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JD Logistics, Inc.

京东物流股份有限公司

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

(Stock Code: 2618)

ANNOUNCEMENT OF THE RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board (the “**Board**”) of directors (the “**Directors**”) of JD Logistics, Inc. (the “**Company**” or “**JD Logistics**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries and consolidated affiliated entities (collectively, the “**Group**”) for the six months ended June 30, 2022. These interim results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

In this announcement, “we”, “us”, and “our” refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above). In addition, “JD Group” refers to JD.com, Inc. (NASDAQ: JD; HKEX: 9618) and its subsidiaries, including JD Health International Inc. (“**JD Health**”) (HKEX: 6618), and consolidated affiliated entities, excluding the Group.

FINANCIAL HIGHLIGHTS

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

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

(1) We define “Non-IFRS profit/(loss) for the period” as profit or loss for the period, excluding certain reconciling items as set out in the section headed “Non-IFRS Measures”. We exclude these items because they are either non-operating in nature or not indicative of our core operating results and business outlook, or do not generate any cash outflows.

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

CEO STATEMENT

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

BUSINESS REVIEW

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

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

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

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

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

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

Committed to technological innovation and investment, we strive to bring cutting-edge scientific breakthroughs into real world applications with a team of 3,712 dedicated research and development personnel. At the same time, through service automation, operational digitalization and intelligent decision-making, we continually seek solutions that balance cost and efficiency as well as optimize experience. In the second quarter of 2022, our research and development expenses amounted to RMB694.4 million, representing 2.2% of total revenue.

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

As of June 30, 2022, we operated over 1,400 warehouses and over 7,600 delivery stations, and employed over 200,000 in-house delivery personnel. On top of our extensive self-owned infrastructure, we also expanded our network coverage and improved flexibility through synergistic collaborations with strategic partners in land, maritime and air transportation. As of June 30, 2022, we had over 1,000 air cargo routes in China. Our overseas line-haul routes cover the U.S., Canada and the U.K., as well as major European and Southeast Asian countries.

In the first half of 2022, aside from the healthy organic growth of our businesses, we also made significant progress in strategic acquisitions. On March 13, 2022, we announced the acquisition of equity interest in Ningbo Meishan Baoshui Area Deppon Investment Holding Company Limited

(“**Deppon Holdco**”) which holds approximately 66.50% of the issued share capital of Deppon Logistics Co., Ltd. (“**Deppon**”, Shanghai Stock Exchange code: 603056). On July 26, 2022, we completed the acquisition of over 50% equity interest in Deppon Holdco, and the financial results of Deppon Holdco has been consolidated into the Group’s financial results. Deppon is an integrated, customer-centered, logistics company providing a wide range of solutions including Less-Than-Truckload (LTL) transportation, Full Truck Load (FTL) transportation, delivery services, and warehousing management. We anticipate that JD Logistics and Deppon will offer complementary advantages in logistics networks and product categories. Together, we will focus on our competitive advantages, such as express delivery and supply chain, to expand market scale, improve service experience, enhance network operation efficiency, reduce comprehensive operating costs, and continue to create greater value for customers.

Integrated Supply Chain Logistics Solutions and Services

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

Integrated supply chain customers

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

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

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

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

Other customers

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

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

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

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

Logistics Technology

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

Our technological innovations provide strong support to our own operations. For example, driven by smart algorithms, we used smart deployment and stowage to achieve efficient matching and refined operation of resources, which significantly lowered comprehensive transportation costs and occurrence of safety accidents. In warehousing, we separately store best-selling products

and constantly optimize sorting routes to improve sorting efficiency. Moreover, we can export our technologies to support our customers' supply chain management, enhancing their digital and intelligent capabilities and operating efficiency. We have already utilized our expertise and know-how in IoT (Internet of things), AI (Artificial Intelligence) and robotics to empower digital transformation and high-quality growth in other industries.

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

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

Our smart products provide solutions across the supply chain from warehousing to distribution and last-mile delivery. Our core products include self-developed Automated Guided Vehicles (AGVs), high-density storage systems with integrated software and hardware, vision-based robotic arms, and smart delivery vehicles. We were the first logistics company to employ autonomous driving in real-world logistics distribution scenarios. Leveraging self-developed Level-4 autonomous driving technology, we deployed over 400 smart delivery vehicles in over 25 cities such as Beijing, Tianjin and Changshu, providing logistics support for the international winter sports events, the combat against COVID-19 in Shanghai, 618 Grand Promotion, and other key events.

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

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

Logistics Infrastructure and Networks

Our superior supply chain solutions and logistics services are built on a foundation comprised of six highly synergized networks, including our warehouse network, line-haul transportation network, last-mile delivery network, bulky item logistics network, cold chain logistics network and cross-border logistics network.

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

Warehouse network

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

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

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

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

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

Line-haul transportation network

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

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

1. Starting from the interim results announcement for the six months ended June 30, 2022, we further adjusted and raised the classification standard for the Asia No. 1 smart industrial parks, including but not limited to the GFA, the investment scale, and the level of automation. Based on the new standard, as of the end of 2021, we operated 28 Asia No. 1 smart industrial parks in 24 cities nationwide, whereas under the old standard, as of the end of 2021, we operated 43 Asia No. 1 smart industrial parks in 33 cities nationwide.

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

Last-mile delivery network

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

As of June 30, 2022, we employed over 200,000 in-house delivery personnel and operated over 7,600 delivery stations covering 31 provinces and municipalities and 444 districts in different cities and municipalities in China. The vast majority of our delivery stations are self-operated to ensure top quality service.

In addition, we operate over 10,000 self-operated service stations and self-service lockers, as well as 300,000 partnered self-service lockers and service points, providing 24/7 smart pick-up and drop-off services.

Bulky item logistics network

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

As of June 30, 2022, we operated approximately 90 warehouses with bulky- and heavy-item storage capabilities and nearly 100 sorting centers, with an aggregate GFA of over 3 million square meters.

For lower-tier cities with growing e-commerce penetration, we leverage the resources of our network partners under the Jing Dong Bang (京東幫) brand to cost-effectively meet customers' demands. As of June 30, 2022, we were able to utilize approximately 1,800 bulky item delivery and installation stations under Jing Dong Bang (京東幫).

Cold chain logistics network

As of June 30, 2022, we operated over 100 temperature-controlled cold storage warehouses designated for fresh, frozen and refrigerated products with an operation area of more than 500,000 square meters. In addition, as of June 30, 2022, we operated more than 30 warehouses designated for pharmaceuticals and medical instruments with an operation area of over 200,000 square meters.

Cross-border logistics network

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

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

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

Deppon Logistics

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

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

Corporate Social Responsibility

We are deeply aware that the future of our Company is closely tied to the future of our environment, society and the industry. As detailed in our 2021 Environmental, Social and Governance (“ESG”) Report, our first ESG Report since the listing released on May 30, 2022, we categorize our ESG governance into five segments: providing high-quality customer services, facilitating industry cost reduction and efficiency enhancement, promoting common prosperity, achieving joint growth with partners and leading green low-carbon development.

In support of the combat against COVID-19, we, as always, undertook our social responsibility to safeguard public well-being. As one of the first enterprises to ensure essential supplies for those in need, leveraging advantages of nationwide spread of warehouses, we urgently transported daily necessities, maternal and childcare products, and medicines from areas across the country to pandemic-afflicted areas through road, railway, air and maritime transportation. With the outbreak of COVID-19 in Shanghai, we promptly mobilized our couriers to assist the city, with a total of over 5,000 couriers dispatched to support local supply operations and deliveries throughout the period between mid-April and end of June. We also built more than 1,600 contact-free community supply stations in Shanghai to ensure supply for local residents.

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

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

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

Appreciation

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

Yui Yu

Executive Director and CEO

August 23, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2022 Compared to Second Quarter of 2021

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

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

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

Revenue

Given the central role of inventory management in the Group's integrated supply chain solutions and logistics services, customers of the Group are categorized based on whether such customers have utilized the Group's warehouse or inventory management related services. Customers are reviewed by the Group on a regular basis, and customers who have utilized the Group's warehouse or inventory management related services in the recent past are classified as the Group's integrated supply chain customers. The following table sets forth a breakdown of our revenue by integrated supply chain customers and other customers, both in absolute amount and as a percentage of our total revenue for the periods presented.

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

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

Revenue from integrated supply chain customers increased by 10.7% to RMB20.2 billion in the second quarter of 2022 from RMB18.2 billion in the same period of 2021. The increase in revenue from integrated supply chain customers was primarily driven by (i) an increase in revenue from JD Group, and (ii) an increase in the number of our external integrated supply chain customers, partially offset by the decrease in the ARPC. The number of our external integrated supply chain customers, who have contributed to our revenue for the periods presented, increased to 62,566 in the second quarter of 2022 from 55,289 in the same period of 2021. The increase in the number of external integrated supply chain customers was due to the increased demand for our services as well as our ongoing sales and marketing efforts. On the contrary, we achieved an ARPC of RMB113,617 in the second quarter of 2022, compared to an ARPC of RMB116,227 in the same period of 2021. The decrease in the ARPC was primarily due to the resurgence of COVID-19.

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

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

	Unaudited			
	Three months ended June 30,			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Revenue:				
From JD Group	13,052,012	41.7	11,788,874	45.2
From others	18,219,690	58.3	14,272,557	54.8
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>31,271,702</u>	<u>100.0</u>	<u>26,061,431</u>	<u>100.0</u>

Cost of revenue

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

Employee benefit expenses for employees involved in warehouse management, sorting, picking, packaging, shipping, delivery and customer services increased by 23.2% to RMB10.7 billion in the second quarter of 2022 from RMB8.6 billion in the same period of 2021, primarily due to an increase in the number of employees involved in the provision of our services, which was in line with the continued growth of our business.

Outsourcing cost, including costs charged by transportation companies, couriers and other service providers for sorting, shipping, dispatching, delivering and labor outsourcing services, increased by 10.8% to RMB11.4 billion in the second quarter of 2022 from RMB10.3 billion in the same period of 2021. The increase was primarily driven by the growth of external businesses which required higher outsourcing capacity. In addition, the significant growth of our express delivery and freight delivery services, for which suppliers are frequently used for the line haul transportation portion, also contributed to the increase in our outsourcing cost.

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

Depreciation and amortization increased by 26.5% to RMB0.6 billion in the second quarter of 2022 from RMB0.5 billion in the same period of 2021, primarily due to an increase in the number of our logistics facilities, which in turn resulted in a larger amount of depreciation expenses having been incurred for the logistics equipment in these facilities.

Other cost of revenue increased by 36.1% to RMB3.8 billion in the second quarter of 2022 from RMB2.8 billion in the same period of 2021, primarily due to the increase in fuel cost, cost of maintenance services, cost of packaging and other consumable materials, and additional costs incurred by the resurgence of COVID-19.

Gross profit and gross profit margin

As a result of the foregoing, we recorded (i) a gross profit of RMB2.2 billion and RMB1.5 billion in the second quarter of 2022 and the same period of 2021, respectively, and (ii) a gross profit margin of 6.9% and 5.9% in the second quarter of 2022 and the same period of 2021, respectively. The increase in the gross profit margin was primarily due to (i) refined cost control measures, (ii) effective restructuring of customer portfolio, and (iii) economies of scale as our revenue grew rapidly, driving efficiency gains in most of our cost components, partially offset by the additional costs incurred by the resurgence of COVID-19.

Selling and marketing expenses

Selling and marketing expenses increased by 33.3% to RMB951.7 million in the second quarter of 2022, compared to RMB714.0 million in the same period of 2021. The increase was in line with the growth of our revenue from external customers and was primarily due to the increase in headcount of sales and marketing personnel to promote our service offerings to both new and existing customers.

Research and development expenses

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

General and administrative expenses

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

Loss for the period

As a result of the foregoing, we incurred a loss of RMB83.4 million in the second quarter of 2022 and a loss of RMB4,214.1 million in the same period of 2021. The decrease in the loss was primarily due to (i) the decrease in loss on fair value changes of convertible redeemable preferred shares, (ii) refined cost control measures, (iii) effectively restructuring customer portfolio, and (iv) economies of scale as our revenue grew rapidly, driving efficiency gains in most of our cost components, partially offset by the additional costs incurred by the resurgence of COVID-19.

First Half of 2022 Compared to First Half of 2021

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

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

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

Revenue

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

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

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

Revenue from integrated supply chain customers increased by 13.2% to RMB38.1 billion for the six months ended June 30, 2022 from RMB33.6 billion for the six months ended June 30, 2021. The increase in revenue from integrated supply chain customers was primarily driven by (i) an increase in revenue from JD Group, and (ii) an increase in the number of our external integrated supply chain customers, as well as the increase in the ARPC. The increase in the number of external integrated supply chain customers was due to the increased demand for our services as well as our ongoing sales and marketing efforts. The increase in the ARPC was primarily due to strong customer endorsement for our integrated supply chain solutions and logistics services along with deepening collaborations and growing customer stickiness, partially offset by the impact of the resurgence of COVID-19.

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

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

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

Cost of revenue

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

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

Outsourcing cost, including costs charged by transportation companies, couriers and other service providers for sorting, shipping, dispatching, delivering and labor outsourcing services, increased by 10.8% to RMB21.1 billion for the six months ended June 30, 2022 from RMB19.0 billion for the six months ended June 30, 2021. The increase was primarily driven by the growth of external businesses which required higher outsourcing capacity. In addition, the significant growth of our express delivery and freight delivery services, for which suppliers are frequently used for the line haul transportation portion, also contributed to the increase in our outsourcing cost.

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

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

Other cost of revenue increased by 35.4% to RMB6.9 billion for the six months ended June 30, 2022 from RMB5.1 billion for the six months ended June 30, 2021, primarily due to the increase in fuel cost, cost of maintenance services, cost of packaging and other consumable materials, and additional costs incurred by the resurgence of COVID-19.

Gross profit and gross profit margin

As a result of the foregoing, we recorded (i) a gross profit of RMB3.6 billion and RMB1.8 billion for the six months ended June 30, 2022 and the six months ended June 30, 2021, respectively, and (ii) a gross profit margin of 6.2% and 3.7% for the six months ended June 30, 2022 and the six months ended June 30, 2021, respectively. The increase in the gross profit margin was primarily due to (i) refined cost control measures, (ii) effective restructuring of customer portfolio, and (iii) economies of scale as our revenue grew rapidly, driving efficiency gains in most of our cost components, partially offset by the additional costs incurred by the resurgence of COVID-19.

Selling and marketing expenses

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

Research and development expenses

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

General and administrative expenses

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

Loss for the period

As a result of the foregoing, we incurred a loss of RMB1.4 billion for the six months ended June 30, 2022 and a loss of RMB15.2 billion for the six months ended June 30, 2021. The decrease in the loss was primarily due to (i) the decrease in loss on fair value changes of convertible redeemable preferred shares, (ii) refined cost control measures, (iii) effectively restructuring customer portfolio, and (iv) economies of scale as our revenue grew rapidly, driving efficiency gains in most of our cost components, partially offset by the additional costs incurred by the resurgence of COVID-19.

Non-IFRS Measures

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

We believe non-IFRS profit/(loss) provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of non-IFRS profit/(loss) may not be comparable to similarly titled measures presented by other companies. The use of non-IFRS profit/(loss) has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

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

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

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

- (1) Represents the amortization expenses of other intangible assets acquired in a business combination with finite useful lives, which is recognized on a straight-line basis over the estimated useful lives.
- (2) Represents gains or losses from fair value changes on equity investments measured at fair value. Multiple valuation techniques and key inputs are used to determine the fair values of these investments.
- (3) The fair value of convertible redeemable preferred shares has been determined by using the income approach and is affected primarily by the changes in our equity value. Upon completion of the Company's listing of shares on the Main Board of the Hong Kong Stock Exchange and global offering on May 28, 2021 (the "Listing" or "Global Offering"), all convertible redeemable preferred shares had been converted into ordinary shares on a conversion ratio of 1:1. No further loss or gain on fair value changes had been recognized afterwards.

Liquidity and Capital Resources

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

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

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

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

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

Net cash generated from operating activities

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

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

Net cash generated from/(used in) investing activities

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

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

Net cash generated from financing activities

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

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

Gearing Ratio

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

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

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

On May 19, 2022, JD Logistics Holding Limited (a direct wholly-owned subsidiary of the Company) entered into an equity transfer agreement with an indirect wholly-owned subsidiary of Jingdong Technology Holding Co., Ltd. (“**JD Technology**”, an associate of a connected person of the Company), pursuant to which the Group conditionally agreed to sell, and JD Technology conditionally agreed to acquire, 100% equity interest in Jingdong International Financial Leasing Co., Ltd. (“**Jingdong International Financial Leasing**”), at a cash consideration of USD30 million

(equivalent to approximately RMB201.3 million as of the disposal date) (the “**Disposal**”). The Disposal constitutes connected transaction under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”). Upon completion of the Disposal on June 30, 2022, Jingdong International Financial Leasing was ultimately deconsolidated from the Group’s consolidated financial statements. Details of the Disposal are set out in the announcement of the Company dated May 20, 2022.

Significant Investments Held

Save as disclosed above, the Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group’s total assets as of June 30, 2022) during the six months ended June 30, 2022.

Future Plans for Material Investments and Capital Assets

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

Employee and Remuneration Policy

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

Function	Number of Staff	% of Total
Operations	303,311	95.6
Sales and marketing	6,558	2.1
Research and development	3,712	1.2
General administration	3,610	1.1
Total	<u>317,191</u>	<u>100.0</u>

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

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

The total employee benefit expenses, including share-based payments, for the six months ended June 30, 2022 were RMB23.6 billion, as opposed to RMB19.8 billion for the six months ended June 30, 2021, representing a year-on-year increase of 18.8%.

Foreign Exchange Risk

We conduct our businesses mainly in Renminbi (“**RMB**”), with certain transactions denominated in United States dollars (“**USD**”), and, to a lesser extent, other currencies. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of our entities. In addition, we have intra-group balances with several subsidiaries denominated in foreign currency which also expose us to foreign currency risk.

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

Pledge of Assets

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

Contingent Liabilities

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

Borrowings

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

Significant Events after June 30, 2022

General offer

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

Bank borrowings

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

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

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As of June 30, 2022 <i>RMB'000</i>	Audited As of December 31, 2021 <i>RMB'000</i>
ASSETS		
Non-current assets		
Property and equipment	9,554,230	8,875,146
Right-of-use assets	14,670,614	14,699,396
Goodwill	1,499,142	1,499,142
Other intangible assets	2,278,455	2,458,116
Interest in an associate	81,531	140,445
Interests in joint ventures	16,406	15,266
Financial assets at fair value through profit or loss	1,438,544	1,527,296
Deferred tax assets	64,608	87,788
Prepayments, other receivables and other assets	2,472,181	2,091,606
	32,075,711	31,394,201
Current assets		
Inventories	717,750	683,168
Trade receivables	14,020,193	12,164,028
Contract assets	141,466	113,685
Prepayments, other receivables and other assets	3,495,257	3,519,000
Financial assets at fair value through profit or loss	2,755,303	2,577,978
Term deposits	5,845,930	8,412,913
Restricted cash	14,882	7,316
Cash and cash equivalents	27,422,587	17,922,779
	54,413,368	45,400,867
Total assets	86,489,079	76,795,068
EQUITY AND LIABILITIES		
Equity		
Share capital	1,039	971
Treasury shares	(73)	(74)
Reserves	70,894,518	62,298,093
Accumulated losses	(25,822,953)	(24,360,894)
	45,072,531	37,938,096
Equity attributable to owners of the Company	45,072,531	37,938,096
Non-controlling interests	2,527,533	2,451,037
	47,600,064	40,389,133
Total equity	47,600,064	40,389,133

	Unaudited As of June 30, 2022 <i>RMB'000</i>	Audited As of December 31, 2021 <i>RMB'000</i>
Liabilities		
Non-current liabilities		
Lease liabilities	9,186,143	9,409,162
Equity instruments with preference rights	—	631,014
Deferred tax liabilities	753,684	720,178
Other non-current liabilities	1,184,318	1,100,000
	<hr/>	<hr/>
Total non-current liabilities	11,124,145	11,860,354
	<hr/>	<hr/>
Current liabilities		
Trade payables	8,053,301	6,772,692
Contract liabilities	167,787	125,638
Accrued expenses and other payables	11,873,859	11,044,538
Advances from customers	735,476	723,009
Borrowings	850,000	—
Lease liabilities	5,988,995	5,763,509
Payables to interest holders of consolidated investment funds	41,460	46,145
Tax liabilities	53,992	70,050
	<hr/>	<hr/>
Total current liabilities	27,764,870	24,545,581
	<hr/>	<hr/>
Total liabilities	38,889,015	36,405,935
	<hr/>	<hr/>
Total equity and liabilities	86,489,079	76,795,068
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

Notes to the Interim Financial Information

General information, basis of preparation and presentation

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the “**IASB**”), as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

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

Application of amendments to IFRSs

During the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2022 for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements are consistent with those followed in the preparation of the 2021 Annual Report.

Revenue

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

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

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

Loss before income tax

Loss before income tax has been arrived at after charging:

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

Loss per share

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

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

For the current interim period, the potential dilutive ordinary shares and the impact of subsidiaries' diluted earnings were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the current interim period was the same as basic loss per share (six months ended June 30, 2021: diluted loss per share was the same as basic loss per share).

Dividends

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

Trade receivables

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

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

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

The Group held notes received for future settlement of trade receivables with insignificant amount. The Group continues to recognize their full carrying amounts at the end of each reporting period. All notes received by the Group are with a maturity period of less than one year.

Trade payables

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

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

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company was incorporated in the Cayman Islands on January 19, 2012 with limited liability, and the shares of the Company (the “**Shares**”) were listed on the Main Board of the Hong Kong Stock Exchange on May 28, 2021 (the “**Listing Date**”).

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company’s corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders of the Company (the “**Shareholders**”). The Company has adopted and complied with all the applicable code provisions of the Corporate Governance Code (the “**Previous CG Code**”) as set out in Appendix 14 to the Listing Rules before the amendments to the Corporate Governance Code (the “**New CG Code**”) came into effect on January 1, 2022, throughout the six months ended June 30, 2022. The requirements under the New CG Code would apply to corporate governance reports for financial year commencing on or after January 1, 2022.

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

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code (as amended from time to time) as set out in Appendix 14 of the Listing Rules to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee comprises three members, namely Nora Gu Yi Wu (顧宜), Carol Yun Yau Li (李恩祐) and Xiande Zhao (趙先德), with Nora Gu Yi Wu (顧宜) (being our independent non-executive Director with the appropriate professional qualifications) as chair of the Audit Committee.

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

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

OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has also established a nomination committee and a remuneration committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Placing of Shares

On March 25, 2022, the Company entered into a placing agreement with Goldman Sachs (Asia) L.L.C., Merrill Lynch (Asia Pacific) Limited, Haitong International Securities Company Limited and UBS AG Hong Kong Branch (the “**Placing Agents**”), pursuant to which the Company has agreed to appoint the Placing Agents, and the Placing Agents, each on a several but not joint nor joint and several basis, agreed to act as placing agents for the purpose of procuring on a best effort basis, as agents of the Company, purchasers to purchase 150,500,000 placing shares at the placing price of HKD20.71 for each placing share. Completion of the Placing took place on April 1, 2022. For further details, please refer to the Company's announcements dated March 25, 2022 and April 1, 2022.

Subscription Agreement

On March 25, 2022, the Company and Jingdong Technology Group Corporation entered into a subscription agreement, pursuant to which Jingdong Technology Group Corporation has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue subscription shares at the subscription price of HKD20.71 (equivalent to approximately USD2.65) for each subscription share. Completion of the Subscription took place on May 26, 2022. For further details, please refer to the Company's announcements dated March 25, 2022 and May 26, 2022 and the circular of the Company dated April 25, 2022.

Save as disclosed in this announcement, during the six months ended June 30, 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange.

INTERIM DIVIDEND

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

USE OF PROCEEDS

Net Proceeds from the Global Offering

With the Shares listed on the Hong Kong Stock Exchange on the Listing Date, the net proceeds from the Global Offering (following full exercise of the Over-allotment Option, as defined in the prospectus of the Company dated May 17, 2021 (the “**Prospectus**”)) were approximately RMB22,945 million after deducting underwriting commissions and offering expenses paid or payable. There has been no change in the intended use of the net proceeds and the expected timeline as previously disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

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

Purpose	Percentage of net proceeds	Net proceeds (RMB million)	Unutilized	Utilized	Unutilized amount as of June 30, 2022 (RMB million)	Expected timeline of full utilization
			amount as of January 1, 2022 (RMB million)	amount for the six months ended June 30, 2022 (RMB million)		
Upgrading and expansion of our logistics networks	55%	12,620	7,860	2,967	4,893	12 to 36 months from the Listing
Developing advanced technologies to be used in our supply chain solutions and logistics services	20%	4,589	3,758	479	3,279	12 to 36 months from the Listing
Expanding the breadth and depth of our solutions, as well as for penetrating existing customers and attracting potential customers	15%	3,442	2,729	508	2,221	12 to 36 months from the Listing
General corporate purposes and working capital needs	10%	2,294	1,096	210	886	12 to 36 months from the Listing
Total	100%	22,945	15,443	4,164	11,279	

Net Proceeds from the Placing and the Subscription

The net proceeds from the Placing and the Subscription were approximately RMB6,924 million. The Company intends to use the net proceeds of the Placing and the Subscription to improve the Group's logistics network and solutions, both organically and/or by acquisitions, and to increase cash reserves for general corporate use. There has been no change in the intended use of net proceeds as previously disclosed in the announcements of the Company dated April 1, 2022 and May 26, 2022, and the circular of the Company dated April 25, 2022.

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

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at ir.jdl.com. The interim report of the Group for the six months ended June 30, 2022 will be published on the aforesaid websites of the Hong Kong Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

By order of the Board
JD Logistics, Inc.
Mr. Yui Yu
Executive Director

Hong Kong, August 23, 2022

As of the date of this announcement, the Board comprises Mr. Yui Yu as executive Director, Mr. Richard Qiangdong Liu as non-executive Director, and Ms. Nora Gu Yi Wu, Ms. Carol Yun Yau Li, Mr. Liming Wang, Dr. Xiande Zhao and Mr. Yang Zhang as independent non-executive Directors.