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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 THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2023

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, its subsidiaries and consolidated affiliated entities (collectively, the “**Group**”) for the three months and six months ended June 30, 2023. 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 and where the context otherwise requires, the Group. In addition, “**JD Group**” refers to JD.com, Inc. (NASDAQ: JD; HKEX: 9618 (HKD counter) and 89618 (RMB counter)) and its subsidiaries, including JD Health International Inc. (HKEX: 6618 (HKD counter) and 86618 (RMB counter)), and its consolidated affiliated entities, excluding the Group.

FINANCIAL HIGHLIGHTS

	Unaudited		Year-over-year change (%)
	Three months ended June 30, 2023	2022	
	RMB’000	RMB’000	
Revenue	41,032,908	31,271,702	31.2
Gross profit	3,394,186	2,173,228	56.2
Profit/(loss) before income tax	630,768	(22,496)	N/A
Profit/(loss) for the period	507,964	(83,382)	N/A
Non-IFRS profit for the period ⁽¹⁾	825,715	212,912	287.8

	Unaudited		
	Six months ended June 30,	2022	Year-over-year
	2023	2022	change
	RMB'000	RMB'000	(%)
Revenue	77,761,309	58,623,176	32.6
Gross profit	5,029,922	3,634,597	38.4
Loss before income tax	(382,212)	(1,322,773)	(71.1)
Loss for the period	(528,874)	(1,433,499)	(63.1)
Non-IFRS profit/(loss) for the period ⁽¹⁾	114,171	(584,944)	N/A

(1) We define “Non-IFRS profit/(loss)” as profit or loss, 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, 2023.

CEO STATEMENT

I am pleased to present our interim performance for the six months ended June 30, 2023 to our shareholders (the “**Shareholders**”).

BUSINESS REVIEW

As a leading technology-driven supply chain solutions and logistics services provider, with the mission to “drive superior efficiency and sustainability for global supply chain through technology”, we adhered to our “customer-first” approach and continued to cultivate our primary business in the integrated supply chain services market, constantly creating value through our trusted supply chain services. Leveraging our comprehensive network coverage, continually strengthening digital and intelligence capabilities, and in-depth industry insights, we offer a full spectrum of integrated supply chain solutions and high-quality logistics services covering various industries to customers and consumers, to help customers reduce costs and enhance efficiency.

In the first half of 2023, macroeconomic conditions and market consumption demand in China was still in a recovery climb, and the business operations of our corporate customers were gradually recovering. Facing the constantly evolving business environment, as well as the transformation and upgrading of the market’s consumption structure, we provided highly agile and flexible integrated supply chain solutions to help corporate customers effectively address their problems during business recovery and development, reduce costs and elevate efficiency. By creating value to support corporate customers’ high-quality development, we helped them remain competitive amid industry competition. In the first half of 2023, our total revenue reached RMB77.8 billion, increasing by 32.6% year-over-year. Revenue from external customers increased by 57.7% year-over-year to RMB53.9 billion, accounting for 69.3% of total revenue, representing a larger proportion compared with the same period of 2022.

We continue to promote the broad application of integrated supply chain solutions and high-quality logistics services, to help customers across a wide range of industries effectively improve operational efficiency, reduce operating costs and elevate customer experience. In the process of serving more customers, we have also accumulated valuable experience, continuously reinforcing our service capabilities.

We provide industry-specific integrated supply chain solutions and service products for customers in fast-moving consumer goods (“**FMCG**”), home appliances and home furniture, 3C, apparel, automotive, fresh produce, and other industries. In the first half of 2023, revenue from integrated supply chain customers reached RMB38.9 billion, of which RMB15.0 billion was from external customers, representing an increase of 10.0% year-over-year, maintaining quality growth momentum. We continue to optimize our customer mix and business structure to promote our business health, as we believe that a healthy, high-quality customer and business mix is crucial for our steady and long-term development. Meanwhile, we further expanded the breadth and depth of our collaborations with existing customers to assist them in achieving digital and intelligent supply chain transformation. In the first half of 2023, the average revenue per customer (“**ARPC**”) of our external integrated supply chain customers amounted to RMB247 thousand, increasing by 23.8% year-over-year.

While making rapid progress in our business, we have remained guided by our core value, “customer-first”, and have received widespread recognition from customers and consumers for our professional and reliable services. According to survey results published by the State Post Bureau of the People’s Republic of China, we have constantly maintained best-in-class customer satisfaction ratings. During the 618 Grand Promotion this year, we leveraged our integrated supply chain services advantages to deliver reliable to-door services nationwide. We satisfied our customers’ diverse needs through various integrated supply chain products and solutions, thereby comprehensively ensuring their steady operations during the promotion period.

Firmly committed to technological innovation and investment, we strive to bring cutting-edge scientific breakthroughs into real world applications with a team of dedicated research and development personnel, which totaled more than 4,600 members as of June 30, 2023. At the same time, through service automation, operational digitalization and decision-making intelligentization, we continually seek solutions that balance cost and efficiency as well as optimize experience.

Alongside our research and development efforts, we continued to strengthen our logistics infrastructure and collaborate with Deppon Logistics Co., Ltd. (“**Deppon**” or “**Deppon Logistics**”, Shanghai Stock Exchange code: 603056) to further strengthen our comprehensive logistics network, aimed at delivering high-quality integrated supply chain solutions and logistics services, as well as best-in-class customer experiences.

As of June 30, 2023, we operated more than 1,600 warehouses, over 19,000 delivery stations and service outlets, and employed over 300,000 in-house delivery personnel.

Integrated Supply Chain Logistics Solutions and Services

We provide supply chain management services to our customers through integrated supply chain solutions, helping customers realize cost reductions and efficiency improvements and facilitating fast decision-making in a rapidly changing business environment.

As supply chain management plays an important role in supporting the competitive strategy of a growing number of companies, we continually develop diversified supply chain solutions and service products. While capturing new business opportunities and attracting and serving more customers, we also continue to deepen our collaborations with existing customers.

Integrated supply chain customers

Our revenue from integrated supply chain customers reached RMB38.9 billion in the first half of 2023, of which RMB15.0 billion was from external customers, a year-over-year increase of 10.0%. We constantly monitor our business operations and customer mix to elevate business health. We firmly believe that a healthy, high-quality customer and business mix will lay a solid foundation for our sustainable and high-quality development. On the product front, we continued to upgrade and enrich our supply chain products, harnessing our advantages in integrated supply chain services to offer different products and solutions targeting industries and customers with diverse needs.

In the first half of 2023, the ARPC of our external integrated supply chain customers amounted to RMB247 thousand, a year-over-year increase of 23.8%. The increase was primarily attributable to our consistent expansion of the breadth and depth of our collaborations with existing customers to help more of them achieve the digital and intelligent transformation of their supply chains.

We provide industry-specific integrated supply chain solutions and service products to customers in FMCG, home appliances and home furniture, 3C, apparel, automotive, fresh produce, and other industries.

Among them, FMCG accounts for the highest percentage of our revenue from external integrated supply chain customers. In the first half of 2023, we deepened our collaborations with a wide range of leading FMCG customers to empower the development of their omni-channel business and further improve their supply chain efficiency. We offered our customers integrated supply chain solutions tailored to their industry and business characteristics to enhance fulfillment flexibility throughout their supply chains, ensure their end consumers' experience, and create greater value for these customers. For example, we provided warehousing and distribution fulfillment services for the e-commerce business of COFCO Coca-Cola Beverages Limited (“**CBL**”), a well-known beverage brand, covering all of its online channels through our online omni-channel fulfillment mode, including warehousing and distribution as well as inter-warehouse transfers covering many regions of the country. We also continually reinforced the customer stickiness by identifying further collaboration opportunities, such as warehouse and network planning and supply chain planning. Our cooperation scope with CBL expanded from one warehouse to multiple warehouses nationwide as we continued to help CBL improve the supply chain efficiency of its online business and achieve the goal of reducing costs and increasing efficiency across its supply chains.

In the first half of 2023, we realized significant business growth in the automotive industry. Fully leveraging our integrated supply chain services advantages as well as our industry insights, we have accumulated competitive service capabilities and experience in the field of automotive after-sales spare parts, by serving well-known automobile brands such as Volvo Cars and SAIC GM Wuling Co., Ltd. (上汽通用五菱汽車股份有限公司). We have also successfully replicated and applied these service capabilities and experience to other auto brands, providing efficient and high-quality automotive after-sales spare parts warehousing and logistics services to Li Auto (NASDAQ: LI; HKEX: 2015) and many other leading new energy vehicle customers domestically and internationally. By holistically connecting our services to customers' systems, we enabled full visibility and controllability throughout their supply chains. Meanwhile, we continued to optimize our services and deepen cooperation with customers, creating benchmark projects for the automotive industry. This has laid a foundation for building our supply chain operation capabilities in the automotive industry while also contributing to industry development.

Other customers

In the first half of 2023, our revenue from other customers increased by 89.2% year-over-year to RMB38.9 billion. While expanding our integrated supply chain logistics solutions and services capabilities, we have collaborated with Deppon Logistics to continually strengthen the development of our foundational network capabilities 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.

We continued to invest in our network infrastructure and logistics capabilities in key cities, including expanding pick-up and delivery services coverage and improving our overall operation timeliness, to ultimately enhance customer experience and satisfaction, as well as drive revenue growth. Furthermore, we boosted resource utilization efficiency and economies of scale by integrating operational resources, reducing costs and enhancing efficiency.

To ensure the freshness of agricultural products, we continued to expand the coverage of our pick-up services in key agricultural production zones. Specifically, we set up pick-up stations as close as possible to those production areas, which greatly shortened the collection time of agricultural products in production areas, improved post-harvest processing efficiency and promoted the scale development of the industry.

In addition, we continued to deepen and expand cooperation with multiple live streaming e-commerce platforms. With our comprehensive infrastructure and network coverage, digital capabilities for real-time tracking throughout the process, and value-added services such as reverse logistics, we provided high-quality services and experience to customers, and our business volume and revenue growth improved continuously.

Logistics Technology

Technological innovation has always been our priority. We are committed to seamlessly and naturally integrating innovative technology-based services into diverse scenarios and exploring pioneering technologies, through our digital, intelligent hardware and software integrated logistics technology products and solutions, to foster cost reductions, efficiency enhancements and industry upgrades, and eventually promote the industry's high-quality development. Currently, our technology-driven products and solutions cover key supply chain logistics processes across logistics parks, warehousing, sortation, transportation and delivery. Our product portfolio including logistics technology software and hardware covering the entire supply chain process has empowered us to break through key scenarios, such as smart warehousing and intelligent logistics parks. Furthermore, we have built technical service capabilities covering the full spectrum of supply chain scenarios, through critical technologies such as digital twinning and artificial intelligence. Our core technology products include high-density storage and goods-to-person systems, automatic guided vehicles, automatic put walls, intelligent delivery vehicles, among others. Meanwhile, we continue to improve the level of automation throughout the supply chain process.

In the warehousing stage, we continually optimized sorting routes through industry-leading, self-developed warehousing automation solutions to further shorten the fulfillment time of each individual SKU. As a result, we realized high levels of automation and flexibility throughout the process, improving sorting efficiency.

In the sorting stage, we improved operational efficiency by deploying flexible, automated sorting equipment. For instance, our self-developed automatic put walls can effectively save warehousing space through digital, intelligent technologies and modularized designs, hence improving the efficiency and accuracy for forward and reverse operations, providing robust support for supply chain cost reductions and efficiency improvements.

In the transportation stage, driven by smart algorithms, we used smart deployment and stowage to achieve efficient allocation of resources and refined operation, which has significantly lowered our comprehensive transportation costs and occurrence of accidents. Aided by algorithms, digital twinning and mapping capabilities, we optimized the procurement scale, route selection and dynamic dispatch of self-operated vehicles to achieve transportation capacity optimization, cost reduction, and efficiency enhancement.

As of June 30, 2023, we had received authorization for over 3,500 patents and software licenses, among which, more than 2,000 are related to automation technology and unmanned technology.

Logistics Infrastructure and Networks

Our supply chain solutions and logistics services are supported by six highly synergized networks, including our warehouse network, line-haul transportation network, last-mile delivery network, bulky item logistics network, cold chain logistics network and cross border logistics network, which together constitute the cornerstone of our supply chain solutions and logistics services.

Warehouse network

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

As of June 30, 2023, our warehouse network covered nearly all counties and districts in China, consisting of over 1,600 self-operated warehouses and over 2,000 third-party warehouse-owner operated cloud warehouses under our Open Warehouse Platform. Our warehouse network has an aggregate gross floor area (“GFA”) of more than 32 million square meters, including warehouse space managed through the Open Warehouse Platform.

We harness the power of technology to enhance the operational efficiency of our warehouse network. One notable example is our Asia No. 1 smart industrial parks, which also demonstrate our industry-leading technological innovations and high technology standards. As of June 30, 2023, we operated 37 Asia No. 1 smart industrial parks in 27 cities across China.

In June 2023, phase II of Kunshan Asia No. 1 smart industrial park (“**Kunshan Asia No. 1**”) officially commenced operation. Kunshan Asia No. 1 has a GFA of over 500,000 square meters, and its automatic sorting center boasts more than 80 automatic sorting lines. During the 618 Grand Promotion this year, the sorting center of Kunshan Asia No. 1 operated around the clock, processing over 4.5 million parcels per day, which set the leading global standard.

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

Line-haul transportation network

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

As of June 30, 2023, we had a self-operated fleet of over 40,000 vehicles. In addition, we operated approximately 400 sorting centers in China. In the first half of 2023, we worked with our partners on more than 500 railway routes.

As of June 30, 2023, five all-cargo airplanes of JD Airlines have started regular operations with routes covering the cities of Beijing, Shenzhen, Hangzhou, Wuxi, and Nantong, bringing more reliably on-time service to core cities in the Beijing-Tianjin-Hebei area, the Pearl River Delta and the Yangtze River Delta with flights departing at sunset and arriving at sunrise. In addition, we covered more than 1,000 air cargo routes through cooperation with partners in the first half of 2023.

Last-mile delivery network

Our last-mile delivery network primarily consists of our in-house delivery personnel, delivery stations, service outlets, service stations and self-service lockers. They enable us to provide best-in-class last-mile delivery services, which are critical in improving end customer satisfaction and strengthening our brand image.

As of June 30, 2023, we employed over 300,000 in-house delivery personnel and operated over 19,000 delivery stations and service outlets, covering more than 300 prefecture-level administrative regions in 31 provinces and municipalities in China. The vast majority of our delivery stations and service outlets are self-operated to ensure top quality services.

Bulky item logistics network

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

As of June 30, 2023, we had over 200 warehouses with bulky- and heavy-item storage capabilities and more than 200 sorting centers, with an aggregate GFA of over 4 million square meters.

For lower-tier cities with growing e-commerce penetration, we leverage the resources of our network partners under the Jing Dong Bang (京東幫) brand to expand our network coverage. As of June 30, 2023, we utilized approximately 1,800 bulky item delivery and installation stations under Jing Dong Bang (京東幫).

Cold chain logistics network

As of June 30, 2023, we operated nearly 100 temperature-controlled cold storage warehouses designated for fresh, frozen and refrigerated products with an operation area of approximately 500,000 square meters. In addition, as of June 30, 2023, we operated more than 30 warehouses designated for pharmaceuticals and medical devices with an operation area of over 300,000 square meters.

Cross-border logistics network

As of June 30, 2023, we operated approximately 90 bonded warehouses, international direct distribution warehouses and overseas warehouses, covering an aggregate GFA of nearly 900,000 square meters.

Leveraging our domestic warehousing operation experience, we help Chinese manufacturers and other Chinese brands enter overseas markets through our one-stop services, driven by the application of advanced automation equipment, upgrading of inventory management system, and optimization of operational processes. We also provide global customers with high-quality, efficient, comprehensive integrated supply chain solutions. We have established self-operated overseas warehouses in the United States, Germany, the Netherlands, France, the United Kingdom, Vietnam, the United Arab Emirates, Australia and Malaysia, among other countries. At the same time, we continue to modularize the solutions, products and capabilities we have accumulated over the years, flexibly deploying and combining different modules to meet customers' needs for integrated omni-channel fulfillment on various overseas platforms. In this way, we have helped customers reduce operating costs and reasonably allocate internal resources to achieve growth.

Corporate Social Responsibility

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

As the first Chinese logistics company to set scientific carbon emission reduction targets, we have closely connected the production and consumption ends of the industry value chain, with a sustained commitment to building a climate-resilient and flexible green integrated supply chain. In April 2023, we jointly released the Supply Chain Emission Management Platform (“**SCEMP**”) with the Green Supply Chain Special Committee of the All-China Environment Federation. SCEMP encompasses over 140 carbon emission factors of line-haul transportation vehicles in China, and calculates the carbon footprint of line-haul transportation at the most granular level possible based on the carriers' actual operational trajectory, achieving carbon emission monitoring, reporting and verification on one single platform. The platform helps enterprises directly and accurately track carbon emissions from logistics and transportation, tally their carbon assets, and implement carbon reduction technologies with precision through big data calculations. This empowers more enterprises to realize efficient, low-cost carbon reduction and ultimately achieve their “net zero emissions” targets.

We have long been dedicated to measuring supply chain carbon emissions and exploring decarbonization pathways. Guided by our core value, “customer-first”, we actively addressed customers' pain points in carbon emission management. For example, we capitalized on our own experience and operational capabilities in green supply chains to empower Decathlon China's low-carbon transportation and carbon footprint management. Notably, we established a carbon account for Decathlon China through SCEMP and provided solutions for the measuring of greenhouse gas carbon footprint and decarbonization pathways for its e-commerce business, in order to meet its requirements for the precision, granularity and visualization of carbon management.

We have always incorporated the concept of sustainable development into our development strategy and day-to-day operations. As we firmly believe that our employees are our greatest asset, we strive to offer a safe workplace that embraces equality, inclusion and diversity. We provide our employees with competitive salaries, comprehensive healthcare, and other benefits, as well as broad career development opportunities. In April 2023, we published the second Environmental, Social and Governance (ESG) Report since our listing, showcasing our comprehensive environmental, social and governance performance in 2022.

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

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.

Wei Hu

Executive Director and Chief Executive Officer

August 16, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

The following table sets forth the comparative figures for the three months ended June 30, 2023 and 2022, respectively:

	Unaudited	
	Three months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Revenue	41,032,908	31,271,702
Cost of revenue	(37,638,722)	(29,098,474)
Gross profit	3,394,186	2,173,228
Selling and marketing expenses	(1,211,559)	(951,744)
Research and development expenses	(920,738)	(694,380)
General and administrative expenses	(784,288)	(661,861)
Others, net ⁽¹⁾	153,167	112,261
Profit/(loss) before income tax	630,768	(22,496)
Income tax expense	(122,804)	(60,886)
Profit/(loss) for the period	507,964	(83,382)
Profit/(loss) for the period attributable to:		
Owners of the Company	351,673	(76,330)
Non-controlling interests	156,291	(7,052)
	507,964	(83,382)
Non-IFRS profit for the period attributable to:		
Owners of the Company	616,693	183,683
Non-controlling interests	209,022	29,229
	825,715	212,912

(1) Including “other income, gains/(losses), net”, “finance income”, “finance costs”, “impairment losses under expected credit loss model, net of reversal”, and “share of results of associates 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,			
	2023		2022	
	RMB'000	%	RMB'000	%
Revenue:				
Integrated supply chain customers	20,401,767	49.7	20,160,570	64.5
Other customers	20,631,141	50.3	11,111,132	35.5
Total	<u>41,032,908</u>	<u>100.0</u>	<u>31,271,702</u>	<u>100.0</u>

Revenue increased by 31.2% to RMB41.0 billion for the three months ended June 30, 2023, from RMB31.3 billion for the same period of 2022. The increase in our total revenue was driven by the increase in revenue from integrated supply chain customers and the increase in revenue from other customers.

Revenue from integrated supply chain customers increased by 1.2% to RMB20.4 billion for the three months ended June 30, 2023, from RMB20.2 billion for the same period of 2022. The increase in revenue from integrated supply chain customers was primarily driven by the increase of revenue from external integrated supply chain customers, with a year-over-year increase in the ARPC. Our ARPC increased to RMB148,860 for the three months ended June 30, 2023, from RMB113,617 for the same period of 2022, representing a year-over-year increase of 31.0%. Our ARPC improvement reflected customer endorsement for our integrated supply chain solutions and logistics services along with deepening collaborations and growing customer stickiness. The number of our external integrated supply chain customers, who have contributed to our revenue for the periods presented, was 52,063 for the three months ended June 30, 2023, compared to 62,566 for the same period of 2022.

Revenue from other customers increased by 85.7% to RMB20.6 billion for the three months ended June 30, 2023, from RMB11.1 billion for the same period of 2022. The increase was primarily attributable to the increase in business volume of our express delivery and freight delivery services, and the effect of the consolidation of Deppon and its subsidiaries (collectively, "Deppon Group").

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

	Unaudited			
	Three months ended June 30,			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Revenue:				
From JD Group	12,651,655	30.8	13,052,012	41.7
From others	28,381,253	69.2	18,219,690	58.3
	<hr/>	<hr/>	<hr/>	<hr/>
Total	41,032,908	100.0	31,271,702	100.0
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Cost of revenue

Cost of revenue increased by 29.3% to RMB37.6 billion for the three months ended June 30, 2023, from RMB29.1 billion for the same period of 2022, which was in line with the rapid growth of our revenue during the corresponding period.

Employee benefit expenses for employees involved in warehouse management, sorting, picking, packaging, shipping, delivery and customer services increased by 25.7% to RMB13.4 billion for the three months ended June 30, 2023, from RMB10.7 billion for the same period of 2022. The increase was primarily attributable to the increase in the number of operational employees, which was in line with the continued growth of our business, and the effect of the consolidation of Deppon Group.

Outsourcing cost, including costs charged by third-party transportation companies, express delivery companies and other service providers for sorting, shipping, delivery and labor outsourcing services, increased by 26.9% to RMB14.5 billion for the three months ended June 30, 2023, from RMB11.4 billion for the same period of 2022. The increase was primarily attributable to the effect of the consolidation of Deppon Group.

Rental cost increased by 23.2% to RMB3.3 billion for the three months ended June 30, 2023, from RMB2.7 billion for the same period of 2022. The increase was primarily attributable 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, and the effect of the consolidation of Deppon Group.

Depreciation and amortization increased by 69.4% to RMB1.0 billion for the three months ended June 30, 2023, from RMB0.6 billion for the same period of 2022. The increase was primarily attributable to the increase in the depreciation expenses of logistics equipment and vehicles, and the effect of the consolidation of Deppon Group.

Other cost of revenue increased by 45.4% to RMB5.5 billion for the three months ended June 30, 2023, from RMB3.8 billion for the same period of 2022. The increase was primarily attributable to the increase in fuel cost, cost of installation and maintenance services, cost of packaging and other consumable materials, office expenses and compensation expenses, and the effect of the consolidation of Deppon Group.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit and gross profit margin for the three months ended June 30, 2023 was RMB3.4 billion and 8.3%, respectively, compared to gross profit and gross profit margin of RMB2.2 billion and 6.9% for the same period of 2022, respectively. The increase in the gross profit margin was primarily due to (i) optimized business structure and customer mix, and (ii) economies of scale with business expansion, driving efficiency gains in most of our cost components.

Selling and marketing expenses

Selling and marketing expenses increased by 27.3% to RMB1,211.6 million for the three months ended June 30, 2023, from RMB951.7 million for the same period of 2022. The increase was primarily attributable to the increase in branding and promotional activities, and the effect of the consolidation of Deppon Group.

Research and development expenses

Research and development expenses increased by 32.6% to RMB920.7 million for the three months ended June 30, 2023, from RMB694.4 million for the same period of 2022. The increase was primarily attributable to our continuing investment in technology and innovation, and the effect of the consolidation of Deppon Group.

General and administrative expenses

General and administrative expenses increased by 18.5% to RMB784.3 million for the three months ended June 30, 2023, from RMB661.9 million for the same period of 2022. The increase was primarily attributable to the effect of the consolidation of Deppon Group.

Profit/(loss) for the period

As a result of the foregoing, we recorded a net profit of RMB508.0 million for the three months ended June 30, 2023, compared to a net loss of RMB83.4 million for the same period of 2022.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

The following table sets forth the comparative figures for the six months ended June 30, 2023 and 2022, respectively:

	Unaudited	
	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Revenue	77,761,309	58,623,176
Cost of revenue	(72,731,387)	(54,988,579)
Gross profit	5,029,922	3,634,597
Selling and marketing expenses	(2,353,216)	(1,902,797)
Research and development expenses	(1,824,511)	(1,438,016)
General and administrative expenses	(1,675,410)	(1,303,415)
Others, net ⁽¹⁾	441,003	(313,142)
Loss before income tax	(382,212)	(1,322,773)
Income tax expense	(146,662)	(110,726)
Loss for the period	(528,874)	(1,433,499)
(Loss)/profit for the period attributable to:		
Owners of the Company	(637,211)	(1,462,059)
Non-controlling interests	108,337	28,560
	(528,874)	(1,433,499)
Non-IFRS (loss)/profit for the period attributable to:		
Owners of the Company	(95,570)	(689,367)
Non-controlling interests	209,741	104,423
	114,171	(584,944)

(1) Including “other income, gains/(losses), net”, “finance income”, “finance costs”, “impairment losses under expected credit loss model, net of reversal”, and “share of results of associates and joint ventures”.

Revenue

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

	Unaudited			
	Six months ended June 30,		2022	
	2023	%	RMB'000	%
	<i>RMB'000</i>			
Revenue:				
Integrated supply chain customers	38,852,514	50.0	38,062,155	64.9
Other customers	38,908,795	50.0	20,561,021	35.1
Total	<u>77,761,309</u>	<u>100.0</u>	<u>58,623,176</u>	<u>100.0</u>

Revenue increased by 32.6% to RMB77.8 billion for the six months ended June 30, 2023, from RMB58.6 billion for the same period of 2022. The increase in our total revenue was driven by the increase in revenue from integrated supply chain customers and the increase in revenue from other customers.

Revenue from integrated supply chain customers increased by 2.1% to RMB38.9 billion for the six months ended June 30, 2023, from RMB38.1 billion for the same period of 2022. The increase in revenue from integrated supply chain customers was primarily driven by the increase of revenue from external integrated supply chain customers, with a year-over-year increase in the ARPC. Our ARPC increased to RMB246,548 for the six months ended June 30, 2023, from RMB199,175 for the same period of 2022, representing a year-over-year increase of 23.8%. Our ARPC improvement reflected customer endorsement for our integrated supply chain solutions and logistics services along with deepening collaborations and growing customer stickiness. The number of our external integrated supply chain customers, who have contributed to our revenue for the periods presented, was 60,792 for the six months ended June 30, 2023, compared to 68,399 for the same period of 2022.

Revenue from other customers increased by 89.2% to RMB38.9 billion for the six months ended June 30, 2023, from RMB20.6 billion for the same period of 2022. The increase was primarily attributable to the increase in business volume of our express delivery and freight delivery services, and the effect of the consolidation of Deppon Group.

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

	Unaudited			
	Six months ended June 30,			
	2023		2022	
	RMB'000	%	RMB'000	%
Revenue:				
From JD Group	23,864,353	30.7	24,438,783	41.7
From others	53,896,956	69.3	34,184,393	58.3
Total	<u>77,761,309</u>	<u>100.0</u>	<u>58,623,176</u>	<u>100.0</u>

Cost of revenue

Cost of revenue increased by 32.3% to RMB72.7 billion for the six months ended June 30, 2023, from RMB55.0 billion for the same period of 2022, which was in line with the rapid growth of our revenue during the corresponding period.

Employee benefit expenses for employees involved in warehouse management, sorting, picking, packaging, shipping, delivery and customer services increased by 26.1% to RMB26.0 billion for the six months ended June 30, 2023, from RMB20.6 billion for the same period of 2022. The increase was primarily attributable to the increase in the number of operational employees, which was in line with the continued growth of our business, and the effect of the consolidation of Deppon Group.

Outsourcing cost, including costs charged by third-party transportation companies, express delivery companies and other service providers for sorting, shipping, delivery and labor outsourcing services, increased by 32.5% to RMB28.0 billion for the six months ended June 30, 2023, from RMB21.1 billion for the same period of 2022. The increase was primarily attributable to the effect of the consolidation of Deppon Group.

Rental cost increased by 21.9% to RMB6.4 billion for the six months ended June 30, 2023, from RMB5.2 billion for the same period of 2022. The increase was primarily attributable 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, and the effect of the consolidation of Deppon Group.

Depreciation and amortization increased by 72.2% to RMB1.9 billion for the six months ended June 30, 2023, from RMB1.1 billion for the same period of 2022. The increase was primarily attributable to the increase in the depreciation expenses of logistics equipment and vehicles, and the effect of the consolidation of Deppon Group.

Other cost of revenue increased by 51.3% to RMB10.5 billion for the six months ended June 30, 2023, from RMB6.9 billion for the same period of 2022. The increase was primarily attributable to the increase in fuel cost, cost of installation and maintenance services, cost of packaging and other consumable materials, office expenses and compensation expenses, and the effect of the consolidation of Deppon Group.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit and gross profit margin for the six months ended June 30, 2023 was RMB5.0 billion and 6.5%, respectively, compared to gross profit and gross profit margin of RMB3.6 billion and 6.2% for the same period of 2022, respectively. The increase in the gross profit margin was primarily due to (i) optimized business structure and customer mix, and (ii) economies of scale with business expansion, driving efficiency gains in most of our cost components.

Selling and marketing expenses

Selling and marketing expenses increased by 23.7% to RMB2.4 billion for the six months ended June 30, 2023, from RMB1.9 billion for the same period of 2022. The increase was primarily attributable to the increase in branding and promotional activities, and the effect of the consolidation of Deppon Group.

Research and development expenses

Research and development expenses increased by 26.9% to RMB1.8 billion for the six months ended June 30, 2023, from RMB1.4 billion for the same period of 2022. The increase was primarily attributable to our continuing investment in technology and innovation, and the effect of the consolidation of Deppon Group.

General and administrative expenses

General and administrative expenses increased by 28.5% to RMB1.7 billion for the six months ended June 30, 2023, from RMB1.3 billion for the same period of 2022. The increase was primarily attributable to the effect of the consolidation of Deppon Group.

Loss for the period

As a result of the foregoing, we recorded a net loss of RMB528.9 million for the six months ended June 30, 2023, compared to a net loss of RMB1,433.5 million for the same period of 2022.

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with the International Financial Reporting Standards (“IFRS”), we also use non-IFRS profit/(loss) as an additional financial measure, which is not required by, or presented in accordance with IFRS. 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 IFRS.

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

	Unaudited	
	Three months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Reconciliation of profit/(loss) to non-IFRS profit:		
Profit/(loss) for the period	507,964	(83,382)
<i>Adjusted for:</i>		
Share-based payments	200,584	259,310
Amortization of intangible assets resulting from acquisitions ⁽¹⁾	141,829	88,667
Fair value changes of financial assets at fair value through profit or loss ⁽²⁾	(24,662)	(51,683)
	<hr/> 825,715	<hr/> 212,912
Non-IFRS profit for the period	<hr/> 825,715	<hr/> 212,912
Non-IFRS profit for the period attributable to:		
Owners of the Company	616,693	183,683
Non-controlling interests	209,022	29,229
	<hr/> 825,715	<hr/> 212,912

	Unaudited	
	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Reconciliation of loss to non-IFRS profit/(loss):		
Loss for the period	(528,874)	(1,433,499)
<i>Adjusted for:</i>		
Share-based payments	451,699	567,859
Amortization of intangible assets resulting from acquisitions ⁽¹⁾	283,658	177,334
Fair value changes of financial assets at fair value through profit or loss ⁽²⁾	(92,312)	103,362
	<hr/>	<hr/>
Non-IFRS profit/(loss) for the period	114,171	(584,944)
	<hr/> <hr/>	<hr/> <hr/>
Non-IFRS (loss)/profit for the period attributable to:		
Owners of the Company	(95,570)	(689,367)
Non-controlling interests	209,741	104,423
	<hr/>	<hr/>
	114,171	(584,944)
	<hr/> <hr/>	<hr/> <hr/>

(1) Represents the amortization expenses of other intangible assets acquired in business combinations with finite useful lives, which is recognized on a straight-line basis over the estimated useful lives.

(2) Represents gains or losses from fair value changes on equity investments measured at fair value. Multiple valuation techniques and key inputs are used to determine the fair values of these investments.

Liquidity and Capital Resources

For the six months ended June 30, 2023, we funded our cash requirements principally from cash generated from operating activities.

Our cash resources include cash and cash equivalents, term deposits, wealth management products classified as financial assets at fair value through profit or loss, wealth management products classified as financial assets at amortized cost included in “prepayments, other receivables and other assets”, and restricted cash. As of June 30, 2023, the aggregate amount of cash resources of the Group was RMB35.8 billion.

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

	Unaudited	
	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Net cash generated from operating activities	4,298,913	4,094,308
Net cash (used in)/generated from investing activities	(7,281,769)	731,694
Net cash (used in)/generated from financing activities	(3,722,457)	3,738,956
Net (decrease)/increase in cash and cash equivalents	(6,705,313)	8,564,958
Cash and cash equivalents at the beginning of the period	21,495,352	17,922,779
Effects of foreign exchange rate changes on cash and cash equivalents	666,359	934,850
Cash and cash equivalents at the end of the period	<u>15,456,398</u>	<u>27,422,587</u>

For the six months ended June 30, 2023, the Group had free cash outflow of RMB2.1 billion, compared to a free cash outflow of RMB0.7 billion for the same period of 2022. This was a result of net cash generated from operating activities of RMB4.3 billion, less payments for capital expenditures of RMB2.1 billion and payments relating to leases of RMB4.3 billion.

Net cash generated from operating activities

For the six months ended June 30, 2023, net cash generated from operating activities was RMB4.3 billion. Our cash generated from operations was primarily attributable to our loss of RMB0.5 billion, as adjusted by (i) non-cash or non-operating items, which primarily consist of depreciation of right-of-use assets of RMB3.7 billion, depreciation of property and equipment of RMB1.9 billion, and share-based payments of RMB0.5 billion, partially offset by (ii) changes in working capital, which primarily resulted from an increase in trade receivables of RMB0.9 billion and a decrease in trade payables of RMB0.8 billion.

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 or 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 RMB0.6 billion, 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.

Net cash (used in)/generated from investing activities

For the six months ended June 30, 2023, net cash used in investing activities was RMB7.3 billion, which was primarily attributable to placement of term deposits of RMB8.0 billion, capital expenditures of RMB2.1 billion, payment for financial assets at fair value through profit or loss of RMB1.8 billion, and purchases of wealth management products at amortized cost of RMB0.7 billion, partially offset by maturity of term deposits of RMB4.7 billion.

For the six months ended June 30, 2022, net cash generated from investing activities was RMB0.7 billion, 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.

Net cash (used in)/generated from financing activities

For the six months ended June 30, 2023, net cash used in financing activities was RMB3.7 billion, which was primarily attributable to principal portion of lease payments of RMB3.7 billion, repayment of borrowings of RMB3.3 billion, payment for deferred consideration payables arising on acquisition of a subsidiary of RMB0.6 billion, and interest paid of RMB0.5 billion, partially offset by proceeds from borrowings of RMB4.4 billion.

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.

Gearing Ratio

As of June 30, 2023, our gearing ratio, calculated as total borrowings divided by total equity attributable to owners of the Company, was approximately 15.8%.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies for the six months ended June 30, 2023.

Significant Investments Held

The Group did not make 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, 2023) during the six months ended June 30, 2023.

Future Plans for Material Investments and Capital Assets

As of June 30, 2023, we did not have any 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, 2023.

Function	Number of staff	% of total
Operations	411,334	95.2
Selling and marketing	9,836	2.3
Research and development	4,681	1.1
General and administrative	6,177	1.4
Total	432,028	100.0

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

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

The total employee benefit expenses, including share-based payments, for the six months ended June 30, 2023 were RMB29.5 billion, as compared to RMB23.6 billion for the same period of 2022, representing a year-over-year increase of 25.2%.

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. The Group monitors the exposure to foreign exchange risk and considers hedging certain foreign currency risks with derivative financial instruments should the need arise.

Pledge of Assets

As of June 30, 2023, restricted cash of RMB234.3 million was pledged. We also had pledged certain land use rights and equity interest in subsidiaries for borrowings.

Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities or guarantees.

Borrowings

As of June 30, 2023, our outstanding borrowings amounted to RMB7.5 billion.

Significant Events after June 30, 2023

On July 2, 2023, the Company entered into a factoring services framework agreement (the “**Factoring Services Framework Agreement**”) with Jingdong Technology Holding Co., Ltd. (“**JD Technology**”), for a term up to December 31, 2023, pursuant to which JD Technology shall provide factoring services by purchasing the Group’s trade receivables originated from the provision of services or sale of goods to certain corporate customers that have entered into commercial agreements with the Group.

The entering into of the Factoring Services Framework Agreement is beneficial to the Group as it (i) reduces the amount of trade receivables and provides the Group with immediate funding for working capital and business development; (ii) allows expedite realization of trade receivables which will in turn enhance the Group’s working capital efficiency; and (iii) allows the Group to meet liquidity development needs and diversify its funding sources, and therefore optimize the assets structure, increase capital efficiency and enhance operational capabilities of the Group.

For details, please refer to the Company’s announcement dated July 2, 2023.

Save as disclosed above and as at the date of this announcement, there were no other significant events that might affect the Group since June 30, 2023.

INTERIM FINANCIAL INFORMATION

Condensed Consolidated Statement of Profit or Loss

	Unaudited	
	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Revenue	77,761,309	58,623,176
Cost of revenue	(72,731,387)	(54,988,579)
	<hr/>	<hr/>
Gross profit	5,029,922	3,634,597
Selling and marketing expenses	(2,353,216)	(1,902,797)
Research and development expenses	(1,824,511)	(1,438,016)
General and administrative expenses	(1,675,410)	(1,303,415)
Other income, gains/(losses), net	433,325	36,491
Finance income	683,976	161,978
Finance costs	(541,629)	(408,404)
Impairment losses under expected credit loss model, net of reversal	(140,144)	(88,887)
Share of results of associates and joint ventures	5,475	(14,320)
	<hr/>	<hr/>
Loss before income tax	(382,212)	(1,322,773)
Income tax expense	(146,662)	(110,726)
	<hr/>	<hr/>
Loss for the period	(528,874)	(1,433,499)
	<hr/> <hr/>	<hr/> <hr/>
(Loss)/profit for the period attributable to:		
Owners of the Company	(637,211)	(1,462,059)
Non-controlling interests	108,337	28,560
	<hr/>	<hr/>
	(528,874)	(1,433,499)
	<hr/> <hr/>	<hr/> <hr/>
	RMB	RMB
Loss per share		
Basic and diluted loss per share	(0.10)	(0.25)
	<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period	(528,874)	(1,433,499)
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value on equity instruments at fair value through other comprehensive income	(25,854)	—
Exchange differences on translation from functional currency to presentation currency	719,858	920,613
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	499,741	344,462
Share of other comprehensive income of associates, net of related income tax	—	1
Other comprehensive income for the period	1,193,745	1,265,076
Total comprehensive income/(loss) for the period	664,871	(168,423)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	563,791	(196,983)
Non-controlling interests	101,080	28,560
	664,871	(168,423)

Condensed Consolidated Statement of Financial Position

	Unaudited As of June 30, 2023 <i>RMB'000</i>	Audited As of December 31, 2022 <i>RMB'000</i>
ASSETS		
Non-current assets		
Property and equipment	15,002,913	14,988,598
Right-of-use assets	17,484,351	17,454,348
Investment properties	91,181	92,291
Goodwill	6,849,216	6,849,216
Other intangible assets	4,118,218	4,434,626
Interests in associates	150,893	280,282
Interests in joint ventures	19,454	17,645
Financial assets at fair value through profit or loss	1,775,719	1,636,474
Equity instruments at fair value through other comprehensive income	447,805	834,224
Deferred tax assets	130,301	150,455
Prepayments, other receivables and other assets	1,953,844	2,354,955
	<hr/>	<hr/>
Total non-current assets	48,023,895	49,093,114
	<hr/>	<hr/>
Current assets		
Inventories	536,535	647,445
Trade receivables	15,655,105	14,935,066
Contract assets	343,874	301,359
Prepayments, other receivables and other assets	7,177,963	6,054,860
Financial assets at fair value through profit or loss	2,721,787	1,271,454
Term deposits	16,644,311	12,660,868
Restricted cash	234,306	237,753
Cash and cash equivalents	15,456,398	21,495,352
	<hr/>	<hr/>
Total current assets	58,770,279	57,604,157
	<hr/>	<hr/>
Total assets	106,794,174	106,697,271

	Unaudited As of June 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
EQUITY AND LIABILITIES		
Equity		
Share capital	1,040	1,039
Treasury shares	(69)	(70)
Reserves	74,545,564	72,890,641
Accumulated losses	(26,977,622)	(26,310,910)
	<hr/>	<hr/>
Equity attributable to owners of the Company	47,568,913	46,580,700
Non-controlling interests	6,758,205	6,627,861
	<hr/>	<hr/>
Total equity	54,327,118	53,208,561
	<hr/>	<hr/>
Liabilities		
Non-current liabilities		
Borrowings	4,405,992	5,108,162
Lease liabilities	10,265,081	10,502,864
Deferred tax liabilities	1,458,679	1,596,883
Other non-current liabilities	2,075,793	2,034,574
	<hr/>	<hr/>
Total non-current liabilities	18,205,545	19,242,483
	<hr/>	<hr/>
Current liabilities		
Trade payables	8,304,582	9,099,869
Contract liabilities	221,187	192,788
Accrued expenses and other payables	15,015,658	16,091,369
Advances from customers	242,518	222,242
Borrowings	3,088,319	1,300,602
Lease liabilities	7,058,360	6,862,661
Derivative financial instruments	934	30,064
Payables to interest holders of consolidated investment funds	52,769	41,164
Tax liabilities	277,184	405,468
	<hr/>	<hr/>
Total current liabilities	34,261,511	34,246,227
	<hr/>	<hr/>
Total liabilities	52,467,056	53,488,710
	<hr/>	<hr/>
Total equity and liabilities	106,794,174	106,697,271
	<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	4,298,913	4,094,308
Net cash (used in)/generated from investing activities	(7,281,769)	731,694
Net cash (used in)/generated from financing activities	(3,722,457)	3,738,956
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(6,705,313)	8,564,958
Cash and cash equivalents at the beginning of the period	21,495,352	17,922,779
Effects of foreign exchange rate changes on cash and cash equivalents	666,359	934,850
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	15,456,398	27,422,587
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Interim Financial Information

General information and basis of preparation

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, as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is different from the Company’s functional currency of United States dollars (“**USD**”). All values are rounded to the nearest thousand (’000) except when otherwise indicated.

The condensed consolidated financial statements do not include all the notes of the type normally included in the 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, 2022, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), as set out in the 2022 annual report of the Company released on April 28, 2023 (the “**2022 Annual Report**”).

Application of new and amendments to IFRSs

During the current interim period, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2023 for the preparation of the condensed consolidated financial statements:

<u>Amendments</u>	<u>Content</u>
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

The application of the new and 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.

Summary of significant accounting policies

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

Other than additional accounting policies resulting from application of new and 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 2022 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,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Type of customer:		
Integrated supply chain customers	38,852,514	38,062,155
Other customers	38,908,795	20,561,021
	<hr/>	<hr/>
Total	77,761,309	58,623,176
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition:		
Overtime	74,675,740	55,419,121
A point in time	3,085,569	3,204,055
	<hr/>	<hr/>
Total	77,761,309	58,623,176
	<hr/> <hr/>	<hr/> <hr/>

Income tax expense

	Unaudited	
	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Current tax	203,252	54,040
Deferred tax	(56,590)	56,686
	<hr/>	<hr/>
Total	146,662	110,726
	<hr/> <hr/>	<hr/> <hr/>

Loss before income tax

Loss before income tax has been arrived at after charging:

	Unaudited	
	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Employee benefit expenses	29,490,847	23,553,186
Outsourcing cost	27,953,693	21,089,656
Depreciation of right-of-use assets	3,731,842	2,989,576
Depreciation of property and equipment	1,907,175	1,179,028
Amortization of other intangible assets	324,831	188,334

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,	
	2023	2022
Numerator:		
Loss for the period attributable to owners of the Company for the purpose of calculating basic and diluted loss per share (RMB'000)	<u>(637,211)</u>	<u>(1,462,059)</u>
Denominator:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>6,167,802,393</u>	<u>5,854,587,253</u>
Basic and diluted loss per share attributable to owners of the Company (RMB per share)	<u>(0.10)</u>	<u>(0.25)</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, 2022: diluted loss per share was the same as basic loss per share).

Dividends

No dividend was paid or proposed for ordinary shareholders of the Company for the current interim period, nor has any dividend been proposed since the end of the reporting period (six months ended June 30, 2022: none).

Trade receivables

	Unaudited As of June 30, 2023 <i>RMB'000</i>	Audited As of December 31, 2022 <i>RMB'000</i>
Trade receivables from third parties	10,942,261	11,231,500
Trade receivables from related parties	5,270,816	4,221,342
Less: allowance for credit losses	(557,972)	(517,776)
	15,655,105	14,935,066

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, 2023 <i>RMB'000</i>	Audited As of December 31, 2022 <i>RMB'000</i>
Within 3 months	15,495,278	14,838,678
3 to 6 months	257,921	239,433
6 to 12 months	175,583	131,484
Over 12 months	284,295	243,247
	16,213,077	15,452,842
Less: allowance for credit losses	(557,972)	(517,776)
	15,655,105	14,935,066

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

Trade payables

	Unaudited As of June 30, 2023 <i>RMB'000</i>	Audited As of December 31, 2022 <i>RMB'000</i>
Trade payables	8,252,575	9,049,161
Trade payables under supplier financing arrangements ⁽¹⁾	52,007	50,708
	8,304,582	9,099,869

- (1) Certain reputable financial institutions offer supply chain financing services to the Group's suppliers. Suppliers can sell one or more of the Group's payment obligations at their sole discretion to the financial institutions to receive funds ahead of time from the financial institutions to meet their cash flow needs. The Group's rights and obligations to suppliers are not impacted. The original payment terms, timing and amount of trade payables remain unchanged. In the condensed consolidated statement of cash flows, settlements of these payables are included within operating cash flows based on the nature of the arrangements.

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

	Unaudited As of June 30, 2023 <i>RMB'000</i>	Audited As of December 31, 2022 <i>RMB'000</i>
Within 3 months	7,693,226	8,403,131
3 to 6 months	226,702	367,572
6 to 12 months	191,660	153,678
Over 12 months	192,994	175,488
	8,304,582	9,099,869

The credit period of trade payables mainly ranges 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. During the six months ended June 30, 2023, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”).

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance 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 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 Ms. Nora Gu Yi Wu (顧宜), Ms. Jennifer Ngar-Wing Yu (余雅穎) and Dr. Xiande Zhao (趙先德), with Ms. Nora Gu Yi Wu (顧宜) (being our independent non-executive Director with the appropriate professional qualifications) as chairperson of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months and six months ended June 30, 2023 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, 2023 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.

INTERIM DIVIDEND

The Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2023.

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

During the six months ended June 30, 2023, 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.

USE OF PROCEEDS

Net Proceeds from the Global Offering

With the Shares listed on the Hong Kong Stock Exchange on the Listing Date (the "**Listing**" or "**Global Offering**"), 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 from the Global Offering as of June 30, 2023.

Purpose	Percentage of net proceeds	Net proceeds <i>(RMB in million)</i>	Unutilized	Utilized	Unutilized amount as of June 30, 2023 <i>(RMB in million)</i>	Expected timeline of full utilization
			amount as of January 1, 2023 <i>(RMB in million)</i>	amount for the six months ended June 30, 2023 <i>(RMB in million)</i>		
Upgrading and expansion of our logistics networks	55%	12,620	4,510	1,025	3,485	12 to 36 months from the Listing
Developing advanced technologies to be used in our supply chain solutions and logistics services	20%	4,589	3,054	328	2,726	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	1,915	255	1,660	12 to 36 months from the Listing
General corporate purposes and working capital needs	10%	2,294	781	112	669	12 to 36 months from the Listing
Total	100%	22,945	10,260	1,720	8,540	

Net Proceeds from the Placing and the Subscription

On March 25, 2022, the Company entered into a placing agreement with the placing agents, pursuant to which the Company has agreed to appoint the placing agents for placing 150,500,000 Shares to independent purchasers at the placing price of HKD20.71 for each Share (the “**Placing**”). On the same day, 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 261,400,000 Shares in aggregate at the subscription price of HKD20.71 (equivalent to approximately USD2.65) for each Share (the “**Subscription**”). The closing price as quoted on the Hong Kong Stock Exchange on the last trading day prior to the signing of the Placing Agreement and the Subscription Agreement was HKD23.00 per Share. Completion of the Placing and Subscription took place on April 1, 2022 and May 26, 2022, respectively. The net placing price and the net subscription price, after deducting all fees, costs and expenses properly incurred by the Company, were approximately HKD20.61 and HKD20.70 per Share, respectively. For further details, please refer to the Company’s announcements dated March 25, 2022, April 1, 2022 and May 26, 2022 and the circular of the Company dated April 25, 2022.

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

The following table sets forth a summary of the utilization of the net proceeds from the Placing and the Subscription as of June 30, 2023.

Purpose	Percentage of net proceeds	Net proceeds (RMB in million)	Unutilized	Utilized	Unutilized amount as of June 30, 2023 (RMB in million)	Expected timeline of full utilization
			amount as of January 1, 2023 (RMB in million)	amount for the six months ended June 30, 2023 (RMB in million)		
Improving our logistics network and solutions, both organically and/or by acquisitions	85%	5,885	—	—	—	12 to 24 months from the closing date of the Subscription
General corporate purposes and working capital needs	15%	1,039	1,039	—	1,039	12 to 24 months from the closing date of the Subscription
Total	100%	6,924	1,039	—	1,039	

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 Company for the six months ended June 30, 2023 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. Wei Hu
Executive Director

Hong Kong, August 16, 2023

As of the date of this announcement, the Board comprises Mr. Wei Hu as executive Director, Mr. Richard Qiangdong Liu as non-executive Director, and Ms. Nora Gu Yi Wu, Ms. Jennifer Ngar-Wing Yu, Mr. Liming Wang, Dr. Xiande Zhao and Mr. Yang Zhang as independent non-executive Directors.