive behaviours.

Directors' Responsibility in Respect of the Consolidated Financial Statements

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

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

The statement of the independent auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 92 to 95 of this annual report.

Dividend Policy

In accordance with code provision F.1.1 of the CG Code, the Company adopted a dividend policy (the "**Dividend Policy**") on May 10, 2021, which outlines the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders.

According to the Dividend Policy:

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

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

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

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

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

Risk Management and Internal Control

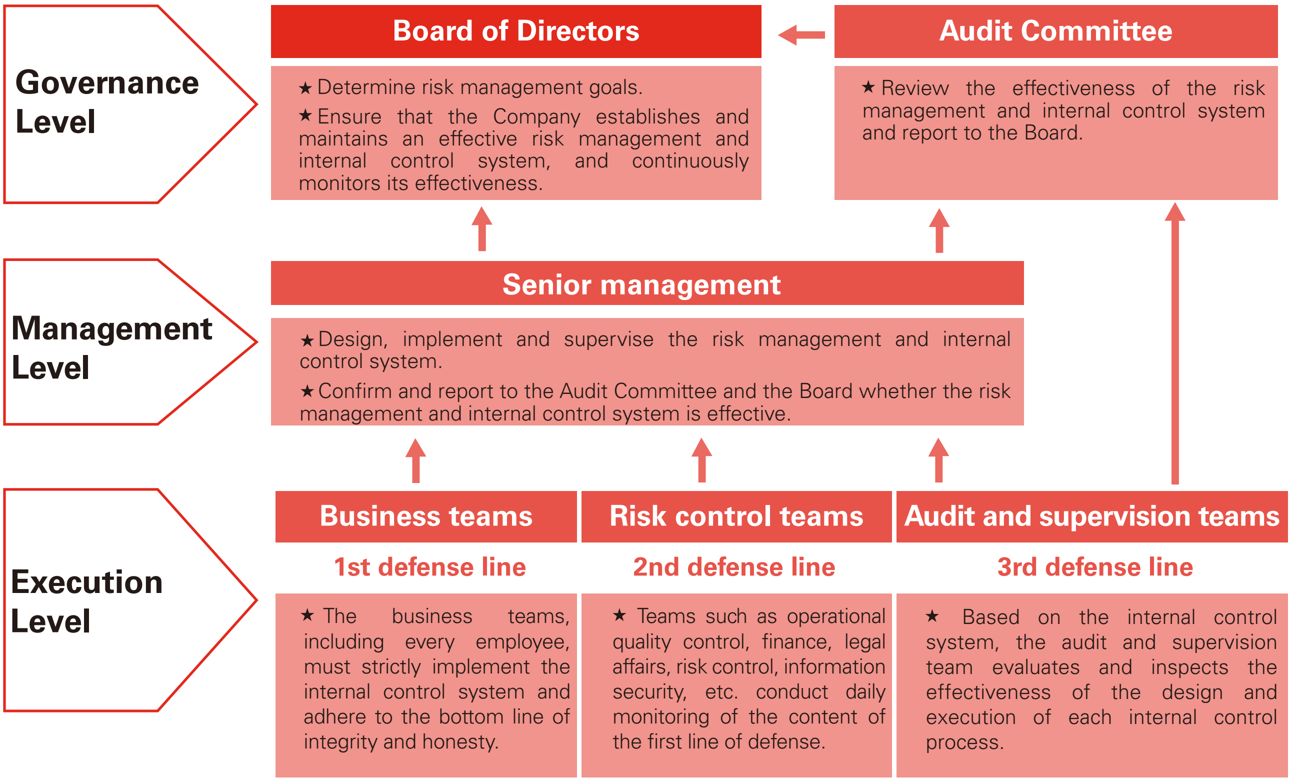
Risk management is one of the core competitive competencies of the Company's business. We are committed to achieving a consistent standard of strict and effective risk management and internal control to promote the efficiency of the organization's operations, reduce the risk of asset loss, and assure,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

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

The Board has completed the review of the effectiveness of the Group's risk management and internal control system and believes that for the year ended December 31, 2022, (a) the Group has adequate and effective internal audit functions to continuously monitor the success of its risk management and internal control system; and (b) the Group's risk management and internal control system is effective.

Organization Chart for Risk Management and Internal Control

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



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

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

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

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

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

Risk Management Procedures

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

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

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

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

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

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

Dealings with and Disseminating Inside Information

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

Auditor's Remuneration

Set out below is a breakdown of the remuneration paid/payable to the Auditor, Deloitte Touche Tohmatsu, in respect of the audit services and the non-audit services for the year ended December 31, 2022. The audit services conducted by the Auditor mainly include audit and review services for the Group. Non-audit services mainly include relevant services provided by the Auditor in connection with the acquisition of Deppon Holdco and internal control training services.

Service Category	Fees Paid/Payable RMB'000
Audit services	22,210
Non-audit services	2,694
	24,904

Company Secretary

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

Mr. Chiu's primary contact person at the Company is Su Shan (單甦), the chief financial officer of the Company. During the year ended December 31, 2022, Mr. Chiu has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

Changes in Constitutional Documents

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

Shareholders' Rights

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

Convening an Extraordinary General Meeting by Shareholders

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

Putting Forward Proposals at General Meetings

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

Address: 8th Floor, Building B,
No. 20 Kechuang 11 Street,
Yizhuang Economic and Technological Development Zone,
Daxing District,
Beijing 101111, People's Republic of China
(For the attention of the Board of Directors/Company Secretary)

Email: jdlir@jd.com

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

Communication with Shareholders and Investor Relations

Shareholders' Communication Policy

The Company considers effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company adopted a shareholders' communication policy (the "**Shareholders' Communication Policy**") on May 10, 2021, which aims to set out the approach of the Board to provide Shareholders of the Company and other stakeholders (including potential investors) with balanced and understandable information about the Company.

In accordance with the Shareholders' Communication Policy, the Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. Directors (or their delegates as appropriate), appropriate management executives and external auditor will use all reasonable endeavours to attend annual general meetings and answer enquiries from Shareholders.

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

As the information of the Company be disseminated in a timely and effective manner, the Company has reviewed and considered the implementation of the Shareholders' Communication Policy to be effective during the Reporting Period.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of JD Logistics, Inc. (the "**Company**") and its subsidiaries and consolidated affiliated entities (collectively referred to as the "**Group**") set out on pages 96 to 218, which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 9, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended December 31,	
	Notes	**2022**	2021
		RMB'000	RMB'000
Revenue	6	**137,402,008**	104,693,402
Cost of revenue		**(127,302,371)**	(98,909,326)
Gross profit		**10,099,637**	5,784,076
Selling and marketing expenses		**(4,062,150)**	(3,078,384)
Research and development expenses		**(3,122,863)**	(2,813,342)
General and administrative expenses		**(3,157,073)**	(2,867,201)
Other income, gains/(losses), net	7	**8,404**	896,153
Finance income	8	**616,846**	233,628
Finance costs	9	**(893,323)**	(718,853)
Fair value changes of convertible redeemable preferred shares		**–**	(12,843,803)
Impairment losses under expected credit loss model, net of reversal	10	**(290,622)**	(155,863)
Share of results of associates and joint ventures		**(13,036)**	(36,769)
Loss before income tax	12	**(814,180)**	(15,600,358)
Income tax expense	11	**(276,114)**	(60,374)
Loss for the year		**(1,090,294)**	(15,660,732)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(1,396,834)**	(15,841,960)
Non-controlling interests	29	**306,540**	181,228
		(1,090,294)	(15,660,732)
		RMB	RMB
Loss per share			
Basic and diluted loss per share	15	**(0.23)**	(3.19)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Loss for the year	**(1,090,294)**	(15,660,732)
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss:		
Fair value on equity instruments at fair value through other comprehensive income	**(101,462)**	—
Exchange differences on translation from functional currency to presentation currency	**1,811,564**	485,374
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**690,371**	(100,692)
Share of other comprehensive income of associates, net of related income tax	**4**	514
Other comprehensive income for the year	**2,400,477**	385,196
Total comprehensive income/(loss) for the year	**1,310,183**	(15,275,536)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**1,032,123**	(15,456,764)
Non-controlling interests	**278,060**	181,228
	1,310,183	(15,275,536)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of December 31, 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property and equipment	16	**14,988,598**	8,875,146
Right-of-use assets	17	**17,454,348**	14,699,396
Investment properties	18	**92,291**	—
Goodwill	19	**6,849,216**	1,499,142
Other intangible assets	20	**4,434,626**	2,458,116
Interests in associates	21	**280,282**	140,445
Interests in joint ventures	22	**17,645**	15,266
Financial assets at fair value through profit or loss	23	**1,636,474**	1,527,296
Equity instruments at fair value through other comprehensive income	24	**834,224**	—
Deferred tax assets	38	**150,455**	87,788
Prepayments, other receivables and other assets	26	**2,354,955**	2,091,606
Total non-current assets		**49,093,114**	31,394,201
Current assets			
Inventories		**647,445**	683,168
Trade receivables	25	**14,935,066**	12,164,028
Contract assets		**301,359**	113,685
Prepayments, other receivables and other assets	26	**6,054,860**	3,519,000
Financial assets at fair value through profit or loss	23	**1,271,454**	2,577,978
Term deposits	27	**12,660,868**	8,412,913
Restricted cash	27	**237,753**	7,316
Cash and cash equivalents	27	**21,495,352**	17,922,779
Total current assets		**57,604,157**	45,400,867
Total assets		**106,697,271**	76,795,068
EQUITY AND LIABILITIES			
Equity			
Share capital	28	**1,039**	971
Treasury shares		**(70)**	(74)
Reserves		**72,890,641**	62,298,093
Accumulated losses		**(26,310,910)**	(24,360,894)
Equity attributable to owners of the Company		**46,580,700**	37,938,096
Non-controlling interests	29	**6,627,861**	2,451,037
Total equity		**53,208,561**	40,389,133

	Notes	As of December 31, 2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	34	**5,108,162**	—
Lease liabilities	35	**10,502,864**	9,409,162
Equity instruments with preference rights	37	**—**	631,014
Deferred tax liabilities	38	**1,596,883**	720,178
Other non-current liabilities		**2,034,574**	1,100,000
Total non-current liabilities		**19,242,483**	11,860,354
Current liabilities			
Trade payables	32	**9,099,869**	6,772,692
Contract liabilities		**192,788**	125,638
Accrued expenses and other payables	33	**16,091,369**	11,044,538
Advances from customers		**222,242**	723,009
Borrowings	34	**1,300,602**	—
Lease liabilities	35	**6,862,661**	5,763,509
Derivative financial instruments	36	**30,064**	—
Payables to interest holders of consolidated investment funds		**41,164**	46,145
Tax liabilities		**405,468**	70,050
Total current liabilities		**34,246,227**	24,545,581
Total liabilities		**53,488,710**	36,405,935
Total equity and liabilities		**106,697,271**	76,795,068

The consolidated financial statements on pages 96 to 218 were approved and authorized for issue by the board of directors on March 9, 2023 and are signed on its behalf by:

Mr. Yui Yu
Director

Mr. Richard Qiangdong Liu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company								
	Notes	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Contribution reserve RMB'000	Other reserves[1] RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As of January 1, 2022		**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 year		–	–	–	–	–	(1,396,834)	(1,396,834)	306,540	(1,090,294)
Other comprehensive income/(loss) for the year		–	–	–	–	2,428,957	–	2,428,957	(28,480)	2,400,477
Total comprehensive income/(loss) for the year		–	–	–	–	2,428,957	(1,396,834)	1,032,123	278,060	1,310,183
Issuance of ordinary shares, net of issuance costs	28	68	–	6,924,080	–	–	–	6,924,148	–	6,924,148
Issuance of ordinary shares to Share Scheme Trusts	28	*	*	–	–	–	–	–	–	–
Share-based payments, surplus of tax effects	30	–	–	–	–	1,232,245	–	1,232,245	26,529	1,258,774
Repurchase of share options		–	–	–	–	(1,631)	–	(1,631)	–	(1,631)
Exercise of share options and vesting of RSUs	28	–	4	447,401	–	(445,772)	–	1,633	–	1,633
Acquisition of a non-wholly owned subsidiary	47	–	–	–	–	–	–	–	4,712,389	4,712,389
Acquisition of partial interests of subsidiaries	29	–	–	–	–	(3,524)	–	(3,524)	(840,154)	(843,678)
Put option arising on acquisition	47	–	–	–	–	(541,386)	–	(541,386)	–	(541,386)
Disposal of a subsidiary under common control	46	–	–	–	–	(1,004)	–	(1,004)	–	(1,004)
Disposal of investments in equity instruments at fair value through other comprehensive income		–	–	–	–	20,590	(20,590)	–	–	–
Appropriation to statutory reserves		–	–	–	–	532,592	(532,592)	–	–	–
As of December 31, 2022		**1,039**	**(70)**	**66,850,140**	**(2,851,784)**	**8,892,285**	**(26,310,910)**	**46,580,700**	**6,627,861**	**53,208,561**

	Notes	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Contribution reserve RMB'000	Other reserves[1] RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company								
As of January 1, 2021		611	—	1,615,550	(2,851,784)	4,604,967	(8,511,016)	(5,141,672)	2,248,040	(2,893,632)
(Loss)/profit for the year		—	—	—	—	—	(15,841,960)	(15,841,960)	181,228	(15,660,732)
Other comprehensive income for the year		—	—	—	—	385,196	—	385,196	—	385,196
Total comprehensive income/(loss) for the year		—	—	—	—	385,196	(15,841,960)	(15,456,764)	181,228	(15,275,536)
Issuance of ordinary shares relating to initial public offering, net of issuance costs	28	112	—	23,010,686	—	—	—	23,010,798	—	23,010,798
Conversion of convertible redeemable preferred shares to ordinary shares upon the initial public offering	28	164	—	34,100,675	—	—	—	34,100,839	—	34,100,839
Issuance of ordinary shares to Share Scheme Trusts	28	84	(84)	—	—	—	—	—	—	—
Share-based payments, surplus of tax effects	30	—	—	—	—	1,425,450	—	1,425,450	21,769	1,447,219
Repurchase of share options		—	—	—	—	(4,675)	—	(4,675)	—	(4,675)
Exercise of share options	28	—	10	751,748	—	(747,638)	—	4,120	—	4,120
Appropriation to statutory reserves		—	—	—	—	7,918	(7,918)	—	—	—
As of December 31, 2021		971	(74)	59,478,659	(2,851,784)	5,671,218	(24,360,894)	37,938,096	2,451,037	40,389,133

* Less than RMB1,000.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended December 31, 2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	42	**12,958,264**	6,061,935
Interest received		**482,215**	231,915
Income tax paid		**(126,255)**	(86,513)
Net cash generated from operating activities		**13,314,224**	6,207,337
INVESTING ACTIVITIES			
Placement of restricted cash		**(143,161)**	(6,441)
Withdrawal of restricted cash		**26,281**	60,857
Placement of term deposits		**(12,574,662)**	(11,910,213)
Maturity of term deposits		**9,102,459**	6,771,114
Payment for financial assets at fair value through profit or loss		**(2,766,746)**	(16,823,843)
Maturity of financial assets at fair value through profit or loss		**5,505,355**	15,007,395
Proceeds from disposal of financial assets at fair value through profit or loss		**111,170**	5,757
Proceeds from disposal of equity instruments at fair value through other comprehensive income		**338,239**	—
Proceeds from disposal of investment in associates		**65,487**	45,042
Payment for interests in joint ventures		**—**	(13,500)
Proceeds from settlement of loan to a related party		**—**	35,000
Dividends received from equity investments		**11,287**	—
Net cash outflow on acquisition of a non-wholly owned subsidiary	47	**(7,710,937)**	—
Net cash outflow on disposal of a subsidiary	46	**(1,324)**	—
Purchases of property and equipment		**(4,833,356)**	(4,152,475)
Proceeds from disposal of property and equipment		**157,743**	78,824
Purchases of other intangible assets		**(13,027)**	(14,851)
Payments for right-of-use assets		**(159,344)**	(73,277)
Payments for rental deposits		**(222,882)**	(131,824)
Net cash used in investing activities		**(13,107,418)**	(11,122,435)

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES			
Net proceeds from issuance of ordinary shares		**6,924,148**	23,010,798
Proceeds from borrowings		**9,484,250**	570,000
Repayment of borrowings		**(6,558,271)**	(670,000)
Repurchase of share options		**(3,263)**	(5,597)
Principal portion of lease payments		**(6,151,556)**	(5,010,778)
Interest paid		**(873,301)**	(669,723)
Payment to JD Group		**—**	(565,328)
Acquisition of partial interests of subsidiaries		**(1,491,009)**	—
Proceeds from partial disposal of a subsidiary		**150,000**	—
Cash injection by interest holders of consolidated investment funds		**—**	13,200
Cash redemption to interest holders of consolidated investment funds		**—**	(75,891)
Net cash generated from financing activities		**1,480,998**	16,596,681
Net increase in cash and cash equivalents		**1,687,804**	11,681,583
Cash and cash equivalents at the beginning of the year		**17,922,779**	6,346,869
Effects of foreign exchange rate changes on cash and cash equivalents		**1,884,769**	(105,673)
Cash and cash equivalents at the end of the year	27	**21,495,352**	17,922,779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 annual report.

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

Jingdong Technology Group Corporation is the immediate parent company of the Company and owned by JD.com, Inc., which is the Company's ultimate parent company. JD.com, Inc., its subsidiaries and consolidated affiliated entities, excluding the Group, are collectively referred to as "**JD Group**".

The 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 consolidated financial statements are presented in Renminbi ("**RMB**"), which is different from the Company's functional currency of United States dollars ("**USD**"). Details are set out in Note 3.9. All values are rounded to the nearest thousand ('000) except when otherwise indicated.

The Group has completed a reorganization and spin-off (the "**Spin-off**") before the Listing. Upon completion of the Spin-off, the entire Listing Business became operated and controlled by the Group. Details of the reorganization and the Spin-off are set out in the prospectus of the Company dated May 17, 2021.

Contractual Arrangements

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

1. General information (Continued)

Contractual Arrangements (Continued)

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

- Irrevocably exercising equity holders' voting rights of Xi'an Jingdong Xincheng;
- Exercising effective financial and operational control over Xi'an Jingdong Xincheng;
- Receiving substantially all of the economic interest returns generated by Xi'an Jingdong Xincheng in consideration for the technology consulting and services provided by Xi'an Jingxundi. Xi'an Jingxundi has obligation to grant interest-free loans to the relevant Nominee Shareholders of Xi'an Jingdong Xincheng with the sole purpose of providing funds necessary for the capital contribution to Xi'an Jingdong Xincheng;
- Obtaining an irrevocable and exclusive right which Xi'an Jingxundi may exercise at any time to purchase all or part of the equity interests in Xi'an Jingdong Xincheng from the Nominee Shareholders at a minimum purchase price permitted under the PRC laws and regulations; and
- Obtaining a pledge over the entire equity interests of Xi'an Jingdong Xincheng from its Nominee Shareholders as collateral security for all of Xi'an Jingdong Xincheng's payments due to Xi'an Jingxundi and to secure performance of Xi'an Jingdong Xincheng's obligation under the Contractual Arrangements.

In September 2020, to comply with the relevant laws and regulations in the PRC which prohibit or restrict foreign ownership of the companies where the PRC operating licenses are required, Jingdong Logistics Supply Chain Co., Ltd., a wholly foreign-owned subsidiary of the Company incorporated in the PRC, entered into a series of contractual arrangements, which substantially mirror the terms of the Contractual Arrangements, with Guangdong Jingxi Logistics Technology Co., Ltd. and its shareholders. Such series of contractual arrangements have been terminated and replaced with the current set of contractual arrangements in January 2021, with no substantial terms of the contractual arrangements modified.

In January 2021, the Contractual Arrangements have been terminated and replaced with a set of contractual arrangements (the "**Existing Contractual Arrangements**"), with similar terms and conditions substantially the same as those of the Contractual Arrangements.

In September 2022, one of the Nominee Shareholders was changed to another registered shareholder, and the Existing Contractual Arrangements have been terminated and replaced with the current set of contractual arrangements. No substantial terms of the Existing Contractual Arrangements were modified.

Total assets of the Group's consolidated affiliated entities was RMB63,842,079,000 as of December 31, 2022 (2021: RMB43,864,002,000), and this balance has been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated.

1. General information (Continued)

Contractual Arrangements (Continued)

Total revenue of the Group's consolidated affiliated entities was RMB106,974,373,000 for the year ended December 31, 2022 (2021: RMB92,066,992,000), and this amount has been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated.

2. Application of new and amendments to IFRSs

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

In the current year, the Group has applied the following amendments to International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on January 1, 2022 for the preparation of the 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 year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2. Application of new and amendments to IFRSs (Continued)

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

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

Standards/Amendments	Content	Effective for annual periods beginning on or after
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3. Basis of preparation and significant accounting policies

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

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

3. Basis of preparation and significant accounting policies (Continued)

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.1 Basis of consolidation

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

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

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

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

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

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

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

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.2 Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

For business combinations in which the acquisition date is on or after January 1, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by International Accounting Standards Board in March 2018 (the "**Conceptual Framework**") except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

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

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

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.2 Business combinations (Continued)

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

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

3.3 Goodwill

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

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

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.4 Investments in associates and joint ventures

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

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

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

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.4 Investments in associates and joint ventures (Continued)

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

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

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

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

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

3.5 Revenue from contracts with customers

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.5 Revenue from contracts with customers (Continued)

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

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

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

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

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

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

Contracts with multiple performance obligations

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

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

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.5 Revenue from contracts with customers (Continued)

Principal versus agent

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

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

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

Recognition of revenue from specific major source of revenue

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

Warehousing and distribution services

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.5 Revenue from contracts with customers (Continued)

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

Warehousing and distribution services (Continued)

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

Express and freight delivery services

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

Other services

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

3.6 Cost of revenue

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

3.7 Research and development expenses

Research expenditures are recognized as expenses as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria as set out in Note 3.17 are met. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets during the year ended December 31, 2022 (2021: none).

3. Basis of preparation and significant accounting policies (Continued)

3.8 Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.8 Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

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

The Group presents right-of-use assets that do not meet the definition of investment properties as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.8 Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

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

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

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

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

Lease modifications

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

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

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

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.8 Leases (Continued)

The Group as a lessee (Continued)

COVID-19-related rent concessions

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

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

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

3. Basis of preparation and significant accounting policies (Continued)

3.9 Foreign currencies

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("**foreign currencies**") are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. When a fair value gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is also recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

3.10 Government grants

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

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.11 Borrowing costs

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

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

3.12 Employee benefits

Employee leave entitlement

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

Pension obligations and other social welfare benefits

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

Bonus plan

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

Short-term employee benefits

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.13 Share-based payments

Share-based awards to the Group's employees and non-employees are granted under a share incentive plan of JD Group (the "**JD Group Share Incentive Plan**"). The consolidated financial statements include allocation of the expenses recorded at JD Group based on the Group's employees and non-employees participating under JD Group Share Incentive Plan. JD Group grants its service-based restricted share units ("**RSUs**") and share options to the Group's eligible employees and non-employees, which are treated as deemed contribution from JD Group and recorded in other reserves in the Group's consolidated statement of financial position.

As detailed in Note 30, the Group launched the Pre-IPO ESOP, the Post-IPO Share Option Scheme and the Post-IPO Share Awards Scheme (collectively, the "**JD Logistics Share Incentive Plan**"), under which it receives services from employees and non-employees as consideration for share options of the Company. Share-based awards to the employees and non-employees of Kuayue-Express Group Co., Ltd. ("**Kuayue Express**") are granted under a share incentive plan of Kuayue Express (the "**Kuayue Express Share Incentive Plan**"). Share-based awards to the employees and non-employees of Deppon Logistics Co., Ltd. ("**Deppon**") are granted under a share incentive plan of Deppon (the "**Deppon Share Incentive Plan**").

The fair value of the services received in exchange for the grant of options is recognized as an expense on the consolidated statement of profit or loss with a corresponding increase in equity.

Equity-settled share-based payments transactions

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

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

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.13 Share-based payments (Continued)

Equity-settled share-based payments transactions (Continued)

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

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

3.14 Taxation

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

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

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.14 Taxation (Continued)

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

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

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

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

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

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

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

3.15 Property and equipment

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

3. Basis of preparation and significant accounting policies (Continued)

3.15 Property and equipment (Continued)

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

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

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

3.16 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

3.17 Other intangible assets

Intangible assets acquired separately

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

3. Basis of preparation and significant accounting policies (Continued)

3.17 Other intangible assets (Continued)

Intangible assets acquired in a business combination

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

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

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

Internally-generated intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. Basis of preparation and significant accounting policies (Continued)

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

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

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

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

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

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.19 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

- cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

3.20 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognized at the date of inception of the lease at best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for integrated supply chain solutions and logistics services are recognized at the best estimate of the expenditure required to settle the Group's obligation.

3. Basis of preparation and significant accounting policies (Continued)

3.20 Provisions (Continued)

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognized in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3.21 Financial instruments

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

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.21 Financial instruments (Continued)

(a) Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. Basis of preparation and significant accounting policies (Continued)

3.21 Financial instruments (Continued)

(a) Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Amortized cost and interest income

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

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves, and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, gains/(losses), net" line item in profit or loss.

Financial assets at FVTPL

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.21 Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets and contract assets

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

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

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

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

Significant increase in credit risk

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

3. Basis of preparation and significant accounting policies (Continued)

3.21 Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

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

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

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

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

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

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

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

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

Definition of default

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.21 Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

Credit-impaired financial assets

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

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

Write-off policy

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

Measurement and recognition of ECL

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

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

3. Basis of preparation and significant accounting policies (Continued)

3.21 Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

Measurement and recognition of ECL (Continued)

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

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

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

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

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

Derecognition of financial assets

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

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in other reserves is not reclassified to profit or loss, but is transferred to accumulated losses.

3. Basis of preparation and significant accounting policies (Continued)

3.21 Financial instruments (Continued)

(b) Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

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

3. Basis of preparation and significant accounting policies (Continued)

3.21 Financial instruments (Continued)

(b) Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Equity instruments with preference rights

The equity instruments with preference rights issued by Kuayue Express are contingently redeemable by the holders under certain events. The details of equity instruments with preference rights issued by Kuayue Express are set out in Note 37.

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

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

Payables to interest holders of consolidated investment funds

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

3. Basis of preparation and significant accounting policies (Continued)

3.21 Financial instruments (Continued)

(b) Financial liabilities and equity (Continued)

Payables to interest holders of consolidated investment funds (Continued)

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

Derecognition of financial liabilities

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

(c) Derivative financial instruments

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

Embedded derivatives

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

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

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

(d) Offsetting a financial asset and a financial liability

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

(a) Critical judgements in applying accounting policies

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

Consolidation of affiliated entities

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

(b) Key sources of estimation uncertainty

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

Estimation of the fair value of financial assets

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions at the end of each reporting period. Changes in these assumptions and estimates could affect the respective fair value of these financial assets. Further details are included in Note 41.

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

(b) Key sources of estimation uncertainty (Continued)

Provision of ECL for trade receivables and contract assets

Credit-impaired trade receivables and contract assets are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables and contract assets which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information including forecast of gross domestic product ratio, forecast of consumer price index and other relevant factors are considered. The provision of ECL is sensitive to changes in estimates. Further details are included in Note 41.

Useful lives and amortization of other intangible assets acquired in business combinations

The Group determines the estimated useful lives and related amortization for the Group's other intangible assets acquired in business combinations with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Specifically, the useful life of customer relationship is estimated based on the retention rate of the current customers of the acquisition target as of the acquisition date, the historical retention rate and projected future revenues associated with such customers. In addition, the useful life of trademark is estimated based on multiple factors, including the longevity of the trademark in the marketplace, the historical performance of the trademark and the sustainability of such performance. Management will revise the amortization charges where useful lives are different from that of previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods. Further details are included in Note 20.

Impairment review of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of cash-generating units to which goodwill has been allocated, which is the higher of the value-in-use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the group of cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Further details are included in Note 19.

5. Segment information

The Group's chief operating decision maker, who has been identified as the Chief Executive Officer (the "**CEO**"), reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and no other discrete financial information is provided to the CEO. Hence, the Group has only one reportable segment. As the majority of the Group's non-current assets are located in the PRC and most of the Group's revenue is derived from the PRC, no geographical information is presented. During the year ended December 31, 2022, other than the Group's largest customer as disclosed in Note 39, no other single customer contributed over 10% of the total revenue of the Group (2021: none).

6. Revenue

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Type of customer:		
Integrated supply chain customers	**77,435,959**	71,054,463
Other customers	**59,966,049**	33,638,939
Total	**137,402,008**	104,693,402
Timing of revenue recognition:		
Overtime	**130,562,130**	99,339,541
A point in time	**6,839,878**	5,353,861
Total	**137,402,008**	104,693,402

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

7. Other income, gains/(losses), net

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Government grants	**696,249**	606,502
Fair value changes of financial instruments at FVTPL	**(180,837)**	312,350
(Losses)/gains on disposal of property and equipment	**(116,429)**	14,402
Investment losses attributable to interest holders of consolidated investment funds	**4,981**	8,114
Impairment of interests in joint ventures	**—**	(3,651)
Impairment of property and equipment	**(34,270)**	—
Contract termination costs	**(268,428)**	(8,064)
Foreign exchange losses, net	**(60,804)**	(21,918)
Others	**(32,058)**	(11,582)
Total	**8,404**	896,153

The government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments, to reward the Group's support and contribution for the development of local economies. As of December 31, 2022, there were no unfulfilled conditions or contingencies relating to these government grants (2021: none).

8. Finance income

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Interest income from bank deposits	**616,846**	227,246
Interest income from related parties (Note 39)	**—**	6,382
Total	**616,846**	233,628

9. Finance costs

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Interest expense on lease liabilities	**782,729**	662,857
Interest expense from borrowings	**93,625**	22,362
Others	**16,969**	33,634
Total	**893,323**	718,853

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

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Impairment losses recognized, net of reversal, on:		
— trade receivables	**267,859**	143,196
— other receivables	**22,763**	12,667
Total	**290,622**	155,863

Details of impairment assessment are set out in Note 41.2.

11. Income tax expense

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Current tax	**236,977**	102,157
Deferred tax (Note 38)	**39,137**	(41,783)
Total	**276,114**	60,374

11. Income tax expense (Continued)

Cayman Islands

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

British Virgin Islands

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

Hong Kong

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

PRC

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

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

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

Certain PRC subsidiaries of the Group are subject to "small and thin-profit enterprises" under the EIT Law, and accordingly are subject to a preferential income tax rate of 20%.

According to the relevant laws and regulations in the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). The State Taxation Administration of the PRC announced that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2023. In September 2022, the State Taxation Administration of the PRC announced that for the enterprises entitled to the current weighted pre-tax deduction ratio of 175% for research and development expenses, such ratio is raised to 200% during the period from October 1, 2022 to December 31, 2022.

11. Income tax expense (Continued)

Withholding tax on undistributed dividends

The EIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise ("**FIE**") to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the FIE satisfies the criteria for "beneficial owner" under Circular No. 9, which was issued by the State Administration of Taxation in February 2018, and the foreign investor owns directly at least 25% of the shares of the FIE). The Company did not record any withholding tax on any profits generated by the PRC Operating Entities, as the Company intends to reinvest its profits in China to further expand its business in China, and its FIEs do not intend to declare dividends on the retained earnings to their immediate foreign holding companies.

The income tax expense can be reconciled to the loss before income tax per the consolidated statement of profit or loss as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Loss before income tax	**(814,180)**	(15,600,358)
Tax at PRC statutory income tax rate of 25%	**(203,545)**	(3,900,090)
Tax effect of income not taxable for tax purpose	**(24,444)**	(809)
Tax effect of expenses that are not deductible for tax purpose	**88,470**	79,411
Tax effect of super deduction for research and development expenses	**(286,738)**	(221,301)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(87,486)**	(18,221)
Tax effect of tax-exempt entities	**203,916**	3,383,817
Tax effect of preferential tax treatments	**(73,016)**	(8,636)
Tax effect of utilization of tax losses and deductible temporary differences previously not recognized	**(220,174)**	(116,958)
Tax effect of tax losses and deductible temporary differences not recognized	**879,131**	863,161
Total	**276,114**	60,374

12. Loss before income tax

Loss before income tax has been arrived at after charging:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses*	**50,826,522**	41,174,106
Outsourcing cost	**51,554,840**	40,355,956
Depreciation of right-of-use assets	**6,466,117**	5,450,796
Depreciation of property and equipment	**3,064,485**	1,968,647
Amortization of other intangible assets	**485,703**	375,097
Auditor's remuneration		
— Audit and audit-related services	**22,210**	13,097
— Non-audit services	**2,694**	1,230

* The employee benefit expenses include the remuneration of directors and the CEO during the reporting periods.

13. Directors' and the CEO's emoluments

Directors' and the CEO's remuneration, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

(a) Remuneration of directors and the CEO

	Year ended December 31, 2022					
	Salaries and other emoluments RMB'000	Performance related bonuses RMB'000	Share-based payments RMB'000	Pension cost — defined contribution plans RMB'000	Welfare, medical and other benefits RMB'000	Total RMB'000
Executive director and CEO:						
Yui Yu[1]	**1,569**	**675**	**29,025**	**42**	**1,062**	**32,373**
Executive directors:						
Yanlei Chen[6]	**322**	**—**	**855**	**14**	**59**	**1,250**
Jun Fan[6]	**377**	**—**	**1,043**	**11**	**63**	**1,494**
Non-executive directors:						
Richard Qiangdong Liu[2]	**—**	**—**	**350,724**	**—**	**—**	**350,724**
Sandy Ran Xu[7]	**—**	**—**	**297**	**—**	**—**	**297**
Pang Zhang[8]	**—**	**—**	**331**	**—**	**—**	**331**
Independent non-executive directors:						
Nora Gu Yi Wu[3]	**250**	**—**	**323**	**—**	**—**	**573**
Carol Yun Yau Li[11]	**178**	**—**	**263**	**—**	**—**	**441**
Liming Wang[3]	**250**	**—**	**323**	**—**	**—**	**573**
Xiande Zhao[4]	**184**	**—**	**252**	**—**	**—**	**436**
Yang Zhang[4]	**184**	**—**	**252**	**—**	**—**	**436**
Jennifer Ngar-Wing Yu[5]	**64**	**—**	**103**	**—**	**—**	**167**
	3,378	**675**	**383,791**	**67**	**1,184**	**389,095**

13. Directors' and the CEO's emoluments (Continued)

(a) Remuneration of directors and the CEO (Continued)

	Year ended December 31, 2021					
	Salaries and other emoluments RMB'000	Performance related bonuses RMB'000	Share-based payments RMB'000	Pension cost — defined contribution plans RMB'000	Welfare, medical and other benefits RMB'000	Total RMB'000
Executive director and CEO:						
Yui Yu[1]	1,440	482	50,998	36	1,096	54,052
Executive directors:						
Yanlei Chen[6]	1,291	272	3,108	36	262	4,969
Jun Fan[6]	1,232	833	4,664	31	196	6,956
Non-executive directors:						
Richard Qiangdong Liu[2]	—	—	563,071	—	—	563,071
Sandy Ran Xu[7]	—	—	893	—	—	893
Pang Zhang[8]	—	—	1,080	—	—	1,080
Jianwen Liao[9]	—	—	—	—	—	—
Haoyu Shen[10]	—	—	—	—	—	—
Shilin Shi[10]	—	—	—	—	—	—
Independent non-executive directors:						
Nora Gu Yi Wu[3]	149	—	232	—	—	381
Carol Yun Yau Li[11]	149	—	232	—	—	381
Liming Wang[3]	149	—	232	—	—	381
	4,410	1,587	624,510	103	1,554	632,164

1. Served as the Group's CEO since December 2020, and appointed as executive director since January 2021.
2. Appointed as non-executive director since October 2020.
3. Appointed as independent non-executive directors since May 2021.
4. Appointed as independent non-executive directors since April 2022.
5. Appointed as independent non-executive director since September 2022.
6. Appointed as executive directors since January 2021, and resigned in April 2022.
7. Appointed as non-executive director since September 2020, and resigned in April 2022.
8. Appointed as non-executive director since January 2021, and resigned in April 2022.
9. Appointed as non-executive director since December 2019, and resigned in January 2021.
10. Appointed as non-executive directors since March 2018, and resigned in January 2021.
11. Appointed as independent non-executive directors since May 2021, and resigned in September 2022.

13. Directors' and the CEO's emoluments (Continued)

(a) Remuneration of directors and the CEO (Continued)

The emoluments of the executive directors and the CEO disclosed above were mainly for their management services rendered to the Company and the Group. The non-executive and independent non-executive directors' remunerations disclosed above were mainly for their services as directors of the Company. The performance related bonus is determined with reference to the operating results and the individual's performance in each year.

(b) Benefits and interests of directors

Except for the amounts disclosed above, there are no other benefits offered to the directors and the CEO.

(c) Directors' termination benefits

No director's termination benefit subsisted at the end of the year or at any time during the year ended December 31, 2022 (2021: none).

(d) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available director's services subsisted at the end of the year or at any time during the year ended December 31, 2022 (2021: none).

(e) Information about loans, quasi-loans and other dealings in favor of directors, their controlled bodies and connected entities

Save as disclosed in the Contractual Arrangements, there are no other loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities subsisted at the end of the year or at any time during the year ended December 31, 2022 (2021: none).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2022 (2021: none).

(g) Inducement to join the Group and compensation for loss of office

No remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended December 31, 2022 (2021: none).

(h) Waiver of emoluments

None of the directors and the CEO waived or agreed to waive any emoluments during the year ended December 31, 2022 (2021: none).

14. Five highest paid employees

The five highest paid employees include two directors whose remuneration is set out in Note 13 for the year ended December 31, 2022 (2021: two). No remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended December 31, 2022 (2021: none). None of the five highest paid employees waived or agreed to waive any emoluments during the year ended December 31, 2022 (2021: none).

The emoluments payable to the remaining three individuals, who are neither a director nor chief executive of the Company, during the year ended December 31, 2022 (2021: three), are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Salaries and other emoluments	**5,149**	7,288
Bonuses	**1,385**	1,161
Share-based payments	**35,365**	43,515
Pension cost — defined contribution plans	**144**	114
Welfare, medical and other benefits	**352**	563
Total	**42,395**	52,641

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended December 31,	
	2022	2021
	No. of employees	No. of employees
Emolument bands (in HKD)		
HKD12,500,001 to HKD13,000,000	**2**	—
HKD13,000,001 to HKD13,500,000	**—**	1
HKD19,500,001 to HKD20,000,000	**—**	1
HKD23,500,001 to HKD24,000,000	**1**	—
HKD30,500,001 to HKD31,000,000	**—**	1
Total	**3**	3

15. Loss per share

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

	Year ended December 31, 2022	2021
Numerator:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share (RMB'000)	**(1,396,834)**	(15,841,960)
Denominator:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**6,003,731,526**	4,963,487,733
Basic and diluted loss per share attributable to owners of the Company (RMB per share)	**(0.23)**	(3.19)

For the year ended December 31, 2022, the potential dilutive ordinary shares and the impact of subsidiaries' diluted earnings were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended December 31, 2022 was the same as basic loss per share (2021: diluted loss per share was the same as basic loss per share).

16. Property and equipment

	Buildings RMB'000	Logistics equipment RMB'000	Vehicles RMB'000	Aircraft, engines and flight equipment RMB'000	Leasehold improvement RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost									
As of January 1, 2022	**38,483**	**9,551,562**	**2,615,231**	**–**	**2,024,841**	**1,114,125**	**99,088**	**182,837**	**15,626,167**
Additions	**330**	**560,803**	**1,218,669**	**171,738**	**326,140**	**227,542**	**29,100**	**2,299,039**	**4,833,361**
Acquired on acquisition of a subsidiary	**819**	**1,907,175**	**2,139,357**	**–**	**211,128**	**128,465**	**13,997**	**313,716**	**4,714,657**
Transfer from construction in progress	**318,677**	**1,746,052**	**42,321**	**–**	**42,098**	**–**	**–**	**(2,149,148)**	**–**
Transfer to investment properties	**(81,638)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(81,638)**
Disposals	**–**	**(472,174)**	**(294,964)**	**–**	**(12,259)**	**(218,326)**	**(11,105)**	**–**	**(1,008,828)**
As of December 31, 2022	**276,671**	**13,293,418**	**5,720,614**	**171,738**	**2,591,948**	**1,251,806**	**131,080**	**646,444**	**24,083,719**
Depreciation and impairment									
As of January 1, 2022	**2,624**	**3,600,177**	**1,193,097**	**–**	**1,231,665**	**673,011**	**50,447**	**–**	**6,751,021**
Provided for the year	**1,791**	**1,550,435**	**787,455**	**2,085**	**428,749**	**267,542**	**26,428**	**–**	**3,064,485**
Impairment loss recognized	**–**	**178**	**–**	**–**	**–**	**10,796**	**–**	**23,296**	**34,270**
Disposals	**–**	**(344,301)**	**(228,070)**	**–**	**(12,259)**	**(158,947)**	**(11,078)**	**–**	**(754,655)**
As of December 31, 2022	**4,415**	**4,806,489**	**1,752,482**	**2,085**	**1,648,155**	**792,402**	**65,797**	**23,296**	**9,095,121**
Carrying values									
As of December 31, 2022	**272,256**	**8,486,929**	**3,968,132**	**169,653**	**943,793**	**459,404**	**65,283**	**623,148**	**14,988,598**
Cost									
As of January 1, 2021	38,483	6,961,832	1,733,655	—	1,599,669	905,051	88,927	488,914	11,816,531
Additions	—	1,044,406	1,071,181	—	376,637	342,623	18,470	1,442,549	4,295,866
Transfer from construction in progress	—	1,653,528	44,690	—	49,760	648	—	(1,748,626)	—
Disposals	—	(108,204)	(234,295)	—	(1,225)	(134,197)	(8,309)	—	(486,230)
As of December 31, 2021	38,483	9,551,562	2,615,231	—	2,024,841	1,114,125	99,088	182,837	15,626,167
Depreciation									
As of January 1, 2021	1,286	2,626,403	999,945	—	944,748	553,356	38,368	—	5,164,106
Provided for the year	1,338	1,059,567	386,349	—	288,142	218,739	14,512	—	1,968,647
Disposals	—	(85,793)	(193,197)	—	(1,225)	(99,084)	(2,433)	—	(381,732)
As of December 31, 2021	2,624	3,600,177	1,193,097	—	1,231,665	673,011	50,447	—	6,751,021
Carrying values									
As of December 31, 2021	35,859	5,951,385	1,422,134	—	793,176	441,114	48,641	182,837	8,875,146

16. Property and equipment (Continued)

The above items of property and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Buildings	2.5% to 5%
Logistics equipment	9.5% to 33.3%
Vehicles	15.8% to 50%
Aircraft, engines and flight equipment:	
Aircraft and engine bodies	9.5%
High-value aircraft maintenance tools	8.3%
Rotable	8.3%
Electronic equipment	20% to 50%
Office equipment	20% to 50%
Leasehold improvement	Over the shorter of the expected life of leasehold improvement or the lease term

17. Right-of-use assets

	Leased properties RMB'000	Land use rights RMB'000	Aircraft and engines RMB'000	Total RMB'000
Carrying value				
As of January 1, 2022	**14,564,913**	**—**	**134,483**	**14,699,396**
Additions	**6,659,361**	**29,839**	**270,175**	**6,959,375**
Acquired on acquisition of a subsidiary	**1,673,220**	**511,485**	**—**	**2,184,705**
Transfer to investment properties	**—**	**(10,837)**	**—**	**(10,837)**
Depreciation charge	**(6,449,578)**	**(4,390)**	**(12,149)**	**(6,466,117)**
Currency translation differences	**87,826**	**—**	**—**	**87,826**
As of December 31, 2022	**16,535,742**	**526,097**	**392,509**	**17,454,348**
Carrying value				
As of January 1, 2021	12,185,603	—	—	12,185,603
Additions	7,830,106	—	134,483	7,964,589
Depreciation charge	(5,450,796)	—	—	(5,450,796)
As of December 31, 2021	14,564,913	—	134,483	14,699,396
For the year ended December 31, 2022				
Expense relating to short-term leases				**2,719,606**
Total cash outflow for leases				**9,145,314**
For the year ended December 31, 2021				
Expense relating to short-term leases				2,659,169
Total cash outflow for leases				7,789,026

17. Right-of-use assets (Continued)

The Group leases various warehouses, delivery stations and pickup stations, offices, staff quarters, land use rights and aircraft for its operations. During the year ended December 31, 2022, lease contracts are entered into for a fixed term of 1 to 50 years but may have extension and termination options (2021: 1 to 15 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for warehouses, delivery stations and pickup stations, offices, and staff quarters. As of December 31, 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above (2021: similar).

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended December 31, 2022, there is no such triggering event (2021: none).

Lease liabilities of RMB17,365,525,000 are recognized with related right-of-use assets of RMB17,454,348,000 as of December 31, 2022 (2021: lease liabilities of RMB15,172,671,000 and right-of-use assets of RMB14,699,396,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

18. Investment properties

	Investment properties RMB'000
Cost	
As of January 1, 2022	—
Transfer from property and equipment and right-of-use assets	**92,475**
As of December 31, 2022	**92,475**
Depreciation	
As of January 1, 2022	—
Provided for the year	**184**
As of December 31, 2022	**184**
Carrying values	
As of December 31, 2022	**92,291**

18. Investment properties (Continued)

The fair value of the Group's investment properties as of December 31, 2022 was RMB97.7 million (2021: none). The fair value has been arrived at based on a valuation carried out by an independent valuer not connected with the Group. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value measurement is categorized into Level 3 fair value hierarchy.

The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighborhood. The discount rate is determined by reference to the yields derived from analyzing the sales transactions of similar commercial properties and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Investment properties	20–40 years

19. Goodwill

	Acquisition of Kuayue Express RMB'000	Acquisition of Deppon Holdco RMB'000	Total RMB'000
Cost and carrying value			
As of January 1, 2022	**1,499,142**	**—**	**1,499,142**
Arising on acquisition of a subsidiary	**—**	**5,350,074**	**5,350,074**
As of December 31, 2022	**1,499,142**	**5,350,074**	**6,849,216**
Cost and carrying value			
As of January 1, 2021 and December 31, 2021	1,499,142	—	1,499,142

Impairment review on the goodwill of the Group has been conducted by the management as of December 31, 2022 and 2021, according to IAS 36. For the purpose of impairment tests of goodwill, goodwill has been allocated to the group of cash-generating units representing Kuayue Express and its subsidiaries (the "**Kuayue Express CGUs**"), and the group of cash-generating units representing Ningbo Meishan Baoshui Area Deppon Investment Holding Company Limited ("**Deppon Holdco**") and its subsidiaries excluding the Excluded Business as defined in Note 47 (the "**Deppon CGUs**").

Kuayue Express CGUs

For the purpose of impairment review, the recoverable amount of the Kuayue Express CGUs is determined based on value-in-use calculations by using the discounted cash flow method, based on 5-year period financial projections with the forecasted average annual revenue growth rate following the business plan approved by the management, plus a terminal value related to cash flows beyond the projection period extrapolated at an estimated terminal growth rate. Pre-tax discount rate was used to reflect market assessment of time value and the specific risks relating to the Kuayue Express CGUs. The management leveraged their extensive experience in the industry and provided forecast based on past performance and expectation of future business plans and market developments.

19. Goodwill (Continued)

Kuayue Express CGUs (Continued)

The key assumptions used in the value-in-use calculation for the Kuayue Express CGUs are as follows:

	As of December 31,	
	2022	2021
Annual revenue growth rate for the 5-year period	**13%**	11%
Terminal growth rate	**3%**	3%
Pre-tax discount rate	**22.7%**	22.5%

As of December 31, 2022, the recoverable amount of the Kuayue Express CGU exceeded its carrying amount by RMB1,570.4 million (2021: RMB287.4 million).

As of December 31, 2022, the recoverable amount was significantly above the carrying amount of the Kuayue Express CGUs. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

Deppon CGUs

The recoverable amount of the Deppon CGUs is determined based on the fair value less costs of disposal. As Deppon is listed on the Shanghai Stock Exchange, the evaluation of fair value of the Deppon CGUs is determined based on the latest market price of shares of Deppon held by the Group as of December 31, 2022.

As of December 31, 2022, the recoverable amount of the Deppon CGU exceeded its carrying amount by RMB7,322.0 million (2021: none). The Group considered that no impairment loss should be recognized since the recoverable amount was higher than the carrying amount.

20. Other intangible assets

	Software RMB'000	Technology systems RMB'000	Domain names and trademarks RMB'000	Customer relationship RMB'000	License and others RMB'000	Total RMB'000
Cost						
As of January 1, 2022	**429,304**	**—**	**3,081**	**2,549,400**	**11,747**	**2,993,532**
Additions	**9,794**	**—**	**1,483**	**—**	**—**	**11,277**
Acquired on acquisition of a subsidiary	**105,552**	**676,384**	**1,661,400**	**7,600**	**—**	**2,450,936**
As of December 31, 2022	**544,650**	**676,384**	**1,665,964**	**2,557,000**	**11,747**	**5,455,745**
Amortization						
As of January 1, 2022	**135,143**	**—**	**1,767**	**389,492**	**9,014**	**535,416**
Provided for the year	**109,131**	**53,855**	**37,258**	**284,226**	**1,233**	**485,703**
As of December 31, 2022	**244,274**	**53,855**	**39,025**	**673,718**	**10,247**	**1,021,119**
Carrying values						
As of December 31, 2022	**300,376**	**622,529**	**1,626,939**	**1,883,282**	**1,500**	**4,434,626**
Cost						
As of January 1, 2021	405,687	—	3,016	2,549,400	11,747	2,969,850
Additions	26,661	—	65	—	—	26,726
Disposals	(3,044)	—	—	—	—	(3,044)
As of December 31, 2021	429,304	—	3,081	2,549,400	11,747	2,993,532
Amortization						
As of January 1, 2021	47,042	—	1,476	106,225	7,320	162,063
Provided for the year	89,845	—	291	283,267	1,694	375,097
Disposals	(1,744)	—	—	—	—	(1,744)
As of December 31, 2021	135,143	—	1,767	389,492	9,014	535,416
Carrying values						
As of December 31, 2021	294,161	—	1,314	2,159,908	2,733	2,458,116

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Software	3–5 years
Technology systems	5.4 years
Domain names and trademarks	10–19.4 years
Customer relationship	3.4–9 years
License and others	3–10 years

21. Interests in associates

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Cost of investment in associates	**462,952**	307,704
Share of post-acquisition loss and other comprehensive loss	**(182,670)**	(167,259)
	280,282	140,445

The following set out the particulars of the primary associates of the Group as of December 31, 2022 and 2021 which principally affected the results or net assets of the Group.

Entities	Place of incorporation and principal place of operation	Principal activities	Percentage of equity interest		Percentage of voting rights	
			2022	2021	**2022**	2021
Henan Xinning Modern Logistics Co., Ltd.	PRC	Warehouse logistics	**5.00%**	7.63%	**5.00%**	7.63%
Shanghai Nengyun Logistics Co., Ltd.[1]	PRC	Logistics services	**12.40%**	—	**12.40%**	—
Mingtong Equipment Technology Group Co., Ltd.[1]	PRC	Logistics services	**20.00%**	—	**20.00%**	—

1. The Group obtained these investments as a result of the acquisition of a subsidiary as set out in Note 47.

The associates of the Group have been accounted for by using the equity method based on the financial information of the associates prepared under the accounting policies consistent with the Group.

As of December 31, 2022, the fair value of listed investment in Henan Xinning Modern Logistics Co., Ltd. was RMB109,895,000 (2021: RMB156,092,000), which exceeded the carrying amount of the investment.

During the year ended December 31, 2022, the Group has disposed certain equity interest in an associate and recognized a gain on disposal of RMB22,031,000 (2021: loss on disposal of RMB4,604,000) in profit or loss.

For certain investments, the Group has significant influence through the board representation and other relevant facts even though the respective shareholding is below 20%. Accordingly, these investments have been classified as associates.

None of the associates of the Group is individually material to the consolidated financial statements.

There are no contingent liabilities relating to the Group's interests in associates.

22. Interests in joint ventures

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Cost of investments in unlisted entities	**171,500**	171,500
Share of post-acquisition loss and other comprehensive loss	**(204)**	(2,583)
Impairment provision	**(153,651)**	(153,651)
	17,645	15,266

Details of the joint ventures of the Group at the end of the reporting period are as follows:

Entities	Place of incorporation and principal place of operation	Principal activities	Percentage of equity interest		Percentage of voting rights	
			2022	2021	**2022**	2021
Suqian Jingdong Aosheng Corporation Management Co., Ltd.	PRC	Management and consulting	**51%**	51%	**51%**	51%
Jingxin Intelligence Manufacture Co., Ltd. ("**Jingxin**")[1]	PRC	Warehouse logistics	**40%**	40%	**40%**	40%
China Railway Jingdong Logistics Co., Ltd. ("**Railway Jingdong**")[2]	PRC	Railway logistics	**45%**	45%	**45%**	45%

1. The Group accounts for the investment in Jingxin as a joint venture due to the veto rights that the Group entitled in making significant decisions in the board and shareholder meetings, which enable the Group to share the control with other shareholders of Jingxin. The Group made an impairment provision of RMB3,651,000 against the carrying amount of the investment in Jingxin during the year ended December 31, 2021. The impairment provision mainly resulted from revisions of financial and business outlook of the joint venture and changes in the market environment of the underlying business.

2. In March 2021, the Group made capital contribution of RMB13,500,000 for the establishment of Railway Jingdong. Although the Group has less than 50% voting rights in Railway Jingdong, pursuant to the articles of association of Railway Jingdong, the board resolutions of Railway Jingdong need the unanimous consent of the directors appointed by each shareholder. Accordingly, the Group accounts for the investment in Railway Jingdong as a joint venture.

The joint ventures of the Group have been accounted for by using the equity method based on the financial information of the joint ventures prepared under the accounting policies consistent with the Group.

There are no contingent liabilities relating to the Group's interests in joint ventures.

23. Financial assets at fair value through profit or loss

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Non-current:		
Equity securities in listed entities	**345,056**	695,037
Preferred shares investments in unlisted entities	**1,288,918**	832,259
Equity investments in unlisted entities	**2,500**	—
	1,636,474	1,527,296
Current:		
Wealth management products	**1,271,454**	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: quoted price (unadjusted) in active markets) without any deduction for transaction costs.

Preferred shares investments in unlisted entities

All of these investments are convertible redeemable preferred shares or ordinary shares with preferential rights. The Group has the right to require and demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of issuers. Hence, these investments are accounted for as debt instruments and are measured at financial assets at FVTPL. The major assumptions used in the valuation for investment in these unlisted entities are set out in Note 41.3.

Equity investments in unlisted entities

These investments represent equity investments in unlisted entities, in the form of ordinary shares without significant influence. The major assumptions used in the valuation for investment in these unlisted entities are set out in Note 41.3.

Wealth management products

Wealth management products purchased by the Group are issued by major and reputable commercial banks without guaranteed returns. The expected rates of return for such wealth management products held by the Group as of December 31, 2022 range from 3.10% to 3.55% (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 major assumptions used in the valuation for wealth management products are set out in Note 41.3.

24. Equity instruments at fair value through other comprehensive income

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Equity securities in listed entities	**586,839**	—
Equity investments in unlisted entities	**247,385**	—
	834,224	—

During the year ended December 31, 2022, the Group obtained certain equity investments as a result of the acquisition of a subsidiary as set out in Note 47. These equity investments are not held for trading, instead, they are held for long-term strategic purposes. The Group elected to designate these investments in equity instruments as at FVTOCI as the recognition of short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

During the year ended December 31, 2022, the Group disposed of the investment in Eastern Air Logistics Co., Ltd., a listed company on the Shanghai Stock Exchange, at an aggregate consideration of RMB338.2 million (2021: none), as the investment no longer meets the investment objective of the Group. A cumulative loss on disposal of RMB20.6 million has been transferred to accumulated losses (2021: none).

Equity securities in listed entities

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

Equity investments in unlisted entities

These investments represent equity investments in unlisted entities, in the form of ordinary shares without significant influence. The major assumptions used in the valuation for investment in these unlisted entities are set out in Note 41.3.

25. Trade receivables

	As of December 31, 2022 RMB'000	2021 RMB'000
Trade receivables from third parties	**11,231,500**	7,334,970
Trade receivables from related parties (Note 39)	**4,221,342**	5,145,307
Less: allowance for credit losses	**(517,776)**	(316,249)
	14,935,066	12,164,028

The Group applies the simplified approach under IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and forward-looking estimates. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

	As of December 31, 2022 RMB'000	2021 RMB'000
Within 3 months	**14,838,678**	12,040,147
3 to 6 months	**239,433**	220,533
6 to 12 months	**131,484**	109,657
Over 12 months	**243,247**	109,940
	15,452,842	12,480,277
Less: allowance for credit losses	**(517,776)**	(316,249)
	14,935,066	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 were with a maturity period of less than one year.

As of December 31, 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB776,541,000 (2021: RMB434,229,000), which are past due but not credit-impaired as the Group is satisfied with the subsequent settlements and the credit quality of these customers had not seen deteriorated. The Group did not hold any collateral over these balances.

Details of impairment assessment of trade receivables are set out in Note 41.2.

26. Prepayments, other receivables and other assets

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Non-current:		
Refundable deposits	**724,950**	668,829
Pallets	**377,707**	481,458
Long-term prepaid expenses	**308,545**	174,247
Non-current term deposits (Note 27)	**—**	160,000
Receivables from partial disposal of a subsidiary	**—**	75,000
Prepayments for property and equipment	**553,538**	530,297
Amount due from the Founding Vendors (Note 47)	**371,009**	—
Others	**19,206**	1,775
	2,354,955	2,091,606
Current:		
Prepaid expenses	**2,073,653**	1,667,021
Amounts due from related parties (Note 39)	**73,461**	90,183
Refundable deposits	**619,509**	378,166
Prepayments to suppliers	**500,586**	473,384
Receivables from partial disposal of a subsidiary	**—**	75,000
Loans to related parties	**7,084**	7,084
Recoverable value-added tax	**2,334,773**	474,123
Funds receivable from third party payment platforms	**217,067**	177,181
Others	**288,416**	219,299
	6,114,549	3,561,441
Less: allowance for credit losses	**(59,689)**	(42,441)
	6,054,860	3,519,000

Details of impairment assessment of other receivables are set out in Note 41.2.

27. Cash and bank balances

(a) Cash and cash equivalents

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Cash and bank balances denominated in:		
USD	**11,009,091**	5,711,056
HKD	**1,851,610**	6,908,907
RMB	**8,447,492**	5,209,024
Others	**187,159**	93,792
	21,495,352	17,922,779

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments.

(b) Restricted cash

As of December 31, 2022, restricted cash balances were mainly those held in bank accounts subject to certain restriction according to agreement with certain parties (2021: mainly for issuance of bank letters of guarantee).

(c) Term deposits

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Non-current term deposits denominated in:		
RMB	**—**	160,000
Current term deposits denominated in:		
USD	**10,609,755**	8,307,913
HKD	**1,803,481**	—
RMB	**247,632**	105,000
	12,660,868	8,412,913

Non-current term deposits, included in prepayments, other receivables and other assets, are bank deposits redeemable on maturity, with maturities over twelve months. Current term deposits are bank deposits redeemable on maturity, with maturities between three months and one year. The weighted average interest rate of the term deposits was 4.11% per annum for the year ended December 31, 2022 (2021: 1.02%).

28. 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 and December 31, 2022	**40,000,000,000**	**1,000**	**—**	**—**
As of January 1, 2021	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 December 31, 2021	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	**6,183,281,772**	**155**	**971**	**59,478,659**
Issuance of ordinary shares to Share Scheme Trusts[1]	**2,400,000**	*****	*****	**—**
Exercise of share options and vesting of RSUs[2]	**—**	**—**	**—**	**447,401**
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 December 31, 2022	**6,597,581,772**	**165**	**1,039**	**66,850,140**
As of January 1, 2021	3,932,467,879	98	611	1,615,550
Issuance of ordinary shares to Share Scheme Trusts[1]	523,411,646	13	84	—
Conversion of convertible redeemable preferred shares to ordinary shares[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
Exercise of share options and vesting of RSUs[2]	—	—	—	751,748
As of December 31, 2021	6,183,281,772	155	971	59,478,659

28. Share capital (Continued)

Issued and fully paid (Continued)

* Less than USD1,000 or RMB1,000.

1. Jungle Den Limited, Jazz Dream Limited, Perfect Match Limited and Mille Stelle Limited were established to hold the shares on trust for the benefit of the participants of the JD Logistics Share Incentive Plan (collectively, "**Share Scheme Trusts**"). As the Company has control over the Share Scheme Trusts, the shares held by the Share Scheme Trusts were consolidated and presented as treasury shares.

   In May 2021, the Company issued 203,221,646 ordinary shares with par value of USD0.000025 per share to Jungle Den Limited and 4,890,000 ordinary shares with par value of USD0.000025 per share to Jazz Dream Limited with respect to the Pre-IPO ESOP, and 315,000,000 ordinary shares with par value of USD0.000025 per share with respect to the Post-IPO Share Award Scheme to Perfect Match Limited. In December 2021, the Company issued 300,000 ordinary shares with par value of USD0.000025 per share with respect to the Post-IPO Share Award Scheme to Mille Stelle Limited.

   In March and June 2022, the Company issued an aggregate of 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 August and November 2022, the Company issued an aggregate of 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.

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.

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.

29. Non-controlling interests

	Share of net assets of subsidiaries RMB'000	Share-based payment reserve of subsidiaries RMB'000	Total RMB'000
As of January 1, 2022	**2,420,377**	**30,660**	**2,451,037**
Acquisition of a non-wholly owned subsidiary (Note 47)	**4,698,749**	**13,640**	**4,712,389**
Acquisition of partial interests of subsidiaries*	**(840,154)**	**—**	**(840,154)**
Share of total comprehensive income for the year	**278,060**	**—**	**278,060**
Share options of subsidiaries	**—**	**26,529**	**26,529**
As of December 31, 2022	**6,557,032**	**70,829**	**6,627,861**
As of January 1, 2021	2,239,149	8,891	2,248,040
Share of total comprehensive income for the year	181,228	—	181,228
Share options of subsidiaries	—	21,769	21,769
As of December 31, 2021	2,420,377	30,660	2,451,037

* For the year ended December 31, 2022, acquisition of partial interests of subsidiaries mainly include the following transactions:

1. In January and February 2022, the Group acquired an aggregate of 47.1% 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.

2. In June 2022, the Group acquired equity interest in Kuayue Express from third-party investors. Details of the transaction are set out in Note 37.

3. In August 2022, the Group acquired additional approximately 0.01% equity interest of Deppon Holdco, at cash consideration of RMB1.2 million.

4. 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 offering price of RMB13.15 per share, for the period between August 2, 2022 and August 31, 2022 (the "**General Offer**"). Upon completion of the General Offer, the Group acquired an aggregate of 55,776,083 shares of Deppon, representing approximately 5.4% equity interest in Deppon, at cash consideration of RMB733.5 million.

30. Share-based payments

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Share options	**727,292**	1,197,210
RSUs	**515,609**	250,009
Total	**1,242,901**	1,447,219

30.1 JD Group Share Incentive Plan

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

Under the JD Group Share Incentive Plan, the RSUs and share options are generally service-based and scheduled to be vested over two to ten years. One-second, one-third, one-fourth, one-fifth, one-sixth, or one-tenth of the awards, depending on different vesting schedules of the JD Group Share Incentive Plan, shall be vested upon the end of the calendar year in which the awards were granted or the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight line basis at the end of the remaining calendar or the anniversary years. Starting from the year ended December 31, 2016, certain awards had multiple tranches with tiered vesting commencement dates from 2016 to 2025, and each of the tranches is subject to a six-year vesting schedule. 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 its consolidated statement of profit or loss based on awards ultimately expected to vest, after considering estimated forfeitures of the Group. Forfeitures are estimated based on the historical experience and revised in the subsequent periods if actual forfeitures differ from those estimates. The impact of the revision of the original estimates on non-market vesting conditions, if any, is recognized in the profit or loss over the remaining vesting period, with a corresponding adjustment to other reserves.

30. Share-based payments (Continued)

30.1 JD Group Share Incentive Plan (Continued)

RSUs

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

	Number of RSUs	Weighted average grant-date fair value USD
Outstanding as of January 1, 2022	**5,242,700**	**17.59**
Granted	**301,188**	**30.48**
Vested	**(1,922,544)**	**15.87**
Forfeited or cancelled	**(1,138,646)**	**22.04**
Transferred*	**281,476**	**28.81**
Outstanding as of December 31, 2022	**2,764,174**	**19.50**
Outstanding as of January 1, 2021	7,490,192	15.72
Granted	364,534	40.09
Vested	(2,494,652)	14.92
Forfeited or cancelled	(1,435,548)	16.38
Transferred*	1,318,174	15.60
Outstanding as of December 31, 2021	5,242,700	17.59

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

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

30. Share-based payments (Continued)

30.2 JD Logistics Share Incentive Plan

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

Under the JD Logistics Share Incentive Plan, the Company granted share options and RSUs to employees and non-employees. The share options and RSUs are generally scheduled to be vested between one and six years. All, one-second, one-third, one-fourth, one-fifth, or one-sixth of the awards, which are with service conditions, shall be vested upon agreed dates and the remaining of the awards shall be vested on straight line basis at the anniversary years. Certain share options granted with performance conditions, shall be vested upon the end of the calendar quarter if performance conditions are met and the remaining of awards shall be vested on a straight-line basis at the end of the remaining calendar quarters if performance conditions are met. 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 December 31, 2022, the Company has issued 208,111,646 ordinary shares with respect to the Pre-IPO ESOP to Share Scheme Trusts.

During the year ended December 31, 2022, 23,456,159 share options under the Pre-IPO ESOP (2021: 64,455,379) were exercised. The weighted average share price at the dates of exercise was HKD14.28 (2021: HKD25.00) per share.

30. Share-based payments (Continued)

30.2 JD Logistics Share Incentive Plan (Continued)

(a) Pre-IPO ESOP (Continued)

Service-based share options

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

	Number of share options	Weighted average exercise price USD	Weighted average remaining contractual term Year
Outstanding as of January 1, 2022	**198,161,717**	**0.01**	**8.2**
Exercised	**(23,385,893)**	**0.01**	
Forfeited or cancelled	**(14,721,509)**	**0.01**	
Outstanding as of December 31, 2022	**160,054,315**	**0.01**	**7.2**
Outstanding as of January 1, 2021	284,045,846	0.01	8.7
Granted	30,030,446	0.01	
Exercised	(63,307,403)	0.01	
Repurchased	(791,787)	0.01	
Forfeited or cancelled	(51,815,385)	0.01	
Outstanding as of December 31, 2021	198,161,717	0.01	8.2

The number of exercisable share options as of December 31, 2022 was 22,963,117 (2021: 5,242,738).

Valuation techniques are certified by independent and recognized international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. The estimated fair value of each option grant is estimated on the date of grant using the binominal option-pricing model with the following assumptions:

	Year ended December 31, 2021
Expected volatility	40.3% to 45.0%
Risk-free interest rate (per annum)	1.7% to 2.3%
Expected dividend yield	—
Expected term (in years)	10
Fair value of the underlying shares on the date of option grants (USD)	3.11 to 4.60

30. Share-based payments (Continued)

30.2 JD Logistics Share Incentive Plan (Continued)

(a) Pre-IPO ESOP (Continued)

Service-based share options (Continued)

The volatility factor estimated was based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The weighted average grant date fair value of options granted for the year ended December 31, 2021 was USD4.31 per share.

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	**(70,266)**	**0.01**	
Forfeited or cancelled	**(428,339)**	**0.01**	
Outstanding as of December 31, 2022	**1,435,751**	**0.01**	**6.2**
Outstanding as of January 1, 2021	3,834,000	0.01	8.3
Exercised	(1,147,976)	0.01	
Repurchased	(6,666)	0.01	
Forfeited or cancelled	(745,002)	0.01	
Outstanding as of December 31, 2021	1,934,356	0.01	7.2

The number of exercisable share options as of December 31, 2022 was 373,723 (2021: 10,000). At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on performance conditions, with the impact of the revision to original estimates, if any, in profit or loss, along with a corresponding adjustment to equity.

(b) Post-IPO Share Option Scheme

As of December 31, 2022, no share options had been granted under the Post-IPO Share Option Scheme.

30. Share-based payments (Continued)

30.2 JD Logistics Share Incentive Plan (Continued)

(c) Post-IPO Share Award Scheme

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

	Number of RSUs	Weighted average grant-date fair value HKD
Outstanding as of January 1, 2022	**9,040,533**	**34.81**
Granted	**41,570,538**	**18.23**
Vested	**(2,289,237)**	**34.24**
Forfeited or cancelled	**(4,157,799)**	**27.32**
Outstanding as of December 31, 2022	**44,164,035**	**19.94**
Outstanding as of January 1, 2021	—	—
Granted	9,663,953	35.00
Forfeited or cancelled	(623,420)	37.64
Outstanding as of December 31, 2021	9,040,533	34.81

As of December 31, 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 562,707,495 shares (2021: 600,120,234). The fair values of the RSUs granted during the year ended December 31, 2022 were determined based on the market value of the Company's shares at the respective grant dates.

As of December 31, 2022, the Company has issued 317,700,000 ordinary shares with respect to the Post-IPO Share Award Scheme to Share Scheme Trusts (2021: 315,300,000).

30.3 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 RMB114,995,000 for the year ended December 31, 2022 (2021: RMB134,671,000), which were treated as deemed contribution from JD Group and recorded in other reserves.

30.4 Kuayue Express Share Incentive Plan

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.

30. Share-based payments (Continued)

30.4 Kuayue Express Share Incentive Plan (Continued)

As of December 31, 2022, Kuayue Express has granted accumulative 17,625,053 options of Kuayue Express to its employees (2021: 17,505,053). For the year ended December 31, 2022, total share-based payments of RMB15,588,000 was recognized in the Group's consolidated statement of profit or loss and included in non-controlling interests for the share options granted under the Kuayue Express Share Incentive Plan (2021: RMB21,769,000).

30.5 Deppon Share Incentive Plan

Deppon 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 Deppon under the Deppon Share Incentive Plan. The Deppon Share Incentive Plan consists of performance-based RSUs, which are generally scheduled to be vested over five years.

As of December 31, 2022, Deppon has granted accumulative 6,518,000 RSUs of Deppon to its employees. For the year ended December 31, 2022, total share-based payments of RMB6,299,000 was recognized in the Group's consolidated statement of profit or loss and included in non-controlling interests for the RSUs granted under the Deppon Share Incentive Plan.

31. Dividends

No dividend was paid or proposed for ordinary shareholders of the Company for the year ended December 31, 2022, nor has any dividend been proposed since the end of the reporting period (2021: none).

32. Trade payables

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Trade payables	**9,049,161**	6,293,923
Trade payables under supplier financing arrangements*	**50,708**	478,769
	9,099,869	6,772,692

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

32. Trade payables (Continued)

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

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Within 3 months	**8,403,131**	6,419,263
3 to 6 months	**367,572**	226,395
6 to 12 months	**153,678**	57,111
Over 12 months	**175,488**	69,923
	9,099,869	6,772,692

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

33. Accrued expenses and other payables

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Salary and welfare payables	**6,032,599**	3,843,959
Accrued expenses	**3,079,451**	2,634,158
Property and equipment payables	**1,855,265**	1,265,819
Deferred consideration payables[1]	**574,888**	—
Packing materials payables	**1,210,512**	864,204
Deposits	**1,353,942**	969,755
Other tax payables	**557,793**	388,404
Temporary receipts	**355,789**	53,897
Amount due to non-controlling shareholder[2]	**110,606**	111,970
Amounts due to related parties (Note 39)	**55,072**	80,595
Others	**905,452**	831,777
	16,091,369	11,044,538

1. Arising on acquisition of Deppon Holdco as set out in Note 47 since the consideration of the acquisition shall be settled in installments. As of December 31, 2022, deferred consideration payables of RMB574,888,000 was included in "accrued expenses and other payables" and RMB444,617,000 was included in "other non-current liabilities".

2. As of December 31, 2022, amount due to non-controlling shareholder of RMB110,606,000 (2021: RMB111,970,000) and other non-current liabilities of nil (2021: RMB100,000,000) were originated from the interest-bearing borrowings provided by non-controlling shareholder of Kuayue Express.

34. Borrowings

	As of December 31, 2022 RMB'000	2021 RMB'000
Non-current:		
Secured borrowings[1]	**406,945**	—
Unsecured borrowings	**4,390,158**	—
Unsecured medium term note[2]	**311,059**	—
	5,108,162	—
Current:		
Secured borrowings[1]	**1,267**	—
Unsecured borrowings	**1,299,335**	—
	1,300,602	—

1. As of December 31, 2022, secured borrowings of RMB370.0 million were originated from the Remaining Liabilities (as defined in Note 47) of Deppon Holdco, which was secured by approximately 7.5% equity interest in Deppon with interest rate ranging from 4.1% to 4.3% per annum. The remaining secured borrowings of RMB38.2 million were secured by land use rights amounting to approximately RMB58.1 million, with interest rate ranging from 3.7% to 4.1% per annum.

2. The unsecured medium term note was issued at par value of RMB300.0 million with a term to maturity of 2 years and at interest rate of 3.9% per annum. The Group obtained the unsecured medium term note as a result of the acquisition of a subsidiary as set out in Note 47.

As of December 31, 2022, the interest rates of the Group's borrowings range from 2.3% to 4.3% per annum.

Based on scheduled repayment dates set out in the loan agreements, the carrying amounts of the Group's borrowings are repayable as follows:

	As of December 31, 2022 RMB'000	2021 RMB'000
Borrowings repayable:		
Within one year	**1,300,602**	—
Within a period of more than one year but not exceeding two years	**712,279**	—
Within a period of more than two years but not exceeding five years	**2,764,118**	—
Within a period of more than five years	**1,631,765**	—
	6,408,764	—

34. Borrowings (Continued)

The exposure of the Group's borrowings are as follows:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Fixed-rate borrowings	**1,832,440**	—
Variable-rate borrowings	**4,576,324**	—
	6,408,764	—

35. Lease liabilities

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**6,862,661**	5,763,509
Within a period of more than one year but not exceeding two years	**4,218,127**	3,675,081
Within a period of more than two years but not exceeding five years	**4,632,182**	4,423,736
Within a period of more than five years	**1,652,555**	1,310,345
	17,365,525	15,172,671
Less: amount due for settlement within 12 months shown under current liabilities	**(6,862,661)**	(5,763,509)
Amount due for settlement after 12 months shown under non-current liabilities	**10,502,864**	9,409,162

The weighted average discount rate applied by the Group was 4.97% for the year ended December 31, 2022 (2021: 5.08%).

As of December 31, 2022, the Group entered into new leases that have not yet commenced, with non-cancellable period ranging from 1 to 4 years (2021: 1 to 10 years), excluding period under extension options, the total future undiscounted cash flows over the non-cancellable period were insignificant (2021: insignificant).

36. Derivative financial instruments

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Foreign currency forward contracts	**30,064**	—

The above derivatives are measured at fair values at the end of the reporting period and changes in fair value are recognized in profit or loss. The major assumptions used in the valuation for derivative financial instruments are set out in Note 41.3.

Major items of the foreign currency forward contracts are as follows:

As of December 31, 2022		
Notional amount	**Maturity**	**Exchange rates**
Sell HKD700 million	January 13, 2023	**HKD7.8447 : USD1**
Sell HKD160 million	January 13, 2023	**HKD7.8448 : USD1**
Sell HKD1,000 million	January 13, 2023	**HKD7.8453 : USD1**
Sell HKD1,000 million	January 20, 2023	**HKD7.8445 : USD1**
Sell HKD1,000 million	January 20, 2023	**HKD7.8448 : USD1**

The Group did not formally designate or document the hedging transactions with respect to the foreign currency forward contracts. Therefore, these transactions were not designated for hedge accounting.

37. Equity instruments with preference rights

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

37. Equity instruments with preference rights (Continued)

Equity instruments with preference rights issued by Kuayue Express

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

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

Voting rights

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

Dividends rights

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

Liquidation Preferences

In the event of any liquidation, dissolution or winding up of Kuayue Express, either voluntary or involuntary, distributions to shareholders of Kuayue Express shall be made in the following manner (after satisfaction of all creditors' claims and claims that may be preferred by law): each holder of Kuayue Express Series A and A+ Preference Equity Instrument shall be entitled to receive the amount equal to 100% of the applicable purchase price of such Kuayue Express Series A and A+ Preference Equity Instruments, plus the corresponding share of retained profits of Kuayue Express, prior and in preference to any distribution of any of the assets or surplus funds of Kuayue Express to the holders of ordinary equity securities.

37. Equity instruments with preference rights (Continued)

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

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

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

Redemption Rights

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

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:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Carrying amount at the beginning of the 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 year	**—**	631,014

38. Deferred tax assets/liabilities

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

	As of December 31, 2022 RMB'000	2021 RMB'000
Deferred tax assets	**150,455**	87,788
Deferred tax liabilities	**(1,596,883)**	(720,178)
	(1,446,428)	(632,390)

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

	Tax losses RMB'000	ECL provision and others RMB'000	Share-based payments and other employee benefits RMB'000	Accelerated depreciation RMB'000	Other intangible assets acquired in business combinations RMB'000	Changes in fair value of financial instruments RMB'000	Total RMB'000
As of January 1, 2022	**105,394**	**42,650**	**—**	**(142,361)**	**(605,837)**	**(32,236)**	**(632,390)**
Acquisition of a subsidiary	**138,653**	**83,845**	**31,558**	**(265,229)**	**(590,013)**	**(299,075)**	**(900,261)**
(Charge)/credit to profit or loss	**(59,751)**	**(22,771)**	**38,592**	**(113,883)**	**111,694**	**6,982**	**(39,137)**
Disposal	**—**	**—**	**—**	**—**	**—**	**76,140**	**76,140**
Credit to other reserves	**—**	**—**	**15,873**	**—**	**—**	**33,347**	**49,220**
As of December 31, 2022	**184,296**	**103,724**	**86,023**	**(521,473)**	**(1,084,156)**	**(214,842)**	**(1,446,428)**
As of January 1, 2021	35,730	7,382	—	(21,563)	(694,601)	(1,121)	(674,173)
Credit/(charge) to profit or loss	69,664	35,268	—	(120,798)	88,764	(31,115)	41,783
As of December 31, 2021	105,394	42,650	—	(142,361)	(605,837)	(32,236)	(632,390)

38. Deferred tax assets/liabilities (Continued)

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

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Tax losses	**4,430,396**	5,051,617
Deductible temporary differences	**5,224,389**	1,967,340
	9,654,785	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 December 31, 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 2023 to 2027 (2021: the period from 2022 to 2026), except for those arose from High and New Technologies Enterprises, which will expire during the period from 2023 to 2032 (December 31, 2021: the period from 2022 to 2031).

39. Related party transactions

Other than as disclosed elsewhere in the consolidated financial statements, the following significant transactions and balances were carried out between the Group and its related parties during the reporting period. In the opinion of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

39. Related party transactions (Continued)

39.1 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	Relationships
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., JD Logistics Properties Core Fund III, 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.

39.2 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.

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.

39. Related party transactions (Continued)

39.2 Significant transactions with related parties (Continued)

Save as disclosed in Note 46, details of significant transactions with related parties recorded with the abovementioned terms and pricing policies for the reporting period are separately shown as follows:

	Notes	Year ended December 31, 2022 RMB'000	2021 RMB'000
Rendering of services:			
Services provided to JD Group	(i)	**48,261,010**	45,583,569
Expenses claimed by JD Group	(i)	**(350,057)**	(85,513)
Services provided to Dada Group	(ii)	**50,404**	198,350
Services provided to ATRenew Group	(ii)	**103,991**	119,093
Services provided to JD Technology	(iii)	**316,787**	353,842
Receiving of services:			
Services received from JD Group	(iv)	**1,811,235**	1,537,774
Share-based compensation received from JD.com, Inc.	(iv)	**260,141**	224,669
Services received from Dada Group	(v)	**118,363**	879,502
Services received from Railway Jingdong	(vi)	**212,594**	—
Services received from JD Technology	(vii)	**499,157**	307,169
Lease arrangements:			
Interest on lease liabilities for leases with Core Funds and Development fund	(viii)	**171,484**	193,580
Interest on lease liabilities for leases with JD Group	(ix)	**123,843**	72,343
Receiving of interest:			
Interest income from JD Group	(x)	**—**	6,382

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. JD Group may claim compensation from the Group for any delay, missing, damage or shortage of goods or parcels.

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.

39. Related party transactions (Continued)

39.2 Significant transactions with related parties (Continued)

Receiving of services

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

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

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.

Lease arrangements

(viii) During the year ended December 31, 2022, the Group entered into several lease agreements for operational purposes with Core Funds and Development Fund for 1 to 10 years (2021: 2.5 to 5 years). As of December 31, 2022, right-of-use assets amounted to RMB2,291,660,000 (2021: RMB2,099,549,000), and lease liabilities amounted to RMB2,545,058,000 (2021: RMB2,456,523,000).

(ix) During the year ended December 31, 2022, the Group entered into several lease agreements for operational purposes with JD Group for 1 to 10 years (2021: 1 to 10 years). As of December 31, 2022, right-of-use assets amounted to RMB2,180,193,000 (2021: RMB2,457,746,000), and lease liabilities amounted to RMB2,263,516,000 (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.

39. Related party transactions (Continued)

39.3 Significant balances with related parties

The Group had the following significant balances with related parties:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Due from related parties:		
Amount due from JD Group	**4,085,785**	5,064,428
Amount due from JD Technology	**189,733**	145,524
Amount due from ATRenew Group	**12,173**	15,272
Amounts due from other related parties	**7,112**	10,266
	4,294,803	5,235,490
Due to related parties:		
Amount due to Dada Group	**—**	153,541
Amount due to Railway Jingdong	**28,253**	—
Amount due to Core Funds and Development Fund	**55,072**	80,595
Amounts due to other related parties	**10,048**	—
	93,373	234,136

As of December 31, 2022, amounts due from related parties of RMB4,221,342,000 were included in trade receivables (2021: RMB5,145,307,000), and RMB73,461,000 were included in prepayments, other receivables and other assets (2021: RMB90,183,000).

As of December 31, 2022, amounts due to related parties of RMB38,301,000 were included in trade payables (2021: RMB153,541,000), and RMB55,072,000 were included in accrued expenses and other payables (2021: RMB80,595,000).

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

39. Related party transactions (Continued)

39.4 Key management personnel compensation

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Salaries and bonuses	**6,177**	7,848
Share-based payments	**391,218**	633,211
Pension cost — defined contribution plans	**115**	147
Welfare, medical and other benefits	**1,413**	1,851
Total	**398,923**	643,057

40. Capital commitments

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Contracted for but not provided in the consolidated financial statements		
Purchase of property and equipment	**316,186**	450,472

41. Financial instruments

41.1 Financial instruments by categories

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value:		
Financial assets at FVTPL	**2,907,928**	4,105,274
Equity instruments at FVTOCI	**834,224**	—
Financial assets at amortized cost	**51,296,419**	40,147,140
Financial liabilities		
Financial liabilities at fair value:		
Derivative financial instruments	**30,064**	—
Payables to interest holders of consolidated investment funds	**41,164**	46,145
Financial liabilities at amortized cost	**22,238,705**	11,572,955

41. Financial instruments (Continued)

41.2 Financial risk management

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, term deposits, restricted cash, cash and cash equivalents, trade and other payables, advances from customers, borrowings, equity instruments with preference rights, derivative financial instruments, payables to interest holders of consolidated investment funds, financial liabilities included within other non-current liabilities, and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Market risk

Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, and, to a lesser extent, other currencies. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's entities. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk. 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 reporting period, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant. The directors of the Company consider that any reasonable changes in foreign exchange rates of other currencies against the two major functional currencies would not result in a significant change in the Group's results, as the net carrying amounts of financial assets and liabilities denominated in a currency other than the respective subsidiaries' functional currency are considered to be not significant.

Accordingly, no sensitivity analysis for exchange gains and losses in post-tax loss is presented for foreign exchange risk.

The sensitivity analysis for an intra-group loan to the foreign operation that forms part of a net investment where the denomination of the loan is in a currency other than the functional currency of the lender is presented below.

Sensitivity analysis

As of December 31, 2022, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the Group's other comprehensive income for the year ended December 31, 2022 would decrease/increase by RMB283 million (2021: insignificant).

41. Financial instruments (Continued)

41.2 Financial risk management (Continued)

(a) Market risk (Continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank balances, term deposits, restricted cash, fixed-rate borrowings and lease liabilities.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended December 31, 2022 would decrease/increase by RMB27.9 million (2021: RMB15.4 million).

Price risk

The Group is mainly exposed to price risk through its investments in listed equity security investments measured at FVTPL and FVTOCI. The price risk of these financial assets may arise due to changes in market price. The change may be caused by factors relating to the financial instrument itself or the issuer, and it may also be caused by market factors. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has designated a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices of the respective listed financial instruments had increased/decreased by 5% with all other variables held constant, the post-tax loss for the year ended December 31, 2022 would decrease/increase by RMB12.9 million (2021: RMB26.1 million), and the other comprehensive income for the year ended December 31, 2022 would increase/decrease by RMB22.0 million (2021: none).

41. Financial instruments (Continued)

41.2 Financial risk management (Continued)

(b) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, bank balances and preferred shares investments in unlisted entities. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

Trade receivables and contract assets

In order to minimize the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL for these items. The Group estimates the amount of lifetime ECL of trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering aging, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information on macroeconomic factors (such as the gross domestic product) affecting the ability of the debtors to settle the receivables, which is available without undue cost or effort. In addition, trade receivables that are credit-impaired are assessed for ECL individually.

For trade receivables from related parties, the Group considers the counterparties with good credit worthiness based on past experience and satisfactory settlement history. As of December 31, 2022, the Group assessed the ECL for trade receivables from related parties was insignificant (2021: insignificant).

As of December 31, 2022, other than the Group's largest customer as disclosed in Note 39, no other single customer contributed over 10% of the total trade receivables of the Group (2021: none).

41. Financial instruments (Continued)

41.2 Financial risk management (Continued)

(b) Credit risk and impairment assessment (Continued)

Bank balances, restricted cash, term deposits and debt securities at FVTPL

To manage risk arising from bank balances, restricted cash, term deposits and wealth management products, the Group only transacts with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to these financial institutions.

The credit risk on bank balances, restricted cash, term deposits and wealth management products is limited because the counterparties are reputable banks with high credit rating assigned by international credit-rating agencies. The Group assessed 12m ECL for bank balances, restricted cash, term deposits and wealth management products by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

Other receivables and amounts due from related parties with non-trade nature

In order to minimize the credit risk of other receivables and amounts due from related parties with non-trade nature, the management of the Group continuously monitors the settlement status and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Before granting the loan advances, the management of the Group has obtained an understanding to the credit background of the debtors and undertaken an internal credit approval process. The management of the Group has taken into account the economic outlook of the industries in which the debtors operate and reviewed the recoverable amount of each amount at the end of the reporting period to ensure that adequate impairment losses were recognized for irrecoverable debts. After assessment, the directors of the Company have not identified any items experienced a significant increase in credit risk since initial recognition. In addition, the Group performs periodic individual assessment on 12m ECL of other receivables and amounts due from related parties with non-trade nature based on historical settlement records and past experience.

Preferred shares investments in unlisted entities

The Group invests in debt securities. In order to minimize the credit risk of these investments in preferred shares, the management regularly reviews and assesses the financial performance of the unlisted investees. The management of the Company considers that the credit risk is monitored and significantly reduced.

41. Financial instruments (Continued)

41.2 Financial risk management (Continued)

(b) Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and contract assets	Other receivables
Performing	The counterparty has a low risk of default and does not have any past-due amounts or debtor repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL — where the expected lifetime of an asset is less than 12 months, ECL are measured at its expected lifetime
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The following table provides information about the exposure to credit risk for trade receivables which were assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Credit-impaired with gross carrying amounts of RMB228,253,000 as of December 31, 2022 (2021: RMB82,442,000), were assessed individually.

	As of December 31, 2022		As of December 31, 2021	
	Average loss rate	**Trade receivables RMB'000**	Average loss rate	Trade receivables RMB'000
Within 3 months	**1.1%**	**10,380,173**	1.3%	6,835,457
3 to 6 months	**14.8%**	**204,056**	16.4%	196,991
6 to 12 months	**54.7%**	**74,212**	51.1%	99,505
Over 12 months	**88.6%**	**122,334**	100.0%	64,067
	2.7%	**10,780,775**	3.2%	7,196,020

41. Financial instruments (Continued)

41.2 Financial risk management (Continued)

(b) Credit risk and impairment assessment (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. As of December 31, 2022, the Group provided RMB289,523,000 (2021: RMB233,807,000) accumulated impairment allowance for trade receivables, based on the provision matrix. Accumulated impairment allowance of RMB228,253,000 (2021: RMB82,442,000), were made on credit-impaired debtors as of December 31, 2022.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As of January 1, 2022	**169,740**	**146,509**	**316,249**
Impairment losses recognized	**142,678**	**276,279**	**418,957**
Impairment losses reversed	**(137,457)**	**(13,641)**	**(151,098)**
Write-offs	**—**	**(66,332)**	**(66,332)**
As of December 31, 2022	**174,961**	**342,815**	**517,776**
As of January 1, 2021	116,891	122,889	239,780
Impairment losses recognized	146,580	95,395	241,975
Impairment losses reversed	(92,594)	(6,185)	(98,779)
Write-offs	(1,137)	(65,590)	(66,727)
As of December 31, 2021	169,740	146,509	316,249

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. The Group has taken legal action against the debtors to recover the amount due.

41. Financial instruments (Continued)

41.2 Financial risk management (Continued)

(b) Credit risk and impairment assessment (Continued)

The following tables show reconciliation of loss allowances that has been recognized for other receivables:

	12m ECL RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As of January 1, 2022	**22,691**	**19,750**	**42,441**
Impairment losses recognized	**16,226**	**17,456**	**33,682**
Impairment losses reversed	**(9,057)**	**(1,862)**	**(10,919)**
Write-offs	**(3,362)**	**(2,153)**	**(5,515)**
As of December 31, 2022	**26,498**	**33,191**	**59,689**
As of January 1, 2021	13,109	18,185	31,294
Impairment losses recognized	15,977	3,239	19,216
Impairment losses reversed	(4,875)	(1,674)	(6,549)
Write-offs	(1,520)	—	(1,520)
As of December 31, 2021	22,691	19,750	42,441

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

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

41. Financial instruments (Continued)

41.2 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
As of December 31, 2022							
Non-derivative financial liabilities							
Trade payables		9,099,869	–	–	–	9,099,869	9,099,869
Advances from customers		222,242	–	–	–	222,242	222,242
Borrowings	3.15%	1,471,593	842,302	2,964,657	1,697,513	6,976,065	6,408,764
Lease liabilities	4.97%	7,160,241	4,691,543	5,634,261	2,225,256	19,711,301	17,365,525
Financial liabilities included in accrued expenses and other payables		5,516,074	–	–	–	5,516,074	5,516,074
Financial liabilities included in other non-current liabilities	2.46%	–	1,009,758	–	–	1,009,758	991,756
Payables to interest holders of consolidated investment funds		41,164	–	–	–	41,164	41,164
		23,511,183	6,543,603	8,598,918	3,922,769	42,576,473	39,645,394
Derivatives — gross settlement							
Foreign currency forward contracts							
— Inflow		3,418,074	–	–	–	3,418,074	3,418,074
— Outflow		(3,448,138)	–	–	–	(3,448,138)	(3,448,138)
		(30,064)	–	–	–	(30,064)	(30,064)

41. Financial instruments (Continued)

41.2 Financial risk management (Continued)

(c) Liquidity risk (Continued)

	Weighted average interest rate	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
As of December 31, 2021							
Trade payables		6,772,692	—	—	—	6,772,692	6,772,692
Advances from customers		723,009	—	—	—	723,009	723,009
Lease liabilities	5.08%	5,962,440	4,205,198	5,459,530	1,496,388	17,123,556	15,172,671
Financial liabilities included in accrued expenses and other payables		3,356,730	—	—	—	3,356,730	3,356,730
Financial liabilities included in other non-current liabilities	4.35%	—	100,000	—	—	100,000	100,000
Equity instruments with preference rights	5.63%	—	—	—	859,865	859,865	631,014
Payables to interest holders of consolidated investment funds		46,145	—	—	—	46,145	46,145
		16,861,016	4,305,198	5,459,530	2,356,253	28,981,997	26,802,261

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends to pay to shareholders, capital to return to shareholders, new shares to issue, shares of the Company to repurchase and debts to raise/repay. In the opinion of the directors of the Company, the Group's capital risk is low.

41. Financial instruments (Continued)

41.3 Fair value measurement of financial instruments

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The tables below analyze the Group's financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2022				
Financial assets				
Equity securities in listed entities	**931,895**	**—**	**—**	**931,895**
Equity investments in unlisted entities	**—**	**2,500**	**247,385**	**249,885**
Preferred shares investments in unlisted entities	**—**	**166,595**	**1,122,323**	**1,288,918**
Wealth management products	**—**	**1,271,454**	**—**	**1,271,454**
	931,895	**1,440,549**	**1,369,708**	**3,742,152**
Financial liabilities				
Foreign currency forward contracts	**—**	**30,064**	**—**	**30,064**
Payables to interest holders of consolidated investment funds	**—**	**—**	**41,164**	**41,164**
	—	**30,064**	**41,164**	**71,228**
As of December 31, 2021				
Financial assets				
Equity securities in listed entities	695,037	—	—	695,037
Preferred shares investments in unlisted entities	—	106,377	725,882	832,259
Wealth management products	—	2,577,978	—	2,577,978
	695,037	2,684,355	725,882	4,105,274
Financial liabilities				
Payables to interest holders of consolidated investment funds	—	—	46,145	46,145

41. Financial instruments (Continued)

41.3 Fair value measurement of financial instruments (Continued)

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

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

Financial assets/ financial liabilities	Fair value as of December 31, 2022 RMB'000	2021 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets					
Equity securities in listed entities	**931,895**	695,037	Level 1	Quoted bid prices in an active market	N/A
Equity investments in unlisted entities	**2,500**	—	Level 2	Recent transaction price	N/A
Equity investments in unlisted entities	**247,385**	—	Level 3	A combination of observable and unobservable inputs	DLOM of 15%, expected volatility of 58%
Preferred shares investments in unlisted entities	**166,595**	106,377	Level 2	Recent transaction price	N/A
Preferred shares investments in unlisted entities	**1,122,323**	725,882	Level 3	A combination of observable and unobservable inputs	DLOM ranging from 5% to 6% (2021: 5% to 13%), expected volatility ranging from 29% to 37% (2021: 39% to 51%)
Wealth management products	**1,271,454**	2,577,978	Level 2	Cash flow discounted using the expected return based on observable market inputs	N/A
Financial liabilities					
Foreign currency forward contracts	**30,064**	—	Level 2	Cash flow estimated based on the observable forward exchange rates at the end of reporting period and contracted forward rates	N/A
Payables to interest holders of consolidated investment funds	**41,164**	46,145	Level 3	Net assets value of the investment funds	Net assets value of the investment funds

41. Financial instruments (Continued)

41.3 Fair value measurement of financial instruments (Continued)

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

For the year ended December 31, 2022, 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 (2021: 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.

(b) Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL RMB'000	Equity instruments at FVTOCI RMB'000	Convertible redeemable preferred shares RMB'000	Payables to interest holders of consolidated investment funds RMB'000
As of January 1, 2022	**725,882**	**—**	**—**	**46,145**
Acquisition of a subsidiary	**421,305**	**247,385**	**—**	**—**
Capital contribution	**5,000**	**—**	**—**	**—**
Changes in fair value	**38,143**	**—**	**—**	**(4,981)**
Disposal or redemption	**(22,000)**	**—**	**—**	**—**
Transferred to Level 2	**(100,603)**	**—**	**—**	**—**
Currency translation differences	**54,596**	**—**	**—**	**—**
As of December 31, 2022	**1,122,323**	**247,385**	**—**	**41,164**
As of January 1, 2021	480,814	—	21,918,414	116,950
Purchased	194,073	—	—	—
Capital contribution	—	—	—	13,200
Distribution	(354)	—	—	—
Changes in fair value	212,365	—	12,843,803	(8,114)
Disposal or redemption	(1,397)	—	—	(75,891)
Converted to ordinary shares	—	—	(34,100,839)	—
Transferred to Level 1	(174,512)	—	—	—
Transferred from Level 2	25,000	—	—	—
Currency translation differences	(10,107)	—	(661,378)	—
As of December 31, 2021	725,882	—	—	46,145

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

For the financial assets and financial liabilities that are not measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities except for long-term borrowings recorded at amortized cost in the consolidated financial statements approximate their fair values due to short maturities or the interest rates are close to the market rates.

42. Note to consolidated statement of cash flows

42.1 Reconciliation of loss for the year to cash generated from operations

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Loss for the year	**(1,090,294)**	(15,660,732)
Adjustments for:		
Income tax	**276,114**	60,374
Finance costs	**893,323**	718,853
Finance income	**(616,846)**	(233,628)
Share of results of associates and joint ventures	**13,036**	36,769
Depreciation of property and equipment	**3,064,485**	1,968,647
Depreciation of right-of-use assets	**6,466,117**	5,450,796
Depreciation of investment properties	**184**	—
Amortization of other intangible assets	**485,703**	375,097
Impairment loss, net of reversal		
— financial assets under expected credit loss model	**290,622**	155,863
— interests in joint ventures	**—**	3,651
— property and equipment	**34,270**	—
Share-based payments	**1,242,901**	1,447,219
Losses/(gains) on disposal of property and equipment	**116,429**	(14,402)
Fair value changes of financial instruments at FVTPL	**180,837**	(312,350)
Investment losses attributable to interest holders of consolidated investment funds	**(4,981)**	(8,114)
Fair value changes of convertible redeemable preferred shares	**—**	12,843,803
Foreign exchange losses, net	**60,804**	21,918
(Gains)/losses on disposal of investments	**(22,031)**	4,604
Operating cash flows before movements in working capital	**11,390,673**	6,858,368
Decrease/(increase) in inventories	**9,926**	(290,205)
Increase in trade receivables	**(1,101,193)**	(6,935,901)
Increase in prepayments, other receivables and other assets	**(305,121)**	(1,772,706)
Increase in contract assets	**(187,674)**	(55,083)
Increase in trade payables	**1,467,964**	961,073
(Decrease)/increase in contract liabilities	**(7,459)**	58,090
Increase in accrued expenses, other payables and other non-current liabilities	**2,196,475**	6,774,151
(Decrease)/increase in advances from customers	**(505,327)**	464,148
Cash generated from operations	**12,958,264**	6,061,935

There were no material non-cash investing and financing activities for the year ended December 31, 2022 except disclosed elsewhere in the consolidated financial statements (2021: none).

42. Note to consolidated statement of cash flows (Continued)

42.2 Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2022

	Payables to interest holders of consolidated investment funds	Lease liabilities	Borrowings	Amount due to non-controlling shareholder	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2022	46,145	15,172,671	—	211,970	15,430,786
Financing cash flows	—	(6,930,692)	2,940,084	(108,270)	(4,098,878)
Acquisition of a subsidiary	—	1,500,387	3,775,574	—	5,275,961
Investment losses attributable to interest holders of consolidated investment funds	(4,981)	—	—	—	(4,981)
New leases entered	—	6,750,360	—	—	6,750,360
Currency translation differences	—	90,070	—	—	90,070
Interest expenses	—	782,729	93,625	6,906	883,260
Non-cash offsetting*	—	—	(400,519)	—	(400,519)
As of December 31, 2022	41,164	17,365,525	6,408,764	110,606	23,926,059

* Representing the offset between the amount due from the Founding Vendors and the Remaining Liabilities as defined and set out in Note 47, upon maturity of the principal and interests of certain borrowings remained within Deppon Holdco.

42. Note to consolidated statement of cash flows (Continued)

42.2 Reconciliation of liabilities arising from financing activities (Continued)

For the year ended December 31, 2021

	Payables to interest holders of consolidated investment funds	Lease liabilities	Net amount (due from)/ due to JD Group*	Amount due to non-controlling shareholder	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2021	116,950	12,463,677	(3,586,598)	304,640	9,298,669
Financing cash flows	(62,691)	(5,671,513)	(565,328)	(103,286)	(6,402,818)
Investment losses attributable to interest holders of consolidated investment funds	(8,114)	—	—	—	(8,114)
New leases entered	—	7,878,949	—	—	7,878,949
Exchange adjustments	—	—	13,406	—	13,406
Interest income	—	—	(6,382)	—	(6,382)
Interest expenses	—	662,857	—	10,616	673,473
Net settlement for operating activities	—	—	(1,010,615)	—	(1,010,615)
Net settlement for investing activities	—	—	(70,210)	—	(70,210)
Net settlement for lease payments	—	(161,299)	161,299	—	—
As of December 31, 2021	46,145	15,172,671	(5,064,428)	211,970	10,366,358

* As of December 31, 2021, the amount due from JD Group of RMB5,064,428,000 was included in trade receivables.

43. Particulars of principal subsidiaries and consolidated affiliated entities

43.1 General information of subsidiaries and consolidated affiliated entities

Details of the principal subsidiaries directly and indirectly held by the Company are set out below:

Name of subsidiaries**	Place of incorporation/ registration/ operation	Paid up issued/ registered capital	Proportion ownership interest attributable to the Company as of December 31, 2022	2021	Principal activities
JD Logistics Holding Limited	Hong Kong, China	HKD1,000,000	**100%**	100%	International supply chain business
Jingdong Logistics Supply Chain Co., Ltd.	Mainland China	RMB10,000,000,000	**100%**	100%	Logistics services business
Xi'an Jingdong Xuncheng Logistics Co., Ltd.	Mainland China	RMB1,550,000,000	**100%**	100%	Freight transportation service
Xi'an Jingxundi Supply Chain Technology Co., Ltd.	Mainland China	RMB980,000,000	**100%**	100%	Technology and consulting services
Beijing Jinghong Logistics Co., Ltd.	Mainland China	RMB10,000,000	**100%**	100%	Freight transportation service
Guangdong Jingdong Xingyou Logistics Co., Ltd.	Mainland China	RMB60,000,000	**100%**	100%	Freight transportation service
Beijing Jingdong Zhenshi Information Technology Co., Ltd.	Mainland China	RMB100,000,000	**100%**	100%	Technology and consulting services
Beijing Yuanyi Freight Forwarding Co., Ltd.	Mainland China	RMB8,000,000	**100%**	100%	Freight forwarder business
Jingdong Logistics Transportation Co., Ltd.	Mainland China	RMB50,000,000	**100%**	100%	Freight transportation service
Beijing Jingdong Yuansheng Technology Co., Ltd.	Mainland China	RMB10,000,000	**100%**	100%	Technology and consulting services
Deppon Logistics Co., Ltd.	Mainland China	RMB1,026,957,470	**71.9%**	—	Transportation, delivery and warehousing services

43. Particulars of principal subsidiaries and consolidated affiliated entities (Continued)

43.1 General information of subsidiaries and consolidated affiliated entities (Continued)

Details of the principal consolidated affiliated entities of the Company are set out below:

Name of consolidated affiliated entities*/**	Place of incorporation/ registration/ operation	Paid up issued/ registered capital	Proportion ownership interest attributable to the Company as of December 31, 2022	2021	Principal activities
Beijing Jingbangda Trade Co., Ltd.	Mainland China	RMB1,000,000,000	**100%**	100%	Logistics services business
Guangdong Jingbangda Supply Chain Technology Co., Ltd.	Mainland China	RMB100,000,000	**100%**	100%	Courier and warehousing service
Shanghai Xunzan Supply Chain Technology Co., Ltd.	Mainland China	RMB100,000,000	**100%**	100%	Courier and warehousing service
Beijing Jingxundi Technology Co., Ltd.	Mainland China	RMB10,000,000	**100%**	100%	Courier and warehousing service
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Mainland China	RMB1,000,000	**100%**	100%	Technology and consulting services
Shaanxi Jingdong Xincheng Supply Chain Technology Co., Ltd.	Mainland China	RMB50,000,000	**100%**	100%	Courier and warehousing service
Liaoning Jingbangda Supply Chain Technology Co., Ltd.	Mainland China	RMB20,000,000	**100%**	100%	Courier and warehousing service
Sichuan Jingbangda Logistics Technology Co., Ltd.	Mainland China	RMB50,000,000	**100%**	100%	Courier and warehousing service
Hubei Jingbangda Supply Chain Technology Co., Ltd.	Mainland China	RMB50,000,000	**100%**	100%	Courier and warehousing service
Beijing Jingdong Qianshi Technology Co., Ltd.	Mainland China	RMB100,000,000	**100%**	100%	Technology and consulting services

43. Particulars of principal subsidiaries and consolidated affiliated entities (Continued)

43.1 General information of subsidiaries and consolidated affiliated entities (Continued)

Name of consolidated affiliated entities*/**	Place of incorporation/ registration/ operation	Paid up issued/ registered capital	Proportion ownership interest attributable by the Company as of December 31, 2022	2021	Principal activities
Jiangsu Jingdong Cargo Airlines Co., Ltd.	Mainland China	RMB600,000,000	**75%**	75%	Air cargo business
Guangdong Hongbang Tuoxian Logistics Technology Co., Ltd.	Mainland China	RMB5,000,000	**100%**	100%	Courier service
Suqian Jingdong Tonglian Logistics Co., Ltd.	Mainland China	RMB10,000,000	**100%**	100%	Internet freight transportation
Kuayue-Express Group Co., Ltd.	Mainland China	RMB661,271,496	**63.6%**	55.1%	Logistics services business

* As described in Note 1, the Company does not have direct or indirect legal ownership in equity of these affiliated entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with the equity holders of these affiliated entities, the Company and its legally owned subsidiaries have power over these affiliated entities, have rights to variable returns from their involvement with these affiliated entities and have the ability to affect those returns through their power over these affiliated entities, and are considered to have control over these affiliated entities. Consequently, the Company regards these affiliated entities as its indirect subsidiaries.

** The English names of the subsidiaries and consolidated affiliated entities established in the PRC are translated from their registered Chinese names for identification only.

The above table lists the subsidiaries and consolidated affiliated entities of the Company that the directors of the Company believe to principally affect the results or assets of the Group. In the opinion of the directors of the Company, to give details of other subsidiaries would result in particulars of excessive length.

The voting power of the subsidiaries and consolidated affiliated entities held by the Company are same with the ownership interest held by the Company.

None of the subsidiaries and consolidated affiliated entities had issued any debt securities during the year ended December 31, 2022, or during the period from the date of acquisition to the end of the reporting period (2021: none).

43. Particulars of principal subsidiaries and consolidated affiliated entities (Continued)

43.2 Details of non-wholly owned subsidiary and consolidated affiliated entity that have material non-controlling interests

The table below shows details of the subsidiary and the consolidated affiliated entity of the Group that has material non-controlling interests:

Name of subsidiary/ consolidated affiliated entity	Place of incorporation and principal place of business	Proportion of ordinary shares held by non-controlling interests as of December 31,		Proportion of equity interest on fully diluted basis and voting rights held by non-controlling interests as of December 31,		Total comprehensive income allocated to non-controlling interests for the year ended December 31,		Accumulated non-controlling interests as of December 31,	
		2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
						RMB'000	RMB'000	**RMB'000**	RMB'000
Kuayue Express	Mainland China	**36.4%**	39.8%	**36.4%**	44.9%	**207,113**	205,418	**2,575,759**	2,294,830
Deppon	Mainland China	**28.1%**	—	**28.1%**	—	**110,867**	—	**3,954,776**	—

Kuayue Express

Summarized financial information of Kuayue Express is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Non-current assets	**5,153,493**	5,455,147
Current assets	**4,681,652**	3,383,278
Non-current liabilities	**(1,553,731)**	(2,440,064)
Current liabilities	**(2,837,372)**	(2,177,763)
	5,444,042	4,220,598
Equity attributable to owners of the Company	**2,868,283**	1,925,768
Non-controlling interests of Kuayue Express	**2,575,759**	2,294,830
	5,444,042	4,220,598

43. Particulars of principal subsidiaries and consolidated affiliated entities (Continued)

43.2 Details of non-wholly owned subsidiary and consolidated affiliated entity that have material non-controlling interests (Continued)

Kuayue Express (Continued)

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Revenue	**13,972,445**	11,383,031
Expenses	**(13,418,744)**	(10,866,878)
Profit for the year	**553,701**	516,153
Total comprehensive income for the year	**553,701**	516,153
Total comprehensive income for the year attributable to:		
Owners of the Company	**346,588**	310,735
Non-controlling interests of Kuayue Express	**207,113**	205,418
	553,701	516,153
Net cash generated from/(used in):		
Operating activities	**1,873,139**	1,136,289
Investing activities	**(1,487,639)**	(375,370)
Financing activities	**(544,665)**	(749,965)
	(159,165)	10,954

43. Particulars of principal subsidiaries and consolidated affiliated entities (Continued)

43.2 Details of non-wholly owned subsidiary and consolidated affiliated entity that have material non-controlling interests (Continued)

Deppon

Summarized financial information of Deppon is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	As of December 31, 2022 RMB'000
Non-current assets	11,489,219
Current assets	6,024,257
Non-current liabilities	(2,524,067)
Current liabilities	(6,269,958)
	8,719,451
Equity attributable to owners of the Company	4,764,675
Non-controlling interests of Deppon	3,954,776
	8,719,451

43. Particulars of principal subsidiaries and consolidated affiliated entities (Continued)

43.2 Details of non-wholly owned subsidiary and consolidated affiliated entity that have material non-controlling interests (Continued)

	From July 26, 2022 to December 31, 2022 RMB'000
Revenue	**14,396,701**
Expenses	**(13,920,257)**
Profit for the period	**476,444**
Other comprehensive loss for the period	**(101,462)**
Total comprehensive income for the period	**374,982**
Total comprehensive income for the period attributable to:	
Owners of the Company	**264,115**
Non-controlling interests of Deppon	**110,867**
	374,982
Net cash generated from/(used in):	
Operating activities	**1,960,469**
Investing activities	**901,653**
Financing activities	**(1,806,206)**
	1,055,916

44. Pension cost

Full time employees of the Group in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees. For the year ended December 31, 2022, pension cost amounted to RMB3,833,404,000.

45. Contingencies

The Group did not have any material contingent liabilities as of December 31, 2022 (2021: none).

46. 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.

47. Acquisition of a subsidiary

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 held approximately 66.5% of the issued share capital of Deppon, for a total consideration of approximately RMB8,975.9 million. Details of the Acquisition are set out in the announcement of the Company dated March 13, 2022 and the circular of the Company dated June 30, 2022 (the "**Circular**").

Deppon is a company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 603056). Deppon is an integrated, customer-centered logistics company providing a wide range of solutions including Less-Than-Truckload (LTL) transportation, Full Truck Load (FTL) transportation, delivery services, and warehousing management.

Deppon Holdco owns certain entities, assets and liabilities (as set out in the section headed "Definition" of the Circular) that the Group and the Founding Vendors (as defined below) have agreed to exclude from the consolidated financial statements of Deppon Holdco (the "**Excluded Business**"). In March 2022, the Group entered into the business disposal agreement with the Founding Vendors and Deppon Holdco (the "**Business Disposal Agreement**"), whereas Deppon Holdco shall dispose the Excluded Business (the "**Business Disposal**") and the Founding Vendors shall be responsible for the costs, expenses and liabilities relating to the Business Disposal and the Excluded Business.

Accordingly, the Acquisition does not include transfer of the Excluded Business, and pursuant to the Business Disposal Agreement, all rights of income, dispositions, obligations, liabilities and losses under the Excluded Business to be divested shall be deemed to have been fully transferred to the Founding Vendors from the date of the Business Disposal Agreement, and all profits and losses arising therefrom shall be enjoyed and borne by the Founding Vendors. It was the intention of the Group and the Founding Vendors to dispose of the Excluded Business as soon as practicable, and upon completion of the Business Disposal, Deppon Holdco will be an investment holding company of Deppon and its subsidiaries (the "**Deppon Group**") only and will not be engaged in any other businesses.

47. Acquisition of a subsidiary (Continued)

For those subsidiaries under the Excluded Business, the Group considers that it has no power, no exposures, nor rights to variable returns from involvement of their business operations pursuant to the Business Disposal Agreement. Further, the Group also does not have any ability to affect the amount of the Group's returns from the aforesaid subsidiaries. Therefore, the Group considers that the control of these subsidiaries will not be obtained through the Acquisition, thus the financial information of these subsidiaries under the Excluded Business will not be consolidated into the consolidated financial statements of the Group after the Acquisition.

Further, the Group also considers that it has no control over and is not expected to enjoy the future benefits of the excluded assets remaining within Deppon Holdco from the date of the Business Disposal Agreement. However, for certain borrowings and tax obligations remained under Deppon Holdco (the "**Remaining Liabilities**"), Deppon Holdco has no unconditional right to avoid delivering cash to settle the contractual or tax obligations if request has been raised by the creditors or based on tax regulations. The Remaining Liabilities will be fully settled with the Founding Vendors as soon as practicable pursuant to the Business Disposal Agreement. Accordingly, a receivable amount due from the Founding Vendors was recorded under "prepayments, other receivables and other assets" in the amount which is equivalent to the Remaining Liabilities.

The Acquisition was completed on July 26, 2022 and has been accounted for as acquisition of business using the acquisition method. Upon completion of the Acquisition, the Group controlled Deppon Holdco. Accordingly, Deppon Holdco (including Deppon Group) has become a subsidiary of the Company, and its financial results, except for that of the Excluded Business, have been consolidated into the Group's consolidated financial statements.

As the consolidation of Deppon Holdco is specifically limited to the financial results of Deppon Group, the Remaining Liabilities, and the amount due from the Founding Vendors in the equal amount as the Remaining Liabilities, the accounting treatment for consolidation has been prepared as if the Group had acquired Deppon Group directly, plus the Remaining Liabilities and the amount due from the Founding Vendors.

Consideration of acquisition

	RMB'000
Cash	**8,975,853**

47. Acquisition of a subsidiary (Continued)

Acquisition-related costs amounting to RMB15,674,000 had been recognized as an expense during the year ended December 31, 2022.

Assets acquired and liabilities recognized at the date of acquisition

	Fair value RMB'000
Other intangible assets	**2,450,936**
Including: customer relationship	***7,600***
trademarks	***1,661,400***
technology systems	***676,384***
Property and equipment	**4,714,657**
Right-of-use assets	**2,184,705**
Interests in associates	**198,704**
Financial assets at fair value through profit or loss	**1,645,127**
Equity instruments at fair value through other comprehensive income	**1,307,273**
Deferred tax assets	**96,597**
Prepayments, deposits and other assets	**2,284,842**
Amount due from the Founding Vendors	**771,067**
Inventories	**22,517**
Trade receivables	**1,937,704**
Term deposits	**48,813**
Restricted cash	**113,555**
Cash and cash equivalents	**245,412**
Lease liabilities	**(1,500,387)**
Borrowings	**(3,004,507)**
Trade payables	**(859,213)**
Contract liabilities	**(74,609)**
Advances from customers	**(4,560)**
Accrued expenses, other payables and other non-current liabilities	**(2,323,985)**
Tax liabilities	**(148,555)**
Remaining Liabilities	**(771,067)**
Deferred tax liabilities	**(996,858)**
	8,338,168
Non-controlling interests	**1,329**
	8,339,497

The trade receivables acquired with a fair value of RMB1,937,704,000 at the date of acquisition had gross contractual amounts of RMB1,981,299,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB43,595,000.

47. Acquisition of a subsidiary (Continued)

Non-controlling interests

The non-controlling interests (33.5%) in Deppon recognized at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to RMB4,713,718,000. As Deppon is listed on the Shanghai Stock Exchange, the evaluation of fair value of the non-controlling interests is determined based on the market price of shares of Deppon at the acquisition date.

In addition, the non-controlling interests recognized at the acquisition date include the outstanding RSUs granted by Deppon under the Deppon Share Incentive Plan.

Goodwill arising on acquisition

	RMB'000
Consideration of the acquisition	**8,975,853**
Plus: non-controlling interests (33.5% in Deppon)	**4,713,718**
Less: fair value of net assets acquired	**(8,339,497)**
Goodwill arising on acquisition	**5,350,074**

Goodwill arose on the acquisition of Deppon as the acquisition included the assembled workforce of Deppon, benefit of expected synergies, revenue growth and future market development as of the date of acquisition. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Put option arising on acquisition

In March 2022, the Group and Mr. Weixing Cui, one of the founding vendors of Deppon (individually or together with the other founding vendor, referred to as the "**Founding Vendors**"), entered into an option agreement in relation to the 43,009,184 shares of Deppon (the "**Option Shares**") pledged to the Group, whereas Mr. Weixing Cui shall have the right to cause the Group to purchase all (but not less than all) of the Option Shares at the put option price of RMB13.14 per share (the "**Put Option**"). The exercise of the Put Option is subject to certain conditions as set out in the Circular.

As of December 31, 2022, the Put Option in the amount of RMB547,139,000, representing the present value of the amount payable to the Founding Vendors in the event of exercising of the Put Option, was included in "Other non-current liabilities".

47. Acquisition of a subsidiary (Continued)

Net cash outflow on acquisition

	RMB'000
Cash consideration paid	**7,956,349**
Less: cash and cash equivalents acquired	**(245,412)**
	7,710,937

Impact of acquisition on the results of the Group

Included in the loss for the year ended December 31, 2022 is a profit of RMB475,500,000 attributable to the additional business generated by Deppon. Revenue for the year ended December 31, 2022 includes RMB14,387,770,000 generated by Deppon.

Had the acquisition of Deppon been completed on January 1, 2022, revenue for the year ended December 31, 2022 of the Group would have been RMB154,389,228,000, and loss for the year ended December 31, 2022 would have been RMB991,988,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2022, nor is it intended to be a projection of future results. In determining the pro-forma revenue and loss of the Group had Deppon been acquired at the beginning of the year of 2022, depreciation of property and equipment and amortization of other intangible assets is calculated based on the recognized amounts of property and equipment and other intangible assets at the date of the acquisition.

48. Statement of financial position and reserve movement of the Company

48.1 Statement of financial position of the Company

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
ASSETS		
Non-current asset		
Investments in subsidiaries	**3,549,657**	2,963,795
Total non-current asset	**3,549,657**	2,963,795
Current assets		
Prepayments, other receivables and other assets	**36,752,370**	24,208,597
Term deposits	**6,067,866**	5,100,560
Cash and cash equivalents	**9,069,562**	11,756,450
Total current assets	**51,889,798**	41,065,607
Total assets	**55,439,455**	44,029,402
EQUITY AND LIABILITIES		
Equity		
Share capital	**1,039**	971
Treasury shares	**(70)**	(74)
Reserves	**75,135,006**	62,929,584
Accumulated losses	**(19,722,817)**	(18,912,936)
Total equity	**55,413,158**	44,017,545
Liabilities		
Current liabilities		
Accrued expenses and other payables	**3,183**	3,671
Tax liabilities	**23,114**	8,186
Total current liabilities	**26,297**	11,857
Total liabilities	**26,297**	11,857
Total equity and liabilities	**55,439,455**	44,029,402

48. Statement of financial position and reserve movement of the Company (Continued)

48.2 Reserve movement of the Company

	Note	Reserves RMB'000	Accumulated losses RMB'000
As of January 1, 2022		**62,929,584**	**(18,912,936)**
Loss for the year		**—**	**(809,881)**
Issuance of ordinary shares, net of issuance costs	28	**6,924,080**	**—**
Share-based payments		**965,612**	**—**
Repurchase of share options		**(1,631)**	**—**
Exercise of share options and vesting of RSUs		**1,629**	**—**
Currency translation differences		**4,315,732**	**—**
As of December 31, 2022		**75,135,006**	**(19,722,817)**
As of January 1, 2021		4,281,169	(5,488,554)
Loss for the year		—	(13,424,382)
Issuance of ordinary shares relating to initial public offering, net of issuance costs	28	23,010,686	—
Conversion of convertible redeemable preferred shares to ordinary shares	28	34,100,675	—
Share-based payments		1,221,129	—
Repurchase of share options		(4,675)	—
Exercise of share options		4,110	—
Currency translation differences		316,490	—
As of December 31, 2021		62,929,584	(18,912,936)

49. Subsequent events

Bank borrowings

Subsequent to December 31, 2022, the Group obtained bank borrowings amounting to RMB2,580 million, with term to maturity ranging from 2 months to 12 months.

"3C"	computer, communication, and consumer electronics
"ADSs"	American Depositary Shares (each representing two Class A ordinary shares) of JD.com
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted by special resolutions passed on May 10, 2021 with effect from the Listing Date
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Auditor"	Deloitte Touche Tohmatsu, the auditor of the Company
"Award"	the grant of Award Shares to the Eligible Persons in accordance with the terms of the Post-IPO Share Award Scheme
"Award Shares"	the Shares granted under the Post-IPO Share Award Scheme
"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 US$0.00002 each, conferring a holder of a Class A ordinary share to one vote per share on any resolution tabled at JD.com's general meeting
"Class B ordinary share(s)"	Class B ordinary shares in the share capital of JD.com with par value of US$0.00002 each, conferring weighted voting rights in JD.com such that a holder of a Class B ordinary share is entitled to 20 votes per share on any resolution tabled at JD.com's general meeting

"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
"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
"Contractual Arrangement(s)"	the Previous Contractual Arrangements and/or the New Contractual Arrangements, as the case may be
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Jingdong Technology Group Corporation, JD.com, Mr. Richard Qiangdong Liu (劉強東), Max Smart Limited and Fortune Rising Holdings Limited
"Dada Group"	Dada Nexus Limited and its subsidiaries
"Deppon" or "Deppon Logistics"	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 Group"	Deppon and its subsidiaries
"Deppon Holdco"	Ningbo Meishan Baoshui Area Deppon Investment Holding Company Limited (寧波梅山保税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
"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 of the Company from time to time

"Guangdong Jingxi"	Guangdong Jingxi Logistics Technology Co., Ltd (廣東京喜物流科技有限公司)
"Guangdong Jingxi Contractual Arrangements"	the series of contractual arrangements entered into between Jian Cui (崔建), Dingkai Yu (禹定凱), Jingdong Logistics Supply Chain and Guangdong Jingxi, as detailed in the section headed "Contractual Arrangements" in the Prospectus
"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
"IFRSs"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"JD.com"	JD.com, Inc., one of our Controlling Shareholders, a company incorporated in the BVI on November 6, 2006 and subsequently redomiciled to the Cayman Islands on January 16, 2014 as an exempted company registered by way of continuation under the laws of the Cayman Islands and the shares of which are listed on the Main Board (stock code: 9618) under Chapter 19C of the Listing Rules and the ADSs of which are listed on NASDAQ under the symbol "JD"
"JD Group"	JD.com and its subsidiaries and consolidated affiliated entities, excluding our Group
"JD 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 Logistics Supply Chain"	Jingdong Logistics Supply Chain Co., Ltd. (京東物流供應鏈有限公司)
"Kuayue Express"	Kuayue-Express Group Co., LTD. (跨越速運集團有限公司)
"Latest Practicable Date"	April 18, 2023, being the latest practicable date for the inclusion of certain information and data in this annual report prior to its publication
"Listing"	the listing of the Shares on the Main Board

"Listing Date"	May 28, 2021, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"New Contractual Arrangements"	New Xi'an Jingdong Contractual Arrangements and Guangdong Jingxi Contractual Arrangements
"New Registered Shareholders"	Mr. Qin Miao (繆欽), Ms. Yayun Li (李婭雲) and Ms. Pang Zhang (張雱)
"New Xi'an Jingdong Contractual Arrangements"	the series of contractual arrangements entered into by and among WFOE, Xi'an Jingdong and the New Registered Shareholders
"Nomination Committee"	the nomination committee of the Company
"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
"PRC Legal Adviser"	Shihui Partners, our legal adviser on PRC law

"Pre-IPO ESOP"	the pre-IPO employee share incentive plan adopted by our Company on March 31, 2018
"Previous Contractual Arrangements"	Previous Xi'an Jingdong Contractual Arrangements and the Guangdong Jingxi Contractual Arrangements
"Previous Registered Shareholders"	Mr. Richard Qiangdong Liu (劉強東), Ms. Yayun Li (李婭雲) and Ms. Pang Zhang (張雱)
"Previous Xi'an Jingdong Contractual Arrangements"	the series of contractual arrangements entered into by, among others, WFOE, Xi'an Jingdong and the Previous Registered Shareholders, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"Prospectus"	the prospectus of the Company dated May 17, 2021
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended December 31, 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 of our Company with par value of US$0.000025 each
"Shareholder(s)"	holder(s) of our Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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", "US$" or "USD"	United States dollars, the lawful currency of the United States
"WFOE"	Xi'an Jingxundi Supply Chain Technology Co., Ltd. (西安京迅遞供應鏈科技有限公司), a company established in the PRC and a wholly-owned subsidiary of our Company
"Xi'an Jingdong"	Xi'an Jingdong Xincheng Information Technology Co., Ltd. (西安京東信成信息技術有限公司), a company established in the PRC and a consolidated affiliated entity of the Company
"%"	per cent

JDL 京东物流