
BUSINESS

Our Vision

We aim to become the world's most trusted supply chain solutions and logistics services provider.

Our Mission

We aim to drive superior efficiency and sustainability for global supply chain through technology.

Overview of Our Business

We are the leading technology-driven supply chain solutions and logistics services provider in China. We offer a full spectrum of supply chain solutions and high-quality logistics services enabled by technology, ranging from warehousing to distribution, spanning across manufacturing to end-customers, covering regular and specialized items. According to the CIC Report, we are the largest player in China's integrated supply chain logistics services market in terms of total revenue in 2020.

Our value proposition is to empower our customers' supply chains and substantially improve their operational efficiencies, which in turn enhance their own customer experience and stickiness. We help our customers reduce redundant distribution layers, improve the agility of their supply chains, and optimize inventory management. Our solutions are powered by our proprietary technology, industry know-how and insights of product merchandizing. In 2020, we served more than 190,000 corporate customers across a wide array of industries, such as fast moving consumer goods (FMCG), apparel, home appliances, home furniture, 3C, automotive and fresh produce, among others.

Our journey began with the establishment of JD Group's in-house logistics department in 2007, and we have been continually building our logistics infrastructure, technologies, as well as operational and industry know-hows for over a decade. With the fundamental approaches of minimizing the number of transits and shortening the distance between merchandises and consumers, we led the upgrade of the supply chains of the e-commerce industry in China. Through this process, we have built up our nationwide and strategically-located logistics infrastructure and technology platform from ground up, raised the industry standards for service quality, and accumulated deep know-hows in key industry verticals. We have then opened up our solutions and services to external customers since 2017 with the goal of empowering their supply chains.

We believe China's rapid digitalization of the economy has created increasingly multi-faceted customer demands. Such demands are currently serviced by a fragmented group of incumbent logistics players and are severely underserved, which present significant opportunities for supply chain solutions and logistics services providers like us. According to the CIC Report, the market size of the integrated supply chain logistics services industry is expected to grow from RMB2,026 billion in 2020 to RMB3,190 billion by 2025, representing a CAGR of 9.5%, which is approximately 1.8 times the growth of China's logistics spending over the same period. Currently, the integrated supply chain logistics services industry in China is highly fragmented, with the top ten players only accounting for 9.0% of the market share in terms of revenue in 2020.

Supply chain technology is the bedrock of our operations and differentiates us from our competitors. We leverage fundamental technologies such as 5G, AI, big data, cloud computing and IoT to continuously improve our capabilities in automation, digitalization, and intelligentization. We use

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advanced unmanned technologies and robotics, such as automated guided vehicles (AGVs), autonomous mobile robots (AMRs) and sorting robots, self-driving vehicles, among others, to deliver critical improvements in speed, accuracy and productivity in all key logistical operations including warehousing, transportation, sorting and delivery. As of December 31, 2020, we operated 32 Asia No. 1 smart mega warehouses (亞洲一號大型智能倉庫), our highly automated logistics centers, many of which integrate multiple types of robots, smart equipment and self-developed warehousing control system to achieve efficient multi-equipment collaborative operation. Our Asia No. 1 smart mega warehouses covered 22 cities in China, including a fully unmanned warehouse located in Shanghai, which can process more than 1.3 million orders per day during peak seasons. Our proprietary warehouse management system (WMS), transportation management system (TMS) and order management system (OMS) support the digitalization of our customers' supply chains, and are coordinated and synchronized by our intelligent algorithms to enable centralized decision making in areas such as sales forecasting, merchandise distribution planning and supply chain network optimization.

We have established six highly synergized logistics networks which are extensive, flexible and digitally integrated, providing us with strong competitive advantages in delivering compelling customer experience and serving as an effective entry barrier against our competitors. These six logistics networks are our warehouse network, line-haul transportation network, last-mile delivery network, bulky item logistics network, cold-chain logistics network and cross-border logistics network. Our logistics networks cover almost all districts and counties in China as well as China's total population. As of December 31, 2020, we operated over 900 warehouses, which covered an aggregate gross floor area of approximately 21 million square meters, including warehouse space managed under our Open Warehouse Platform. As of December 31, 2018, 2019 and 2020, we operated warehouses covering an aggregate floor area of approximately 12 million square meters, 16.9 million square meters and 21 million square meters, respectively. As of December 31, 2020, we had a team of over 190,000 delivery personnel and also connect with an extensive crowd-sourced on-demand delivery network.

While we control and operate our mission-critical logistics infrastructure to deliver high-quality services and best-in-class customer experiences, we embrace synergistic collaborations in building our supply chain network in order to bring together the complementary capabilities of various industry participants and strategic partners in China and globally. As an example, utilizing our Open Warehouse Platform, we can improve the operating efficiencies of our customers' warehouses through implementation of our advanced warehouse management systems. Furthermore, we also utilize capacity from these warehouses to further expand the reach of our warehouse network. As part of our global strategy, we are also continually building our international supply chain network, which covered more than 220 countries and regions as of December 31, 2020.

We have achieved rapid growth during the Track Record Period. Our revenue grew by 31.6% from RMB37.9 billion in 2018 to RMB49.8 billion in 2019, and further grew by 47.2% to RMB73.4 billion in 2020. We recorded (i) a gross profit of RMB1.1 billion, RMB3.4 billion and RMB6.3 billion in 2018, 2019 and 2020, respectively, and (ii) a gross profit margin of 2.9%, 6.9% and 8.6% in 2018, 2019 and 2020, respectively. The increase in gross profit margin in 2019 compared with 2018 was primarily due to economies of scale as our revenue grew significantly, driving efficiency gains in most of our cost components, which is partially offset by higher outsourcing cost as we procured more external resources to support our business growth. The increase in the gross profit margin in 2020 compared with 2019 was primarily due to COVID-19 related government policy support, such as relief of social security. The impact of the COVID-19 outbreak on our financial performance in 2020 might

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be one-off and non-recurring. In 2020, we saw an increase in the demand for our supply chain solutions and logistics services especially in certain industry verticals, such as FMCG, as more consumers becoming accustomed to online shopping in order to minimize exposure to the virus. We incurred net losses of RMB2.8 billion, RMB2.2 billion and RMB4.0 billion in 2018, 2019 and 2020, respectively.

Given the significant market opportunities in the integrated supply chain logistics service industry in China, we expect that, in the near-to-medium term, we will prioritize growth of our business and expansion of our market share, which stood at 2.7% in 2020. As such, we will continue to invest in our logistics infrastructure network, our employees, our solutions and service offerings, as well as our technological capabilities. While we believe such a strategy will result in our long-term competitiveness, it may cause fluctuations in our margin profile in the near-to-medium term, especially over shorter periods where any impact on profit margin could be further augmented by seasonality factors. For example, our gross profit margin for the three months ended March 31, 2021 was lower than that of the same period in 2020.

In the long-term, we believe we will achieve meaningful improvement in our profitability. As we grow our business scale, we expect material expansion in our gross profit margin, resulting from economics of scale in relation to certain of our cost of revenue components including: employee benefit expenses, rental cost, depreciation and amortization and others. Consequently we expect that our net profit margin will also expand, for the aforementioned reasons, as well as operating leverage resulting from certain operating expenses including general and administrative expenses.

We have entered into a number of partially exempt or non-exempt connected transactions with JD Group and its associates, including (i) provision of supply chain solutions and logistics services, and advertising and promotional services to JD Group and its associates; (ii) various property leasing and shared services provided by JD Group; (iii) on-demand delivery services provided by Dada Group; and (iv) certain other partially exempt or non-exempt connected transactions. In 2018, 2019 and 2020, we have generated RMB26.6 billion, RMB30.8 billion and RMB39.4 billion of revenue attributable to JD Group and its associates, respectively, representing 70.1%, 61.9% and 53.8% of our total revenue, respectively. Excluding the amounts related to property leasing which consist of leasing expenses which are not capitalized and the one-off recognition of right-of-use assets in relation to the capitalization of operating lease under IFRS 16, in 2018, 2019 and 2020, we have incurred RMB9.2 billion, RMB3.6 billion and RMB4.6 billion of costs and expenses attributable to JD Group and its associates, respectively, representing 22.6%, 7.1% and 6.3% of our total cost of revenue and operating expenses, respectively. In relation to these transactions, we are of the view that we do not and will not significantly rely on JD Group. Please refer to the section headed “Relationship with our Controlling Shareholders—Operational Independence” and “Connected Transactions” in this document for further details.

We believe these connected transactions are mutually beneficial to our Group and JD Group. For our Group, we are able to (i) derive significant revenue from JD Group; (ii) rent warehouses in certain desirable locations and, in the case of Agency Lease Arrangements, receive favorable rental terms; (iii) use Dada Group’s on-demand delivery services to supplement our last-mile delivery force; and (iv) enjoy certain cost effective back-office and administrative support functions from JD Group. For JD Group, they are able to (i) enjoy superior supply chain solutions and logistics services, and complementing advertising and promotional services; (ii) monetize their warehousing assets for investment incomes; (iii) in the case of Dada Group, derive significant business volume; and (iv) enjoy

better economies of scale on certain back-office and administrative support functions. Please refer to the section headed “Relationship with our Controlling Shareholders” and “Connected Transactions” in this document for further details.

Our Strengths

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors.

Largest integrated supply chain logistics services provider

According to the CIC Report, we are the largest integrated supply chain logistics services provider in China in terms of revenue in 2020. We believe our supply chain solutions and logistics services, with full digitalization and end-to-end coverage, are more deeply integrated than those offered by traditional logistics service providers. We are also able to adapt our solutions and services to different industry verticals by leveraging our industry expertise and know-hows.

Our technology-driven integrated solutions and services allow us to attract new customers as well as further penetrate existing customers. Our revenue grew by 31.6% from RMB37.9 billion in 2018 to RMB49.8 billion in 2019, and further grew by 47.2% to RMB73.4 billion in 2020. We have successfully expanded our external integrated supply chain customer base during the Track Record Period, which increased from 32,465 as of December 31, 2018 to 52,666 as of December 31, 2020. In addition, as a result of our deepening relationship with and increasing scope of services to existing customers, the average revenue per external integrated supply chain customer increased by 11.9% from RMB279,401 in 2019 to RMB312,617 in 2020.

Strong operational efficiency driving high service quality

We have been constantly improving our operational efficiency through optimization of our logistics networks and adoption of advanced technologies. We bring tangible improvements to our customers’ supply chain operations in terms of, for example, improved warehouse efficiency, faster inventory turnover, reduced delivery time and higher fulfillment accuracy, while simultaneously facilitating their business growth through our sales forecasting and other intelligent decision-making capabilities.

Starting from 2012, we helped JD Group maintain its trailing twelve months inventory turnover days consistently below 40 days despite the significant increase in the number of SKUs. We have also reduced JD Group’s fulfillment expenses ratio from 7.2% in 2016 to 6.5% in 2020. We were the industry pioneer in rolling out same- and next-day delivery standards by supporting JD Group’s “211” program, allowing customers of JD Group to receive their parcels on the same day if order was placed before 11 a.m. on that day, or by 3 p.m. on the next day if the order was placed before 11 p.m. the prior day. In 2020, approximately 90% of the total online retail orders processed for JD Group through our network were delivered on the same day or the day after the order was placed, with over 60% of the total online retail orders covered by the 211 program.

As a testament to our capability of empowering external customers, we helped Skechers, a performance and lifestyle brand, to optimize its warehousing network planning and inter-regional merchandise distribution for its e-commerce business. We achieved this by (i) redesigning Skechers’ warehousing arrangements based on analysis of consumer demands and sales data, in order to form an

integrated combination of a central warehouse and omni-channel regional warehouses, as compared to its original arrangement of independent warehouses for each merchandise category; (ii) utilizing our inventory forecast tools to optimize its allocation of merchandise among warehouses based on product and demand characteristics; and (iii) launching and operating Skechers' regional warehouses and quick response warehouses, which efficiently supported the logistics services demands of its omni-channel business. As a result of our holistic planning and execution solutions, Skechers' weighted average fulfillment costs were reduced by 11%, and its weighted average delivery time in China was reduced by approximately 5 hours during the contract term of our service.

Superior brand image and customer experience

“Customer-first” is our core value. Through years of consistent high quality services, not only have we established JD Logistics as a premium brand name, we have also provided consumers with superior experience and engagement, which in turn helped improve our customers' brand images. Our superior brand image also allowed us to scale up rapidly after opening up our solutions and services to external customers. Revenue contribution from external customers as a percentage of total revenue increased from 29.9% in 2018 to 38.4% in 2019, and further increased to 46.6% in 2020.

Widely referenced industry benchmarks also support our leading position in customer service. According to the State Postal Bureau, our express delivery user satisfaction rate has been ranked among top 3 for three consecutive years from 2018 to 2020. Our effective complaint rate was 0.002 per million parcels during December 2020, which was the lowest among all peers, and significantly lower than the industry average of 0.22. We have also continuously rolled out new delivery options for our customers, such as Jing Xian Da (京鮮達), Jing Zhun Da (京准達) and Ji Su Da (極速達), with faster and more accurate delivery times.

Advanced proprietary technology empowering the entire supply chain

We are a technology innovator in the integrated supply chain logistics service industry. We harness the power of technology to revolutionize the industry and differentiate our service offerings from our competitors. For example, in 2017, we launched the first fully unmanned warehouse in the world. In 2019, we have established the first 5G smart logistics park in China, which combines 5G and industrial IoT technologies to achieve more efficient and synchronized management of personnel, equipment and other resources.

Our technologies enable us to automate and digitalize key steps of the supply chain for our customers. We have extensively utilized automated guided vehicles (AGVs) and robotics to improve the efficiency, productivity and accuracy of our operations. In terms of digitalization, our proprietary warehouse management system (WMS) enables us to manage the entire flow of inventory, labor force and information in and out of our warehouse network, leading to improved inventory visibility and operational accuracy. Our proprietary transportation management system (TMS) provides us with a comprehensive view of each stage of the transportation process through real-time vehicle and goods tracking, as well as automated third-party carrier selection and invoice settlement. Built on our data analytic capabilities, our intelligent warehousing management solutions help customers recommend the optimal number of regional warehouses and determine the best allocation of inventory across different regional warehouses. Our algorithms calculate the optimal absolute level of inventory for each region, achieving a fine balance between minimizing inventory level which leads to more efficient working capital and enhanced in-stock rate which leads to better consumer experience.

We are committed to investing in technological innovations. We invested approximately RMB1.5 billion, RMB1.7 billion and RMB2.1 billion in 2018, 2019 and 2020, respectively, in research and development, to continuously improve our technological capabilities. As of December 31, 2020, we were entitled to over 4,400 patents and computer software copyrights (including applications thereof), of which over 2,500 relate to our automation and unmanned technologies. We have received numerous awards recognizing our achievements in logistics technologies innovation, including the National Advanced Logistics Enterprise Award (“全國先進物流企業”) by the China Transportation Association in 2020, the International Gold Award for Innovative IoT Products, Technologies and Applications (“世界物聯網新產品新技術新應用成果金獎”) at the World IoT Expo in 2020, and being selected by INFORMS as one of the seven finalists for the 50th annual Franz Edelman Award for Achievement in Advanced Analytics, Operations Research and Management Science, the world’s most prestigious award for achievements in the practice of analytics and operations research.

Open supply chain solutions platform with synergistic partnerships

We form synergistic partnerships with industry participants both in China and globally. Through a digitalized supply chain platform approach, we have opened up our platform and capabilities to our partners, whose capacities are in turn integrated into our platform. We maintain direct control over the core of the supply chain, such as warehousing and last-mile delivery. Meanwhile, we leverage our partners’ resources and capacities for other competencies, such as road and air transportation. We have formed strategic partnerships with industry partners who are specialized in various supply chain functions, such as multi-mode transportation, last-mile, warehousing, cross-border and cold chain, which allowed us to broaden the reach and increase the flexibility of our logistics networks, and further penetrate into lower tier cities and rural areas.

For example, we entered into business cooperation agreements with Dada Group in April 2016, and have since leveraged its on-demand delivery platform to supplement our self-operated last-mile delivery capabilities for last-mile demands. With Dada Group as a local delivery partner, we are able to fulfill growing customer needs, especially in peak seasons such as June 18 Anniversary Sales each year and the China’s new online shopping festival on November 11 each year. In the meantime, Dada Group also benefits from the large order volume we bring to its platform. In addition, we also extended our warehouse network by connecting with our partners’ warehouses through our Open Warehouse Platform. By leveraging our big data analytics and advanced algorithms, we can help these cloud warehouses set the optimal inventory levels based on expected demands, lowering overall supply chain costs and improving service quality.

Experienced and visionary management team and strong corporate culture

Our management team comprises of executives with decades of experience in the supply chain and logistics industry as well as other corporate functions. Equipped with deep expertise in the supply chain logistics industry and an innovation mindset, our visionary management team is able to create differentiated strategies that go beyond the conventions of traditional logistics players, with a strong focus on seamless supply chain integration and innovative technologies to transform the integrated supply chain logistics services industry. Our strong and talented mid-level management team also supports the execution of our corporate strategies. We have also nurtured a corporate culture of customer-first, integrity, collaboration, gratitude, tenacity and ownership, which have contributed greatly to motivating and retaining our employees. In 2020, we were awarded the HRoot Best Social Enterprise in Greater China award, in recognition of our leading human resources management philosophy and outstanding social responsibility awareness.

Our Strategies

Our growth strategies are centered on customer experience, technological capabilities and operational efficiency. We believe superior customer experience is the foundation of our continued success, as we can only solidify our market leadership by achieving customer satisfaction. Our technological capabilities are the tools we utilize to drive the continuous improvements in our solutions and services, which ultimately leads to higher operational efficiency for ourselves and our customers.

Enhance our customers' supply chain efficiency by expanding the breadth and depth of our solutions and services

In order to continue to enhance our customers' supply chain efficiency, we plan to further broaden our solutions and service offerings by expanding into new industry verticals with high growth potential. We will also continue to develop more comprehensive and sophisticated solutions and services within existing industry verticals, and across the entire supply chain from upstream (including production and manufacturing) to downstream (including distribution and delivery), and also value-added data analytics such as sales forecasts and inventory planning, in order to create additional value for our customers. We also plan to develop solutions and services that can be modularized and more efficiently adopted by customers, which can further enhance customer experience and allow us to expand more rapidly and cost-efficiently.

Further invest in supply chain technologies to drive sustainable growth

We plan to further invest in our technological platform and supply chain technologies, in order to sustain our competitive advantage in technology innovation. We will continue to strengthen our capabilities in key fundamental technologies such as AI, big data, cloud computing, and 5G, which form the building blocks of our fully-digitalized solutions and services. We plan to improve our capabilities in smart systems and hardware, including 5G logistics centers, fully-automated warehouses and distribution centers, and unmanned delivery vehicles. We also intend to strengthen our ability to provide smart supply chain solutions which can provide additional value and data insights to our customers in different industry verticals. We also plan to further open up our technological platform and capabilities to our customers and partners to accelerate the digitalization and streamlining of their supply chains.

Continue to improve our operational efficiency through strengthening our logistics network

We will aspire to achieve higher efficiency in our operations throughout the whole supply chain, in order to differentiate the quality of our solutions and services from those of our competitors. We plan to achieve this by strengthening our logistics network, improving overall utilization through economies of scale, increasing the level of integration across our logistics networks, and improving efficiencies through more intelligent decision-making. We will continue to strengthen our logistics network and infrastructure by strategically accessing advantageous geographical locations. We plan to broaden and deepen our logistics networks' reach to penetrate further into rural areas and lower-tier cities in China, and also extend our cross-border coverage. We will expand our air cargo network by increasing the number of destinations and flight frequencies. We will also continue to adopt an open mindset in collaborating with industry participants and partners, and fully utilize their resources and operational expertise to realize synergies.

Expand internationally to achieve global footprint

We plan to further develop our international supply chain network by increasing country coverage, and international road, air and railway routes. We also plan to increase our local presence and infrastructure in selective international markets with high growth potential. With our continuously growing international supply chain network under our global strategies, we plan to strengthen our cross border supply chain solutions and logistics services capabilities, and implement our integrated, end-to-end supply chain strategy on a global scale and serve customers with international and cross-border supply chain demands.

Our Business Model

We are the leading technology-driven supply chain solutions and logistics services provider in China in terms of revenue in 2018, 2019 and 2020, according to the CIC Report. We began our journey as the internal logistics department of JD Group in 2007. Since our inception, we have led the supply chain upgrade of China's e-commerce industry. By providing high-quality fulfillment solutions to JD Group and delivering a superior consumer experience to its customers, we have empowered JD Group to become China's largest retailer in terms of total revenues in 2019, according to Fortune Global 500. We have designed and developed extensive and integrated logistics networks that enable us to reduce the steps involved and shorten fulfillment time. Leveraging our proprietary technologies, industry know-how and in-depth understanding of product merchandising, we place inventory intelligently at warehouses closest to likely end consumers. When an order is placed, we are able to dispatch the goods stored in nearby warehouses, leading to quick fulfillment and high consumer satisfaction. Through this process, we have gained an in-depth understanding of the unique features of the integrated supply chain logistics services industry in China and have established strong relationships with numerous suppliers, manufacturers, merchants, brands, individuals and other business partners.

We believe our solutions and services, built on our proprietary technologies and nationwide logistics networks, are proven answers to the long-standing problem of inefficient and laggard supply chain system faced by all buyers or sellers in China. We take a holistic and technology-driven approach which covers the entire supply chain from upstream manufacturing, midstream logistics and distribution, to downstream delivery to end consumers. The focus on technology enables us to optimize decision-making, create smart solutions and improve efficiency for our customers. To achieve this vision, we have built an extensive logistics infrastructure network, and a multitude of proprietary technologies which are the foundation of our solutions and services. Since 2017, we have made the strategic decision to open up our capabilities and resources to external customers and run our operations independently from JD Group. We have tailored our system to different use cases in various industries, in order to develop and optimize industry-specific solutions.

Our years of experience in fulfilling a large quantity of orders across different industries in China has helped us accumulate valuable insights and knowledge on consumer demand, which in turn empowers our smart inventory management and efficient supply chain solutions. See “—Our Supply Chain Technologies” for a detailed description of our proprietary technologies that support our services and business.

Our service offerings primarily include warehousing and distribution services, express and freight delivery services, bulky item logistics services, cold chain logistics services, and cross-border logistics services. Our integrated business model allows us to act as a one-stop service provider for all our customers' supply chain needs. We help our customers optimize inventory management, reduce

operating costs, efficiently reallocate internal resources and ultimately enable them to focus on their core businesses. In doing so, we are able to strengthen our customer relationships and hence our competitive positioning. In addition, we are able to offer various supply chain solutions tailored to the specific needs of different industry verticals, such as FMCG, apparel, home appliances, home furniture, 3C, automotive and fresh produce. See “—Our Industry Solutions” for a detailed description of our solutions and services for certain industries.

The increasing scale, breadth and complexity of our customers’ operations will drive demand for adaptable end-to-end supply chain solutions and logistics services across multiple complex scenarios. Once we start working with a customer, we can often identify additional inefficiencies and unmet needs in their supply chain operations and, as a result, can expand the scope of our services and deepen the cooperation with the customer. As an example, in 2017, we began providing Amway with logistics services for its business in certain regions of China to help enhance its order fulfillment capabilities. Amway subsequently started in-depth cooperation with us to complete the digital transformation of its inventory and logistics management systems across different business scenarios. We began providing Amway with tailored smart logistics solutions in 2019 and after-sales maintenance solutions in 2020, and have become its exclusive end-to-end logistics partner in China.

In 2020, we served more than 190,000 corporate customers across a wide array of industries, such as FMCG, apparel, home appliances, home furniture, 3C, automotive and fresh produce. As we continue to expand our solution and service offerings, we expect more enterprises in their respective industry verticals to become our customers. See “—Our Customers” for a detailed description of our customers.

Our Supply Chain Technologies

Our supply chain technologies are the foundation of our business and differentiate us from our competitors. Over the years, we have been strengthening our technological innovation and applications in various aspects of supply chain solutions and logistics services, including automation, digitalization and intelligentization. Our proprietary technologies include both hardware and software technologies that are seamlessly integrated. As of December 31, 2020, we were entitled to over 4,400 patents and computer software copyrights (including applications thereof), of which over 2,500 are related to our automation and unmanned technologies. We have also built a large team of over 3,700 research and development professionals. In 2018, 2019 and 2020, our research and development expenses were approximately RMB1.5 billion, RMB1.7 billion and RMB2.1 billion, respectively.

We apply technology to each key part of the supply chain, combining pre-planning, implementation, intelligent decision-making and post-operation management to deliver customer experience and overall efficiency. Equipped with these proprietary technologies, we have built a comprehensive smart logistics system capable of service automation, operation digitalization and intelligent decision-making.

BUSINESS

Sorting



Goods-to-Person



High-Density Storage System



Unmanned Delivery



Automation

Service automation is a priority for us in building our unmanned logistics capabilities. Our service automation primarily includes automated guided vehicles (AGVs), autonomous mobile robots (AMRs), sorting robots, smart forklifts, automated sorting systems, goods-to-person systems, last-mile AGVs and virtual reality assistance. We integrate these technologies in-house into every step of our operations, including storage, transportation, sorting and delivery. Advanced automation and robotics deliver critical improvements in speed, control, accuracy and productivity and, more importantly, enhance workplace safety.

Notably, we launched the first fully unmanned Asia No. 1 smart mega warehouse in Shanghai in 2017, which integrates multiple types of robots, smart equipment and self-developed warehousing control system to achieve efficient multi-equipment collaborative operation and full-process unmanned operation. This warehouse is capable of processing over 1.3 million orders per day during peak seasons. We apply the following core systems in our key operation steps.

Automated inventory handling system

Our automated inventory handling system consists of fleets of handling AGVs, sorting AGVs and cross-belt sorters backed by our comprehensive software systems. This system is capable of handling and sorting different types of packages by batches under different warehousing and logistics

operating environments, improving sorting efficiency and accuracy and achieving automated goods-to-person sorting. Goods-to-person is a modern method of logistics order fulfillment that combines automated storage with accurate and ergonomic picking processes. By using an automated storage system to deliver goods to a stationary pickup station where the operator fills discrete orders, goods-to-person sorting significantly reduced the labor required in a warehouse.

Storage system

Our high-density storage system consists of hardware equipment and software systems such as multi-layer shuttles, hoists, workstations and conveying systems, which improve storage utilization, efficiency and safety. In addition, we have put in place customized racking systems that allow for product storage on pallets in horizontal rows across vertically stacked levels in an efficient and secure manner. Our racking systems can accommodate a wide array of different customer storage needs. In addition, some of the warehouses we operate include advanced conveyors and automated pallet retrieval systems, high volume refrigeration systems, refrigerated docks, specialized fire suppression systems, insulated walls and panels, insulated and heated floors, and reliable temperature-control systems that can implement distinct temperature zones within the same warehouse.

Robotic picking and packaging system

Our robotic picking system consists of a six-axis robotic system and an AI vision system, which reduces goods damage rate, error rate and improves picking efficiency. Our six-axis robots pick up goods from the storage area, after which the goods will be identified by their barcodes through the robotic vision system. The goods are then automatically arranged, aggregated and delivered based on their barcodes and order information. The sorted goods are placed on a belt conveyor and sent for packaging. Packaging is fully automated with foam bags or cardboard boxes cut precisely according to the actual size of the goods.

Unmanned delivery

In 2019, we upgraded our proprietary unmanned delivery vehicles, including launching our in-house level 4 (L4) autonomous delivery robots. Level 4 refers to “high driving automation,” which means that no human intervention is needed as long as the system is operating within a certain pre-defined area.

Digitalization

We believe digitalization of our logistics operations and management is critical to enhancing its accuracy and efficiency and service capabilities. Our proprietary software systems primarily include warehouse management system (WMS), transportation management system (TMS), order management system (OMS) and supply chain control tower. Set forth below are the key features of our digitalized operation management system.

Warehouse management system (WMS)

Our WMS monitors the movement of the entire flow of inventory and personnel in and out of our warehouse networks, enabling us to improve our operational efficiency by having real-time inventory visibility. We also use data loggers and IoT sensors to ensure process robustness of our WMS.

In addition, we also deploy our WMS in third-party warehouses, known as cloud warehouse, and connecting them to our warehousing network. By joining our Open Warehouse Platform, warehouse owner-operators can leverage our technologies, standards and brand name to enhance their service capabilities while we gain additional capacities to further strengthen our warehousing networks.

Transportation management system (TMS)

For each order, our TMS factors in the order information and currently available transportation resources and determines an optimized routing plan to achieve the shortest transportation time. For each batch of goods, our TMS automatically implements the routing plan by allocating internal and external transportation resources and monitors the process. Our TMS minimizes human intervention, improves efficiency and achieves cost optimization. In addition, our TMS offers us real-time track-and-trace capabilities for goods and vehicles as they move through our logistics networks, which enhances transportation process control and resource matching of goods, personnel and vehicles.

Order management system (OMS)

Our OMS is able to seamlessly connect various order interfaces from our customers, such as apps, websites and in-app mini programs. This system enables customers and end consumers to monitor each order throughout the entire delivery process. Through the order management module, our OMS further interfaces with WMS and TMS operations by managing and tracking the entire life cycle of orders from origination to settlement. Our OMS is also equipped with multiple automatic support functions, such as order splitting and merging, order modification, matching of courier and delivery warehouse, and exception detection and warning. By integrating with WMS and TMS across the supply chain, our OMS maximizes efficient cooperation of upstream and downstream operations and enables us to efficiently manage orders.

Supply chain control tower

Our supply chain control tower provides end-to-end visibility of the entire supply chain for us and our customers. Through aggregating and analyzing data from our WMS, TMS and OMS, our control tower enables us to receive timely updates of supply chain events, identify potential supply chain disruptions through predictive decision-making, and achieve dynamic synchronization across different divisions of our Company. By visualizing our different functional perspectives on one dashboard, we are able to maximize collaboration across divisions internally and perform coordinated assessment in order to optimize our supply chain, ultimately fulfilling the needs of our customers and their end consumers.

Intelligent decision-making

Empowered by our AI and big data analytics capabilities, our proprietary algorithms make informed decisions at every level of our business, providing real-time data analytics to optimize network density and equipment utilization across our entire network, which improves customer service, operational efficiency and load optimization.

Intelligent routing

Our algorithms can support routing optimization within our logistics networks, including trunk lines, branch lines, intra-city, distribution and inter-warehouse allocations. Our algorithms calculate

optimal routes based on factors such as traffic conditions, distance, weather and delivery points. In addition, our predictive analytics technologies determine the optimal sequence of loading and unloading, shipping frequency and quantity to meet demand, maximizing operational efficiency while minimizing costs.

Inventory optimization

Inventory optimization is critical for merchants and brand owners. Inefficient inventory management can have significant negative impacts on business operations. For example, suboptimal cross-regional inventory allocation leads to frequent out-of-regional fulfillment, which increases both fulfillment time and cost. Unexpected local inventory shortage leads to loss of sales and poor consumer experience. Having to maintain segregated inventory pools for different sales channels, especially between online and offline, increases overall inventory requirement, leading to higher working capital.

Built on our data analytic capabilities, our algorithm helps customers determine the best allocation of inventory across different regional warehouses either based on the customers own historical sales data or, when not available, our own insights on sales patterns of similar product categories. For a given amount of initial inventory, our algorithm predicts the best relative allocation across different regions to minimize the occurrences of out-of-region fulfillment. As actual sales start and data is collected and analyzed, our algorithm is continually refined, which results in more accurate predictions of regional demand. In addition, our algorithm also recommends the optimal number of regional warehouses required and calculates the optimal absolute level of inventory for each region, achieving a fine balance between minimizing inventory level, which leads to more efficient working capital, and maximizing in-stock rate, which leads to better consumer experience. In order to maintain inventory at such optimal levels, our system generates real-time inventory replenishment alerts so that our customers can make necessary manufacturing and delivery arrangements of additional inventory to our warehouses. Furthermore, our nationwide warehouse network and inventory management technologies allow our customers to meet the inventory tracking requirement and shipping requirements (such as specific labeling, customized packaging, quantity and delivery speed) of different sales channels. As such, we are able to achieve efficient omni-channel fulfillment by eliminating the need to maintain segregated pools of inventory for different sales channels, further reducing inventory levels for our customers.

Our Logistics Infrastructure and Networks

Our logistics infrastructure is the foundation of our superior supply chain solutions and logistics services and consists of networks includes warehouses, line-haul transportation, last-mile, bulky items, cold chain, and cross-border.

Our warehouse network

Our nationwide warehouse network is one of the largest in China, according to the CIC Report, and is a critical component of our nationwide logistics infrastructure. As of December 31, 2020, our warehouse network covered almost all counties and districts across China, consisting of over 900 warehouses operated by us and over 1,400 cloud warehouses owner-operators under our Open Warehouse Platform. The warehouses under our Open Warehouse Platform are “cloud-based” as these third-party warehouses leverage our cloud-based warehousing technologies, standards and brand name and constitute an extension of our self-operated warehouses. As of December 31, 2020, our warehouse

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network had an aggregate GFA of approximately 21 million square meters, including the GFA of the cloud warehouses under our Open Warehouse Platform.

The warehouse facilities we operate primarily include regional distribution centers (RDCs), front distribution centers (FDCs) and other warehouses. Our RDCs are capable of storing more SKUs and serve customers across a large region. As of December 31, 2020, we operated more than 300 RDCs covering seven regions in China, including North China, East China, Central China, Southeast China, Northeast China, Northwest China and Southwest China. Our FDCs are smaller warehouses that maintain fewer SKUs but stock products in high demand for their nearby areas and are therefore strategically located closer to end consumers to reach them at a faster speed. Both our RDCs and FDCs serve as drop-off locations at which our customers can deliver their initial inventory to be managed by us. Once the inventory is received, our algorithm can help determine how inventory is further allocated among our RDCs and FDCs across the country based on predicted consumer demand. In addition, we treat the cloud warehouses empowered by our warehousing technologies as an extension of our own warehouse network. See “—Our Service Offerings—Warehousing and distribution services” for a detailed description of our cloud warehousing technology services to the third-party warehouse owner-operators. The extensive nature of our warehouse network, coupled with our insights on consumer demand, enables us to store the right inventories close to the right consumers, resulting in speedy and cost-efficient delivery to our end consumers.

Despite the extensive nature of our warehouse network, we are able to manage it efficiently due to our high level of warehouse automation and strong technology capabilities. Our renowned Asia No. 1 smart mega warehouses are equipped with advanced automated storage and retrieval systems for parcels and freights. The extensive application of AGVs and robotics, which can be easily scaled up and perform tasks 24/7 with less error-prone operation, ensures our speedy delivery during the peak seasons. As of December 31, 2020, we operated 32 Asia No. 1 smart mega warehouses covering 22 cities in China. Our abilities to predict sales trend in different locations, strategic placement of inventories in warehouses nearest to potential consumers, and high level of automation in our warehouses allowed us to deliver approximately 90% of the total online retail orders from JD Group’s online retail platform on the same day or the day after the order was placed in 2020.

Our line-haul transportation network

Our line-haul transportation network consists of directly operated sorting centers and line-haul routes that connect our warehouses, sorting centers and delivery stations. We directly operate all of our sorting centers which serve as the nodes of different line-haul routes. As of December 31, 2020, we operated approximately 200 sorting centers in China. Our automation and unmanned technologies including automated sorting lines also contribute to the increasing operating efficiencies of our sorting centers.

As of December 31, 2020, our in-house transportation fleet consisted of approximately 7,500 trucks and other vehicles. We generally control the route planning and fleet dispatching of our entire line-haul transportation network, utilizing the capacity of both our in-house transportation fleet and our third-party transportation service providers’ fleet. We engage independent third-party transportation service providers to fulfill additional capacity needs. We have established procedures in selecting the independent third-party transportation service providers we engage with, including detailed review of their operating history, fleet condition, reliability, among other criteria.

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To further enhance our freight capabilities, in August 2020, we acquired a controlling interest in Kuayue Express, a renowned modern integrated express freight enterprise specializing in less-than-truckload (LTL) in China. The acquisition of Kuayue Express has enhanced our existing freight network and will strengthen our supply chain solutions and logistics services, and expand our customer base particularly in air freight. As of December 31, 2020, we had approximately 620 air cargo routes.

Furthermore, we are cooperating with China Railway Corporation to leverage its high-speed railway network to provide secure, long-distance transportation of certain premium goods and products. As of December 31, 2020, our cooperation with China Railway Corporation enabled us to utilize 250 railway routes, 137 of which are high-speed railway routes.

Our last-mile delivery network

Last-mile delivery network is the last node for all of our logistics networks to reach end consumers and can be utilized when providing a variety of services. Our vast last-mile delivery network primarily consists of delivery stations, service stations and self-service lockers, supported by our well-trained in-house delivery team. Our last-mile delivery network enables us to provide both to-door delivery and self-pickup services to meet the needs of different consumers.

Our well-trained in-house delivery team enables us to provide best-in-class services to our customers, which helps improve our customer satisfaction rate and strengthen our brand image. As of December 31, 2020, we had a team of over 190,000 in-house delivery personnel. We also collaborate with Dada Group, one of China's largest local on-demand delivery service providers, to supplement our own last-mile delivery force during peak time.

Our delivery stations, which delivery personnel station at and start their delivery from, are the last node of our logistics network and the beginning of our to-door delivery network. To ensure quality service, the vast majority of our delivery stations are self-operated. As of December 31, 2020, we operated approximately 7,280 delivery stations, covering 32 provinces and 444 cities in China.

We operate service stations and self-service lockers near high traffic areas such as residential communities, office buildings, and on university campuses where packages can be picked up and dropped off. A service station is typically multi-functional and serves different purposes, including receiving outbound packages and serving as pickup stations for us and other courier companies, thereby achieving greater overall labor and facility cost efficiencies. We also operate self-service lockers, which are typically located even closer to the end consumers and available 24/7 for self-pickup. As of December 31, 2020, we operated more than 8,000 service stations and locker stations covering up to 30 provinces and more than 200 cities in China. Furthermore, as of December 31, 2020, we had more than 250,000 partnered self-service lockers and service points covering over 270 cities in China.

Our bulky item logistics network

The size and weight of certain items, such as furniture or large home appliances, require special logistics facilities for warehousing, fulfillment, and shipping. In addition, assembly and installation services are often expected by consumers as part of the delivery service. As a result, it can be difficult for traditional logistics service providers to provide integrated one-stop solutions, making bulky items logistics an underserved market historically. Our bulky item logistics network, comprising of multi-level warehouses, to-door delivery and value-added installation and aftersales service capabilities, has well positioned us to meet the growing market demands for heavy load parcels over 30kg and

oversized items. The bulky and heavy items we specialize in processing primarily include home appliances and home furniture. As of December 31, 2020, we had 86 warehouses and 102 sorting centers suitable for bulky and heavy product warehousing with an aggregate GFA of approximately 2.8 million square meters in 74 cities.

Our bulky item warehouses, equipped with automated sorting system and smart forklifts, pallets and trays suitable for processing bulky items, demonstrate our capability in automated storage, retrieval and route planning of bulky and heavy items. Through improving the automation level of our warehouses and equipping them with forklifts and storage racking system designed specifically for bulky and heavy products, we also improve the working environment and productivity of workers.

We also provide one-stop home delivery, and installation services to end consumers. Our network partners in lower tier cities, under the brand of Jing Dong Bang (京東幫), enable us to better cover customers' demands in that service area in a cost effective way. As of December 31, 2020, we were able to utilize approximately 1,800 bulky item delivery and installation stations under Jing Dong Bang (京東幫). See “—Our Service Offerings—Bulky item logistics services” for more detail on our capability to provide value-added bulky item logistics services by leveraging Jing Dong Bang (京東幫).

Our cold chain logistics network

As of December 31, 2020, our cold chain logistics infrastructure for fresh produce, perishable products consisted of the following:

- *Cold chain warehouses.* 87 temperature-controlled cold storage warehouses designated for fresh, frozen and refrigerated products with an operation area of more than 490 thousand square meters.
- *Cold chain transportation.* Our cold chain transportation network covered 31 provinces with approximately 2,000 specialized delivery vehicles available for our use as of December 31, 2020.
- *Cold chain end delivery.* Leveraging our last mile delivery network and intra-city cold chain distribution network, we serve both individual and corporate customers.

In addition, we have been enhancing our pharmaceutical warehousing capabilities to capture the opportunities brought by the wider use of biological materials in the pharmaceutical industry, which requires better temperature control during storage and delivery process of these products. As of December 31, 2020, we operated 20 warehouses designated for pharmaceuticals and medical instruments with an operation area of more than 120 thousand square meters across China. These warehouses and vehicles are equipped with state-of-the-art control and monitoring systems to comply with specific environmental parameters.

Our cross-border logistics network

According to the General Administration of Customs of China (“GAC”), invoices verified through the GAC’s cross-border e-commerce management platform reached 2.45 billion in 2020, representing a 63.3% increase compared with 2019. The significant growth of cross-border e-commerce offers a great growth opportunity for cross-border logistics. Leveraging our business know-hows and industry insights, we have been working with enterprises to help them shorten cross-border delivery time and build up their global distribution capabilities under our global strategies. As

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of December 31, 2020, we had 32 bonded warehouses and overseas warehouses, covering an aggregate GFA of approximately 440,000 square meters. Through collaboration with our international and local partners, we had established international routes that reached more than 220 countries and regions as of December 31, 2020.

Our Service Offerings

Through providing supply chain solutions and logistics services, we aim to not only address our customers' supply chain needs and reduce their logistics cost, but also to optimize their inventory turnover, shorten their lead time to market, and improve their consumer satisfaction, which allow our customers to focus on their core competencies.

The table below summarizes the major categories of our service offerings:

Service	Description
Warehousing and Distribution Services	Comprehensive, integrated, customizable warehousing and distribution services to corporate customers
Express and Freight Delivery Services	Express and freight delivery services to corporate customers and individual customers
Bulky Item Logistics Services	One-stop bulky item warehousing, transportation, delivery and installation services to corporate and individual customers
Cold chain Logistics Services	Integrated cold chain warehousing, transportation and delivery services to corporate customers and individual customers
Cross-border Logistics Services	Cross-border supply chain services to both Chinese and international corporate customers

Warehousing and distribution services

Our warehousing and distribution services primarily include the following categories. During the Track Record Period, our warehousing and distribution services accounted for 50% to 70% of our revenue for each of the year.

First mile services (from factory to warehouse)

We offer cost-efficient first mile services to our corporate customers, aiming to shorten time-to-market and facilitate swift responses to fluctuating market conditions. Such services include (i) pick-up/drop-off, where customers make an appointment for us to pick up the inbound goods from their factories or in-factory warehouses, or choose to drop off their goods at one of our service stations; (ii) storage, consolidation and palletization of goods at transfer center, and delivery to the appropriate warehouse through full truckload (FTL) or less than truck load (LTL) transportation; and (iii) inspection of goods upon arrival at the warehouse and completion of the subsequent scheduled storage operations. A key feature of our first mile services is that we are able to use our inventory forecast tools to adjust factory pick-up priority to ensure accurate and just-in-time delivery from factory to warehouse.

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Multi-level warehousing and distribution services (in warehouse and from warehouse to end consumers)

Our multi-level warehousing and distribution services primarily include (i) product storage in multi-location warehouses (more than one RDCs and FDCs) based on end-consumer's demands; (ii) retrieval of products from storage upon customer request; (iii) product packing and labeling; (iv) kitting and repackaging, which involves assembling custom product packages for delivery to retailers and consumers; (v) order assembly and load consolidation; (vi) omni-channel inventory management system that includes customer interface management tools; and (vii) products distribution and delivery. In addition, the cloud warehouses provide an important extension of the warehouses we operate.

Notably, our multi-level warehousing and distribution services enhance our customers' fulfillment efficiency and ensure speedy delivery, as highlighted below.

- *Intelligent warehousing management.* Leveraging our years of operational experience and algorithm optimization, we provide customers with premium warehousing services, which place goods in the most ideally located FDCs and RDCs to improve customers' inventory management level and fulfillment time. For example, after using our intelligent warehousing services for four months since 2019, a corporate customer in the automotive industry achieved a faster inventory turnover with its overall inventory level decreased by up to 15%. By strategically placing the spare parts in the most suitably located warehouses, we also improved inventory turnover and increased its in-stock rate by 10%.
- *Reliable speedy delivery.* We are able to directly transport and store our customers' inventory in the warehouses nearest to the end consumers, systematically shortening the fulfillment time to ensure speedy delivery. For example, we are able to effectively support JD Group's 211 program, which offers same-day or next-day delivery for the end consumers of JD Group. For goods that we have in stock at the corresponding regional logistics center or front distribution center, we are able to deliver any orders received by the morning deadline (11:00 a.m. in most of the locations) on the same day, and any orders received by the evening deadline (11:00 p.m.) by 3:00 p.m. on the following day. End consumers of JD Group can also request same day delivery for orders placed by 3:00 p.m. in selected cities, and expedited delivery within two hours by paying an extra charge in selected cities. In 2020, approximately 90% of the total online retail orders processed for JD Group through our network delivered on the same day or the day after the order was placed, with over 60% of the total online retail orders covered by the 211 program.

Logistics technology services

An important component of our integrated supply chain solutions and logistics services is the various logistics technology services we offer by leveraging our cutting-edge logistics technology capabilities and our know-how of customers' supply chain needs. Our technologies not only support our own operations, but also can be exported to support the supply chain management of our customers. Through years of development and optimization of our in-house technologies, we have accumulated valuable experience in supply chain operations and warehouse management. We have capitalized on these industry experience, technological prowess and know-how into various SaaS-

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based logistics technology services to empower customers to manage and control their supply chain with a higher efficiency. Our representative logistics technology services include the following:

A. Cloud warehousing technology services

Introduced in 2017, cloud warehousing is an innovative warehousing service model in which we export our warehouse management system, planning capabilities, operation standards, industry experience and brand recognition to third-party warehouse owner-operators. By optimizing local warehouse resources, our cloud warehousing technology services effectively increase the utilization rate of idle warehouses, by integrating local transportation and distribution resources, thereby improving operating efficiency of those third-party warehouse owner-operators. We call these third-party warehouses cloud warehouses and manage them under our Open Warehouse Platform.

Furthermore, provision of cloud warehousing technology services to third-party warehouse owner-operators also enable us to offer them our various supply chain solutions and logistics services, thereby expanding our customer base. By joining our Open Warehouse Platform, warehouse owner-operators can also leverage our technologies, standards and brand name to enhance their own service capabilities.

As of December 31, 2020, our Open Warehouse Platform has over 1,400 cloud warehouses operated by third-party warehouse owner-operators. We typically enter into technology service agreements with these third-party warehouse owner-operators, pursuant to which we deploy our WMS and TMS in these third-party warehouses and connect these third-party warehouses to our warehousing network. We may provide other value-added services, such as inventory planning, and warehousing optimization as requested by the third-party warehouse owner-operators. We typically charge a fixed amount of technology service fees or a WMS/TMS processing fee as a percentage of the total parcel volumes, as applicable. We believe the third-party warehouses under our Open Warehouse Platform are “cloud-based” as these third-party warehouses leverage our cloud-based warehousing technologies, standards and brand name and constitute an extension of our self-operated warehouses.

The third-party warehouse owner-operators are not considered as our service providers unless we enter into storage service agreements with them in the event that we want to store inventories in the cloud warehouses operated by such third-party warehouse owner-operators. In the event that we intend to store or we introduce our customers to store inventories in these cloud warehouses under our Open Warehouse Platform, we will check the operating history of these warehouses and ensure that they have the relevant licenses and permits. During the Track Record Period, we would store inventories in the cloud warehouses to supplement our own warehousing capacity, as needed. We pay agreed-upon, market-rate service fees to the third-party warehouse owner-operators pursuant to the storage service agreements we enter into with them.

B. Intelligent supply chain management services

We export our supply chain technology to serve our external customers to provide them with intelligence supply chain management services. See “—Our Supply Chain Technologies—Intelligent decision-making” for more details.

C. Smart supply chain hardware and solutions

We also provide smart supply chain hardware and solutions to our customers, primarily the integration and output of logistics automation equipment. For example, in an intelligent warehousing project for a customer in the book industry, we provided the customer with a complete set of software and hardware solutions and full life-cycle management services, including increasing the storage capacity through high-bay shelves, re-planning area to make more efficient use of space, adding automated transportation and sorting equipment. Our smart supply chain hardware and solutions helped the customer realize integrated operation of the logistics center warehousing and distribution and improved its operational efficiency.

Value-added services

We also offer value-added logistics services, primarily including after-sales reverse logistics services, cash on delivery (COD) services and specialized packaging services. Our comprehensive value-added services allow us to win new customers and strengthen our existing client relationships.

A. After-sales reverse logistics services

We provide exchange and return warehousing to support returns management and other after-sales activities, such as product inspection and refurbishment.

B. Cash on delivery (COD) services

Through our directly-operated last-mile delivery force, we offer COD services for certain customers, where our customers can request us to deliver their products and collect the payment from the recipients on behalf of our customers at the time of delivery. Our COD services give our customers flexibility to sell to their end-consumers without giving them credit or ask for prepayment.

C. Specialized packaging services

We provide our customers with specialized packaging services, including premium folding cartons, inserts, labels and rigid packaging. We utilize a wide variety of materials, including paper and paperboard, pressure sensitive labels, plastic and foil.

Express and freight delivery services

We provide express and freight delivery services to corporate and individual customers. Our express and freight delivery services have the following key features:

- *Superior service quality.* We maintain control over the key steps of our express and freight delivery services to ensure high-quality, timely delivery and a compelling customer experience. First, we have built an in-house delivery team with more than 190,000 personnel. Our in-house delivery team handles and delivers the majority of the orders to ensure superior experience. In addition, according to the State Post Office of China, in December 2020, we only had an effective complaint rate of 0.002 per one million orders delivered, compared with the industry average of 0.22.
- *Direct end-customer engagement.* As we deliver the majority of the orders directly to customers with our own delivery personnel, we are able to gain a first-hand understanding of our customers' needs. Provided as a standardized and easily accessible service, our

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express and freight delivery service initially targets and attracts a wide range of customers. Through our interaction and engagement of these customers during the service and the excellent customer experience we provide, we are able to gain their trust in us and broaden the range of the integrated supply chain solutions and logistics services we offer to them.

- *Enhancement in operating efficiency.* We are able to increase utilization of our line-haul network and last-mile delivery network when providing our express and freight delivery services. In addition, our express and freight delivery services benefit from our data analytics capabilities and predictive analytics technologies. These capabilities and technologies allow us to optimize delivery route planning, and minimize delivery times, which further enhance our entire operating efficiency.

Despite the difference in the size and weight of the parcel delivered, the major steps in the transportation processes of the two types of services are essentially the same:

- Senders either drop off parcels at our service stations or request a pick-up service from their locations or warehouses. Sender could schedule a pick-up time.
- The delivery personnel or service station collects and sends the parcels to our sorting centers covering its region between one to four times depending on parcel volume. Typically, parcels that are picked up before 6 p.m. will be shipped to the sorting center on the same day.
- Upon receipt of parcels shipped from various delivery personnel and service stations within its coverage area, the sorting center packs and dispatches the parcels to the destination sorting center.
- Our destination sorting center unloads and sorts the parcels. The parcels are transported to delivery stations and then delivered to the recipients or picked up from self-service lockers, utilizing our efficient last-mile delivery network.
- Service is completed upon the recipient's signing on the waybill.

During the delivery process, we assign a unique tracking number and corresponding barcode to each parcel through waybills. The waybills, coupled with our automated systems, allow us and our customers to track the status of each individual parcel throughout the whole process. In addition, a variety of value-added services are also available at customers' request, including professional packaging, temporary storage, and parcel insurance, among others.

Bulky item logistics services

Through our bulky item logistics network, we are capable of offering our customers comprehensive services for heavy and bulky products, including warehousing, distribution, delivery, assembly and installation. We specialize in handling and processing bulky items such as furniture and household appliances. The key features of these services include:

- *Seamless delivery and installation services.* Our bulky item logistics services ensure compelling customer experience by offering the end consumers an efficient service package that integrates reliable and punctual delivery and installation. For certain items, we offer professional assembly and installation services upon request at the time the items are delivered, sparing the hassle for a separate installment after delivery.

- *Extensive end consumer coverage.* Leveraging our in house capabilities and resources from our network partners, as of December 31, 2020, we were able to cover consumers spanning 29 provinces and 362 cities to satisfy customer demands across different city tiers in China.
- *Comprehensive value-added services.* With an initial focus on furniture and home appliances, we leverage JD Service Plus (京東服務+), a one-stop service platform, to provide our end consumers with a wide spectrum of value added services, such as installation, repairing, returning, refunding, storage and cleaning. Our end consumers can enjoy our value-added services at the convenience of their homes, sending items to JD Service Plus (京東服務+) or visiting our offline service stations in person, with rapid response, transparent pricing, trained professionals and guaranteed quality.

Cold chain logistics services

There are special requirements in the logistics for certain products including fresh produce and pharmaceutical products, which creates significant demand for cold chain logistics in China. Our cold chain warehouses are equipped with real-time humidity and temperature monitoring and control systems, specialized insulation packaging and automated refrigeration equipment. We also deploy temperature-controlled vehicles with real-time monitoring capabilities for the transportation of such goods.

The key features of our cold chain logistics services for fresh produce include:

- *End-to-end temperature control.* We have established a smart temperature control platform that allows us and our customers to have visibility towards the entire cold chain logistics process, including real-time order tracking with constant video surveillance, remote temperature control, and smart alarm (which is triggered whenever a sensor records a temperature or event exception outside programmed norms).
- *Environment-friendly insulation packaging.* We offer a broad and diverse portfolio of single use and reusable insulation materials and packaging solutions, such as insulated pallet covers, to satisfy various demands from our customers. In addition, we endeavor to develop environment-friendly packaging materials and solutions. For example, we have launched the Green Packaging Alliance, a sustainable packaging platform to promote and enhance environment-friendly projects. We promote a wide range of environment-friendly practices including the use of recyclable, reusable materials, helping to reduce disposable packaging materials.
- *Automated cold chain sorting.* We are the first company in China to launch an automated cold chain sorting center utilizing the “goods-to-person” picking system for cold chain warehouses, according to the CIC Report. The “goods-to-person” picking system, coupled with high-density storage and automatic shelving system, helps our automated cold chain sorting center achieve a sorting efficiency three times as much as that of traditional cold chain sorting centers, according to the CIC Report.

In addition, we design and implement strict protocols to provide pharmaceutical cold chain logistics services that cover the full life cycle of pharmaceutical products and take into account the unique temperature conditions and shipping configurations of pharmaceutical products.

Cross-border logistics services

We provide cross-border supply chain services through our own network and collaboration with our global partners.

For inbound cross-border logistics service, overseas merchants selling goods into China use our bonded warehouses, customs clearance and other logistics services. The products are imported in bulk into our bonded warehouses in China. We facilitate customs clearance and delivery for such products once Chinese consumers place an order.

We also provide full supply chain services, including first mile transportation, offshore storage, freight forwarding and contract logistics, to Chinese sellers tapping into overseas markets. Leveraging the overseas warehouses available for our use, we help the Chinese seller transport goods from China to the designated overseas warehouse, thereby completing the time-consuming processes including long-haul transportation and customs clearance before any order is even placed. Once an order is received, we work with local third-party logistics service providers to complete the delivery to the end consumers. In addition, we also serve Chinese merchants under a direct mail model. Under this model, overseas consumers will first place an order, after which we will be responsible for the direct mailing process within China, including customs clearance in China and the destination country, and then work with local third-party logistics service providers in the destination country to complete the delivery from the customs to the end consumer.

Leveraging our cross border logistics network, we strive to provide a “48-48 service” to address our customers’ cross-border logistics needs, meaning that any package can be delivered from China to the destination country within 48 hours after pick-up and can be delivered to the end consumers within 48 hours thereafter.

Our Industry Solutions

Building on our strong supply chain service capabilities, we have developed industry-tailored supply chain solutions that integrate our service offerings and address the specific logistics needs of industry verticals. We list below selected industry solutions that we offer, which showcase how we address industry pain points and add value to our customers.

Our top three industry verticals are: (i) FMCG, (ii) home appliances and home furniture, and (iii) 3C, which together contributed to over 70% of our revenue from external integrated supply chain customers for each year during the Track Record Period. FMCG, which is our top industry vertical, contributed to 30-40% of our revenue from external integrated supply chain customers for each year during the Track Record Period.

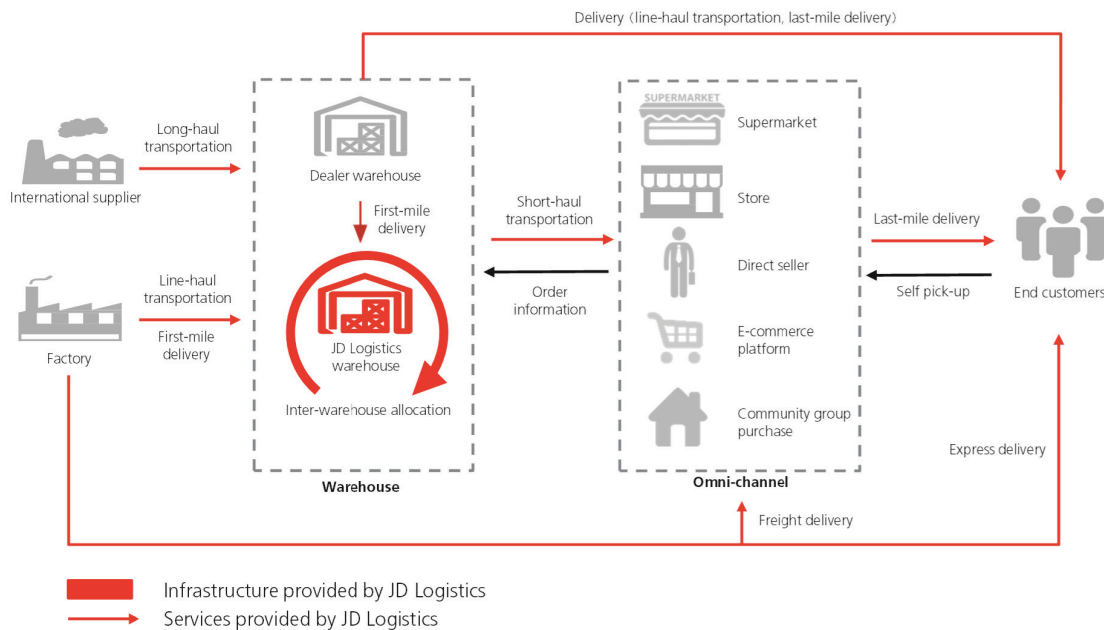
FMCG

The FMCG industry comprises of a number of different product categories, such as food & beverage, beauty care, personal care and packaged groceries. Each of the product categories has its unique features and posts distinctive challenges for logistics services providers. For example, some of the FMCG product categories have shorter shelf life, hence a supply chain logistics service provider is required to optimize the inventory of its customers by dynamically allocating inventories at different facilities based on forecasted sales, and monitoring expiration date in real time.

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Common features of FMCG products include (i) high volume and low cost; (ii) high turnover; and (iii) omni-channel distribution. We provide our FMCG customers with omni-channel inventory management and supply chain optimization solutions by helping them visualize all the order and inventory data across different sales channels to better manage their inventory allocation among warehouses and multi-layered distribution network. We provide services in many areas such as determining the most suitable routes specific to our customers, taking into account the characteristics of the merchandise. We also systematically shorten the fulfillment time and save shipping costs by shipping the inventory to the nearest facilities directly. For example, in our cooperation with Nestlé, with our capabilities to predict the market demands at different regions, we can allocate and ship products between Nestlé factories and various distribution centers with direct deliveries to consumers, whenever and wherever, for both online and offline channels, without making additional stops at other Nestlé warehouses and its sales channels. Our strong technology capabilities enable us to streamline the inventory management of a large number of SKUs, including monitoring the expiration periods of each product in order to minimize potential losses associated with expiration. Our solutions also provide our customer with full visibility into their supply chain, such as quantities of goods available for sale, geographical locations of their merchandise, remaining shelf-life and traceable transportation routes. Our customers can make informed decisions based on the information we provide, which significantly reduce time and other cost of supply chain management.

The diagram below illustrates our solutions for the FMCG industry.



In summary, our key competencies for this industry solution include:

- Omni-channel inventory management;
- Inter-warehousing inventory allocation optimization according to business needs;
- Shelf-life monitoring;
- Multiple modes of transportation;
- On-time delivery;

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- Forecast-based dynamic inventory management; and
- Bonded warehousing.

Apparel

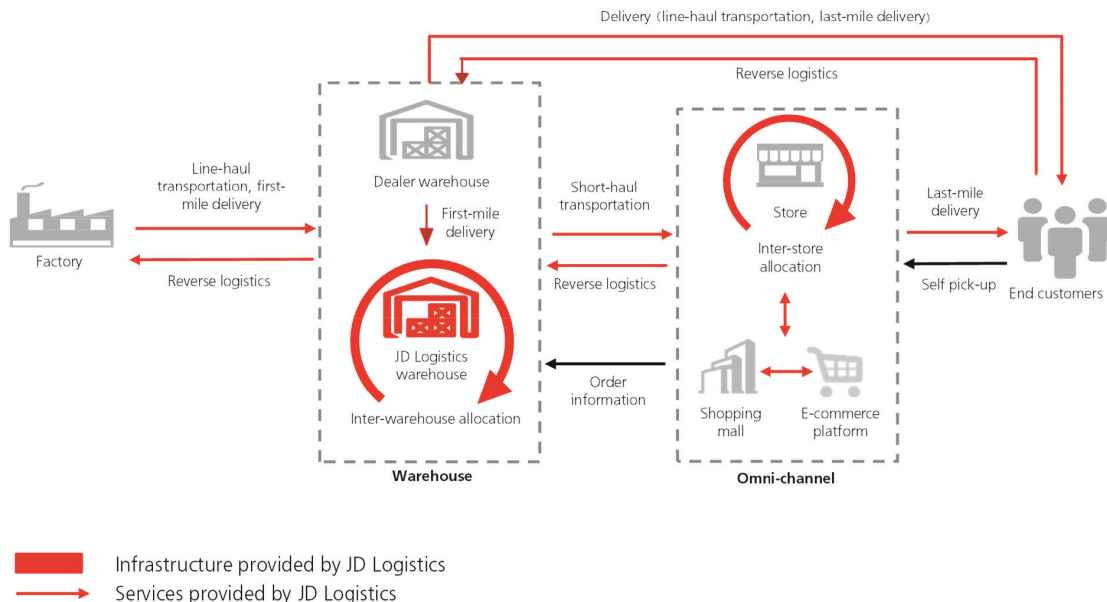
Companies in the apparel industry face the challenges of managing an inventory base with a large number of SKUs and a relatively small amount of inventory for each SKU and meeting the frequent seasonal fluctuations across multiple sales channels both online and offline, especially during sales promotion periods. Frequent product returns and exchanges further add to the challenges.

Customers can leverage the comprehensive inventory management system we offer in launching, distribution and replenishment of products. For example, we help our customers monitor the inventory levels of offline stores in different regions and predict demands from multiple online sales channels, including the geographical distribution, and the seasonality of various products. Our system can be integrated into our customers' information systems to help them handle orders from various channels through online-offline integrated inventory management.

The modern fashion industry calls for flexible supply chain solutions in order to cope with fast-changing demands of the end consumers. Our strong technology capabilities, especially in automation and smart supply chain management, coupled with the large scale of our operations, accommodate such demands, which enable our customers to manage a large number of SKUs in smaller batches with shortened time-to-market, less upfront cost, lower inventory level, and higher scalabilities during peak seasons.

Our strong reverse logistics capabilities also equip us with the ability to meet the aftermarket demands of end consumers, including product returns and exchanges, and we are able to label, recondition and repackage returned products without shipping them back to our customers, minimizing the turnaround time and costs.

The diagram below illustrates our solutions for the apparel industry.



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In summary, our key competencies for this industry solution include:

- Guaranteed capacities during promotion period;
- Intra-day multiple delivery;
- Omni-channel inventory management;
- Management of a large number of SKUs;
- Labeling, reconditioning and repackaging for returned goods; and
- Fabric and garment storage.

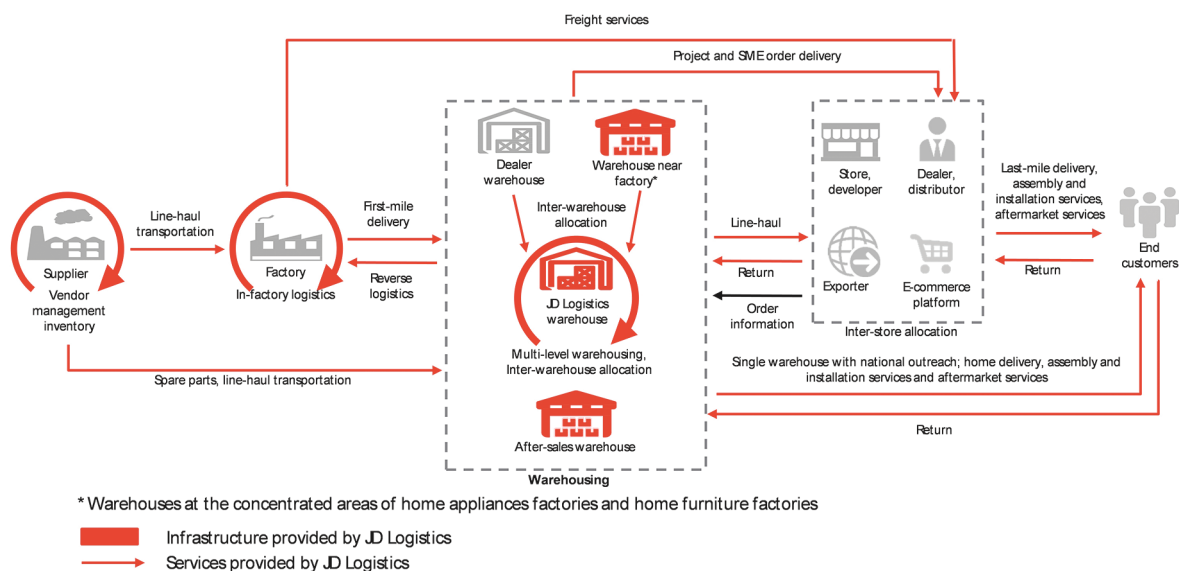
Home appliances and home furniture

Companies in the home appliances and home furniture sectors face unique challenges with their order fulfillment process. Due to the size and weight of these products, warehousing inventory and shipping can be costly and complicated to optimize. SMEs, which formed the vast majority of the home furniture industry, typically engage isolated service providers for warehousing, transportation of different levels as well as assembly and installation services, which can be challenging to coordinate and manage costs. Further, the manufacturing factories in the home appliances and home furniture industries are mostly located in a few concentrated areas in China.

We place some of our warehouses near the concentrated areas of home appliances factories and home furniture factories so that our customers can minimize their warehousing and shipping costs by delivering products to the nearest warehouse directly. Our smart inventory and warehouse management system, robust and extensive bulky item delivery network and high-quality last-mile delivery services position us well to offer comprehensive services to customers in the home appliance and home furniture industries, including integrated warehouse management across sales channels, speedy and cost-efficient fulfillment and distribution and high-quality home delivery and installation services. We also offer aftermarket services that help our customers meet the after-sales demands of their end consumers timely and cost-efficiently, including reverse logistics, repairing and returning. Our end-to-end supply chain solutions and logistics services, starting from factory pick-up and extending all the way to home delivery, assembly and installation as well as aftermarket services, significantly lowers the management and fulfillment costs of our customers.

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The diagram below illustrates our solutions for home appliances and home furniture.



In summary, our key competencies for this industry solution include:

- Integrated value-added services (installation, maintenance and after-sale);
- Cross channels inventory management system;
- Irregular item packaging and transportation; and
- Repairing, refurbishing and repackaging.

Our Pricing Model

We generate substantially all of our revenue from providing supply chain solutions and logistics services. While we primarily focus on corporate customers across a wide range of industry verticals, we serve both corporate and individual customers.

Through our leading infrastructure and technologies, we seek to empower our corporate customers' supply chains and substantially improve their operational efficiencies. Given the multitude of the services offered and the numerous individual service actions involved, we maintain a catalog of standardized pricing for each of our service actions. For example, for our warehousing services, the catalog contains pricings for, among other things, storage, stocking, inspection, labeling, and packaging, each of which depends on a number of factors including the size and weight of the merchandise, storage period and type of packaging materials, among others. The standardized pricing of our services is determined and updated regularly based on the estimated costs involved and market rates for similar services, without taking into consideration of unique circumstance of each customer, and is used as the pricing reference for all our customers including JD Group. The total fee due from a customer is calculated based on fee rate (typically with reference to discounts to standardized pricing, but is also frequently customized based on circumstances and preferences of each customer) for each service action and the number of times such service action is performed.

We typically sign master service agreements which cover various terms including contracting parties, tenor, scope of services, fee rate and payment terms, among other things. Given the integrated nature of the services we provide and the strategic relationships we develop with our corporate

customers, we do not focus on the individual revenue or profitability of each of our service action. Instead, we determine the pricing on a holistic basis, taking into consideration of the factors such as the profile of the customers, their current and future logistics expenditure, their industry positions, and our ability to penetrate and optimize their supply chain operations. In certain cases, our contracts with customers encompass performance targets such as higher inventory turnover and savings on the overall logistics expenditure, among others, which demonstrates our commitment to tangibly enhancing the supply chain of our corporate customers. Our service agreements with corporate customers typically have a term of one year, which could be renewed for one more year, and we typically negotiate pricing with our corporate customers on an annual basis.

For our individual customers, we typically provide our express and freight delivery services, which are charged on a per transaction basis based on the distance of the delivery, the weight and dimensions of the item being delivered, the type of the item being delivered and the time sensitivity of the delivery.

Branding and Marketing

Branding

The JD Logistics brand name symbolizes outstanding service, reliability and speed. Emphasis is continually placed on promoting and protecting our brand, one of our most important assets. In August 2020, we launched a campaign to upgrade our brand image, increase brand awareness and improve our brand equity.

We strive to enhance our brand awareness through maintaining high service quality and other marketing initiatives. We believe that the most effective form of marketing is to continually enhance our customer experience. Specifically, our sales and marketing strategy is designed to build brand recognition, increase demand for our solutions and services, build strong customer loyalty, drive cross-selling, and develop incremental business opportunities.

Leveraging the brand value of JD Group and our own marketing efforts, we have been able to build a large base of loyal customers. We employ a variety of programs and marketing activities to promote our brand and our solutions and services.

Sales and Marketing

We have organized our internal sales and development teams to take an active role in working with our existing and prospective customers to address their needs for superior supply chain solutions and logistics services. With respect to customer relationships, our sales and marketing efforts are integrated across all levels of management. Customers in each region are serviced by regional representatives who plan and execute our regional business development strategies. We incorporate sector specific expertise to support our sales and marketing efforts across designated sectors. See also “—Customer Experience” for a detailed description of our efforts, including marketing efforts, to bring a compelling customer experience to our customers.

Our Customers

Role of inventory management in our integrated supply chain solutions and logistics services, we categorize our customers based on whether they have utilized our warehouse or inventory management related services. We review our customers on a regular basis, and customers who have

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utilized our warehouse or inventory management related services in the recent past are classified as our integrated supply chain customers. During the Track Record Period, revenue from integrated supply chain customers accounted for a substantial majority of our total revenue in each of 2018, 2019 and 2020. In 2018, 2019 and 2020, we had 32,465, 39,926 and 52,666 integrated supply chain customers.

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

	For the Year Ended December 31,					
	2018		2019		2020	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Revenue:						
From integrated supply chain customers	34,151,014	90.2	41,837,437	83.9	55,619,685	75.8
From other customers	3,722,431	9.8	8,010,202	16.1	17,755,031	24.2
Total	37,873,445	100.0	49,847,639	100.0	73,374,716	100.0

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

	For the Year Ended December 31,					
	2018		2019		2020	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Revenue:						
From JD Group and other significant related parties of our Company	26,846,834	70.9	31,009,223	62.2	39,517,314	53.9
From others	11,026,611	29.1	18,838,416	37.8	33,857,402	46.1
Total	37,873,445	100.0	49,847,639	100.0	73,374,716	100.0

The following table sets forth the number of and the revenue contributed collectively by external integrated supply chain customers who each contributed more than RMB1 million in annual revenue.

	For the Year Ended December 31		
	2018	2019	2020
Number of external integrated supply chain customers who contributed more than RMB1 million in annual revenue	1,123	1,548	2,306
Revenue contributed collectively (in billions of RMB)	4.4	7.2	11.2

While we serve both corporate and individual customers, we primarily serve corporate customers, including JD Group. We provide supply chain solutions and logistics services to customers across a wide range of industries, such as FMCG, apparel, home appliances, home furniture, 3C, automotive and fresh produce.

Based on the assumption that the Reorganization had been completed on or before January 1, 2018, for each of the years ended December 31, 2018, 2019 and 2020, our top five customers accounted for 72.2%, 63.3% and 55.0% of our total revenue, respectively and our largest customer, JD Group, contributed 70.1%, 61.6% and 53.4% of our total revenue, respectively. See “Risk Factors—A significant portion of our revenue was associated with JD Group during the Track Record Period and

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we expect a significant portion of our revenue to continue to be associated with JD Group in the foreseeable future. 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" for risks relating to our reliance on JD Group during the Track Record Period.

As of the date of this document, JD Group indirectly owned approximately 71.57% of our total issued share capital. To the best of our knowledge, other than JD Group, all of the other top five largest customers during the Track Record Period were independent third parties as of the Latest Practicable Date. As of the Latest Practicable Date, (i) Mr. Richard Qiangdong Liu (劉強東), a non-executive Director and chairman of the Board of our Company, held approximately 76.9% of the voting rights in JD Group; and (ii) all the other Directors in aggregate held less than 1% of the beneficial ownership in JD Group.

The following table sets forth the background information of our five largest customers for each period during the Track Record Period. Based on the assumption that the Reorganization had been completed on or before January 1, 2018, in 2018, 2019 and 2020, (i) our top five customers accounted for 72.2%, 63.3% and 55.0% of our total revenue, respectively; and (ii) our largest customer, JD Group, contributed 70.1%, 61.6% and 53.4% of our total revenue, respectively, and the customers that ranked the second through the fifth in each period in aggregate accounted for 2.1%, 1.7% and 1.6% of our total revenue, respectively.

<u>Customers</u>	<u>Customer business profiles</u>
<i>Year ended December 31, 2018</i>	
Customer A	JD Group
Customer B	A leading manufacturer of daily consumables, personal care products, household care products and household durable goods in China
Customer C	A leading technology company primarily engaged in digital commerce, digital payment processing, payment settlement system development in China
Customer D	A leading e-commerce retail platform in China
Customer E	A Chinese company primarily providing storage, fulfilment and delivery services to an e-commerce platform in China

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Customers

Year ended December 31, 2019

Customer business profiles

Customer A	JD Group
Customer B	A leading manufacturer of daily consumables, personal care products, household care products and household durable goods in China
Customer F	A leading manufacturer of electrical products in China
Customer C	A leading technology company primarily engaged in digital commerce, digital payment processing, payment settlement system development in China
Customer G	A leading manufacturer of snacks, including nuts, bakeries, cereals, meat products and other ready-to-eat products in China

Customers

Year ended December 31, 2020

Customer business profiles

Customer A	JD Group
Customer B	A leading manufacturer of daily consumables, personal care products, household care products and household durable goods in China
Customer H	A company primarily in the sales and activation of telephone cards in China
Customer F	A leading manufacturer of electrical products in China
Customer I	A leading manufacturer of air conditioners, high-end gears, life-style products and communication devices in China

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 as of the Latest Practicable Date, has any interest in any of our top five customers during the Track Record Period.

Key Terms of Agreements with Our Customers

While we serve both corporate and individual customers, we primarily serve corporate customers.

We typically sign master service agreements which cover various terms including contracting parties, tenor, scope of services, fee rate (typically with reference to discounts to standardized pricing, but is also frequently customized based on circumstances and preferences of each customer), and payment terms, among other things.

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Set forth below is a summary of typical terms of master service agreement with corporate customers.

<u>Key Terms</u>	<u>Description</u>
Tenor	Typically one year, subject to annual automatically renewal for one year unless objected by either party
Service Type	Warehousing services, transportation services or delivery services as the case may be
Service Scope	<ul style="list-style-type: none">• <u>Warehousing services</u>: inbound acceptance, goods storage, request generation, other inbound and outbound storage, return processing and value-added services• <u>Transportation services</u>: Standard forward and reverse transportation services• <u>Delivery services</u>: Delivery service, non-acceptance and return service, and other value-added services
Pricing	With reference to standardized pricing for the relevant services or fee rates otherwise agreed between the parties, subject to the following adjustments: <ul style="list-style-type: none">• Potential additional service fees during peak seasons• Fee adjustments upon force majeure• Discounts or promotional price
Payment Terms	Settlement from monthly to up to six months
Termination	May be terminated by either party upon 30-day notice under certain circumstances

Our individual customers primarily use our express delivery services and enter into our standard express delivery services agreement with us.

Set forth below is a summary of the key terms of a typical delivery services agreement between our individual customer and us.

<u>Key Terms</u>	<u>Description</u>
Tenor	Per transaction basis
Service Type	Delivery service
Pricing	Fixed fee based on the distance, weight, dimension and time sensitivity of the shipment
Fee settlement	Upfront payment, payment on delivery, etc.
Indemnity	For damages and losses caused by the Company, losses should be reimbursed subject to a maximum of nine times of the delivery fee or the declared value in an insured delivery.

During the Track Record Period and up to the Latest Practicable Date, there were not any material claims from our customers for delay, missing or shortage of parcels handled by our Company.

Our Suppliers

During the Track Record Period, our top suppliers are primarily outsourced transportation service providers. Based on the assumption that the Reorganization had been completed on or before January 1, 2018, for each of the years ended December 31, 2018, 2019 and 2020, purchases from our top five suppliers accounted for no more than 8.1% of our total purchases, and purchases from our largest supplier accounted for no more than 3.1% of our total purchases during each of these periods.

As of the date of this document, JD Group indirectly owned approximately 71.57% of our total issued share capital and Dada Group is an associate of JD Group. To the best of our knowledge, other than Dada Group and JD Group, all of the other top five largest suppliers during the Track Record Period were independent third parties as of the Latest Practicable Date. As of the Latest Practicable Date, (i) Mr. Richard Qiangdong Liu (劉強東), a non-executive Director and chairman of the Board of our Company, held approximately 76.9% of the voting rights in JD Group; 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 as of the Latest Practicable Date, has any interest in any of our top five suppliers during the Track Record Period.

We believe we have sufficient alternative suppliers for our business that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply of the related outsourced transportation services.

Key Terms of Agreements with Our Service Providers

We maintain direct control over key components of our integrated supply chain solutions and logistics services to ensure a compelling customer experience. Such key components, including our warehouses, sorting centers and our last-mile delivery force, directly impact the quality and efficiency of our services. We outsource certain components of our operation process when the outsourced process does not significantly impact the quality and efficiency of our services. For example, for our line-haul transportation network, we directly control our sorting centers as well as route planning. However, we outsource a substantial portion of the actual transportation to third-party transportation service providers. We also use labor outsourcing services for certain non-critical or temporary positions. In addition, we also outsource certain components of our operation process when seasonality factors require us to have additional capacity on a temporary or on-demand basis. For example, we collaborate with third-party local delivery service providers, in particular Dada Group, to supplement our in-house last-mile delivery force during peak seasons.

As described above, we use third-party service providers for our line-haul transportation and last-mile delivery. We require the service providers to ensure timely transportation and delivery of goods in good condition, as stipulated in the service agreements we enter into with them. We typically do not exert a discretion over their own operations. Pursuant to the service agreements between us and our service providers, we typically require that (i) the service providers connect their system with our system; (ii) the service providers shall follow the timing and route designated by us, unless otherwise agreed; (iii) during the peak season of promotional and sales activities, the service providers ensure sufficient manpower, materials and other resources meeting our demands; (iv) the service providers

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have requisite qualifications, and that the vehicles and drivers own the related licenses and permits; and (v) the service providers bear all risks and liabilities relating to the goods from its receipt of such goods until acceptance of the same by the consignee.

Set forth below is a summary of the key terms of a typical transportation service agreement between us and our third party transportation service provider.

<u>Key Terms</u>	<u>Description</u>
Tenor	Typically one year
Service Type	Transportation services during the contract period without interruption
Pricing	Based on the distance and frequency of transportation services provided, subject to adjustment based on the fluctuation of fuel prices.
Payment Terms	Settlement from monthly to up to six months
Termination	One month notice period for early written termination by the Group; Three months notice period for early written termination by the transportation service provider.

In addition, please see “Relationship with Our Controlling Shareholders—Dada Delivery Services Framework Agreement” and “Connected Transactions—Dada Delivery Services Framework Agreement” for a summary of the key terms of the material delivery services agreement we enter into.

In addition, our results of operations are subject to seasonal fluctuations, which affects our need for engaging third-party service providers, such as Dada Group, to supplement our own resources. We experience seasonality in our business, mainly correlating to the seasonality patterns associated with the retail and logistics and supply chain industries in China. We typically experience a seasonal surge in volume of orders during the second and fourth quarters of each year when major retail platforms launch special promotional campaigns, for example. We have put in place measures to ensure we have sufficient capacity to avoid resource shortages in fulfilling orders during the period of such seasonal surge in our business. In addition, activity levels across our business lines are typically lower around Chinese national holidays, including Chinese New Year in the first quarter of each year, primarily due to weaker consumer spending, lower user activity levels and decreased availability of delivery personnel and warehouse staff during these holiday seasons. Overall, the impact of seasonality on our business has been relatively mild due to our rapid growth during the Track Record Period.

Customer Experience

We believe our superior customer services enhance our customer loyalty and brand image. We have accumulated a massive customer base, and formed a multi-level and full-cycle management system for both corporate customers and individual customers. By offering a broad range or full suite of services to customers, and being deeply involved in multiple sections of their supply chains, we have obtained extensive user insights to enhance the quality of our solutions and services. Meanwhile, with a focus on strengthening professional services, we are committed to enhancing customers’ trust in us and our brand influence through trustworthy and reliable services and unparalleled customer experience.

For our corporate customers, our dedicated marketing team has significant sales expertise and are focused on building new customer relationships. As we become more knowledgeable about a customer's business and processes, our ability to identify opportunities to create value for the customer typically increases, and we focus on trying to expand the solutions and services we provide to our existing corporate customers.

For our individual customers, we provide timely and reliable delivery services to them by leveraging our superior logistics infrastructure and advanced technological capabilities. We believe that our professionally trained delivery personnel are important in helping us to shape customer experience and distinguish ourselves from our competitors.

Data Privacy and Protection

We are dedicated to securing information about our customers' shipments and protecting our customers' and employees' privacy, and we strive to provide a safe, secure environment for our customers. We are committed to compliance with applicable information security laws, regulations and industry standards. We have developed a company-wide policy on data security to preserve individual personal information and privacy. We strictly comply with laws and regulations and do not distribute or sell our customers' personal data for any purpose. We normally encrypt customer data in network transmissions and in backend storage to ensure confidentiality.

Our network configuration is secured at multiple layers to protect our databases from unauthorized access. We use sophisticated security protocols for communications among our mobile app, website and plug-ins. To prevent unauthorized access to our system, we utilize a system of firewalls and maintain a demilitarized zone to separate our external-facing services from our internal systems. The quality of our information security management has garnered us the ISO 27001 accreditation. Achieving ISO 27001 means that our Company's information security management system has been certified in compliance with an internationally recognized standard, solidifying our reputation as the quality leader in the logistics industry.

To minimize the risk of data loss, we conduct regular data backup and data recovery tests. Our database can only be accessed by certain designated and authorized personnel after assessment and approval procedures, whose actions are recorded and monitored. We have data disaster recovery procedures in place and are in the process of establishing our active data centers.

Competition

Our supply chain solutions and logistics services encompass a wide range of operational areas, and as a result we may compete with a broad range of companies, including other supply chain solution and service providers, express and freight delivery service providers, SaaS software service providers and contract logistics providers.

We believe that our ability to compete effectively depends on many factors, including the breadth and depth of our solution and service offerings, customer experience of our solutions and services, our technological capabilities, quality control of our solution and service offerings, our marketing efforts and the strength and reputation of our brand. We differentiate ourselves against our competitors with (i) our nationwide and strategically-located logistics infrastructure, including one of the largest warehouse networks in China, (ii) advanced technologies, including our automation technologies and intelligent decision-making algorithms, as well as (iii) deep operational and industry

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know-hows, including our industry-tailored supply chain solutions that integrate our service offerings and address the specific logistics needs of industry verticals.

Furthermore, as our business continues to grow rapidly, we face significant competition for highly skilled personnel. The success of our growth strategy depends in part on our ability to retain existing personnel and attract additional highly skilled employees.

Health, Safety and Environmental Matters

We strive to operate our workplace and facilities in a manner that protects the environment and the health and safety of our employees and communities. We have implemented company-wide environmental, health and safety (EHS) standard operating procedures and conducted related training for our employees. Our EHS function is responsible for issuance of EHS guidelines, monitoring and enforcing the compliance of our operations with environment, health and safety laws and regulations. This responsibility is executed through formulation and implementation of strategies, policies, standards and metrics; communication of EHS policies and procedures; conducting EHS audits and incident response planning and implementation with a team of members of EHS committee.

Specifically, we have implemented protocols for safety of operations of our logistics infrastructure and logistics networks (including ground transportation for our fleet) to minimize accidents. We provide periodic training to our employees to recognize hazards, mitigate risk and avoid injury of themselves and others at work. We use periodic follow-up training to maintain skills and safety awareness. In addition, we have established parcel security screening protocols to inspect parcels before we accept them for sorting and delivery. We screen all items processed through our network for dangerous and prohibited materials, enforce handling procedures across warehouses, sorting centers, delivery stations, service stations and at each level of our network and raise transportation safety awareness among our workers and others. We have listed the prohibited items for on-land transportation and by air transportation into several categories, such as flammables and explosives, gunpowder, gasoline, opium and poultry. All senders are required to identify parcel contents. We also have other measures such as X-ray screening of parcels for safety hazards or prohibited items. We have penalty measures in place for warehouses that handle pickup or delivery of prohibited items. In the event that a customer misrepresents or fails to disclose the existence of dangerous and prohibited materials in the parcel, such customer typically shall indemnify us for all liabilities relating to, arising out of or resulting from any such hazardous materials.

In light of the comprehensive health and safety measures we put in place and our strict enforcement of these measures, we believe we are not subject to significant health, safety or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with health, safety or environmental laws or regulations.

Corporate Social Responsibility

Since our founding, we have been highly committed to sustainable corporate responsibility projects, both through charitable endeavors and by extending the benefits of our ecosystem to the

society at large. We understand that a sustainable business model is tied to our commitment to connecting the community and society responsibly and resourcefully.

COVID-19 Relief Effort

In the fight against COVID-19 in China, we have done our utmost to help people in Wuhan and throughout China during the most difficult times. Immediately after the announcement of quarantine in Wuhan, we put together a task force to lead our epidemic relief efforts. In addition, we provided transportation and logistics support to related local governments as they responded to the COVID-19 pandemic. For example, we opened a dedicated channel to provide expedited shipping of protective equipment and other supplies critical to COVID-19 relief efforts across China. We have also provided shipping support in a collaborative effort among retailers including JD Group and healthcare companies to ensure the timely deliveries of the daily necessities to the Chinese people during lock down. The cargo fleet of our logistics center in Wuhan was granted this year's prestigious China Youth Award, due to its significant contribution during the Wuhan lockdown.

Meanwhile, we took the health and safety of our employees as our top priority. We provided our frontline employees with masks and other protective equipment immediately after the outbreak. We also introduced a series of new policies, such as subsidies, fee reductions and waivers, to help customers that use our solutions and services. This reflects our long-held belief that the best approach to corporate social responsibility is through embedding elements of social responsibility in our business model.

Environmental Sustainability

We have always been committed to using green logistics and reducing resource consumption, environmental degradation and pollution in the process of storage, transportation and packaging. Together with brand designers, manufacturers, logistics companies, packaging companies, industry associations, among others, we further enhanced our "Green Stream Initiative," a joint green supply chain campaign with the goal of improving the utilization rate of supply chain resources and reducing carbon emissions. Green Stream Initiative guides environmental efforts to drive the responsible and efficient use of resources, optimize our business, lower costs and deliver value in vehicle efficiency, sustainable facilities and sustainable recycling. Additionally, as part of our commitment to sustainable energy, we have been gradually upgrading our nationwide fleet of delivery trucks, as well as those of our third party partners, to new energy vehicles. We have also been collaborating with several brands to promote reusable packaging across the entire supply chain.

We proactively participate in the promotion of sustainable production and consumption. For example, in 2019, we launched China E-Commerce & Logistics Packaging Standard Alliance together with several internationally recognized brands. This alliance aims to optimize the usage of packaging materials in China by establishing nationwide e-commerce packaging standards. We have also expanded our box recycling initiative across China. In addition, we committed to the standardization of green logistics, promoting the tape to be narrowed from 53mm to 45mm, banning layer by layer winding as a standardized packaging process, setting the industry standard and benchmark. In 2020, we launched the JD Green Packaging Alliance, a sustainable packaging platform to promote and enhance environmentally friendly projects within the JD ecosystem.

Intellectual Property

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of December 31, 2020, we had (i) 2,598 issued patents and patent applications; (ii) 830 granted trademarks and trademark applications; (iii) 119 granted computer software copyrights and (iv) 802 granted domain names. Further, as part of the spin-off reorganization, as of December 31, 2020, JD Group was in the process of transferring and plans to transfer several intellectual property rights relating to our operations to us, including (i) 1,686 issued patents and patent applications; (ii) 147 granted trademarks and trademark applications; (iii) 3 granted domain names and (iv) 14 granted computer software copyrights. We expect the transfer from JD Group to complete within six months after the Listing.

During the Track Record Period, we had not been subject to any material intellectual property infringement claims by third parties or suffered any material intellectual infringement by third parties.

We have been granted exclusive and non-exclusive rights by JD Group to use in our operations certain copyrighted materials, trademarks and patents that are registered or for which registration applications have been filed with applicable authorities.

Intellectual property rights are important to the success of our business. We share with JD Group its comprehensive intellectual property protection policies and related internal control system to ensure our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties. Highlights of our intellectual property protection policies and related internal control system include the following:

- We perform searches on related intellectual property rights to make sure our intellectual property rights will not be challenged.
- We file trademarks and patents with the relevant authorities to protect our brand image and technological innovations. We regularly monitor third-party actions to protect our IP and take appropriate measures against any infringement.
- We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our business partners. We have entered into confidentiality agreements and non-competition agreements with our senior management and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract contains an assignment clause, under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of such employee's work.
- We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems.

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Employees

As of December 31, 2020, we had an operation team of over 240,000 personnel who are responsible for delivery, warehouse operations as well as other customer services. The following table sets forth the numbers of our employees categorized by function as of the date indicated:

<u>Function</u>	<u>December 31, 2020</u>	
	<u>Number of Employees</u>	<u>% of Total</u>
Operations	246,818	95.4
Sales and marketing	4,728	1.8
Research and development	3,703	1.4
General administration	3,453	1.4
Total	<u>258,702</u>	<u>100.0</u>

We have always striven to provide employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. Furthermore, we are committed to providing a safe and healthy workplace, which is backed by strict policies, robust team member education and safety recognition awards, along with continued investments in technology. We are committed to the education, recruitment, development and advancement of diverse team members worldwide. Additionally, we place special emphasis on the building of a talent pipeline and cohesive organizational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making.

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time. We participate in and make contributions to those social security plans and employee benefit plans, either by ourselves or through some qualified human resource service providers. We entered into legal agreements with those human resource service providers. Pursuant to the legal agreements, the human resource service provider shall make the contributions as stipulated by applicable laws and regulations for certain employees of us, the relevant cost of the social insurance and housing fund is ultimately born by us, and the human resource service provider shall hold us harmless from any claims, lawsuits by our employees or any administrative investigations, penalties resulting from its violation of the terms and conditions in the agreement.

We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our staff, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluation for our employees quarterly to provide feedback on their performance. Compensation for our staff typically consists of base salary and a performance-based bonus.

We typically enter into standard employment agreements and confidentiality agreements or clauses with our senior management and core personnel. These contracts include a standard

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non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for two years after termination of his or her employment. We maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

Properties

Our corporate headquarters is located in Yizhuang Economic and Technological Development Zone in Beijing. As of December 31, 2020, the buildings we owned had an aggregate GFA of over 11,000 square meters, which were primarily used for office and warehousing functions. As of December 31, 2020, We leased properties in the PRC with an aggregate gross floor area of approximately 17 million square meters. Our leased properties in the PRC are primarily used for warehousing, fulfillment, distribution and delivery purposes. The relevant lease agreements expire between 2021 and 2034. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to expand our logistics network by leasing, building, or purchasing additional facilities across China over the next several years.

We lease the warehouses and other facilities used in our operations from logistics-focused property developers and make significant investments warehouse equipment in order to maximize the level of automation, and therefore efficiency, of our warehouses. See “—Our Logistics Infrastructure and Networks” for more detail on our logistics properties.

As of December 31, 2020, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Insurance

We consider our insurance coverage to be adequate and in accordance with the commercial practices in the industries in which we operate. We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. Additionally, we provide group accident insurance for all delivery personnel we employed and liability insurance for third party service providers that provide installation, maintenance, and washing services for us.

We have purchased compulsory motor vehicle and non-motor vehicle liability insurance and commercial insurance for self-operated vehicles. In addition, we also purchase cargo insurance, parcel-related insurance, warehouse insurance for the warehouses operated and managed by us, certain liability insurance for some aspects of our business and general public liability insurance. We do not maintain business interruption insurance or key-man insurance. Our management will evaluate the adequacy of our insurance coverage from time to time and purchase additional insurance policies as needed.

Legal Proceedings and Compliance

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Risk Management and Internal Control

We have adopted and implemented various policies and procedures to ensure rigorous risk management and internal control, and we are dedicated to continually improving these policies and procedures.

Our risk management and internal control policies and procedures cover various aspects of our business operations, such as logistics safety management, transportation and delivery risk management, and operational and regulatory risk management.

Logistics safety

“Safety first and always” is a core value of our business. We believe we have a responsibility to customers and the community to operate our national logistics infrastructure safely. We have not received any written notice or penalty for material non-compliance or violation of warehousing, transportation or courier safety laws or regulations as of the Latest Practicable Date. In addition, we have put in a place a comprehensive set of internal policies and measures to ensure compliance with applicable environmental and health and safety requirements. Our logistics safety management and policy is built on the following key components:

- *Logistics personnel hiring.* We have adopted stringent hiring procedures for our logistics personnel (in particular, our drivers), which involve in-person interviews and assessments of technical knowledge. We complement our logistics personnel hiring with physical testing.
- *Training.* Our logistics personnel receive regular training on relevant safety policies, standards, protocols and procedures and is required to strictly comply with them in all aspects of our operations. Initial training is complemented by regularly scheduled follow-up training to sustain and enhance basic skills of our logistics personnel, including our drivers. We conduct frequent evaluations of our logistics personnel.
- *Equipment and technology.* We invest in warehousing equipment and transportation fleet that are configured with roll stability capability, collision mitigation or forward facing cameras. Operating or driving behavior of our equipment or trucks is electronically monitored, alerts are provided to the operator or driver situationally and performance is documented for subsequent coaching.

- *Active management.* We continually monitor the risk in relation to our fulfillment services to ensure that the risk management policies and procedures have been strictly followed, so as to achieve effective and efficient governance, risk and control processes. Driver leaders and safety coordinators have real-time access to activity in the truck, facilitating situational and scheduled coaching. We have invested in predictive analytics that assist in proactively identifying drivers with potential safety issues and recommending a remediation path.

Transportation and delivery risk management

If a shipment by a third-party carrier is damaged during the delivery process, our customer files a claim for the damaged shipment with us and we bear the risk of recovering the claim amount from a third-party carrier. If we are unable to recover all or any portion of the claim amount from our third-party carrier, we may bear the financial loss. We mitigate this risk by using our quality program to carefully select third-party carriers with adequate insurance, quality control procedures and safety ratings. We also take steps to ensure that the coverage we provide to our customers for damaged shipments is substantially similar to the coverage that our third-party carriers provide to us. In addition, we carry our own insurance to protect against customer claims for damaged shipments.

Operational risk management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures, or external events. We have established a series of internal procedures to manage such risk.

In particular, we pay close attention to risk management relating to our IT, as sufficient maintenance, storage and protection of user data and other related information is critical to our success. Sensitive user information in our business operations is stored in the internet data center established and owned by us. Such information includes, but is not limited to, personal information (such as user name, cell phone number, delivery address, age and gender), consultation record, order record and activity log. We have kept all sensitive user information in our database, such as order record and consultation record since inception and maintain such information for an indefinite period of time, unless deletion of such data is required by relevant laws and regulations, requested by the relevant users or pursuant to conditions as specified under our terms of service with our users.

In general, according to our terms of service and except as required by relevant laws and regulations, by signing up, users acknowledge that they permit and authorize our use of the information we were provided with and the information generated in the course of our services. The users also acknowledge under the terms of service that they authorize our business partners to use their information that is necessary for our business partners to provide services to them or to improve their service quality. We give the relevant business partners the necessary user information only pursuant to the authorized scope. For instance, for the third-party couriers we engage, we only provide them with limited user information (names and contacts) necessary for their rendering services to our customer. To ensure the security of user information, we and our business partners owe a duty of confidentiality to the users with respect to such information. We have adopted robust encryption algorithms and implemented stringent rules for data extraction and transmission to ensure the confidentiality of our customers. We have implemented relevant internal procedures and controls to ensure that user data is protected and that leakage and loss of such data is avoided. We have formulated policies for data

administration which set out the overall responsibilities and procedures for our staff to adhere to. We have promulgated internal instructions setting out specific procedures regarding the handling of information containing user data, and intend to institute ethical standards in relation to user data protection. Violation of the relevant requirements will result in disciplinary action. The degree of access to and control of the information is determined by reference to the relevance to our staff member's role, and seniority. For activities requiring higher levels of confidentiality, multiple staff are required to be present. We have also implemented mechanisms, such as responsibility rotation and segregation of duties, among our data administration staff in daily operations. In the event of an information security breach, we perform investigations and perform damage control. We also hold trainings on data protection for our employees on a regular basis.

Our system keeps a daily log of data extraction and transmission activities and status in authorization in data extraction and transmission for review. We also have a dedicated data security team that is responsible for (i) monitoring suspicious data extraction and transmission activities or violations of our internal rules relating to data protection, (ii) advising on data protection issues identified in the course of monitoring and reporting to company management for attention, and (iii) enhancing our data protection system in accordance with changes in regulatory requirements and technological developments. As and when required by relevant laws and regulations, we intend to consult an external ethics advisor in relation to the protection of user data.

We also have a data back-up system through which data is encrypted and stored on servers in different locations regularly to reduce the risk of data loss. In addition, we perform back-up recovery tests regularly to examine the status of the back-up system. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data.

Human resources risk management

We provide regular and specialized training tailored to (i) the needs of our employees in different departments, and (ii) our anti-bribery and anti-corruption policy. We have a training center which regularly organizes internal training sessions conducted by senior employees or outside consultants on topics of interest that employees can vote on. The training center schedules regular online and classroom trainings, reviews the content of the trainings, follows up with employees to evaluate the impact of such training and rewards lecturers for positive feedback. Through these training sessions, we ensure that our staff's skill sets and knowledge level of our anti-bribery and anti-corruption policy remain up-to-date, enabling them to better comply with applicable laws and regulations in the course of exploring business.

We have in place an employee handbook and a code of conduct which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

Regulatory compliance and legal risk management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines. Meanwhile, legal risk refers to the risk of legal liability arising from

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violations of laws and regulations, breaches of contracts, infringements on the legal rights of others or otherwise in connection with any contract or business activity in which we are involved.

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. In particular, as we and our employees deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-bribery, anti-corruption and conflict of interest matters. First, as part of our risk management and internal control measures, we have adopted a series of internal regulations against corrupt and fraudulent activities, which include measures against receiving bribes and kickbacks, and misappropriation of company assets. We have anti-corruption and anti-bribery clauses in a majority of our business contracts, and we require our suppliers and other third parties who cooperate with us to comply with relevant laws and regulations. Second, we require every department to perform self-check on any violations in key processes and roles on a regular basis, and report to the internal control department any violation or trace of possible risk events. Third, employees and parties outside our Company are encouraged to provide information via phone, email, letters and other means, and we would offer rewards in return for valuable information. Fourth, our internal control department carefully evaluates risk events and conducts investigations when necessary. Fifth, we have implemented clear and strict policies and guidelines that prohibit the acceptance of gifts, hospitality and other offers by interested third parties. Lastly, our internal control department conducts internal control inspections regularly. Employees are required to acknowledge and accept JD Group's Code of Business Conduct and Ethics, which applies to us, that lists in detail relevant policies and regulations, including but not limited to clear definitions of bribery, corruption and interested parties. We impose on directors, senior management and employees penalties, and require compensation, for any losses incurred as a result of any activities concerning bribery and corruption.

We continually improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We also undertake compliance management over various aspects of our operations and employee activities, and have established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Board oversight

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have established an audit committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee comprises three members, namely Nora Gu Yi Wu (顧宜), Carol Yun Yau Li (李恩祐) and Sandy Ran Xu (許冉), with Nora Gu Yi Wu (顧宜) (being our independent non-executive Director with the appropriate professional qualifications) as chair of the audit committee. For the professional qualifications and experiences of the members of our audit committee, see the section headed "Directors and Senior Management" in this document.

Licenses, Approvals and Permits

In the opinion of Shihui Partners, our PRC Legal Adviser, we had obtained material licenses, approvals and permits during the Track Record Period, including, without limitation, Value-added

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Telecommunication License (增值電信業務經營許可證), Courier Service Operation Permit (快遞業務經營許可證), Road Transportation Operation Permit (道路運輸經營許可證), and Civil Unmanned Aerial Vehicle Business License (民用無人駕駛航空器經營許可證). In the opinion of Shihui Partners, our PRC Legal Adviser, all of our major subsidiaries complied in all material aspects with relevant laws and regulations during the Track Record Period.

We renew all such material permits and licenses from time to time to comply in all material aspects with the relevant laws and regulations. Our PRC Legal Adviser has advised us that there is no material legal impediment to renewing such permits or licenses.

The following table sets forth a list of our material licenses, approvals and permits:

No.	Holder	Name of License, Approval and Permit	Expiration Date
1	Beijing Jingbangda Trade Co., Ltd. (北京京邦達貿易有限公司)	Courier Service Operation Permit	December 4, 2023
2	Beijing Jingbangda Trade Co., Ltd. (北京京邦達貿易有限公司)	Road Transportation Operation Permit	March 29, 2022
3	Beijing Jingbangda Trade Co., Ltd. (北京京邦達貿易有限公司)	Filing of Consignees or Consignors of Customs Imported or Exported Goods (海關進出口貨物收發貨人備案)	Long-term
4	Beijing Jingbangda Trade Co., Ltd. (北京京邦達貿易有限公司)	International Freight Forwarding Agencies (國際貨運代理備案)	Long-term
5	Beijing Jingbangda Trade Co., Ltd. (北京京邦達貿易有限公司)	Registration of Foreign Trade Business Operators (對外貿易經營者登記)	Long-term
6	Beijing Jingbangda Trade Co., Ltd. (北京京邦達貿易有限公司)	Transportation Enterprises Undertaking the Road Transportation of Goods under Customs Supervision within the Territory of China (境內公路承運海關監管貨物的運輸企業)	Long-term
7	Xi'an Jingdong Xuncheng Logistics Co., Ltd. (西安京東訊成物流有限公司)	Road Transportation Operation Permit	February 12, 2022
8	Guangdong Jingbangda Supply Chain Technology Co., Ltd. (廣東京邦達供應鏈科技有限公司)	Courier Service Operation Permit	March 21, 2023
9	Guangdong Jingbangda Supply Chain Technology Co., Ltd. (廣東京邦達供應鏈科技有限公司)	Courier Service Operation Permit	September 16, 2023
10	Guangdong Jingbangda Supply Chain Technology Co., Ltd. (廣東京邦達供應鏈科技有限公司)	Registration of Foreign Trade Business Operators	Long-term
11	Guangdong Jingbangda Supply Chain Technology Co., Ltd. (廣東京邦達供應鏈科技有限公司)	Registration of Customs Declaration Entities (海關報關單位註冊登記)	Long-term

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No.	Holder	Name of License, Approval and Permit	Expiration Date
12	Guangdong Jingbangda Supply Chain Technology Co., Ltd. (廣東京邦達供應鏈科技有限公司)	International Freight Forwarding Agencies	Long-term
13	Guangdong Jingbangda Supply Chain Technology Co., Ltd. (廣東京邦達供應鏈科技有限公司)	Road Transportation Operation Permit	June 30, 2023
14	Shanghai Xunzan Supply Chain Technology Co., Ltd. (上海迅贊供應鏈科技有限公司)	Courier Service Operation Permit	January 8, 2023
15	Shanghai Xunzan Supply Chain Technology Co., Ltd. (上海迅贊供應鏈科技有限公司)	Road Transportation Operation Permit	April 27, 2022
16	Shanghai Xunzan Supply Chain Technology Co., Ltd. (上海迅贊供應鏈科技有限公司)	Registration of Foreign Trade Business Operators	Long-term
17	Beijing Jingxundi Technology Co., Ltd. (北京京訊遞科技有限公司)	Courier Service Operation Permit	January 23, 2023
18	Beijing Jingxundi Technology Co., Ltd. (北京京訊遞科技有限公司)	Road Transportation Operation Permit	September 15, 2024
19	Kuayue-Express Group Co., LTD. (跨越速運集團有限公司)	Courier Service Operation Permit	June 13, 2023
20	Kuayue-Express Group Co., LTD. (跨越速運集團有限公司)	Road Transportation Operation Permit	December 26, 2022
21	Kuayue-Express Group Co., LTD. (跨越速運集團有限公司)	Value-Added Telecommunications Business Operating License	May 11, 2023
22	Beijing Yuanyi Express Agency Co., Ltd. (北京元翼貨運代理有限公司)	Road Transportation Operation Permit	November 14, 2022
23	Beijing Yuanyi Express Agency Co., Ltd. (北京元翼貨運代理有限公司)	Registration of Non-Vessel Operating Common Carriers (無船承運業務經營資格登記)	June 14, 2023
24	Shaanxi Jingdong Xincheng Supply Chain Technology Co., Ltd. (陝西京東信成供應鏈科技有限公司)	Courier Service Operation Permit	January 23, 2023
25	Shaanxi Jingdong Xincheng Supply Chain Technology Co., Ltd. (陝西京東信成供應鏈科技有限公司)	Road Transportation Operation Permit	April 27, 2022
26	Liaoning Jingbangda Supply Chain Technology Co., Ltd. (遼寧京邦達供應鏈科技有限公司)	Courier Service Operation Permit	February 21, 2023
27	Liaoning Jingbangda Supply Chain Technology Co., Ltd. (遼寧京邦達供應鏈科技有限公司)	Road Transportation Operation Permit	October 23, 2022

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No.	Holder	Name of License, Approval and Permit	Expiration Date
28	Sichuan Jingbangda Logistics Technology Co., Ltd. (四川京邦達物流科技有限公司)	Courier Service Operation Permit	April 19, 2023
29	Sichuan Jingbangda Logistics Technology Co., Ltd. (四川京邦達物流科技有限公司)	Road Transportation Operation Permit	April 29, 2024
30	Hubei Jingbangda Supply Chain Technology Co., Ltd. (湖北京邦達供應鏈科技有限公司)	Courier Service Operation Permit	October 08, 2022
31	Hubei Jingbangda Supply Chain Technology Co., Ltd. (湖北京邦達供應鏈科技有限公司)	Road Transportation Operation Permit	February 04, 2022
32	Beijing Jinghong Logistics Co., Ltd. (北京京鴻物流有限公司)	Road Transportation Operation Permit	May 21, 2021
33	Beijing Jingdong Qianshi Technology Co., Ltd. (北京京東乾石科技有限公司)	Registration of Foreign Trade Business Operators	Long-term
34	Guangdong Jingdong Xingyou Logistics Co., Ltd. (廣東京東星佑物流有限公司)	Road Transportation Operation Permit	March 31, 2024
35	Guangdong Hongbang Tuoxian Logistics Technology Co., Ltd. (廣東弘邦拓先物流科技有限公司)	Courier Service Operation Permit	February 09, 2025
36	Guangdong Hongbang Tuoxian Logistics Technology Co., Ltd. (廣東弘邦拓先物流科技有限公司)	Road Transportation Operation Permit	June 30, 2024
37	Suqian Jingdong Tonglian Logistics Co., Ltd. (宿遷京東通聯物流有限公司)	Value-Added Telecommunications Business Operating License	April 27, 2025
38	Suqian Jingdong Tonglian Logistics Co., Ltd. (宿遷京東通聯物流有限公司)	Road Transportation Operation Permit	December 31, 2021
39	Jiangsu Jingdong Feiteng Technology Co., Ltd. (江蘇京東飛騰科技有限公司)	Civil Unmanned Aerial Vehicle Business License	Long-term