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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of JD Logistics, Inc. (the “**Company**” or “**JD Logistics**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries and consolidated affiliated entities (collectively, the “**Group**”) for the year ended December 31, 2021 (the “**Reporting Period**”). These annual results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-on-year change (%)
	2021 RMB’000	2020 RMB’000	
Revenue	104,693,402	73,374,716	42.7
Gross profit	5,784,076	6,293,639	(8.1)
Loss before income tax	(15,600,358)	(4,049,296)	285.3
Loss for the year	(15,660,732)	(4,037,289)	287.9
Non-IFRS (loss)/profit for the year ⁽¹⁾	(1,225,916)	1,794,754	N/A

(1) We define “Non-IFRS (loss)/profit” as profit or loss for the year, 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 a final dividend for the year ended December 31, 2021.

CEO STATEMENT

Dear shareholders,

2021 was an important year for JD Logistics as we opened a new chapter for our business development. We were successfully listed on the Main Board of the Hong Kong Stock Exchange, which brought us closer to our vision of becoming the world's most trusted supply chain solutions and logistics services provider. Our revenue from external customers exceeded 50% of our total revenue for the first year, solidifying and reinforcing our leading position in the integrated supply chain logistics market.

In recent years, China's business ecosystem has undergone tremendous changes. We have seen new technology iterations and broad industry revolution, as well as consumption upgrades and a transformation to all-scenario and omni-channel operations. The combined effect of these modifications have given rise to innovative business structures under China's dynamic economic landscape, which is continuously evolving. To stay competitive amid the many changes, enterprises are increasingly in need of technology-driven, fast-response supply chains and agile services.

To meet customer demands, we have focused on integrated supply chain logistics services. We provide data- and algorithm-based end-to-end supply chain solutions spanning strategy, planning and final execution in the digital world, as well as a full spectrum of integrated support from solution designs to implementations on-the-ground in the physical world to help enterprises improve their in-stock rate, inventory turnover, fulfillment efficiency and reduce operating costs and, to achieve high-quality growth.

In 2021, we helped industry-leading customers such as Volvo Group, Xiaomi Youpin (小米有品), Cheers, Shaanxi Coal and Chemical Industry Group (陝西煤業化工集團) and EACChain (億安倉) to optimize their supply chain network, digital and intelligent capabilities and operating efficiency to comprehensively reduce operating costs. Meanwhile, by modularizing the customized integrated supply chain logistics services solutions for leading customers, we structured and provided standardized products for small- and medium-sized customers. By the end of 2021, we had served more than 300,000 corporate customers. More and more enterprises consider us as an important partner on their way to further development. We were fully responsible for the integrated supply chain logistics services of multiple warehousing centers, competition and non-competition venues in international sports events. We ensured the efficient and safe organization of events through the utilization of automated guided vehicles ("AGVs") robots and smart delivery vehicles.

While expanding our domestic business, we made significant breakthroughs in overseas markets as well. In 2021, JD Logistics established new automated warehouses in six countries, including the U.K., the U.S., Australia and the Netherlands, and we connected overseas line-haul routes to provide more brands with end-to-end overseas and cross-border integrated supply chain logistics services.

In addition to serving corporate customers and boosting the real economy, JD Logistics also shared, in earnest and on a sustainable basis, its supply chain logistics infrastructure, digital and intelligent capabilities and merchandising insights with the rest of the industry and society to facilitate and engage in such social undertakings as rural revitalization, pandemic relief, green and sustainable development and high-quality employment.

Currently, we provide supply chain services to more than 1,000 special agricultural production regions and industry zones, while extending our reach to rural areas, bringing same-day or next-day deliveries coverage to 93% of counties and 84% of towns and villages in the country. Furthermore, we are actively fulfilling our corporate social responsibilities through prompt participation in flooding and earthquake relief efforts and by playing an instrumental role in containing the spread of COVID-19 and the delivery of basic supplies which is critical to people's wellbeing.

With a long-term commitment to promoting the creation of a green supply chain, we worked together with upstream and downstream partners to promote the use of full-cycle circular packaging, clean-energy vehicles and end-to-end operation digitalization. We cooperated with JD Group and took the lead in establishing China's first carbon-neutral demonstration industry park. Ever since our founding, we have taken actions to ensure industry-competitive compensation, full benefits packages and ample room for employee development.

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.

In the new year, JD Logistics will continue to leverage its advantages as an innovative player in the real economy and deepen its presence in technology-driven integrated supply chain logistics services. We will continue providing users with high-quality service experiences and facilitate, to the maximum extent, the development of the real economy and emerging industries. By doing so, we hope to promote cost reductions on social supply chain, enhance efficiency and high-quality industry development, as well as continuously create value for society.

Yui Yu

Executive Director and CEO

March 10, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are the leading technology-driven supply chain solutions and logistics services provider in China. Operating with the mission to drive superior efficiency and sustainability for global supply chains through technology, we continuously promote the broad application of integrated supply chain solutions and high-quality logistics services to support customers in various industries achieving cost reduction, efficiency enhancement and customer experience optimization. As we empower more customers, we consistently enhance our service capabilities.

In 2021, our revenue increased by 42.7% year-over-year to RMB104.7 billion, of which, revenue from external customers was RMB59.1 billion, accounting for 56.5% of total revenue for the year and an increase of 72.7% compared with 2020.

We provide industry specific solutions and services with primary focus on six industries: fast-moving consumer goods (“FMCG”), home appliances and home furniture, apparel, 3C, automotive and fresh produce. In 2021, the number of our external integrated supply chain customers grew significantly and reached 74,602, up 41.7% year-over-year. Meanwhile, we continued to expand the scope and depth of our services for existing clients to facilitate the digital and intelligent transformation of their supply chains. In 2021, Average Revenue Per Customer (“ARPC”) amounted to RMB341,424, growing 9.2% year-over-year.

Guided by our core value of “customer-first”, while achieving fast business development, we have won the favor of customers with our professional and reliable services. According to statistics from the National Post Bureau, we consistently maintained top-tier customer satisfaction ratings in express delivery services throughout 2021. Continuously deepening our network penetration, we achieved same-day or next-day deliveries coverage in 93% of counties and 84% of towns and villages in the country.

In 2021, approximately 90% of JD Group’s online retail orders handled by our network were fulfilled with same-day or next-day deliveries and about 60% were covered by the 211 program.

Committed to technological innovation and investment, and with a team of 3,893 dedicated research and development personnel, we strive to bring cutting-edge scientific breakthroughs into real world applications. At the same time, through service automation, operational digitalization and intelligent decision-making, we continually seek solutions that balance cost and efficiency as well as optimize experience. In 2021 our research and development expenses were RMB2.8 billion, up 36.9% year-over-year and represented 2.7% of total revenue.

In parallel with our R&D efforts, we continued expanding our logistics infrastructure to deliver high-quality services and best-in-class customer experiences.

As of December 31, 2021, we operated over 1,300 warehouses, over 7,200 delivery stations and employed over 200,000 in-house delivery personnel. On top of our extensive self-owned infrastructure, we also expanded our network coverage and improved flexibility through synergistic collaborations with strategic partners in land, maritime and air transportation. As of December 31, 2021, we had over 1,000 air cargo routes in China, including 10 all-cargo routes. Our overseas line-haul routes cover the U.S., Canada and the U.K., as well as major European and Southeast Asian countries, the most prominent of which are the China-Southeast Asia and China-U.K. all-cargo routes.

Integrated supply chain logistics solutions and services

Our efforts to continue developing diverse solutions and services to empower our customers' supply chain management and significantly improve their operating efficiencies, have led to a continuous increase in the number of our customers and total revenue. In 2021, we provided services to an aggregate of over 300,000 corporate customers. Our total revenue for the year reached RMB104.7 billion, representing 42.7% growth compared with 2020.

Integrated supply chain customers

Integrated supply chain logistics services are our primary business offering. Our revenue from integrated supply chain customers reached RMB71.1 billion in 2021, growing 27.8% compared with 2020, of which RMB25.5 billion was from external integrated supply chain customers, up 54.7% year-over-year. This was driven by solid growth from integrated supply chain customers, whose number reached 74,602 in 2021, increasing 41.7% year-over-year, as well as by an increase in ARPC to RMB341,424, an expansion of 9.2% compared with 2020.

Focusing on FMCG, home appliances and home furniture, apparel, 3C, automotive and fresh produce industries, we tailored our supply chain solutions and products to each industry to address their pain points. Revenue from the top three industry verticals of FMCG, home appliances and home furniture, and 3C accounted for over 65% of revenue from external integrated supply chain customers.

Starting with serving industry leaders, we accumulated industry-specific solutions and products, which were then standardized to meet the needs of small- and medium-sized customers. As our customer base broadened, we kept scaling network coverage, boosting technological capabilities and accumulating industry insights.

The following table sets forth the information of external integrated supply chain customers whose annual revenue contribution was above or below RMB10 million.

	Year ended December 31,		
	2021	2020	2019
Number of external integrated supply chain customers with annual revenue contribution no less than RMB10 million	296	179	113
ARPC (RMB million)	42.4	37.7	37.4
Number of external integrated supply chain customers with annual revenue contribution less than RMB10 million	74,306	52,487	39,813

In 2021, we made significant breakthroughs in the automotive industry. We signed a strategic collaboration agreement with the global premium car brand Volvo in August 2021 on a national integrated after-sales supply chain project where we customized a flexible and agile digital supply chain system for Volvo. Leveraging our understanding of product characteristics, we optimized the layout of nationwide warehouse network for spare parts supply and realized smart replenishment based on big data technology, effectively achieving cost reduction, efficiency enhancement and customer experience optimization. Based on the results at the pilot warehouses, inventory turnover

improved substantially, even as order fulfillment rate increased by two percentage points. We successfully built an integrated supply chain benchmarking project from the ground up for the automotive aftermarket and developed mature services, including after-sales spare parts integrated services in domestic and international market and inbound logistics. We also served Great Wall Motor and Wuling Motors in 2021. As more automotive industry customers chose to work with JD Logistics, we continued to optimize our solutions and products to boost efficiency, and to form a virtuous business cycle.

As part of our strategic growth initiatives, we have been extending the scope and depth of our services for existing clients to facilitate the digital and intelligent transformation of their supply chains. We started to provide distribution and delivery services to a well-known apparel and consumer goods brand in 2018, and by 2021, we pivoted to multiple collaborations such as strategic consulting, digital platform construction and a warehouse automation upgrade. Specifically, our supply chain strategic consulting projects reshaped their logistics network system. The digital platform that we helped created integrated their online and offline data from multiple channels to enable more efficient operations. An automation upgrade at the central warehouse for the client improved their operating efficiency. We further expanded cross-border and overseas integrated logistics fulfillment services. The end-to-end services spanning strategy, planning and final execution not only effectively shifted our role from basic supply chain services to an integrated solutions partner, but also established a benchmark customer case that helped us tap into demands in new markets such as maternal and baby care, apparel and FMCG.

As we deepened our ties with existing customers, in 2021, 20 external integrated supply chain customers contributed more than RMB100 million in annual revenue in a range of industries, such as FMCG, apparel, 3C, and home furniture and home appliances.

With respect to production regions, we created an integrated supply chain model to facilitate the distribution of agricultural products to end customers. In September 2021, JD Logistics's first production region smart supply chain center was established in Wugong county, Shaanxi province. Equipped with state-of-the-art sorting equipment by international standards, the facility enabled end-to-end automation with daily sorting capacity of 200 tons and processing capacity of over 160,000 orders. The smart supply chain center can sort 10 tons of kiwi fruit per hour while screening and repacking the fruit by testing its weight, size, sugar content and defect. In addition to storage, monitoring, sorting and packing, we also undertook transportation and delivery responsibilities, which effectively boosted the sales of local agricultural products. By the end of 2021, JD Logistics had provided supply chain services to over 1,000 special agricultural production regions and industry zones by connecting production regions with end markets, which improved supply chain and distribution efficiency and contributed to rural revitalization.

We continued to expand our overseas presence to provide end-to-end integrated supply chain logistics services on a global scale. In 2021, we provided integrated fulfillment services to Hunkemöller, the eminent European ready-to-wear brand, covering the full range of to-business (B2B) and to-customer (B2C) scenarios and fulfilling orders in the Netherlands, France, Belgium and Luxemburg. Adopting the flexible goods-to-person AGV solution in our warehouse in the Netherlands and combining our automation experience accumulated over the years with the local business scenarios in Europe, we enhanced outbound efficiency and inventory turnover, ultimately elevating end users' shopping experience.

Other customers

Our revenue from other customers in 2021 reached RMB33.6 billion, increasing by 89.5% year-over-year, as we leverage our standard products such as express delivery and freight delivery services to expand our customer pool, upsell our integrated supply chain logistics services and improve network coverage and utilization.

The acquisition of Kuayue-Express Group Co., Ltd. (“**Kuayue Express**”), which was completed in August 2020, contributed RMB11.3 billion to our total revenue in 2021, the majority of which came from the “other customers” category. As Kuayue-Express helped us expand our freight network, strengthen our integrated supply chain solutions and logistics services capabilities, we fully leveraged our synergies to jointly build and operate transportation resources such as air and railway transportation.

Logistics technology

Technology is a key differentiator for us. We have applied technological innovations to all key stages of supply chain services to realize service automation, operation digitalization and intelligent decision-making.

We continued to improve our warehousing automation level. We upgraded the apparel warehouse we operate in Beijing with our self-developed, industry-leading BeiDou technology, which enables RFID (radio-frequency identification)-based automation in receiving inventory and stocktaking. This, together with the cutting-edge robots and sorting equipment, as well as the innovative process and algorithms for integrating goods picking and data entry we designed, have created a highly automated and flexible end-to-end process.

With regard to transportation and delivery, we implemented deep digitalization and full visualization to our operations with smart logistics technologies such as big data and IoT (Internet of things). Driven by smart algorithms, we used smart deployment and stowage to achieve efficient matching and refined operation of resources, which significantly lowered comprehensive transportation costs and occurrence of safety accidents.

We also continuously modularize our technology products to help more clients comprehensively optimize their supply chain networks and boost digital and intelligent capabilities, as well as operating efficiency. Harnessing our integrated capabilities in supply chain logistics software, hardware and system integration, we have built technological products and solutions covering all key stages of the supply chain across business parks, warehousing and sortation, transportation and delivery, comprehensively boosting our forecasting, decision-making and smart execution capabilities.

Leveraging our rich internal operational scenarios, as well as our extensive practical experience and technical prowess accumulated over the years, we achieved comprehensive breakthroughs in 2021 in our goods-to-person technology and products, including robot hardware and smart deployment algorithm software. We promoted the goods-to-person integration project to external industry customers and enhanced their storage and operating efficiency. Our self-developed core deployment algorithm used in the goods-to-person system was selected by INFORMS as one of the finalists for the 50th Franz Edelman Award, making JD Logistics the first Chinese supply chain company to be on the final shortlist since the award was created 50 years ago.

The upgrade of CECport's EACChain (億安倉) with our logistics technology is one of the testaments.

As a key supply chain management platform connecting production and distribution, CECport's EACChain (億安倉) is responsible for the storage and distribution of large amounts of electronic components of different makes and models. Confronted with rising labor costs, lagging picking efficiency and the ability to accurately engage in the person-to-goods approach, EACChain (億安倉) sought an upgrade with JD Logistics's assistance. We built a third-generation Sirius three-dimensional warehouse with a height of 21 meters and additional storage space of over 12,000 square meters. The warehouse is equipped with a multi-layer shuttle with goods-to-person sorting, increasing picking productivity by 230% and raising picking accuracy to 99.99%. The advanced warehouse control system captured the operating data of warehouse equipment in real time, leading to full automation and digitization with higher efficiency.

We have pressed on with the pursuit of cutting-edge technology. In 2021, we conducted 5G technology application pilots in our Asia No. 1 smart mega warehouses in Changsha and Beijing, which included mass adoption of the 5G-enabled AGVs. We also jointly explored with telecom operators in the creation of smart logistics parks with full 5G coverage.

In 2021, JD Logistics deployed a total of nearly 400 Level-4 autonomous delivery vehicles in cities such as Beijing, Shanghai and Changshu, which were instrumental in contact-free last-mile delivery.

JD Logistics has maintained its industry leadership in supply chain ecosystem mapping. In December 2021, we received approval of our application for Class A Surveying and Mapping Qualification for Internet Map Services, the top qualification for internet map services, which essentially solidified our leading position in smart order dispatch. In order to strengthen our capabilities in transportation routes planning, smart transportation control and refined delivery management, as well as the application of self-driving delivery vehicles, we are exploring map-services-related external empowerment.

We have won multiple top technological awards and received accolades both at home and abroad. In October 2021, we became the first logistics enterprise in China to receive the Data Management Capability Maturity Assessment Model (DCMM) Level 4 certification. In November 2021, we also obtained approval to participate in the "new generation of artificial intelligence" project of the National Sci-Tech Innovation 2030 Agenda.

As of December 31, 2021, JD Logistics had applied for over 5,500 patents and software licenses, among which more than 3,000 are related to automation technology and unmanned technology.

Logistics infrastructure and networks

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

Warehouse network

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

As of December 31, 2021, our warehouse network covered nearly all counties and districts in China, comprising over 1,300 self-operated warehouses and more than 1,700 owner-operator cloud warehouses under our Open Warehouse Platform. Our warehouse network has an aggregate gross floor area (“GFA”) of over 24 million square meters, including warehouse space managed through the Open Warehouse Platform.

We improved the warehouse network’s operating efficiency through technology, including the Asia No. 1 smart mega warehouse, which embodies our industry-leading technological innovation and high-tech standards. By employing AGVs and advanced robotics, these warehouses delivered critical improvements in speed and accuracy that are scalable to 24/7 operation during peak fulfillment and delivery periods. As of December 31, 2021, we operated 43 Asia No. 1 smart mega-warehouses in 33 cities across China, 11 of which commenced operations during 2021 in 11 cities including Nanning, Haikou, Zhengzhou, Deyang and Yiwu.

By establishing and operating first-class, smart, large-scale warehouses, we substantially improved logistics timeliness in remote regions. We established the first smart mega warehouse on the Tibetan plateau in Lhasa, which is equipped with more than 100 warehousing robots enabling automation.

Line-haul transportation network

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

As of December 31, 2021, we had a self-operated fleet consisting of over 18,000 trucks and other vehicles, including 10,000 self-owned vehicles of Kuayue Express. In addition, we operated approximately 210 sorting centers in China and had more than 1,000 air cargo routes, including 10 all-cargo routes.

As of December 31, 2021, our cooperation with China Railway Express had enabled us to utilize over 300 railway routes, more than 200 of which are high-speed railway routes.

In 2021, we innovatively developed the multimodal transportation business by opening up the southwest marine-rail transportation and north-south grain transportation routes. We also signed a strategic cooperation agreement for the container business with China Railway Container and opened the Wuhu-Central Asia international train route, marking a breakthrough in international multimodal transportation routes.

Last-mile delivery network

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

As of December 31, 2021, we employed over 200,000 in-house delivery personnel and operated over 7,200 delivery stations covering 31 provinces and municipalities and 444 districts in different cities and municipalities in China. The vast majority of our delivery stations are self-operated to ensure top quality service.

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

Bulky item logistics network

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

As of December 31, 2021, we had over 80 warehouses with bulky- and heavy-item storage capabilities and nearly 100 sorting centers, with an aggregate GFA of 2.6 million square meters.

For lower-tier cities with growing e-commerce penetration, we leverage the resources of our network partners under the Jing Dong Bang (京東幫) brand to cost-effectively meet customers' demands. As of December 31, 2021, we were able to utilize approximately 1,800 bulky item delivery and installation stations under Jing Dong Bang (京東幫).

Cold chain logistics network

As of December 31, 2021, we operated over 100 temperature-controlled cold storage warehouses designated for fresh, frozen and refrigerated products with an operation area of more than 500,000 square meters. In addition, as of December 31, 2021, we operated 28 warehouses designated for pharmaceuticals and medical instruments with an operation area of over 200,000 square meters.

In 2021, the Ministry of Transport appointed JD Logistics as a key service provider to transport the COVID-19 vaccine for distribution in Beijing. As part of this effort, we also initiated several projects for vaccine transportation. Beyond that, we have become a general food warehouse and logistics service provider for athletes in international sports events and provided integrated logistics services covering procurement, storage, transit and cold chain logistics delivery, laying a solid and reliable foundation for the events.

Cross-border logistics network

As we stepped up infrastructure construction in China, we were also committed to building infrastructure facilities around the world to accelerate the development of our integrated supply chain solutions overseas.

As of December 31, 2021, we operated approximately 80 bonded warehouses and overseas warehouses, covering an aggregate GFA of more than 700,000 square meters.

In 2021, we have established self-operated warehouses in six countries, including the U.K., the U.S., Australia and the Netherlands, equipped with large numbers of automated equipment which boosted operating efficiency.

Our overseas line-haul routes cover the U.S., Canada and the U.K., as well as major European and Southeast Asian countries, the most prominent of which are the China-Southeast Asia and China-U.K. all-cargo routes.

In addition, we strengthened our China-U.S., China-Australia and China-Europe maritime transportation line-haul networks, which significantly improved the timeliness of our cross-border freight services and laid a solid operational foundation for expanding our integrated supply chain services overseas.

Service Quality and Customer Experience

“Customer-first” is our core value. We are proud that our professional and reliable service is widely recognized by customers. We have consistently maintained best-in-class customer satisfaction ratings, as reported by survey results published by the State Post Bureau at the end of 2021.

We continued to strengthen network coverage and service timeliness, which improved customer satisfaction.

In 2021, we achieved same-day or next-day deliveries covering 93% of counties and 84% of towns and villages in the country. During the 11-11 online shopping festival, we delivered packages within minutes of order placement covering over 300 cities nationwide.

In 2021, approximately 90% of JD Group’s online retail orders handled by our network were fulfilled with same-day or next-day deliveries and about 60% were covered by the 211 program.

Our superior service quality has won wide acclaim among customers and helped us expand our customer base.

Corporate Social Responsibility

As the leading technology-driven supply chain solutions and logistics services provider in China, JD Logistics incorporates sustainable development into its overall development strategy and day-to-day management.

JD Logistics’s ESG governance is divided into five responsibility segments, including providing high-quality customer services, facilitating industry cost reduction and efficiency enhancement, promoting common prosperity, achieving joint growth with partners and leading green low-carbon development. By linking the diverse expectations of our ecosystem partners together and fostering shared views, JD Logistics hopes to mobilize all players along the value chain to take part in the transformation to sustainable development.

Leveraging our integrated supply chain advantages and technological innovations over the years, we connected the diverse logistics services demands from consumers and corporate customers. Upholding our core “experience-based” development strategy, we consistently strive to improve service quality, and enhance consumer and corporate customer satisfaction. Through a highly collaborative approach and open digital and intelligent supply chain capabilities, we meet the diversified integrated supply chain logistics needs of enterprises and industries for warehousing, distribution, and transportation, and continue to help all walks of life to improve quality, reduce costs, and increase efficiency.

In 2021, we continued to deepen the penetration of our integrated supply chain logistics services in rural and remote regions. We provided efficient and high-quality services for more than 1,000 special agricultural production areas and industrial zones across the country, effectively promoting the efficient connection of production and sales, driving more people to achieve high-quality employment, supporting small and medium-sized enterprises, promoting rural revitalization, serving the real economy, and continuing to create social value.

Responding to the nation’s call to reach dual carbon goals, JD Logistics cooperated with JD Group and took the lead in establishing the first carbon-neutral demonstration park in China, deploying new energy vehicles on a large scale, reducing packaging and recycling, and continuing to promote technological innovation. JD Logistics is gradually realizing end-to-end energy conservation and carbon reduction in the supply chain.

JD Logistics is also dedicated to creating an ideal working environment and an excellent career prospect for each employee, as well as protecting their rights and interests. We continue to provide employees with industry-competitive salaries, comprehensive welfare guarantees, and broad room for development. More than 80% of front-line employees are from rural areas, and many couriers have won national honors.

In addition, we fully leveraged our supply chain logistics infrastructure and technical advantages to participate in flood control and disaster relief, earthquake relief and anti-pandemic efforts as soon as possible. At the same time, as a logistics service provider for international sports events, we took part in ensuring the efficient and safe organization of events.

Furthermore, we are facilitating the JD Logistics steady development and consistent growth by reinforcing corporate governance involving information security, privacy protection, internal control and compliance management.

In the future, JD Logistics will accelerate the development of its integrated supply chain logistics services to continuously enhance value creation and transmission for society. Whether it is through the construction of logistics infrastructure or the application of digital and intelligent technologies, we will fully harness our advantages, to achieve green development, a core competitiveness in the future, and facilitate the sustainable development of enterprises, industries and society, and connect to a better future.

FINANCIAL REVIEW

Revenue

Our revenue increased by 42.7% from RMB73.4 billion in 2020 to RMB104.7 billion in 2021. The increase in our total revenue was driven by a 27.8% increase in revenue from our integrated supply chain customers and an 89.5% increase in revenue from other customers.

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 ARPC. The number of our external integrated supply chain customers increased from 52,666 in 2020 to 74,602 in 2021. The increase in the number of external integrated supply chain customers was due to the increased demand of our services as well as our ongoing sales and marketing efforts. In addition, we achieved an ARPC of RMB312,617 and RMB341,424 in 2020 and 2021, respectively. Such 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 89.5% from RMB17.8 billion in 2020 to RMB33.6 billion in 2021, primarily due to the increases in business volume of our express delivery and freight delivery services driven by the increase in the number of other customers, as well as the acquisition of Kuayue Express in August 2020.

Cost of revenue

Our cost of revenue increased by 47.4% from RMB67.1 billion in 2020 to RMB98.9 billion in 2021, which was in line with the rapid growth of our revenue during the same period. The increase in cost of revenue was also driven by the reduction in benefits from COVID-19 related government support.

Our employee benefit expenses for employees involved in warehouse management, sorting, picking, packaging, shipping, delivery and customer services increased by 37.3% from RMB26.1 billion in 2020 to RMB35.8 billion in 2021, primarily due to an increase in the number of employees involved in the provision of our services, which was in line with the continued growth of our business.

Outsourcing cost, including costs charged by transportation companies, couriers and other service providers for sorting, shipping, dispatching, delivering and labor outsourcing services, increased by 54.7% from RMB26.1 billion in 2020 to RMB40.4 billion in 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. Further, the increase was also driven by the acquisition of Kuayue Express in August 2020.

Rental cost increased by 43.5% from RMB6.6 billion in 2020 to RMB9.5 billion in 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 32.8% from RMB1.4 billion in 2020 to RMB1.9 billion in 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 65.1% from RMB6.9 billion in 2020 to RMB11.4 billion in 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 RMB6.3 billion and RMB5.8 billion in 2020 and 2021, respectively, and (ii) a gross profit margin of 8.6% and 5.5% in 2020 and 2021, respectively. The decrease in the gross profit margin was primarily due to the reduction in benefits from COVID-19 related government support and our efforts in enhancing and expanding our logistics networks including increases in headcount of operational personnel, warehouse space, line-haul routes and other logistics infrastructure. The decrease in the gross profit was mainly concentrated in the first half of 2021 and significantly recovered in the second half of 2021.

Selling and marketing expenses

Our selling and marketing expenses increased by 69.5% from RMB1.8 billion in 2020 to RMB3.1 billion in 2021. The increase was in line with the growth of our revenue from external customers and was primarily due to the increase in headcount of sales and marketing personnel to promote our service offerings to both new and existing customers, the increase in branding and promotional activities, and the acquisition of Kuayue Express in August 2020.

Research and development expenses

Our research and development expenses increased by 36.9% from RMB2.1 billion in 2020 to RMB2.8 billion in 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

Our general and administrative expenses increased by 70.8% from RMB1.7 billion in 2020 to RMB2.9 billion in 2021, primarily due to an increase of employee benefit expenses including share-based payments, also partially driven by the acquisition of Kuayue Express in August 2020.

Other income, gains/(losses), net

Our other income, gains/(losses), net increased by 65.1% from a gain of RMB542.7 million in 2020 to a gain of RMB896.2 million in 2021, primarily due to an increase in gains on fair value changes of financial assets at fair value through profit or loss and government grants.

Finance costs

Our finance costs increased by 58.1% from RMB454.8 million in 2020 to RMB718.9 million in 2021, primarily due to an increase in interest on lease liabilities.

Fair value changes of convertible redeemable preferred shares

We recorded a loss on fair value changes of convertible redeemable preferred shares of RMB4.9 billion in 2020 and RMB12.8 billion in 2021, respectively, primarily due to an increase in the fair value of our Series A Preference Shares, as a result of an increase in our Company's 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 (the “**Listing**” or “**Global Offering**”), all convertible redeemable preferred shares have been converted into ordinary shares on a conversion ratio of 1:1.

Loss for the year

As a result of the foregoing, we incurred a loss of RMB4.0 billion in 2020 and a loss of RMB15.7 billion in 2021, respectively. The increase in the loss was primarily due to (i) the increase in loss on fair value changes of convertible redeemable preferred shares, (ii) the reduction in benefits from COVID-19 related government support, and (iii) our efforts in enhancing and expanding our logistics networks including increases in headcount of operational personnel, warehouse space, line-haul routes and other logistics infrastructure. The loss in 2021 was mainly concentrated in the first half of 2021, and there had been significant improvements in our financial performance for the second half of 2021.

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.

We believe non-IFRS (loss)/profit provides useful information to investors and others in understanding and evaluating our consolidated 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.

We define non-IFRS (loss)/profit as profit or loss for the year, excluding share-based payments, listing expense, amortization of intangible assets resulting from acquisitions, fair value changes of financial assets at fair value through profit or loss, impairment of investments, and fair value changes of convertible redeemable preferred shares. 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.

We account for the compensation cost from share-based payment transactions with employees based on the grant-date fair value of the equity instrument issued by JD.com, Inc., us and Kuayue Express. The reconciling item is non-cash in nature.

We exclude listing expense as this item, which arises from activities relating to the Listing, is one-off and non-recurring.

Amortization of intangible assets resulting from acquisitions 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. The reconciling item is non-cash in nature and not related to our normal activities.

Fair value changes of financial assets at fair value through profit or loss 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. The reconciling item is non-cash in nature and not related to our normal activities.

Impairment of investments represents impairment loss on interest in joint ventures. The impairment provision mainly resulted from revisions of financial and business outlook of the joint ventures and changes in the market environment of the underlying business. The recoverable amount of the investment is determined with reference to the higher of fair value less costs of disposal and value in use. The reconciling item is non-cash and non-recurring in nature.

Further, we account for the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. 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. The convertible redeemable preferred shares automatically converted into ordinary shares upon the completion of the Listing, and no further loss or gain on fair value changes is expected to be recognized afterwards. The reconciling item is non-cash, non-recurring and does not result in cash outflow. In particular, we exclude fair value changes of convertible redeemable preferred shares because we do not believe this item is reflective of ongoing operating results in the year, as this non-cash item is affected by varying valuation methodologies and assumptions and has no direct correlation to the operation of our business.

The following table reconciles the most directly comparable financial measure, which is loss for the year calculated and presented in accordance with IFRSs, to the non-IFRS (loss)/profit for 2021 and 2020:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Reconciliation of loss to non-IFRS (loss)/profit:		
Loss for the year	(15,660,732)	(4,037,289)
Add/(less):		
Share-based payments	1,447,219	877,594
Listing expense	57,528	8,254
Amortization of intangible assets resulting from acquisitions	354,667	133,000
Fair value changes of financial assets at fair value through profit or loss	(272,052)	(47,914)
Impairment of investments	3,651	—
Fair value changes of convertible redeemable preferred shares	12,843,803	4,861,109
Non-IFRS (loss)/profit for the year	(1,225,916)	1,794,754

Liquidity and Capital Resources

In 2021, we funded our cash requirements principally from cash generated from operating activities and financing activities through the Global Offering. Our cash and cash equivalents represent cash and bank balances. We had cash and cash equivalents of RMB17.9 billion as of December 31, 2021, compared to RMB6.3 billion as of December 31, 2020.

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Net cash generated from operating activities	6,207,337	10,201,097
Net cash used in investing activities	(11,122,435)	(8,770,504)
Net cash generated from/(used in) financing activities	16,596,681	(3,732,868)
Net increase/(decrease) in cash and cash equivalents	11,681,583	(2,302,275)
Cash and cash equivalents at the beginning of the year	6,346,869	9,274,203
Effects of foreign exchange rate changes on cash and cash equivalents	(105,673)	(625,059)
Cash and cash equivalents at the end of the year	17,922,779	6,346,869

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

Net cash generated from operating activities

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

In 2020, our net cash generated from operating activities was RMB10.2 billion, which was primarily attributable to our loss of RMB4.0 billion, as adjusted by (i) non-cash and non-operating items, which primarily consist of loss on fair value changes of convertible redeemable preferred shares of RMB4.9 billion, depreciation of right-of-use assets of RMB3.6 billion, depreciation of property and equipment of RMB1.5 billion, and share-based payments of RMB0.9 billion and (ii) changes in working capital, which primarily result from an increase in accrued expenses, other payables and other non-current liabilities of RMB3.3 billion and an increase in trade payables of RMB1.0 billion, partially offset by an increase in trade receivables of RMB1.5 billion.

Net cash used in investing activities

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

In 2020, our net cash used in investing activities was RMB8.8 billion, which was primarily attributable to payment for financial assets at fair value through profit or loss of RMB6.0 billion, placement of term deposits of RMB3.6 billion, capital expenditures of RMB3.2 billion, and net cash outflow on acquisition of the controlling interest in Kuayue Express of RMB1.5 billion, partially offset by maturity of financial assets at fair value through profit or loss of RMB5.6 billion.

Net cash generated from/(used in) financing activities

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

In 2020, our net cash used in financing activities was RMB3.7 billion, which was primarily attributable to principal portion of lease payments of RMB3.1 billion, and repayment of borrowings of RMB1.0 billion.

Gearing Ratio

As of December 31, 2021, we had no outstanding borrowings. Therefore, the gearing ratio is not presented herein.

Significant Investments Held

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as of December 31, 2021) during the year ended December 31, 2021.

Future Plans for Material Investments and Capital Assets

As of December 31, 2021, we did not have other plans for material investments and capital assets.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

Save for the Group's reorganisation as described in the section headed "History, Reorganization and Corporate Structure" in the prospectus of the Company dated May 17, 2021 (the "**Prospectus**"), we did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies for the year ended December 31, 2021.

Employee and Remuneration Policy

The following table sets forth the numbers of our employees dedicated to our business and operations categorized by function as of December 31, 2021.

Function	Number of Employees	% of Total
Operations	303,014	95.8
Sales and marketing	5,943	1.9
Research and development	3,893	1.2
General and administration	3,532	1.1
Total	316,382	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 year ended December 31, 2021 were RMB41.2 billion, as compared to RMB29.8 billion for the year ended December 31, 2020, representing a year-on-year increase of 38.4%.

Foreign Exchange Risk

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

During the year ended December 31, 2021, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant.

Pledge of Assets

As of December 31, 2021, restricted cash of RMB7.3 million was pledged, compared with RMB61.7 million as of December 31, 2020.

Contingent Liabilities

As of December 31, 2021, we did not have any material contingent liabilities or guarantees.

Borrowings

As of December 31, 2021, we had no outstanding borrowings.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	104,693,402	73,374,716
Cost of revenue	(98,909,326)	(67,081,077)
Gross profit	5,784,076	6,293,639
Selling and marketing expenses	(3,078,384)	(1,815,760)
Research and development expenses	(2,813,342)	(2,054,325)
General and administrative expenses	(2,867,201)	(1,678,921)
Other income, gains/(losses), net	896,153	542,668
Finance income	233,628	264,395
Finance costs	(718,853)	(454,774)
Fair value changes of convertible redeemable preferred shares	(12,843,803)	(4,861,109)
Impairment losses under expected credit loss model, net of reversal	(155,863)	(221,040)
Share of results of an associate and joint ventures	(36,769)	(64,069)
Loss before income tax	(15,600,358)	(4,049,296)
Income tax (expense)/credit	(60,374)	12,007
Loss for the year	(15,660,732)	(4,037,289)
(Loss)/profit for the year attributable to:		
Owners of the Company	(15,841,960)	(4,133,995)
Non-controlling interests	181,228	96,706
	(15,660,732)	(4,037,289)
	<i>RMB</i>	<i>RMB</i>
Loss per share		
Basic and diluted loss per share	(3.19)	(1.05)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss for the year	(15,660,732)	(4,037,289)
Other comprehensive income/(loss)		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	485,374	388,150
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(100,692)	(255,012)
Share of other comprehensive income/(loss) of an associate, net of related income tax	514	(100)
Other comprehensive income for the year	385,196	133,038
Total comprehensive loss for the year	(15,275,536)	(3,904,251)
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	(15,456,764)	(4,000,957)
Non-controlling interests	181,228	96,706
	(15,275,536)	(3,904,251)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property and equipment	8,875,146	6,652,425
Right-of-use assets	14,699,396	12,185,603
Goodwill	1,499,142	1,499,142
Other intangible assets	2,458,116	2,807,787
Interest in an associate	140,445	224,021
Interests in joint ventures	15,266	7,742
Financial assets at fair value through profit or loss	1,527,296	1,057,358
Deferred tax assets	87,788	43,112
Prepayments, other receivables and other assets	2,091,606	1,101,033
Restricted cash	—	4,991
	<hr/>	<hr/>
Total non-current assets	31,394,201	25,583,214
	<hr/>	<hr/>
Current assets		
Inventories	683,168	393,086
Trade receivables	12,164,028	5,371,323
Contract assets	113,685	58,602
Prepayments, other receivables and other assets	3,519,000	12,376,832
Financial assets at fair value through profit or loss	2,577,978	947,738
Term deposits	8,412,913	3,588,695
Restricted cash	7,316	56,743
Cash and cash equivalents	17,922,779	6,346,869
	<hr/>	<hr/>
Total current assets	45,400,867	29,139,888
	<hr/>	<hr/>
Total assets	<u>76,795,068</u>	<u>54,723,102</u>
	<hr/>	<hr/>
EQUITY AND LIABILITIES		
Equity		
Share capital	971	611
Treasury shares	(74)	—
Reserves	62,298,093	3,368,733
Accumulated losses	(24,360,894)	(8,511,016)
	<hr/>	<hr/>
Equity attributable to owners of the Company	37,938,096	(5,141,672)
Non-controlling interests	2,451,037	2,248,040
	<hr/>	<hr/>
Total equity	<u>40,389,133</u>	<u>(2,893,632)</u>

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Liabilities		
Non-current liabilities		
Lease liabilities	9,409,162	7,844,604
Convertible redeemable preferred shares	—	21,918,414
Equity instruments with preference rights	631,014	597,380
Deferred tax liabilities	720,178	717,285
Other non-current liabilities	1,100,000	200,000
	<hr/>	<hr/>
Total non-current liabilities	11,860,354	31,277,683
	<hr/>	<hr/>
Current liabilities		
Trade payables	6,772,692	5,811,619
Contract liabilities	125,638	67,548
Accrued expenses and other payables	11,044,538	15,410,593
Advances from customers	723,009	258,861
Lease liabilities	5,763,509	4,619,073
Payables to interest holders of consolidated investment funds	46,145	116,950
Tax liabilities	70,050	54,407
	<hr/>	<hr/>
Total current liabilities	24,545,581	26,339,051
	<hr/>	<hr/>
Total liabilities	36,405,935	57,616,734
	<hr/>	<hr/>
Total equity and liabilities	76,795,068	54,723,102
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	6,207,337	10,201,097
Net cash used in investing activities	(11,122,435)	(8,770,504)
Net cash generated from/(used in) financing activities	16,596,681	(3,732,868)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	11,681,583	(2,302,275)
Cash and cash equivalents at the beginning of the year	6,346,869	9,274,203
Effects of foreign exchange rate changes on cash and cash equivalents	(105,673)	(625,059)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	17,922,779	6,346,869
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL INFORMATION

General information, basis of preparation and presentation

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

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on May 28, 2021.

The consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand (’000) except when otherwise indicated.

The consolidated financial statements have been prepared based on accounting policies which conform with International Financial Reporting Standards (“**IFRSs**”) and the conventions applicable for the reorganization and spin-off. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Application of new and amendments to IFRSs

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform—Phase 2
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In addition, the Group has early applied the Amendment to IFRS 16 “Covid-19—Related Rent Concessions beyond 30 June 2021”.

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

Revenue

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
<i>Type of customer:</i>		
Integrated supply chain customers	71,054,463	55,619,685
Other customers	33,638,939	17,755,031
	<u>104,693,402</u>	<u>73,374,716</u>
<i>Timing of revenue recognition:</i>		
Overtime	99,339,541	69,873,623
A point in time	5,353,861	3,501,093
	<u>104,693,402</u>	<u>73,374,716</u>

Income tax (expense)/credit

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Current tax	(102,157)	(83,762)
Deferred tax	41,783	95,769
	<u>(60,374)</u>	<u>12,007</u>

Loss before income tax

Loss before income tax has been arrived at after charging:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Employee benefit expenses	41,174,106	29,757,730
Outsourcing cost	40,355,956	26,087,307
Depreciation of right-of-use assets	5,450,796	3,591,729
Depreciation of property and equipment	1,968,647	1,457,405
Amortization of other intangible assets	375,097	147,233
Auditors' remuneration	14,327	2,806

Loss per share

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

	Year ended December 31,	
	2021	2020
<i>Numerator</i>		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share (RMB'000)	(15,841,960)	(4,133,995)
Impact of subsidiaries' diluted earnings (RMB'000)	—	(2,091)
	<u>(15,841,960)</u>	<u>(4,136,086)</u>
<i>Denominator</i>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	4,963,487,733	3,927,539,851
	<u>4,963,487,733</u>	<u>3,927,539,851</u>
Basic and diluted loss per share attributable to owners of the Company (RMB per share)	(3.19)	(1.05)
	<u>(3.19)</u>	<u>(1.05)</u>

For the year ended December 31, 2021, the potential dilutive ordinary shares and the impact of subsidiaries' diluted earnings were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended December 31, 2021 was the same as basic loss per share (2020: the calculation of diluted loss per share for the year ended December 31, 2020 assumes the dilutive impact from the equity instruments with preference rights of Kuayue Express).

Dividends

No dividend was paid or proposed for ordinary shareholders of the Company for the year ended December 31, 2021, nor has any dividend been proposed since the end of the Reporting Period (2020: none).

Trade receivables

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables from third parties	7,334,970	5,517,630
Trade receivables from related parties*	5,145,307	93,473
Less: allowance for credit losses	(316,249)	(239,780)
	12,164,028	5,371,323

* As of December 31, 2020, trade receivables from related parties do not include trade receivables from JD Group in relation to the provision of integrated supply chain solutions and logistics services by the Group. Upon completion of the spin-off, trade receivables from JD Group in relation to the provision of integrated supply chain solutions and logistics services by the Group had been accounted for as trade receivables in the consolidated financial statements.

As of January 1, 2020, trade receivables from contracts with customers amounted to RMB3,229,663,000.

The Group applies the simplified approach under IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and forward-looking estimates. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Within 3 months	12,040,147	5,337,485
3 to 6 months	220,533	100,283
6 to 12 months	109,657	61,987
Over 12 months	109,940	111,348
	12,480,277	5,611,103
Less: allowance for credit losses	(316,249)	(239,780)
	12,164,028	5,371,323

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

As of December 31, 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB434,229,000 (2020: RMB213,092,000), which are past due but not credit-impaired as the Group is satisfied with the subsequent settlements and the credit quality of these customers had not seen deteriorated. The Group does not hold any collateral over these balances.

Trade payables

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	6,293,923	5,338,638
Trade payables under supplier financing arrangements*	478,769	472,981
	<u>6,772,692</u>	<u>5,811,619</u>

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

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

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	6,419,263	5,092,371
3 to 6 months	226,395	501,446
6 to 12 months	57,111	122,484
Over 12 months	69,923	95,318
	<u>6,772,692</u>	<u>5,811,619</u>

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company’s corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders of the Company (the “**Shareholders**”). Throughout the period from the Listing Date up to December 31, 2021, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) except as disclosed below.

Code provision A.1.1 of the Corporate Governance Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on May 28, 2021, the Company had only held three Board meetings throughout the period from the Listing Date and up to December 31, 2021.

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.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2021.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has devised its own code of conduct for securities transactions (the “**Insider Trading Policy**”) regarding the Directors’ dealings in the securities of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Insider Trading Policy throughout the period from the Listing Date up to December 31, 2021.

SCOPE OF WORK OF THE COMPANY’S AUDITORS

The figures in respect to the Group’s consolidated results for the year ended December 31, 2021 as set out in this announcement have been agreed by the Company’s independent auditor, Messrs. Deloitte Touche Tohmatsu (the “**Auditor**”), to the amounts set out in the audited consolidated financial statements of the Group for the year ended December 31, 2021. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by the Auditor on this announcement.

AUDIT COMMITTEE

The Company has established an 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 Nora Gu Yi Wu (顧宜), Carol Yun Yau Li (李恩祐) and Sandy Ran Xu (許冉), with Nora Gu Yi Wu (顧宜) (being our independent non-executive Director with the appropriate professional qualifications) as chair of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2021 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the Auditor.

OTHER BOARD COMMITTEES

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

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

During the period from the Listing Date up to December 31, 2021, 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.

FINAL DIVIDEND

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2021.

USE OF PROCEEDS

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

The following table sets forth a summary of the utilization of the net proceeds as of December 31, 2021:

Purpose	Percentage of net proceeds	Net proceeds (RMB million)	Amount utilized for the year ended December 31, 2021 (RMB million)	Unutilized amount as of December 31, 2021 (RMB million)	Expected timeline of full utilization
Upgrading and expansion of our logistics networks	55%	12,620	4,760	7,860	12 to 36 months from the Listing
Developing advanced technologies to be used in our supply chain solutions and logistics services	20%	4,589	831	3,758	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	713	2,729	12 to 36 months from the Listing
General corporate purposes and working capital needs	10%	2,294	1,198	1,096	12 to 36 months from the Listing
Total	100%	22,945	7,502	15,443	

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.jdl.cn. The annual report of the Group for the year ended December 31, 2021 will be published on the aforesaid websites of the Hong Kong Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

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

Hong Kong, March 10, 2022

As of the date of this announcement, the Board comprises Mr. Yui Yu, Mr. Yanlei Chen and Mr. Jun Fan as executive Directors, Mr. Richard Qiangdong Liu, Ms. Sandy Ran Xu and Ms. Pang Zhang as non-executive Directors, and Ms. Nora Gu Yi Wu, Ms. Carol Yun Yau Li and Mr. Liming Wang as independent non-executive Directors.