

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

FINANCIAL INFORMATION AND BUSINESS HIGHLIGHT FOR THE THREE MONTHS ENDED MARCH 31, 2022

The board (the “**Board**”) of directors (the “**Directors**”) of JD Logistics, Inc. (the “**Company**” or “**JD Logistics**”) is pleased to announce the unaudited financial information and business highlight of the Company and its subsidiaries and consolidated affiliated entities (collectively, the “**Group**”) for the three months ended March 31, 2022. These quarterly information have been reviewed by the audit committee of the Company.

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 our Group.

FINANCIAL HIGHLIGHTS

	Unaudited		Year-over-
	Three months ended		year change
	March 31,		
	2022	2021	
	RMB’000	RMB’000	(%)
Revenue	27,351,474	22,411,019	22.0
Gross profit	1,461,369	230,688	533.5
Loss before income tax	(1,300,277)	(10,952,414)	(88.1)
Loss for the period	(1,350,117)	(10,999,820)	(87.7)
Non-IFRS loss for the period	(797,856)	(1,365,931)	(41.6)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS HIGHLIGHT

- We continued to make breakthroughs in our industry-specific supply chain solutions and services capabilities, which deepened our presence in six industries including fast-moving consumer goods (“FMCG”), home appliances and home furniture, apparel, 3C, automotive and fresh produce. In the first quarter, we strengthened our collaborations with many industry-leading customers, including MUJI (無印良品) and Viomi Technology Co., Ltd (云米科技).
- During the Spring Festival in 2022, we were invited to become the logistics partner of Douyin E-commerce, providing the latter’s merchants and customers with non-stop logistics services for the holiday promotions. As the first company in China’s logistics industry initiating delivery services during Spring Festival, we provide all year round non-stop pick-up and delivery services in over 200 cities in China.
- In March 2022, we launched two intercontinental charter cargo flights from Hong Kong to Sao Paulo, Brazil and from Zhengzhou, Henan province to Cologne, Germany. Leveraging our expanding overseas warehouse and transportation network, we aim to provide overseas and cross-border integrated supply chain logistics services to a wider range of global brands and customers.
- As of March 31, 2022, we operated approximately 1,400 warehouses. Including warehouse space managed through the Open Warehouse Platform, our warehouse network had an aggregate gross floor area of over 25 million square meters.

FINANCIAL REVIEW

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 March 31, 2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Revenue:				
Integrated supply chain customers	17,901,585	65.5	15,402,571	68.7
Other customers	9,449,889	34.5	7,008,448	31.3
Total	<u>27,351,474</u>	<u>100.0</u>	<u>22,411,019</u>	<u>100.0</u>

Revenue increased by 22.0% to RMB27.4 billion in the first quarter of 2022 from RMB22.4 billion in the same period of 2021. The increase in our total revenue was driven by a 16.2% increase in revenue from our integrated supply chain customers and a 34.8% increase in revenue from other customers.

Revenue from integrated supply chain customers increased by 16.2% to RMB17.9 billion in the first quarter of 2022 from RMB15.4 billion in the same period of 2021. The increase in revenue from integrated supply chain customers was primarily driven by an increase in the number of our external integrated supply chain customers, as well as the increase of the average revenue per customer ("ARPC"). The number of our external integrated supply chain customers, who have contributed to our revenue for the periods presented, increased to 58,818 in the first quarter of 2022 from 49,075 in the same period of 2021. The increase in the number of external integrated supply chain customers was due to the increased demand of our services as well as our ongoing sales and marketing efforts. In addition, we achieved an ARPC of RMB110,762 in the first quarter of 2022, compared to an ARPC of RMB106,575 in the same period of 2021. Our ARPC improvement reflected strong customer endorsement for our integrated supply chain solutions and logistics services along with deepening collaborations and growing customer stickiness.

Revenue from other customers increased by 34.8% to RMB9.4 billion in the first quarter of 2022, from RMB7.0 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 March 31,		2021	
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Revenue:				
From JD Group	11,386,771	41.6	10,172,421	45.4
From others	15,964,703	58.4	12,238,598	54.6
	<hr/>	<hr/>	<hr/>	<hr/>
Total	27,351,474	100.0	22,411,019	100.0
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Cost of revenue

Cost of revenue increased by 16.7% to RMB25.9 billion in the first quarter of 2022, compared to RMB22.2 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 17.2% to RMB10.0 billion in the first quarter of 2022 from RMB8.5 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 RMB9.7 billion in the first quarter of 2022 from RMB8.7 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 17.7% to RMB2.5 billion in the first quarter of 2022 from RMB2.2 billion in the same period of 2021, primarily due to 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 24.4% to RMB0.5 billion in the first quarter of 2022 from RMB0.4 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 34.5% to RMB3.2 billion in the first quarter of 2022, from RMB2.3 billion in the same period of 2021, primarily due to the increase of fuel cost, cost of maintenance services, cost of packaging and other consumable materials.

Gross profit and gross profit margin

As a result of the foregoing, we recorded (i) a gross profit of RMB1,461.4 million and RMB230.7 million in the first quarter of 2022 and the same period of 2021, respectively, and (ii) a gross profit margin of 5.3% and 1.0%, 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.

Selling and marketing expenses

Selling and marketing expenses increased by 42.7% to RMB951.1 million in the first quarter of 2022, compared to RMB666.4 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, and the increase in branding and promotional activities.

Research and development expenses

Research and development expenses increased by 9.4% to RMB743.6 million in the first quarter of 2022, compared to RMB679.8 million in the same period of 2021. The increase was primarily attributable to an increase of employee benefit expenses along with other research and development related expenses as we continued to invest in technology and innovation.

General and administrative expenses

General and administrative expenses decreased by 21.4% to RMB641.6 million in the first quarter of 2022, compared to RMB816.2 million in the same period of 2021. The decrease was primarily attributable to a decrease of 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 in the first quarter of 2022 and a loss of RMB11.0 billion in the same period of 2021, respectively. 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.

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 (loss)/profit as an additional financial measure, which is not required by, or presented in accordance with IFRSs. We believe non-IFRS (loss)/profit 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 non-recurring items, and certain impact of investment transactions.

We believe non-IFRS (loss)/profit 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 (loss)/profit may not be comparable to similarly titled measures presented by other companies. The use of non-IFRS (loss)/profit 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 loss for the periods presented:

	Unaudited	
	Three months ended	
	March 31,	
	2022	2021
	RMB'000	RMB'000
Reconciliation of loss to non-IFRS loss:		
Loss for the period	(1,350,117)	(10,999,820)
Adjusted for:		
Share-based payments	308,549	438,052
Listing expense	—	37,180
Amortization of intangible assets resulting from acquisitions ⁽¹⁾	88,667	88,667
Fair value changes of financial assets at fair value through profit or loss ⁽²⁾	155,045	55,278
Fair value changes of convertible redeemable preferred shares ⁽³⁾	—	9,014,712
	<u> </u>	<u> </u>
Non-IFRS loss for the period	<u>(797,856)</u>	<u>(1,365,931)</u>

Notes:

- (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 the 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, 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.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Unaudited Three months ended March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	27,351,474	22,411,019
Cost of revenue	(25,890,105)	(22,180,331)
Gross profit	1,461,369	230,688
Selling and marketing expenses	(951,053)	(666,401)
Research and development expenses	(743,636)	(679,815)
General and administrative expenses	(641,554)	(816,219)
Others, net*	(425,403)	(9,020,667)
Loss before income tax	(1,300,277)	(10,952,414)
Income tax expense	(49,840)	(47,406)
Loss for the period	(1,350,117)	(10,999,820)
(Loss)/profit for the period attributable to:		
Owners of the Company	(1,385,729)	(11,068,721)
Non-controlling interests	35,612	68,901
	(1,350,117)	(10,999,820)

* 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".

SUPPLEMENTAL INFORMATION

	Unaudited				Audited
	March 31, 2021 <i>RMB'000</i>	Three months ended, June 30, September 30, 2021 2021 <i>RMB'000 RMB'000</i>		December 31, 2021 <i>RMB'000</i>	Year ended December 31, 2021 <i>RMB'000</i>
Revenue	22,411,019	26,061,431	25,749,276	30,471,676	104,693,402
Cost of revenue	(22,180,331)	(24,522,578)	(24,479,468)	(27,726,949)	(98,909,326)
Gross profit	230,688	1,538,853	1,269,808	2,744,727	5,784,076
Selling and marketing expenses	(666,401)	(714,028)	(812,603)	(885,352)	(3,078,384)
Research and development expenses	(679,815)	(699,214)	(723,165)	(711,148)	(2,813,342)
General and administrative expenses	(816,219)	(697,111)	(745,194)	(608,677)	(2,867,201)
Others, net*	(9,020,667)	(3,637,237)	(53,048)	85,445	(12,625,507)
(Loss)/profit before income tax	(10,952,414)	(4,208,737)	(1,064,202)	624,995	(15,600,358)
Income tax (expense)/credit	(47,406)	(5,403)	12,945	(20,510)	(60,374)
(Loss)/profit for the period/year	<u>(10,999,820)</u>	<u>(4,214,140)</u>	<u>(1,051,257)</u>	<u>604,485</u>	<u>(15,660,732)</u>
(Loss)/profit for the period/year attributable to:					
Owners of the Company	(11,068,721)	(4,291,683)	(1,069,792)	588,236	(15,841,960)
Non-controlling interests	68,901	77,543	18,535	16,249	181,228
	<u>(10,999,820)</u>	<u>(4,214,140)</u>	<u>(1,051,257)</u>	<u>604,485</u>	<u>(15,660,732)</u>
Non-IFRS measure:					
Non-IFRS (loss)/profit for the period/year	(1,365,931)	(135,609)	(567,106)	842,730	(1,225,916)

* 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”.

APPRECIATION

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

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

Hong Kong, May 17, 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.