
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 001-36450

JD.com, Inc.

(Exact Name of Registrant as Specified in its Charter)

N/A

(Translation of Registrant's Name into English)

Cayman Islands

(Jurisdiction of Incorporation or Organization)

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Yizhuang Economic and Technological Development Zone
Daxing District, Beijing 101111
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Yizhuang Economic and Technological Development Zone
Daxing District, Beijing 101111
People's Republic of China

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange On Which Registered
American depositary shares (one American depositary share representing two Class A ordinary shares, par value US\$0.00002 per share)	JD	The Nasdaq Stock Market LLC (The Nasdaq Global Select Market)
Class A ordinary shares, par value US\$0.00002 per share*		The Nasdaq Stock Market LLC (The Nasdaq Global Select Market)

* Not for trading, but only in connection with the listing on The Nasdaq Global Select Market of American depositary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

2,483,366,264 Class A ordinary shares (excluding the 36,904,874 Class A ordinary shares issued to the depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under the Share Incentive Plan) and 453,672,011 Class B ordinary shares, par value US\$0.00002 per share, as of December 31, 2019.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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INTRODUCTION

Unless otherwise indicated or the context otherwise requires, references in this annual report to:

- “ADSs” are to our American depositary shares, each of which represents two Class A ordinary shares;
- “annual active customer accounts” are to customer accounts that made at least one purchase during the twelve months ended on the respective dates, including both online retail and online marketplace;
- “China” or the “PRC” are to the People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- “ordinary shares” are to our Class A and Class B ordinary shares, par value US\$0.00002 per share; and
- “we,” “us,” “our company” and “our” are to JD.com, Inc., its subsidiaries and its consolidated variable interest entities and their subsidiaries.

FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to, among other things:

- our goals and strategies;
- our future business development, financial conditions and results of operations;
- the expected growth of the retail and online retail markets in China;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with customers, suppliers and third-party merchants;
- our plans to invest in our fulfillment infrastructure and technology platform as well as new business initiatives;
- competition in our industry; and
- relevant government policies and regulations relating to our industry.

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We would like to caution you not to place undue reliance on these forward-looking statements and you should read these statements in conjunction with the risk factors disclosed in “Item 3.D. Key Information—Risk Factors.” Those risks are not exhaustive. We operate in an evolving environment. New risks emerge from time to time and it is impossible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in any forward-looking statement. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law. You should read this annual report and the documents that we reference in this annual report completely and with the understanding that our actual future results may be materially different from what we expect.

Our reporting currency is Renminbi, or RMB. Unless otherwise noted, all translations from RMB to U.S. dollars in this annual report are made at a rate of RMB6.9618 to US\$1.00, the exchange rate in effect as of December 31, 2019 as set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. We make no representation that any RMB amounts could have been, or could be, converted into U.S. dollars, as the case may be, at any particular rate, or at all.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following table presents the selected consolidated financial information of our company. As of June 30, 2017, we deconsolidated our finance business operated by Beijing Jingdong Financial Technology Holding Co., Ltd. (now known as Beijing Jingdong Digital Technology Co., Ltd., or JD Digits), as a result of the reorganization of JD Digits. Accordingly, the historical financial results of JD Digits are reflected as discontinued operations in our consolidated financial statements for periods from January 1, 2015 to June 30, 2017, except for consolidated balance sheets as of December 31, 2015 as the impact of JD Digits was not material during this period. Please see “Item 4. Information on the Company—A. History and Development of the Company” for further information. The selected consolidated statements of operations data for the years ended December 31, 2017, 2018 and 2019, selected consolidated balance sheets data as of December 31, 2017, 2018 and 2019 and selected consolidated cash flow data for the years ended December 31, 2017, 2018 and 2019 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. The selected consolidated statements of operations data for the years ended December 31, 2015 and 2016, selected consolidated balance sheets data as of December 31, 2015 and 2016 and selected consolidated cash flow data for the year ended December 31, 2016 have been derived from our audited consolidated financial statements not included in this annual report, and the cash flow data for the year ended December 31, 2015 have been retrospectively adjusted as a result of the new accounting guidance adopted on January 1, 2018 (see note (6) below for more details). Our historical results do not necessarily indicate results expected for any future periods. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” below. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

	For the Year Ended December 31,					US\$
	2015 RMB	2016 RMB	2017 RMB	2018 RMB	2019 RMB	
(in millions, except for share, per share and per ADS data)						
Selected Consolidated Statements of Operations Data:						
Net revenues:						
Net product revenues	167,936	237,944	331,824	416,109	510,734	73,362
Net service revenues	13,106	20,346	30,508	45,911	66,154	9,503
Total net revenues	181,042	258,290	362,332	462,020	576,888	82,865
Cost of revenues	(158,960)	(222,935)	(311,517)	(396,066)	(492,467)	(70,738)
Fulfillment	(12,367)	(18,560)	(25,865)	(32,010)	(36,968)	(5,310)
Marketing	(7,233)	(10,159)	(14,918)	(19,237)	(22,234)	(3,194)
Research and development	(2,902)	(4,453)	(6,652)	(12,144)	(14,619)	(2,100)
General and administrative	(2,188)	(3,436)	(4,215)	(5,160)	(5,490)	(789)
Impairment of goodwill and intangible assets	(2,750)	—	—	(22)	—	—
Gain on sale of development properties	—	—	—	—	3,885	558
Income/(loss) from operations⁽¹⁾⁽²⁾⁽³⁾	(5,358)	(1,253)	(835)	(2,619)	8,995	1,292
Other income/(expense):						
Share of results of equity investees	(2,852)	(2,782)	(1,927)	(1,113)	(1,738)	(250)
Interest income	673	1,227	2,530	2,118	1,786	257
Interest expense	(73)	(619)	(964)	(855)	(725)	(104)

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	For the Year Ended December 31,					
	2015 RMB	2016 RMB	2017 RMB	2018 RMB	2019	
					RMB	US\$
	(in millions, except for share, per share and per ADS data)					
Others, net	(147)	1,544	1,317	95	5,375	772
Income/(loss) before tax	(7,757)	(1,883)	121	(2,374)	13,693	1,967
Income tax benefits/(expenses)	15	(166)	(140)	(427)	(1,803)	(259)
Net income/(loss) from continuing operations	(7,742)	(2,049)	(19)	(2,801)	11,890	1,708
Net income/(loss) from discontinued operations, net of tax	(1,376)	(1,365)	7	—	—	—
Net income/(loss)	(9,118)	(3,414)	(12)	(2,801)	11,890	1,708
Net loss from continuing operations attributable to non-controlling interests shareholders	(10)	(48)	(135)	(311)	(297)	(42)
Net loss from discontinued operations attributable to non-controlling interests shareholders	—	(4)	(5)	—	—	—
Net income from continuing operations attributable to mezzanine equity classified as non-controlling interests shareholders	—	—	—	2	3	0
Net income from discontinued operations attributable to mezzanine equity classified as non-controlling interests shareholders	—	445	281	—	—	—
Net income/(loss) attributable to ordinary shareholders	(9,108)	(3,807)	(153)	(2,492)	12,184	1,750
Including: Net loss from discontinued operations attributable to ordinary shareholders	(1,376)	(1,806)	(269)	—	—	—
Net income/(loss) from continuing operations attributable to ordinary shareholders	(7,732)	(2,001)	116	(2,492)	12,184	1,750
Net income/(loss) per share						
Basic						
Continuing operations	(2.83)	(0.71)	0.04	(0.87)	4.18	0.60
Discontinued operations	(0.50)	(0.64)	(0.09)	—	—	—
Net income/(loss) per share	(3.33)	(1.36)	(0.05)	(0.87)	4.18	0.60
Diluted						
Continuing operations	(2.83)	(0.71)	0.04	(0.87)	4.11	0.59
Discontinued operations	(0.50)	(0.64)	(0.09)	—	—	—
Net income/(loss) per share	(3.33)	(1.36)	(0.05)	(0.87)	4.11	0.59
Net income/(loss) per ADS ⁽⁴⁾						
Basic						
Continuing operations	(5.65)	(1.43)	0.08	(1.73)	8.37	1.20
Discontinued operations	(1.01)	(1.29)	(0.19)	—	—	—
Net income/(loss) per ADS	(6.66)	(2.71)	(0.11)	(1.73)	8.37	1.20
Diluted						
Continuing operations	(5.65)	(1.43)	0.08	(1.73)	8.21	1.18
Discontinued operations	(1.01)	(1.29)	(0.18)	—	—	—
Net income/(loss) per ADS	(6.66)	(2.71)	(0.11)	(1.73)	8.21	1.18
Weighted average number of shares:						
Basic	2,735,034,034	2,804,767,889	2,844,826,014	2,877,902,678	2,912,637,241	2,912,637,241
Diluted	2,735,034,034	2,804,767,889	2,911,461,817	2,877,902,678	2,967,321,803	2,967,321,803

(1) Includes share-based compensation expenses as follows:

	For the Year Ended December 31,					
	2015 RMB	2016 RMB	2017 RMB	2018 RMB	2019 RMB US\$	
	(in millions)					
Cost of revenues	(8)	(17)	(28)	(72)	(82)	(12)
Fulfillment	(164)	(332)	(426)	(419)	(440)	(63)
Marketing	(48)	(87)	(136)	(190)	(259)	(37)
Research and development	(209)	(470)	(671)	(1,163)	(1,340)	(193)
General and administrative	(648)	(1,154)	(1,520)	(1,816)	(1,573)	(226)

(2) Includes amortization of business cooperation arrangement and intangible assets resulting from assets and business acquisitions as follows:

	For the Year Ended December 31,					
	2015 RMB	2016 RMB	2017 RMB	2018 RMB	2019 RMB US\$	
	(in millions)					
Fulfillment	(10)	(93)	(164)	(168)	(165)	(24)
Marketing	(1,225)	(1,222)	(1,222)	(1,232)	(637)	(92)
Research and development	(24)	(46)	(84)	(98)	(99)	(14)
General and administrative	(180)	(248)	(308)	(308)	(308)	(44)

(3) In April 2017, leveraging our advanced technology and logistics expertise, we established JD Logistics, a new business group under JD.com, to provide logistics services to businesses across a wide range of industries. As JD Logistics has changed from supporting the overall JD platform to an independently operated business unit, cost related to the logistics services provided to third parties, including both third-party merchants and suppliers on the JD platform and other business partners, are reclassified from fulfillment expenses to cost of revenues. The amount of fulfillment expenses that has been reclassified to conform to the current period financial statement presentation were RMB1,664 million and RMB2,561 million for the years ended December 31, 2015 and 2016, respectively.

(4) Each ADS represents two Class A ordinary shares.

	As of December 31,					
	2015 RMB	2016 RMB	2017 RMB	2018 RMB	2019 RMB US\$	
	(in millions, except for share data)					
Selected Consolidated Balance Sheets Data:						
Cash and cash equivalents	17,864	15,567	25,688	34,262	36,971	5,311
Restricted cash	2,115	2,294	4,110	3,240	2,941	422
Short-term investments	2,780	6,548	8,588	2,036	24,603	3,534
Inventories, net	20,540	28,909	41,700	44,030	57,932	8,321
Accounts receivable, net	8,194	16,141	16,359	11,110	6,191	889
Investment in equity investees	8,713	14,629	18,551	31,357	35,576	5,110
Investment securities	1,006	1,060	10,028	15,902	21,417	3,076
Total assets	85,015	160,374	184,055	209,165	259,724	37,307
Accounts payable	29,819	46,036	74,338	79,985	90,428	12,989
Nonrecourse securitization debt	3,334	11,549	17,160	4,398	—	—
Unsecured senior notes	—	6,831	6,447	6,786	6,912	993
Total liabilities	54,294	119,154	131,666	132,337	159,099	22,853
Total mezzanine equity ⁽⁵⁾	—	7,057	—	15,961	15,964	2,293
Total JD.com, Inc. shareholders' equity	30,583	33,893	52,041	59,771	81,856	11,758
Number of outstanding ordinary shares	2,741,990,486	2,836,444,397	2,852,663,429	2,894,296,355	2,924,315,263	2,924,315,263

(5) In February 2018, we raised financing for JD Logistics from third-party investors in the total amount of US\$2.5 billion by issuing series A preferred shares of JD Logistics. Upon the completion of the financing, the third-party investors own approximately 19% of the equity interests of JD Logistics on a fully diluted basis. We determined that the series A preferred shares should be classified as mezzanine equity upon their issuance since they were contingently redeemable.

	For the Year Ended December 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions)					
Selected Consolidated Cash Flows Data:						
Net cash provided by continuing operating activities	4,122	9,467	29,342	20,881	24,781	3,560
Net cash used in discontinued operating activities	(1,349)	(1,227)	(2,486)	—	—	—
Net cash provided by operating activities ⁽⁶⁾	2,773	8,240	26,856	20,881	24,781	3,560
Net cash used in continuing investing activities	(9,809)	(17,069)	(21,944)	(26,079)	(25,349)	(3,641)
Net cash provided by/(used in) discontinued investing activities	2,018	(28,412)	(17,871)	—	—	—
Net cash used in investing activities ⁽⁶⁾	(7,791)	(45,481)	(39,815)	(26,079)	(25,349)	(3,641)
Net cash provided by continuing financing activities	3,835	8,649	5,180	11,220	2,572	370
Net cash provided by discontinued financing activities	865	32,050	14,055	—	—	—
Net cash provided by financing activities	4,700	40,699	19,235	11,220	2,572	370
Effect of exchange rate changes on cash, cash equivalents and restricted cash	344	727	(642)	1,682	406	57
Net increase in cash, cash equivalents and restricted cash	26	4,185	5,634	7,704	2,410	346
Cash, cash equivalents and restricted cash at beginning of year	19,953	19,979	24,164	29,798	37,502	5,387
Cash, cash equivalents and restricted cash at end of year	19,979	24,164	29,798	37,502	39,912	5,733
Less: Cash, cash equivalents and restricted cash of discontinued operations at end of year	3,882	6,303	—	—	—	—
Cash, cash equivalents and restricted cash of continuing operations at end of year	<u>16,097</u>	<u>17,861</u>	<u>29,798</u>	<u>37,502</u>	<u>39,912</u>	<u>5,733</u>

(6) As a result of new accounting guidance adopted on January 1, 2018, the consolidated statements of cash flows were retrospectively adjusted to include restricted cash in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The impact of the retrospective reclassification on cash flows of operating activities for the years ended December 31, 2015, 2016 and 2017 was an increase of RMB1,077 million, a decrease of RMB527 million, and an increase of RMB2,035 million, respectively. The impact on cash flows of investing activities for the years ended December 31, 2015, 2016 and 2017 was a decrease of RMB2,000 million, an increase of RMB2,787 million, and a decrease of RMB2,317 million, respectively.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business

If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

Our business has continued to grow in recent years, and we expect continued growth in our business and revenues. We plan to further expand our technology platform and fulfillment infrastructure and increase our product and service offerings. For example, in 2019, we recruited new employees in connection with the expansion of our fulfillment infrastructure and additional research and development personnel to strengthen our supply chain-based technology and service capability, and we will continue to invest resources in training, managing and motivating our workforce. We also plan to continue to build our warehouses and establish new fulfillment facilities in additional locations across China, including smaller, less developed areas. In addition, as we continue to increase our product and service offerings, we will need to work with a large number of new suppliers and third-party merchants efficiently and establish and maintain mutually beneficial relationships with our existing and new suppliers and third-party merchants. To support our growth, we also plan to implement a variety of new and upgraded managerial, operating, financial and human resource systems, procedures and controls. All these efforts will require significant managerial, financial and human resources. We cannot assure you that we will be able to effectively manage our growth or to implement all these systems, procedures and control measures successfully or that our new business initiatives will be successful. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful and our business and prospects may be materially and adversely affected.

We incurred significant net losses in the past and we may not be able to maintain profitability in the future.

We incurred significant net losses in the past. We had net losses from continuing operations of RMB19 million and RMB2,801 million in 2017 and 2018, respectively, and had net income from continuing operations of RMB11,890 million (US\$1,708 million) in 2019. We had accumulated deficits of RMB22,235 million, RMB24,038 million and RMB11,913 million (US\$1,711 million) as of December 31, 2017, 2018 and 2019, respectively.

We cannot assure you that we will be able to continue to generate net profits in the future. Our ability to achieve and maintain profitability depends in large part on our ability to increase our gross margin by obtaining more favorable terms from our suppliers as our business further grows in scale, managing our product mix, expanding our online marketplace and offering value-added services with higher margins. Accordingly, we intend to continue to invest for the foreseeable future in our technology platform and fulfillment infrastructure to support an even larger selection of products and to offer additional value-added services. As a result of the foregoing, we may not be able to maintain our profitability in the future.

If we are unable to provide superior customer experience, our business and reputation may be materially and adversely affected.

The success of our business hinges on our ability to provide superior customer experience, which in turn depends on a variety of factors. These factors include our ability to continue to offer authentic products at competitive prices, source products to respond to customer demands, maintain the quality of our products and services, attract and regulate third-party merchants on our online marketplace, and provide timely and reliable delivery, flexible payment options and superior after-sales service.

We rely primarily on our own fulfillment infrastructure, and to a lesser extent on contracted third-party couriers, to deliver our products. Interruptions or failures in our delivery services or contracted third-party couriers could prevent the timely or successful delivery of our products. These interruptions may be due to unforeseen events that are beyond our control or the control of our third-party couriers, such as inclement weather, natural disasters, virus outbreaks, transportation disruptions or labor unrest. If our products are not delivered on time or are delivered in a damaged state, customers may refuse to accept our products and have less confidence in our services. Furthermore, our own delivery personnel and those of contracted third-party couriers act on our behalf and, in most instances, interact with our customers personally. We maintain cooperation arrangements with a number of third-party couriers to deliver our products to our customers in those areas not covered by our own fulfillment infrastructure and for a portion of our bulky item deliveries, and we need to effectively manage these third-party service providers to ensure the quality of customer services. We have in the past received customer complaints from time to time regarding our delivery and return and exchange services. In addition, we have opened our fulfillment infrastructure by offering logistics services to third parties. If we are not able to manage our logistics services successfully, opening these services to third parties could divert the resources available to our retail business and affect customer experience. Any failure to provide high-quality delivery services to our customers may negatively impact the shopping experience of our customers, damage our reputation and cause us to lose customers. In certain instances, our customers may be referred to our affiliates when using our services. Even though we do not necessarily have control over these affiliates, any negative customer experience associated with them may adversely affect our brand and reputation.

We operate three 24-7 customer service centers in Suqian and Yangzhou, Jiangsu Province, and Chengdu, Sichuan Province, handling all kinds of customer queries and complaints regarding our products and services. As of December 31, 2019, we had over 10,000 customer service representatives at these three centers. There is no assurance that we will be able to maintain a low turnover rate of existing employees and provide sufficient training to new employees to meet our standards of customer service or that an influx of less experienced personnel will not dilute the quality of our customer service. If our customer service representatives fail to provide satisfactory service, or if waiting times are too long due to the high volume of calls from customers at peak times, our brand and customer loyalty may be adversely affected. In addition, any negative publicity or poor feedback regarding our customer service may harm our brand and reputation and in turn cause us to lose customers and market share.

Uncertainties relating to the growth and profitability of the retail industry in China in general, and the online retail industry in particular, could adversely affect our revenues and business prospects.

We generate the majority of our revenues from online retail. While online retail has existed in China since the 1990s, only recently have certain large online retail companies become profitable. The long-term viability and prospects of various online retail business models in China remain relatively untested. Our future results of operations will depend on numerous factors affecting the development of the online retail industry in China, which may be beyond our control. These factors include:

- the growth of internet, broadband, personal computer and mobile penetration and usage in China, and the rate of any such growth;
- the trust and confidence level of online retail consumers in China, as well as changes in customer demographics and consumer tastes and preferences;
- the selection, price and popularity of products as well as promotions that we and our competitors offer online;
- whether alternative retail channels or business models that better address the needs of consumers emerge in China; and
- the development of fulfillment, payment and other ancillary services associated with online purchases.

A decline in the popularity of online shopping in general, or any failure by us to adapt our mobile apps and websites and to improve the online shopping experience of our customers in response to trends and consumer requirements, may adversely affect our net revenues and business prospects.

Furthermore, the retail industry is very sensitive to macroeconomic changes, and retail purchases tend to decline during recessionary periods. The majority of our net revenues are derived from retail sales in China. Many factors outside of our control, including inflation and deflation, currency exchange rate fluctuation, volatility of stock and property markets, interest rates, tax rates and other government policies and unemployment rates can adversely affect consumer confidence and spending, which could in turn materially and adversely affect our growth and profitability. Unfavorable developments in domestic and international politics, including military conflicts, political turmoil and social instability, may also adversely affect consumer confidence and reduce spending, which could in turn materially and adversely affect our growth and profitability.

Any harm to our JD brand or reputation may materially and adversely affect our business and results of operations.

We believe that the recognition and reputation of our JD (京东) brand among our customers, suppliers and third-party merchants have contributed significantly to the growth and success of our business. Maintaining and enhancing the recognition and reputation of our brand are critical to our business and competitiveness. Many factors, some of which are beyond our control, are important to maintaining and enhancing our brand. These factors include our ability to:

- provide a compelling shopping experience to customers;
- maintain the popularity, attractiveness, diversity, quality and authenticity of the products we offer;
- maintain the efficiency, reliability and quality of our fulfillment services;
- maintain or improve customers' satisfaction with our after-sale services;
- support third-party merchants to provide satisfactory customer experience through our online marketplace;
- increase brand awareness through marketing and brand promotion activities; and
- preserve our reputation and goodwill in the event of any negative publicity, including those on customer service, customer and supplier relationships, internet security, product quality, price or authenticity, or other issues affecting us or other online retail businesses in China.

A public perception that non-authentic, counterfeit or defective goods are sold on our mobile apps and websites or that we or third-party service providers do not provide satisfactory customer service, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brand, undermine the trust and credibility we have established and have a negative impact on our ability to attract new customers or retain our current customers. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our websites, products and services, as well as products sold by third-party merchants through our online marketplace, it may be difficult to maintain and grow our customer base, and our business and growth prospects may be materially and adversely affected.

If we are unable to offer products that attract purchases from new and existing customers, our business, financial condition and results of operations may be materially and adversely affected.

Our future growth depends on our ability to continue to attract purchases from new customers and existing customers. Constantly changing consumer preferences have affected and will continue to affect the retail industry, in particular the online retail industry. We must stay abreast of emerging consumer preferences and anticipate product trends that will appeal to existing and potential customers. We have been making progress in leveraging artificial intelligence, or AI, technologies to generate personalized recommendations to customers for products in which they may be interested. Each product page typically has recommendations of similar products or other products that are often purchased together with that product. In addition, our mobile apps and websites make recommendations to customers according to a comprehensive dataset compiled based on customers' shopping behavior. Our ability to make individually tailored recommendations is dependent on our business intelligence system, which tracks, collects and analyzes our users' browsing and purchasing behavior, to provide accurate and reliable information. Our customers choose to purchase products on our mobile apps and websites due in part to the attractive prices that we offer, and they may choose to shop elsewhere if we cannot match the prices offered by other websites or by physical stores, or if we cannot maintain a steady supply of products they desire. If our customers cannot find their desired products on our mobile apps and websites at attractive prices, they may lose interest in us and visit our mobile apps and websites less frequently or even stop visiting our mobile apps and websites altogether, which in turn may materially and adversely affect our business, financial condition and results of operations.

We plan to further expand our fulfillment infrastructure. If we are unable to manage such expansion successfully, our business prospects and results of operations may be materially and adversely affected.

We believe that our own nationwide fulfillment infrastructure, consisting of strategically located warehouses and delivery and pickup stations, is essential to our success. As of December 31, 2019, we operated regional fulfillment centers in seven major cities, front distribution centers in 28 cities and other additional warehouses in 54 cities in China. Our comprehensive fulfillment facilities covered almost all the counties and districts across China, and we had 175,954 warehouse and delivery personnel as of December 31, 2019. We are constructing our warehouses to increase our storage capacity and to restructure and reorganize our fulfillment workflow and processes. In April 2017, we opened up our fulfillment infrastructure to third-parties and established a new business group, JD Logistics, to provide integrated supply chain and logistics services to third-party businesses across a wide range of industries. JD Logistics provides these businesses with comprehensive supply chain solutions, including warehousing, transportation, delivery and after-sales service. In October 2018, JD Logistics opened up its leading logistics network to consumers, offering parcel delivery service to users in certain regions. Leveraging our extensive delivery network, users in these areas can conveniently send items intra-city and throughout most of mainland China with our same fast and reliable delivery service. In April 2019, JD Logistics introduced its new cold chain service which utilizes idle capacity in the industry to offer cold chain transport services. Combined with JD Logistics's previously launched cold chain services, it has formed a one-stop shop from Factory to Business to Customer (F2B2C) cold chain delivery system to meet the service demands of manufacturers, third-party merchants, and consumers. JD Logistics has experienced rapid growth since its inception. However, the increase in demand for our logistics services may result in additional challenges in operating our fulfillment infrastructure. For example, increasing volume of parcels may cause delay for our delivery services, or we may be required to make significant capital expenditure to further expand our existing fulfillment facilities to handle the increasing orders both from our online marketplace and from third-party businesses. In addition, the development of logistics business is capital intensive. To address such capital requirement, in February 2018, we entered into definitive agreements with third-party investors for the financing of JD Logistics. We raised a total amount of US\$2.5 billion from third-party investors, who owned an aggregate of approximately 19% stake in JD Logistics on a fully diluted basis upon the completion of the transaction and we have remained as the controlling shareholder of JD Logistics. Despite such arrangement and capital injection, JD Logistics may require additional capital resources due to further developments or changed business conditions. JD Logistics may seek to obtain a credit facility or sell additional equity or debt securities. The sale of additional equity securities could result in dilution of our equity stake in JD Logistics, and the investors may have a strategy or objective different from ours with respect to JD Logistics or impose conditions that could restrict the operations of JD Logistics. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financial covenants that would restrict its operations. It is uncertain whether financing will be available in amounts or on terms acceptable, if at all. In addition, JD Logistics may from time to time need to adjust certain elements of its operations in response to evolving economic conditions and business needs. These adjustments, however, may not be sufficient to allow JD Logistics to address the various challenges it faces or improve its results of operations and financial performance as expected. Furthermore, if the compensation package offered is not competitive in the market, JD Logistics may not be able to provide sufficient incentives to or maintain stable and dedicated warehousing, delivery personnel and other labor support, which may result in disruption to or delay in its delivery services. Any failure to address these risks and uncertainties could materially and adversely affect JD Logistics' results of operations and financial performance and its prospects of achieving profitability, which could have a material adverse impact on our business development, financial conditions and results of operations.

We also plan to continue the establishment of fulfillment facilities at additional locations, including those smaller and less developed areas, to further enhance our ability to deliver products to customers directly ourselves. As we continue to add fulfillment and warehouse capability and expand our reach to those smaller, less-developed areas, our fulfillment network becomes increasingly complex and challenging to operate. We cannot assure you that we will be able to acquire land use rights and set up warehouses, or lease suitable facilities for the delivery stations, on commercially acceptable terms or at all. Moreover, the order density in those smaller, less developed areas may not be sufficient to allow us to operate our own delivery network in a cost-efficient manner. We may not be able to recruit a sufficient number of qualified employees in connection with the expansion of our fulfillment infrastructure. In addition, the expansion of our fulfillment infrastructure may strain our managerial, financial, operational and other resources. If we fail to manage such expansion successfully, our growth potential, business and results of operations may be materially and adversely affected. Even if we manage the expansion of our fulfillment infrastructure successfully, it may not give us the competitive advantage that we expect if improved third-party fulfillment services become widely available at reasonable prices to retailers in China.

We face intense competition. We may not be able to maintain or may lose market share and customers if we fail to compete effectively.

The retail industry in China, in particular the online retail industry, is intensely competitive. We compete for customers, orders, products and third-party merchants. Our current or potential competitors include major e-commerce companies in China that offer a wide range of general merchandise product categories, major traditional retailers in China that are moving into online retailing, online retail companies in China focused on specific product categories, and physical retail stores including big-box stores that also aim to offer a one-stop shopping experience. See “Item 4.B. Information on the Company—Business Overview—Competition.” In addition, new and enhanced technologies may increase the competition in the retail industry. New competitive business models may appear, for example based on new forms of social media or social commerce.

Increased competition may reduce our margins and market share and impact brand recognition, or result in significant losses. When we set prices, we have to consider how competitors have set prices for the same or similar products. When they cut prices or offer additional benefits to compete with us, we may have to lower our own prices or offer additional benefits or risk losing market share, either of which could harm our financial condition and results of operations.

Some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases, higher penetration in certain regions or greater financial, technical or marketing resources than we do. Those smaller companies or new entrants may be acquired by, receive investment from or enter into strategic relationships with well-established and well-financed companies or investors which would help enhance their competitive positions. Some of our competitors may be able to secure more favorable terms from suppliers, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies and devote substantially more resources to their websites, mobile apps and systems development than us. We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

Our expansion into new product categories and substantial increase in the number of products may expose us to new challenges and more risks.

In recent years, we have expanded our product offerings to include a wide range of products including apparel and footwear, bags, jewelry, household goods, cosmetics, personal care products, baby and maternity products, food and beverages, fresh produce, fitness equipment, autoparts, nutritional supplements, and books and virtual goods. Expansion into diverse new product categories and substantially increased number of products and stock keeping units involves new risks and challenges. Our lack of familiarity with these products and lack of relevant customer data relating to these products may make it more difficult for us to anticipate customer demand and preferences. We may misjudge customer demand, resulting in inventory buildup and possible inventory write-down. It may also make it more difficult for us to inspect and control quality and ensure proper handling, storage and delivery. We may experience higher return rates on new products, receive more customer complaints about them and face costly product liability claims as a result of selling them, which would harm our brand and reputation as well as our financial performance. Furthermore, we may not have much purchasing power in new categories of products and we may not be able to negotiate favorable terms with suppliers. We may need to price aggressively to gain market share or remain competitive in new categories. It may be difficult for us to achieve profitability in the new product categories and our profit margin, if any, may be lower than we anticipate, which would adversely affect our overall profitability and results of operations. We cannot assure you that we will be able to recoup our investments in introducing these new product categories.

If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

Our scale and business model require us to manage a large volume of inventory effectively. We depend on our demand forecasts for various kinds of products to make purchase decisions and to manage our inventory. Demand for products, however, can change significantly between the time inventory is ordered and the date by which we target to sell it. Demand may be affected by seasonality, new product launches, changes in product cycles and pricing, product defects, changes in consumer spending patterns, changes in consumer tastes with respect to our products and other factors, and our customers may not order products in the quantities that we expect. In addition, when we begin selling a new product, it may be difficult to establish supplier relationships, determine appropriate product selection, and accurately forecast demand. The acquisition of certain types of inventory may require significant lead time and prepayment, and they may not be returnable.

Our net inventories have increased significantly in recent periods, from RMB41,700 million as of December 31, 2017, to RMB44,030 million as of December 31, 2018 and further to RMB57,932 million (US\$8,321 million) as of December 31, 2019. Our annual inventory turnover days were 38.9 days in 2017, 38.7 days in 2018 and 35.8 days in 2019. Annual inventory turnover days are the quotient of average inventory over the immediately preceding five quarters, up to and including the last quarter of the annual period, to cost of revenues of retail business for that annual period, and then multiplied by 360 days. As we plan to continue expanding our product offerings, we expect to include more products in our inventory, which will make it more challenging for us to manage our inventory effectively and will put more pressure on our warehousing system.

If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operations and financial condition.

On the other hand, if we underestimate demand for our products, or if our suppliers fail to supply quality products in a timely manner, we may experience inventory shortages, which might result in missed sales, diminished brand loyalty and lost revenues, any of which could harm our business and reputation.

We may not be able to sustain our historical growth rates.

We have experienced rapid growth since we commenced our online retail business in 2004. However, there is no assurance that we will be able to maintain our historical growth rates in future periods. Our revenue growth may slow or our revenues may decline for any number of possible reasons, such as decreased consumer spending, increased competition, slowdown in the growth or contraction of the retail or online retail industry in China, fulfillment bottlenecks, emergence of alternative business models, changes in government policies or general economic conditions, and natural disasters or virus outbreaks. If our growth rate declines, investors' perceptions of our business and business prospects may be adversely affected and the market price of our ADSs could decline.

If we are unable to conduct our marketing activities cost-effectively, our results of operations and financial condition may be materially and adversely affected.

We have incurred significant expenses on a variety of different marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products. Our brand promotion and marketing activities may not be well received by customers and may not result in the levels of product sales that we anticipate. We incurred RMB14,918 million, RMB19,237 million and RMB22,234 million (US\$3,194 million) of marketing expenses in 2017, 2018 and 2019, respectively. Marketing approaches and tools in the consumer products market in China are evolving. This further requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share, cause our net revenues to decline and negatively impact our profitability.

If we fail to manage and expand our relationships with suppliers, or otherwise fail to procure products on favorable terms, our business and growth prospects may suffer.

We source products from third-party suppliers for our retail business. We had over 24,000 suppliers as of December 31, 2019. Our suppliers include domestic and cross-border manufacturers, distributors and resellers. Maintaining strong relationships with these suppliers is important to the growth of our business. In particular, we depend significantly on our ability to procure products from suppliers on favorable pricing terms. We typically enter into one-year framework agreements with suppliers on an annual basis, and these framework agreements do not ensure the availability of products or the continuation of particular pricing practices or payment terms beyond the end of the contractual term. In addition, our agreements with suppliers typically do not restrict the suppliers from selling products to other buyers. We cannot assure you that our current suppliers will continue to sell products to us on commercially acceptable terms, or at all, after the term of the current agreement expires. Even if we maintain good relationships with our suppliers, their ability to supply products to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal decisions, customs and import restrictions, natural disasters or other causes. In the event that we are not able to purchase merchandise at favorable prices, our revenues and cost of revenues may be materially and adversely affected. In the event any distributor or reseller does not have authority from the relevant manufacturer to sell certain products to us, such distributor or reseller may cease selling such products to us at any time. In addition, our annual accounts payable turnover days for retail business were 60.3 days in 2017, 60.2 days in 2018 and 54.5 days in 2019. Annual accounts payable turnover days are the quotient of average accounts payable for retail business over the immediately preceding five quarters, up to and including the last quarter of the annual period, to cost of revenues of retail business for that annual period, and then multiplied by 360 days. If our suppliers cease to provide us with favorable payment terms, our requirements for working capital may increase and our operations may be materially and adversely affected. We will also need to establish new supplier relationships to ensure that we have access to a steady supply of products on favorable commercial terms. If we are unable to develop and maintain good relationships with suppliers that would allow us to obtain a sufficient amount and variety of authentic and quality merchandise on acceptable commercial terms, it may inhibit our ability to offer sufficient products sought by our customers, or to offer these products at competitive prices. Any adverse developments in our relationships with suppliers could materially and adversely affect our business and growth prospects. Any disputes with suppliers could adversely affect our reputation and subject us to damages and negative publicity. In addition, as part of our growth strategy, we plan to further expand our product offerings. If we fail to attract new suppliers to sell their products to us due to any reason, our business and growth prospects may be materially and adversely affected.

Any interruption in the operation of our regional fulfillment centers, front distribution centers, other additional warehouses, delivery stations or pickup stations for an extended period may have an adverse impact on our business.

Our ability to process and fulfill orders accurately and provide high-quality customer service depends on the smooth operation of our regional fulfillment centers, front distribution centers, other additional warehouses, and our delivery and pickup stations. Our fulfillment infrastructure may be vulnerable to damage caused by fire, flood, power outage, telecommunications failure, break-ins, earthquake, human error and other events. If any of our regional fulfillment centers were to operate at a lower capacity or rendered incapable of operations, then we may be unable to fulfill any orders in a timely manner or at all in any of the provinces that rely on that center. For example, business operations at our fulfillment centers could be disrupted if any of our employees working therein are suspected of being infected with a novel strain of coronavirus (“COVID-19”), since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, those events that could damage our fulfillment infrastructure, such as fire and flood, may also result in damages to our inventory stored in or delivered through our fulfillment infrastructure, and in such event, we would incur losses as a result. We do not carry business interruption insurance other than in connection with the fixed business premises of our 7FRESH business, and the occurrence of any of the foregoing risks could have a material adverse effect on our business, prospects, financial condition and results of operations.

We may not be able to recoup the investments we make to expand and upgrade our fulfillment and technology capabilities.

We have invested significant resources in expanding and will continue to expand our fulfillment infrastructure and upgrade our technology platform. In connection with our expansion of our fulfillment infrastructure, we had paid an aggregate of approximately RMB18.0 billion (US\$2.6 billion) for the acquisition of land use rights, building of warehouses and purchase of warehousing equipment as of December 31, 2019. We sold certain of our development properties and received proceeds of RMB7.9 billion (US\$1.1 billion) in 2019. We seek to realize development profits and recycle capital from mature properties to fund new developments and scale the business. This initiative, however, may not always be successful. See “Item 4. Information on the Company—A. History and Development of the Company” for further information. We also paid significant amounts for upgrading our technology platform during the same periods. We expect to continue to invest in our fulfillment and technology capabilities for a number of years. We also intend to continue to add resources to our fulfillment infrastructure and upgrade our technology platform as we focus on expanding our product selection and offering new services. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect. We may not be able to recover our capital expenditures or investments, in part or in full, or the recovery of these capital expenditures or investments may take longer than expected. As a result, the carrying value of the related assets may be subject to an impairment charge, which could adversely affect our financial condition and results of operation.

Moreover, our heavy investment in building our own fulfillment infrastructure may put us at a competitive disadvantage against those competitors who primarily rely on third-party fulfillment services and focus their investment on improving other aspects of their businesses. We have designed our own fulfillment infrastructure to satisfy our business and operation requirements and to accommodate our fast growth, but there is no guarantee that we will be successful in meeting our objectives or that our own fulfillment structure will function more effectively and efficiently than third-party solutions.

We use third-party couriers to deliver some orders, and our third-party merchants use couriers to deliver a significant number of orders. If these couriers fail to provide reliable delivery services, our business and reputation may be materially and adversely affected.

We maintain cooperation arrangements with a number of third-party couriers (including Dada Nexus Limited, or Dada Group, a leading platform of local on-demand retail and delivery in China) to deliver our products to our customers in those areas not covered by our own fulfillment infrastructure, particularly in smaller and less developed areas. We may also use third-party service providers to ship products from our regional fulfillment centers or front distribution centers to delivery stations or to deliver bulky item products. Third-party merchants also use third-party couriers if they do not make use of our delivery services. Interruptions to or failures in these third parties’ delivery services could prevent the timely or proper delivery of our products to customers. These interruptions may be due to events that are beyond our control or the control of these delivery companies, such as inclement weather, natural disasters, virus outbreaks, transportation disruptions or labor unrest. In addition, if our third-party couriers fail to comply with applicable rules and regulations in China, our delivery services may be materially and adversely affected. We may not be able to find alternative delivery companies to provide delivery services in a timely and reliable manner, or at all. Delivery of our products could also be affected or interrupted by the merger, acquisition, insolvency or government shut-down of the delivery companies we engage to make deliveries, especially those local companies with relatively small business scales. If our products are not delivered in proper condition or on a timely basis, our business and reputation may be materially and adversely affected.

Our online marketplace is subject to risks associated with third-party merchants.

As of December 31, 2019, there were over 270,000 third-party merchants on our online marketplace. We do not have as much control over the storage and delivery of products sold on our online marketplace as we do over the products that we sell directly ourselves. Many of our third-party merchants use their own facilities to store their products, and many of them use their own or third-party delivery systems to deliver their products to our customers, which makes it more difficult for us to ensure that our customers get the same high quality service for all products sold on our mobile apps and websites. If any third-party merchant does not control the quality of the products that it sells on our mobile apps and websites, fails to timely deliver the products to customers, delivers products that are faulty or materially different from description, sells counterfeit or unlicensed products, or sells products without licenses or permits as required by the relevant laws and regulations even though we have requested such licenses or permits in our standard form contract with the third-party merchant, the reputation of our online marketplace and our JD brand may be materially and adversely affected and we could face claims to hold us liable for the losses. Moreover, despite our efforts to prevent it, some products sold on our online marketplace may compete with the products we sell directly, which may cannibalize our online retail. In addition, the supplier relationships, customer acquisition dynamics and other requirements for our online marketplace may not be the same as those for our online retail operations, which may complicate the management of our business. In order for our online marketplace to be successful, we must continue to identify and attract third-party merchants, and we may not be successful in this regard.

Failure to deal effectively with any fictitious transactions or other fraudulent conduct would materially and adversely affect our business, financial condition and results of operations.

We may face risks with respect to fraudulent activities on our online marketplace. Although we have implemented various measures to detect and reduce the occurrence of fraudulent activities on our marketplace, there can be no assurance that such measures will be effective in combating fraudulent transactions or improving overall satisfaction among third-party merchants and customers. In addition to fraudulent transactions with legitimate customers, sellers may also engage in fictitious or “phantom” transactions with themselves or collaborators in order to artificially inflate their own ratings on our online marketplace, reputation and search results rankings. This activity may harm other sellers by enabling the perpetrating seller to be favored over legitimate sellers, and may harm our customers by deceiving them into believing that a seller is more reliable or trusted than the seller actually is. This activity may also result in inflated transaction volume from our online marketplace. Moreover, illegal, fraudulent or collusive activities by our employees, such as fraud, bribery or corruption, could also subject us to liability or negative publicity or cause losses. Although we have internal controls and policies with regard to the review and approval of sales activities and other relevant matters, we cannot assure you that such controls and policies will prevent fraud or illegal activity by our employees. Negative publicity and user sentiment generated as a result of actual or alleged fraudulent or deceptive conduct on our platform or by our employees would severely diminish consumer confidence in us, reduce our ability to attract new or retain current third-party merchants and customers, damage our reputation and diminish the value of our brand names, and materially and adversely affect our business, financial condition and results of operations.

Strategic alliances, investments or acquisitions may have a material and adverse effect on our business, reputation, results of operations and financial condition.

We may enter into strategic alliances with various third parties to further our business purposes from time to time. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparty, and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor their actions. To the extent the third parties suffer negative publicity or harm to their reputations from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

In addition, we have in the past invested in or acquired additional assets, technologies or businesses that are complementary to our existing business, such as our investments in Bitauto Holdings Limited, or Bitauto, an NYSE-listed provider of internet content and marketing services for China’s fast-growing automotive industry, Yixin Group Limited, or Yixin, a HKEx-listed company that operates a leading online automobile retail transaction platform and subsidiary of Bitauto, and Dada Group, a leading platform of local on-demand retail and delivery in China, our acquisition of Yihaodian marketplace platform assets from Wal-Mart Stores, Inc., or Walmart, an NYSE-listed company, including the Yihaodian brand, mobile apps and websites, and our investments in Yonghui Superstores Co., Ltd., or Yonghui, a company listed on the Shanghai Stock Exchange and a leading hypermarket and supermarket operator in China, Farfetch.com Limited, or Farfetch, an NYSE-listed leading global e-commerce platform for the fashion industry, China United Network Communications Limited, or China Unicom, a company listed on the Shanghai Stock Exchange and a Chinese telecommunications operator, Vipshop Holdings Limited, or Vipshop, an NYSE-listed online discount retailer for brands in China, Dalian Wanda Commercial Properties Co., Ltd., or Wanda Commercial Properties, a leading developer, owner and operator of commercial properties in China, Jiangsu Five Star Appliance Co., Ltd., or Jiangsu Five Star, one of the leading offline retailers of home appliances and consumer electronics in China, and AiHuiShou International Co. Ltd., or AiHuiShou, an online second-hand consumer electronics trading platform. See “Item 4. Information on the Company—A. History and Development of the Company—Our Major Investments.” We expect to continue to evaluate and consider a wide array of potential strategic transactions as part of our overall business strategy, including business combinations, acquisitions and dispositions of businesses, technologies, services, products and other assets, as well as strategic investments, joint ventures and alliances.

If we are presented with appropriate opportunities, we may continue to do so in the future. Investments or acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. The costs of identifying and consummating investments and acquisitions may be significant. We may also incur significant expenses in obtaining necessary approvals from relevant government authorities in China and elsewhere in the world. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities and exposure to potential unknown liabilities of the acquired business. The cost and duration of integrating newly acquired businesses could also materially exceed our expectations. Any such negative developments could have a material adverse effect on our business, financial condition and results of operations.

Our financial results could be adversely affected by our investments or acquisitions. The investments and acquired assets or businesses may not generate the financial results we expect. They could result in occurrence of significant investments and goodwill impairment charges, and amortization expenses for other intangible assets. As of December 31, 2019, we had net intangible assets of RMB4.1 billion (US\$0.6 billion) and goodwill of RMB6.6 billion (US\$1.0 billion). In the event that a decline in fair value below the carrying value of our equity method investments is other-than-temporary, or the carrying amount of a reporting unit to which goodwill is allocated exceeds its fair value, we may have to record actual or potential impairment charges of investments in equity investees or intangible assets and goodwill recorded in connection with invested businesses. See “Item 5. Operating and Financial Review and Prospects — Critical Accounting Policies — Investment in Equity Investees.” Moreover, we share the results of the investments which we account for as equity method investments, although we have no control on the factors and risks that affect their business, results of operations and financial condition. In 2019, our share of results of equity investees was a loss of RMB1.7 billion (US\$0.2 billion), primarily attributable to losses picked up and the impairment recognized from our equity method investments. If the investments that we account for using the equity method were in a loss position, we would pick up their loss in our consolidated statement of operations. When our share of losses in the equity investees equals or exceeds our interest in the equity investees, we do not recognize further losses, unless we have incurred obligations or made payments or guarantees on behalf of the equity investees or unless we have other investments in the equity investees. We may continue to incur impairment charges in connection with our investments or acquisitions and pick up the losses by our equity investments, which could depress our profitability and have a material adverse impact on our financial results. In addition, changes in accounting principles relating to recognition and measurement of our investments may have a significant impact on our financial results. For instance, in January 2016, the Financial Accounting Standards Board, or the FASB, issued ASU 2016-01, “Financial Instruments — Overall (Subtopic 825-10) — Recognition and Measurement of Financial Assets and Financial Liabilities.” ASU 2016-01 amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments. With the adoption of ASU 2016-01 beginning January 1, 2018, we measure long-term investments other than equity method investments at fair value through earnings, which could vary significantly quarter to quarter. For investments without readily determinable fair values, we elect to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. The adoption of ASU 2016-01 has had a significant impact on our earnings, and we recorded a loss of RMB1.5 billion, and a gain of RMB3.5 billion (US\$0.5 billion) resulting from the fair value change in long-term investments in 2018 and 2019, respectively.

These and other risks could also lead to negative publicity, litigation, government inquiries, investigations or actions against the companies we invest in or acquire, or even against our other businesses, and may force us to incur significant additional expenses and allocate significant management and human resources to rectify or improve these companies’ corporate governance standards or internal controls and systems.

We may be subject to legal, regulatory and/or administrative proceedings.

We may be subject to litigation and regulatory proceedings inside and outside China relating to third-party and principal intellectual property infringement claims, contract disputes involving third-party merchants and consumers on our platforms, consumer protection claims, claims relating to data and privacy protection, employment related cases, cross-border payment and settlement disputes and other matters in the ordinary course of our business. As we routinely enter into business contracts with our suppliers, third-party merchants and consumers on our platform, we have been and may continue to be involved in legal proceedings arising from contract disputes, including being named as a co-defendant in lawsuits filed against our suppliers by third parties. For example, between July and August 2019, two lawsuits were filed against us involving claims in an aggregate amount of approximately RMB2.5 billion, plus damages due to late payments as well as litigation related expenses. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings” for more details. We believe these lawsuits are without merit and we are defending ourselves vigorously. However, there is uncertainty regarding the timing or ultimate resolution of these two lawsuits and the other legal proceedings in which we are involved. We anticipate that we will continue to be subject to legal, regulatory and/or administrative proceedings in the future incidental to our ordinary course of business. There can be no assurance that we will be able to prevail in our defense or reverse any unfavorable judgment, ruling or decision against us. In addition, we may decide to enter into settlements that may adversely affect our results of operations and financial condition.

As our digital economy expands, including across jurisdictions and through the addition of new businesses, we may encounter a variety of these claims, including those brought against us pursuant to anti-monopoly or unfair competitions laws or involving higher amounts of alleged damages. Laws, rules and regulations may vary in their scope and overseas laws and regulations may impose requirements that are more stringent than, or which conflict with, those in China. We have acquired and may acquire companies that may become subject to litigation, as well as regulatory proceedings. In addition, in connection with litigation or regulatory proceedings we may be subject to in various jurisdictions, we may be prohibited by laws, regulations or government authorities in one jurisdiction from complying with subpoenas, orders or other requests from courts or regulators of other jurisdictions, including those relating to data held in or with respect to persons in these jurisdictions. Our failure or inability to comply with the subpoenas, orders or requests could subject us to fines, penalties or other legal liability, which could have a material adverse effect on our reputation, business, results of operations and the trading price of our ADSs.

As a publicly-listed company, we may face additional exposure to claims and lawsuits inside and outside China, including securities law class actions. We will need to defend against these lawsuits, including any appeals should our initial defense be successful. The litigation process may utilize a material portion of our cash resources and divert management’s attention away from the day-to-day operations of our company, all of which could harm our business. There can be no assurance that we will prevail in any of these cases, and any adverse outcome of these cases could have a material adverse effect on our reputation, business and results of operations. In addition, although we have obtained directors’ and officers’ liability insurance, the insurance coverage may not be adequate to cover our obligations to indemnify our directors and officers, fund a settlement of litigation in excess of insurance coverage or pay an adverse judgment in litigation. Our directors and executive officers may also face litigation or proceedings (including securities class action) unrelated to their respective capacity as a director or executive officer of our company, and such litigation or proceedings may adversely affect our public image and reputation.

The existence of litigation, claims, investigations and proceedings may harm our reputation, limit our ability to conduct our business in the affected areas and adversely affect the trading price of our ADSs. The outcome of any claims, investigations and proceedings is inherently uncertain, and in any event defending against these claims could be both costly and time-consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any litigation, investigation or proceeding could cause us to pay damages, incur legal and other costs, limit our ability to conduct business or require us to change the manner in which we operate.

Our success depends on the continuing and collaborative efforts of our management team, and our business may be severely disrupted if we lose their services.

Our success heavily depends upon the continued services of our management. In particular, we rely on the expertise and experience of Mr. Richard Qiangdong Liu, our chairman and chief executive officer, and other executive officers. If one or more of our senior management were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all, and our business, financial condition and results of operations may be materially and adversely affected. If any of our senior management joins a competitor or forms a competing business, we may lose customers, suppliers, know-how and key professionals and staff members. Our senior management has entered into employment agreements and confidentiality and non-competition agreements with us. However, if any dispute arises between our officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce them at all. In addition, we do not have key-man insurance for any of our executive officers or other key personnel. Events or activities attributed to our executive officers or other key personnel, and related publicity, whether or not justified, may affect their ability or willingness to continue to serve our company or dedicate their full time and efforts to our company and negatively affect our brand and reputation, resulting in an adverse effect on our business, operating results and financial condition.

If we are unable to recruit, train and retain qualified personnel or sufficient workforce while controlling our labor costs, our business may be materially and adversely affected.

We intend to hire additional qualified employees to support our business operations and planned expansion. Our future success depends, to a significant extent, on our ability to recruit, train and retain qualified personnel, particularly technical, fulfillment, marketing and other operational personnel with experience in the online retail industry. Our experienced mid-level managers are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. The effective operation of our managerial and operating systems, fulfillment infrastructure, customer service center and other back office functions also depends on the hard work and quality performance of our management and employees. Since our industry is characterized by high demand and intense competition for talent and labor, we can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. Our fulfillment infrastructure is labor intensive and requires a substantial number of blue-collar workers, and these positions tend to have higher than average turnover. As of December 31, 2019, we employed a total of 175,954 warehouse and delivery personnel. We have observed an overall tightening of the labor market and an emerging trend of shortage of labor supply. Failure to obtain stable and dedicated warehousing, delivery personnel and other labor support may lead to underperformance of these functions and cause disruption to our business. Labor costs in China have increased with China's economic development, particularly in the large cities where we operate our regional fulfillment centers and more generally in the urban areas where we maintain our delivery and pickup stations. Because we operate our own fulfillment infrastructure, which requires a large and rapidly growing work force, our cost structure is more vulnerable to labor costs than that of many of our competitors, which may put us at a competitive disadvantage. Therefore, to maintain and enhance our competitiveness, we may from time to time need to adjust certain elements of our operations in response to evolving economic conditions and business needs. These adjustments, however, may not be sufficient to allow JD Logistics to address the various challenges it faces or improve its results of operations and financial performance as expected. Furthermore, if the compensation package offered is not competitive in the market, JD Logistics may not be able to provide sufficient incentives to or maintain stable and dedicated warehousing, delivery personnel and other labor support. Any failure to address these risks and uncertainties could materially and adversely affect JD Logistics' results of operations and financial performance and its prospects of achieving profitability, which could have a material adverse impact on our business development, financial conditions and results of operations. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth on a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

We may incur liability or become subject to administrative penalties for counterfeit or unauthorized products sold on our mobile apps and websites, or for products sold on our mobile apps and websites or content posted on our mobile apps and websites that infringe on third-party intellectual property rights, or for other misconduct.

We sourced our products from over 24,000 suppliers as of December 31, 2019. Third-party merchants on our online marketplace are separately responsible for sourcing the products they sell on our mobile apps and websites. As of December 31, 2019, we had over 270,000 third-party merchants on our online marketplace. Although we have adopted measures to verify the authenticity and authorization of products sold on our mobile apps and websites and avoid potential infringement of third-party intellectual property rights in the course of sourcing and selling products, we may not always be successful. As part of our cross-border e-commerce business, we source products outside of China and allow overseas brands or partners to sell their products through our online marketplace, which could make it more difficult for us to verify the authenticity and authorization of products sold.

In the event that counterfeit, unauthorized or infringing products are sold on our mobile apps and websites or infringing content is posted on our mobile apps and websites, we could face claims that we should be held liable. We have in the past received claims alleging our infringement of third parties' rights. Irrespective of the validity of such claims, we could incur significant costs and efforts in either defending against or settling such claims. If there is a successful claim against us, we might be required to pay substantial damages or refrain from further sale of the relevant products. Potential liability under PRC law if we negligently participated or assisted in infringement activities associated with counterfeit goods includes injunctions to cease infringing activities, rectification, compensation, administrative penalties and even criminal liability. Moreover, such third-party claims or administrative penalties could result in negative publicity and our reputation could be severely damaged. Any of these events could have a material and adverse effect on our business, results of operations or financial condition.

Under our standard form agreements, we require suppliers or third-party merchants to indemnify us for any losses we suffer or any costs that we incur due to any products we source from these suppliers or any products sold by these third-party merchants. However, not all of our agreements with suppliers and third-party merchants have such terms, and for those agreements that have such terms, we may not be able to successfully enforce our contractual rights and may need to initiate costly and lengthy legal proceedings in China to protect our rights. See “—Risks Related to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related business and companies.”

We may be subject to product liability claims.

The products sold by us through our online retail business may be defective. As a result, sales of such products could expose us to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against us as the retailer of the product. Although we would have legal recourse against the manufacturer of such products under PRC law, attempting to enforce our rights against the manufacturer may be expensive, time-consuming and ultimately futile. In addition, we do not currently maintain any third-party liability insurance or product liability insurance in relation to products we sell. As a result, any material product liability claim or litigation could have a material and adverse effect on our business, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation.

The proper functioning of our technology platform is essential to our business. Any failure to maintain the satisfactory performance of our websites, mobile apps and systems could materially and adversely affect our business and reputation.

The satisfactory performance, reliability and availability of our technology platform are critical to our success and our ability to attract and retain customers and provide quality customer service. Almost all of our sales of products are made online through our mobile apps and websites, and the fulfillment services we provide to third-party merchants are related to sales of their products through our mobile apps and websites. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our mobile apps and websites or reduced order fulfillment performance could reduce the volume of products sold and the attractiveness of product offerings on our mobile apps and websites. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill customer orders. Security breaches, computer viruses and hacking attacks have become more prevalent in our industry. Because of our brand recognition in the online retail industry in China, we believe we are a particularly attractive target for such attacks. We have experienced in the past, and may experience in the future, such attacks and unexpected interruptions. We can provide no assurance that our current security mechanisms will be sufficient to protect our IT systems from any third-party intrusions, viruses or hacker attacks, information or data theft or other similar activities. Any such future occurrences could reduce customer satisfaction, damage our reputation and result in a material decrease in our revenue.

Additionally, we must continue to upgrade and improve our technology platform to support our business growth, and failure to do so could impede our growth. However, we cannot assure you that we will be successful in executing these system upgrades and improvement strategies or when the execution of these system upgrades and improvement strategies will be effective. In particular, our systems may experience interruptions during upgrades, and the new technologies or infrastructures may not be fully integrated with the existing systems on a timely basis, or at all. In addition, we experience surges in online traffic and orders associated with promotional activities and holiday seasons, such as June 18 and November 11, which can put additional demands on our technology platform at specific times. If our existing or future technology platform does not function properly, it could cause system disruptions and slow response times, affecting data transmission, which in turn could materially and adversely affect our business, financial condition and results of operations.

Any deficiencies in China's internet infrastructure could impair our ability to sell products over our mobile apps and websites, which could cause us to lose customers and harm our operating results.

Almost all of our sales of products are made online through our mobile apps and websites, and the fulfillment services we provide to third-party merchants are related to sales of their products through our mobile apps and websites. Our business depends on the performance and reliability of the internet infrastructure in China. The availability of our mobile apps and websites depends on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we are unable to enter into and renew agreements with these providers on acceptable terms, or if any of our existing agreements with such providers are terminated as a result of our breach or otherwise, our ability to provide our services to our customers could be adversely affected. Almost all access to the internet in China is maintained through state-owned telecommunication carriers under administrative control, and we obtain access to end-user networks operated by such telecommunications carriers and internet service providers to give customers access to our mobile apps and websites. We have experienced service interruptions in the past, which were typically caused by service interruptions at the underlying external telecommunications service providers, such as the internet data centers and broadband carriers from which we receive services. Service interruptions prevent consumers from accessing our mobile apps and websites and placing orders, and frequent interruptions could frustrate customers and discourage them from attempting to place orders, which could cause us to lose customers and harm our operating results.

If we fail to adopt new technologies or adapt our websites, mobile apps and systems to changing customer requirements or emerging industry standards, or if our efforts to invest in the development of new technologies are unsuccessful or ineffective, our business may be materially and adversely affected.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our mobile apps and websites. The industries we operate in are characterized by rapid technological evolution, changes in customer requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices, such as mobile internet, in a cost-effective and timely way. In recent years, we invested in the development of many new technologies and business initiatives, such as AI, big data and cloud. The development of websites, mobile apps and other proprietary technologies entails significant technical and business risks. We cannot assure you that we will be able to successfully develop or effectively use new technologies, recoup the costs of developing new technologies or adapt our websites, mobile apps, proprietary technologies and systems to meet customer requirements or emerging industry standards. If we are unable to develop technologies successfully or adapt in a cost-effective and timely manner in response to changing market conditions or customer requirements, whether for technical, legal, financial or other reasons, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Customer growth and activity on mobile devices depends upon effective use of mobile operating systems, networks and standards that we do not control.

Purchases using mobile devices by consumers generally, and by our customers specifically, have increased significantly, and we expect this trend to continue. To optimize the mobile shopping experience, we are somewhat dependent on our customers downloading our specific mobile apps for their particular devices as opposed to accessing our sites from an internet browser on their mobile device. As new mobile devices and platforms are released, it is difficult to predict the problems we may encounter in developing applications for these alternative devices and platforms, and we may need to devote significant resources to the development, support and maintenance of such applications. In addition, our future growth and our results of operations could suffer if we experience difficulties in the future in integrating our mobile apps into mobile devices or if problems arise with our relationships with providers of mobile operating systems or mobile app download stores, if our apps receive unfavorable treatment compared to competing apps on the download stores, or if we face increased costs to distribute or have customers use our mobile apps. We are further dependent on the interoperability of our sites with popular mobile operating systems that we do not control, such as iOS and Android, and any changes in such systems that degrade the functionality of our sites or give preferential treatment to competitive products could adversely affect the usage of our sites on mobile devices. In the event that it is more difficult for our customers to access and use our sites on their mobile devices, or if our customers choose not to access or to use our sites on their mobile devices or to use mobile products that do not offer access to our sites, our customer growth could be harmed and our business, financial condition and operating results may be adversely affected.

Failure to protect confidential information of our customers and network against security breaches could damage our reputation and brand and substantially harm our business and results of operations.

A significant challenge to the online retail industry is the secure storage of confidential information and its secure transmission over public networks. Almost all of the orders and some of the payments for products we offer are made through our websites and our mobile apps. In addition, some online payments for our products are settled through third-party online payment services. We also share certain personal information about our customers with contracted third-party couriers, such as their names, addresses, phone numbers and transaction records. In addition, with the rapid development of our AI, big data and cloud technologies and services, we have accumulated a large volume of data, which covers customer's browsing and consumption behavior information, product manufacturing and sales information, warehousing and distribution information, customer service information, among others. We also formed strategic partnerships with some leading mobile internet companies to leverage their powerful big data resources, massive user bases and AI-driven technologies. Maintaining complete security for the storage and transmission of confidential information on our technology platform is essential to maintaining our operating efficiency and customer confidence as well as complying with the applicable laws and standards.

We have adopted security policies and measures, including encryption technology, to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, improper use or sharing of data, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining such confidential or private information we hold as a result of our customers' visits to our websites and use of our mobile apps. Such individuals or entities obtaining our customers' confidential or private information may further engage in various other illegal activities using such information. In addition, we have limited control or influence over the security policies or measures adopted by business partners including strategic partners or third-party providers of online payment services through which some of our customers may choose to make payment for purchases. The contracted third-party couriers we use may also violate their confidentiality obligations and disclose or use information about our customers illegally. Any negative publicity on our websites' or mobile apps' safety or privacy protection mechanisms and policies, and any claims asserted against us or fines imposed upon us as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations. We have experienced breaches of our information security measures in the past due to external causes beyond our control, such as a leak of user account information from the China Software Developer Network (CSDN) in 2011, although none of the past breaches individually or in the aggregate was material to our business or operations. We cannot assure you that similar events will not occur in the future. If we give third parties greater access to our technology platform in the future as part of providing more technology services to third-party merchants and others, it may become more challenging for us to ensure the security of our systems. Any compromise of our information security or the information security measures of our contracted third-party couriers or third-party online payment service providers or other business partners could have a material and adverse effect on our reputation, business, prospects, financial condition and results of operations. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet and mobile platforms are under increased public scrutiny.

As online retail industry and AI technology continue to evolve, we believe that increased regulation by the PRC government of data privacy on the internet is likely. We may become subject to new laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information that could affect how we store, process and share data with our customers, suppliers and third-party merchants. For example, the PRC Cyber Security Law provides that personal information and important data collected and generated by operators of critical information infrastructure in the course of their operations in the PRC should be stored in the PRC, and the law imposes heightened regulation and additional security obligations on operators of critical information infrastructure. In addition, the General Administration of Quality Supervision, Inspection and Quarantine and Standardization Administration jointly issued the Standard of Information Security Technology—Personal Information Security Specification (GB/T 35273-2017), which came into effect in May 2018. Moreover, the State Administration for Market Regulation and the Standardization Administration jointly issued the new Standard of Information Security Technology—Personal Information Security Specification (GB/T 35273-2020) in March 2020, which will replace the previous standard GB/T 35273-2017 and will take effect in October 2020. Pursuant to this standards, the personal data controller refers to entities or persons who are authorized to determine the purposes and methods for using and processing personal information. The personal data controller should collect information in accordance with the principles of legality, minimization and voluntariness and should also obtain a consent from the information provider. We expect that these areas will receive greater and continued attention and scrutiny from regulators and the public going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, we could become subject to penalties, including fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

In addition, we may need to comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S., Europe and elsewhere. For example, the European Union adopted the General Data Protection Regulation, or the GDPR, which became effective on May 25, 2018. The GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under GDPR) and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks.

We generally comply with industry standards and are subject to the terms of our own privacy policies. Compliance with any additional laws could be expensive, and may place restrictions on the conduct of our business and the manner in which we interact with our customers. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us, and misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental authorities or other authorities, damage to our reputation and credibility and could have a negative impact on revenues and profits.

Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, could cause our customers to lose trust in us and could expose us to legal claims. Any perception by the public that online transactions or the privacy of user information are becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of online retail and other online services generally, which may reduce the number of orders we receive.

The wide variety of payment methods that we accept subjects us to third-party payment processing-related risks.

We accept payments using a variety of methods, including payment on delivery, bank transfers, online payments through various third-party online payment platforms such as Weixin Pay, UnionPay and JD Pay (run by JD Digits). For certain payment methods, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment and cash on delivery options. Although we deliver a majority of the orders directly to customers ourselves, we use contracted third-party couriers to service areas that are not directly covered by our delivery network. Given some customers choose the cash-on-delivery option when they place their orders online, the delivery personnel of our contracted third-party couriers collect payments on our behalf, and we require the contracted third-party couriers to remit the payment collected to us on the following day. If these companies fail to remit the payment collected to us in a timely fashion or at all, if they become unwilling or unable to provide these services to us, or if their service quality deteriorates, our business could be disrupted. We are also subject to various rules, regulations and requirements governing electronic funds transfers, both in China and globally, which could change or be reinterpreted to make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

Our delivery, return and exchange policies may materially and adversely affect our results of operations.

We have adopted shipping policies that do not necessarily pass the full cost of shipping on to our customers. We also have adopted customer-friendly return and exchange policies that make it convenient and easy for customers to change their minds after completing purchases. We may also be required by law to adopt new or amend existing return and exchange policies from time to time. For example, pursuant to the amended Consumer Protection Law, which became effective in March 2014, except for certain types of products, such as custom-made goods, fresh and perishable goods, consumers are generally entitled to return the products purchased within seven days upon receipt without giving any reasons when they purchase the products from business operators on the internet. See “Item 4.B. Information on the Company—Business Overview—Regulation—Regulations Relating to Product Quality and Consumer Protection.” These policies improve customers’ shopping experience and promote customer loyalty, which in turn help us acquire and retain customers. However, these policies also subject us to additional costs and expenses which we may not recoup through increased revenue. Our ability to handle a large volume of returns is unproven. If our return and exchange policy is misused by a significant number of customers, our costs may increase significantly and our results of operations may be materially and adversely affected. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

The offline fresh food markets operated under our 7FRESH brand rely heavily on sales of perishable products, and ordering errors or product supply disruptions may have an adverse impact on the profitability and operating results.

Our offline fresh food markets rely on various suppliers and vendors to provide and deliver our perishable product inventory promptly on an ongoing basis. We could suffer significant product inventory losses in the event of the loss of a major supplier or vendor, disruption of our distribution network, extended power outages, natural disasters or other catastrophic occurrences. We have implemented certain systems to ensure our ordering is in line with demand. We cannot assure you, however, that our ordering system will always work efficiently, in particular in connection with the opening of new stores, which have no, or a limited, ordering history. If we were to over-order, we could suffer inventory losses, which would negatively impact our operating results.

We may experience negative impact on our reputation due to real or perceived quality or health issues with the food products sold at our offline fresh food markets, which could have an adverse impact on our operating results.

Customers of our offline fresh food markets expect us to provide them with fresh, high-quality food products. Concerns regarding the safety of our food products or the safety and quality of our food supply chain could cause shoppers to avoid purchasing certain products from us, or to seek alternative sources of food, even if the basis for the concern is outside of our control. Negative publicity about these concerns, whether or not ultimately based on facts, and whether or not involving products sold at our stores, could discourage consumers from buying our products and have an adverse impact on our operating results. Furthermore, sales of food products entails inherent risks of product liability claims, product recall and the resulting negative publicity. Food products containing contaminants could be inadvertently distributed by us and, if processing by the consumers level does not eliminate them, these contaminants could result in illness or death. We cannot assure you that product liability claims will not be asserted against us or that we will not be obligated to perform product recalls or held liable in the future.

Any loss in confidence on the part of our customers would be difficult and costly to reestablish. Any such adverse impact could be exacerbated by our position in the market as a purveyor of fresh, high-quality food products and could significantly reduce our brand value. Issues regarding the safety of any food items sold by us, regardless of the cause, could have a material and adverse impact on our sales and operating results.

If JD Digits is unable to successfully manage its business or conflicts that could arise between us and JD Digits are not resolved in our favor, our business, financial condition, results of operations and prospects could be materially and adversely affected as a result.

As of June 30, 2017, JD Digits was deconsolidated from our company as a result of the reorganization of JD Digits. After the reorganization, we do not have legal ownership or effective control of JD Digits. Mr. Richard Qiangdong Liu, our chairman and chief executive officer, has a majority of the voting interests in JD Digits through his equity stake and voting arrangements. See “Item 4. Information on the Company—A. History and Development of the Company” and “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreements and Transactions Relating to JD Digits” for further information.

JD Digits currently provides us with certain payment services on a non-exclusive basis and may provide additional services to us in the future. If JD Digits will not be able to successfully manage its risks such as credit risks, its ability to continue to deliver payment and other services to us may be undermined. In such event, JD Digits might seek to amend the terms of its agreements and arrangements with us, which could potentially result in a conflict of interest. Other conflicts of interest between us and JD Digits may arise relating to commercial or strategic opportunities or initiatives. Although we and JD Digits have each agreed to certain non-competition undertakings after the reorganization, we cannot assure you that JD Digits would not pursue opportunities to provide services to our competitors or other opportunities that would conflict with our interests. If JD Digits is unable to successfully manage its business or conflicts of interest that could arise between us and JD Digits are not resolved in our favor, our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, we continue to license certain of our intellectual properties, including our “JD” brand and related trademarks and domain names, to JD Digits in exchange for the right to receive a portion of the pre-tax profit of JD Digits, subject to certain conditions and potential proportional dilution as a result of any future equity financings and ESOP pool increases of JD Digits. While we do not control JD Digits, because of JD Digits’s ability to continue to use our brand, our close association with JD Digits and overlapping user base, events that negatively affect JD Digits, for example, alleged engagement in inappropriate activities, involvement in any legal or administrative proceedings, or negative publicity, could also negatively affect customers’, regulators’ and other third parties’ perception of us and our JD brand, harm our credibility and reputation and adversely affect our business.

We may not be able to acquire a direct equity ownership interest in JD Digits.

The Framework Agreement we entered into with JD Digits in connection with the reorganization of JD Digits provides for future potential equity issuances of up to 40% of equity interest in JD Digits to us in the event that JD Digits applies for and receives certain PRC regulatory approvals in the future. In addition, upon a qualified IPO or any other liquidity event of JD Digits, if our total ownership of equity interests in JD Digits, if any, has not reached 40%, we would be entitled, at our election, to receive a one-time payment up to 40% of the equity value, immediately prior to such qualified IPO or other liquidity event of JD Digits. If we acquire equity interests in JD Digits in an aggregate amount less than the full 40% equity interest, then the percentage of JD Digits’s equity value used to calculate the liquidity event payment will be reduced proportionately. The above-mentioned maximum percentages of JD Digits’s equity interest that may be issued to us and JD Digits’s equity value in the form of liquidity payment to us at our election are also subject to potential proportional dilution as a result of any subsequent equity financings or ESOP pool increases of JD Digits, and have been diluted to approximately 36% in connection with JD Digits’s additional round of financing in 2018.

If JD Digits does not receive the required PRC regulatory approvals mentioned above, we will not be able to acquire a direct equity ownership interest in JD Digits, and we would fail to benefit from any appreciation in its equity value beyond the date of a qualified IPO or other liquidity event of JD Digits. Our inability to reap the benefits of any appreciation in equity value of JD Digits, including in connection with a qualified IPO or other liquidity event of JD Digits, could represent a significant missed opportunity that is beyond our control. In addition, if we elect to receive a one-time payment up to 40% of the equity value of JD Digits, which is subject to potential proportional dilution as a result of any subsequent financings or ESOP pool increases of JD Digits and has been diluted to approximately 36% in connection with JD Digits's additional round of financing in 2018, immediately prior to a qualified IPO or other liquidity event of JD Digits, it is possible that JD Digits will not have sufficient funds to make the payment in a timely manner or on a schedule acceptable to us. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreements and Transactions Relating to JD Digits."

Our 7FRESH brand may be unable to keep existing store locations, open new stores in desirable places on favorable terms or compete successfully with other retailers, which could materially and adversely affect its results of operations.

Our 7FRESH brand's growth strategy includes opening and operating offline fresh food stores at suitable locations. The implementation of this strategy depends on finding suitable locations. In addition, we compete with other retailers and businesses for suitable locations. Local land use and zoning regulations, environmental regulations and other regulatory requirements may affect our ability to find suitable locations and have an impact on the cost of constructing, renovating and operating our stores. Real estate, zoning, construction and other delays may adversely affect store openings and renovations and increase our costs. Moreover, changing local demographics at existing store locations may adversely affect revenue and profitability levels at those stores. The termination or expiration of leases at existing store locations may adversely affect us if the renewal terms of those leases are unacceptable to us and we are forced to close or relocate stores. If we determine to close or relocate a store subject to a lease, we may remain obligated under the lease for the remainder of the lease term.

Furthermore, our offline fresh food stores face increasing competition from other retailers in various aspects, including, among others, pricing, selection, quality and availability of product offering, store hours, in-store amenities, shopping convenience and overall shopping experience. If we operate our stores at locations not suitable for our growth strategy, or if we are unable to maintain our existing store locations, open new stores in desirable places and on favorable terms or compete successfully with other retailers, the results of operations of our 7FRESH brand could be materially and adversely affected.

JD Health, our healthcare subsidiary, is subject to risks associated with the marketing, distributing, selling and regulation of pharmaceutical and healthcare products.

JD Health, our healthcare subsidiary, is subject to certain risks associated with the marketing, distributing and selling of pharmaceutical and other health and wellness products including, but not limited to, the following:

- inability to successfully execute effective advertising, marketing and promotional activities necessary to maintain and increase the awareness of JD Health and the products and services it offers;
- failure to implement effective pricing and other strategies in response to intense market competition in the pharmaceutical industry in China;
- inability to upgrade intelligent healthcare solutions in response to changing consumer demand and preference;
- inability to stock adequate supply of pharmaceutical and healthcare products that customers desire;
- inability to obtain and maintain regulatory or governmental permits, approvals and clearances, or to pass PRC government inspections; and
- the risk of, and resulting liability from, any contamination, injury or other harm caused by any use, misuse, misdiagnosis or side-effects involving products distributed or services provided by JD Health.

The occurrence of any such risks may damage the business and reputation of JD Health, and may have a material and adverse impact on our financial condition and results of operations.

Furthermore, laws and regulations regarding pharmaceutical and healthcare industry in China are strict and extensive. Violation of relevant laws and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution. Meanwhile, regulations of both internet industry and its internet healthcare sector are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, it may be difficult to determine what actions or omissions would be deemed in violation of applicable laws and regulations. Due to the uncertainty and complexity of the regulatory environment, we cannot assure you that JD Health would always be in full compliance with applicable laws and regulations, the violation of which may have adverse effect on its brand reputation and business. Compliance with future laws and regulations may require JD Health to change its business models and practices at an undeterminable and possibly significant financial cost. These additional monetary expenditures may increase future overhead, which may, in turn, have a material adverse effect on our business, financial condition and results of operations.

JD Property Management Group, or JD Property, faces challenges relating to the macroeconomic environment, the market condition and its own business development.

JD Property, our subsidiary that owns, develops and manages our logistics facilities and other real estate properties, is in its early stage of business development and faces challenges relating to the macroeconomic environment, the market condition and certain characteristics of its current operations. These challenges include, but are not limited to:

- *impact on business growth due to the COVID-19 pandemic.* We expect JD Property's progress on land procurement and property development to be adversely affected so long as local government authorities continue to prioritize the fight against COVID-19 over economic development;
- *fluctuations in the macroeconomic environment.* The market demand for logistics facilities generally reflects conditions in the Chinese economy. If the general economy slows, the demand for logistics properties will decrease and the vacancy rate will increase, resulting in a more competitive market environment for JD Property;
- *concentration risk of business operations.* External clients currently account for a relatively small portion of JD Property's client base. Its business growth largely depends on the demand of JD.com, JD Logistics and other affiliated companies. Moreover, because the primary business focus of JD Property is on logistics properties, slowdown in the logistics industry may have a greater impact on its business than if JD Property were engaged in the development of different types of properties, including residential, office or other properties, in addition to industrial and logistics properties;
- *uncertainties in the overseas market.* JD Property's venture into the overseas market, such as the Southeast Asian market, faces challenges inherent in conducting cross-board business, including cultural differences, complexity of local regulatory environment, political stability and communication with local clients and business partners, among other things; and
- *relatively short operating history.* JD Property is in the early stage of business development, and faces challenges a new company typically encounters in its management, financing and business expansion.

If JD Property's business cannot continue to grow despite these challenges, our financial condition and results of operations may be materially and adversely affected.

Our use of some leased properties could be challenged by third parties or government authorities, which may cause interruptions to our business operations.

As of December 31, 2019, approximately 4.05% of the lessors of our leased warehouses, approximately 10.8% of the lessors of our leased offices, and approximately 5% of the lessors of our leased delivery stations and pickup stations have not provided us with their property ownership certificates or any other documentation proving their right to lease those properties to us. If our lessors (including the lessors of our 7FRESH offline fresh food stores) are not the owners of the properties and they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. Some of the leased properties were also subject to mortgage at the time the leases were entered into. Such lease may not be binding on the transferee of the property in the event that the mortgage holder forecloses on the mortgage and transfers the property to another party. In addition, a substantial portion of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities.

As of the date of this annual report, we are not aware of any material claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Failure to renew our current leases or locate desirable alternatives for our facilities could materially and adversely affect our business.

We lease properties for our offices, customer service center, warehouses, sorting centers, and delivery and pickup stations. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could materially and adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our affected operations could materially and adversely affect our business and operations.

We are subject to a broad range of laws and regulations. Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse impact on our business or any failure to comply with applicable laws or regulations, financial condition and results of operations.

Our business is subject to governmental supervision and regulation by the relevant PRC governmental authorities, including the State Administration for Market Regulation (formerly known as the State Administration for Industry and Commerce), or SAMR, the National Development and Reform Commission, the Ministry of Commerce, the Ministry of Industry and Information Technology, or MIIT, the Cyberspace Administration of China, the Ministry of Transport, the State Post Bureau and the People's Bank of China, among others. Together, these government authorities promulgate and enforce regulations that cover many aspects of the operation of the online retail, courier and road freight transportation industries, including entry into these industries, the scope of permissible business activities, licenses and permits for various business activities, and foreign investment. See "Item 4.B. Information on the Company—Business Overview—Regulation—Regulations Relating to Foreign Investment" and "—Licenses and Permits."

Under PRC law, an entity operating courier services across multiple provinces must obtain a cross-provincial Courier Service Operation Permit and conduct its courier services within the permitted scope as indicated in the permit. Furthermore, any entity engaging in road freight transportation services in China must obtain a Road Transportation Operation Permit from the relevant road transportation administrative authorities. We operate a nationwide road freight transportation and delivery network. As of December 31, 2019, we have Courier Service Operation Permits that allow Jingbangda, a subsidiary of Xi'an Jingdong Xincheng, one of our consolidated variable interest entities providing logistics services, and the subsidiaries of Jingbangda, to operate an express delivery business in 31 provinces and 448 cities in China. As of December 31, 2019, Jingbangda and its 37 subsidiaries had obtained Courier Service Operation Permits. As of the same date, Xi'an Jingdong Xincheng and its 10 branches and one subsidiary, and Jingbangda and its 33 subsidiaries had obtained Road Transportation Operation Permits that allow these entities to provide road freight transportation services. We are in the process of making filings with local postal administrations for express delivery terminal outlets of Jingbangda and its branches. However, we cannot assure you that we can obtain such permits and licenses in a timely manner, or at all, due to complex procedural requirements and policies.

In addition, we issue one type of prepaid cards which may be used to buy the products sold on our mobile apps and websites. Due to licensing requirements, currently such prepaid cards can only be used to purchase products directly sold by us.

There may be some defects with respect to the process of establishing certain of our indirect subsidiaries in China. Certain subsidiaries of our wholly foreign-owned subsidiaries in China were established without obtaining the prior approval from the relevant government authorities that supervise the relevant industries, and some obtain the relevant permits from the government authority at a level lower than as required. We have not received any notice of warning or been subject to penalties or other disciplinary action from the relevant governmental authorities with respect to these defects. However, we cannot assure you that the relevant governmental authorities would not require us to obtain the approvals, or the permits from proper level of government authorities to cure the defects, or take any other actions retrospectively in the future. If the relevant government authorities require us to cure such defects, we cannot assure you that we will be able to obtain the approvals, or the permits from proper level of government authorities, in a timely manner or at all.

We provide payment by installments to certain qualified customers for purchasing relevant products sold on our websites. These payment services may be deemed to be providing consumer loans. If so, an approval for consumer finance company from the relevant authority is required, and we cannot assure you that we can obtain such approval in a timely manner, or at all.

If the PRC government considers that we were operating without the proper approvals, licenses or permits, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material and adverse effect on our results of operations.

The e-commerce industry, and online retail in particular, is highly regulated by the PRC government. We are required to obtain various licenses and permits from different regulatory authorities in order to distribute certain categories of products on our mobile apps and websites. See “Item 4.B. Information on the Company—Business Overview—Regulation—Licenses and Permits.” We have made great efforts to obtain all the applicable licenses and permits, but due to the large number of products sold on our mobile apps and websites, we may not always be able to do so and we were penalized by governmental authorities for selling products without proper licenses. As we increase our product selection, we may also become subject to new or existing laws and regulations that did not affect us before.

As online retail is evolving rapidly in China, new laws and regulations may be adopted from time to time to require additional licenses and permits other than those we currently have, and to address new issues that arise from time to time. For example, in August 2018, the Standing Committee of the National People’s Congress promulgated the E-Commerce Law, which became effective on January 1, 2019. The E-Commerce Law imposes a number of new requirements and obligations on e-commerce platform operators. As no detailed interpretation and implementation rules have been promulgated, it remains uncertain how the newly adopted E-Commerce Law will be interpreted and implemented. We have adopted a series of measures to comply with such requires under the E-Commerce Law. We cannot assure you, however, that our current business operations meet the requirements under the E-Commerce Law in all respects. If the PRC governmental authorities determine that we are not in compliance with all the requirements under the E-Commerce Law and other applicable laws and rules, we may be subject to fines and/or other sanctions. As a result, substantial uncertainties exist regarding the interpretation and implementation of PRC laws and regulations applicable to online retail businesses. If we are unable to maintain and renew one or more of our licenses and certificates when their current term expires, or obtain such renewals on commercially reasonable terms, our operations could be disrupted. If the PRC government requires additional licenses or permits or provides more strict supervision requirements in the future in order for us to conduct our businesses, there is no guarantee that we would be able to obtain such licenses or permits or meet all the supervision requirements in a timely manner, or at all.

We have granted, and may continue to grant, restricted share units and other types of awards under our Share Incentive Plan, which may result in increased share-based compensation expenses.

We have adopted a share incentive plan to provide additional incentives to employees, directors and consultants. See “Item 6.B. Directors, Senior Management and Employees—Compensation—Share Incentive Plan” for a detailed discussion. For example, in May 2015, our board of directors approved a 10-year compensation plan for Mr. Richard Qiangdong Liu, under which, Mr. Liu will receive RMB1.00 per year in cash salary and zero cash bonus during the 10-year period and in the meantime, Mr. Liu was granted an option to acquire a total of 26,000,000 Class A ordinary shares of the Company, at an exercise price of US\$16.70 per share or US\$33.40 per ADS, subject to a 10-year vesting schedule with 10% of the award vested on each anniversary of the grant date. We will not grant any additional equity incentive to Mr. Liu during the 10-year period. We incurred share-based compensation expenses of RMB227 million, RMB167 million and RMB134 million (US\$19 million) in connection with this grant of option to Mr. Liu in 2017, 2018 and 2019, respectively. In addition, JD Logistics adopted its own share incentive plan in 2018, which permits the granting of stock options, restricted share units and other types of awards of JD Logistics to its employees, directors and consultants, and granted 187,844,000 and 83,476,500 share options in 2018 and 2019, respectively. For the years ended December 31, 2017, 2018 and 2019, we recorded an aggregate of RMB2,780 million, RMB3,660 million RMB3,695 million (US\$531 million), respectively, in share-based compensation expenses. As of December 31, 2019, the awards that had been granted to our directors, officers, employees and consultants and remained outstanding included (i) restricted share units to receive an aggregate of 100,851,090 ordinary shares, excluding restricted share units that were forfeited, cancelled, or vested after the relevant grant date, and (ii) options to purchase an aggregate of 36,224,124 ordinary shares, excluding options that were forfeited, cancelled, or exercised after the relevant grant date. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Our results of operations are subject to seasonal fluctuations.

We experience seasonality in our business, reflecting a combination of traditional retail seasonality patterns and new patterns associated with online retail in particular. For example, we generally experience less user traffic and purchase orders during national holidays in China, particularly during the Chinese New Year holiday season in the first quarter of each year. Furthermore, sales in the traditional retail industry are significantly higher in the fourth quarter of each calendar year than in the preceding three quarters. E-commerce companies in China hold special promotional campaigns on November 11 each year, and we hold a special promotional campaign in the second quarter of each year, on June 18, to celebrate the anniversary of the founding of our business, both of which can affect our results for those quarters. Overall, the historical seasonality of our business has been relatively mild due to the rapid growth we have experienced and may increase further in the future. Our financial condition and results of operations for future periods may continue to fluctuate. As a result, the trading price of our ADSs may fluctuate from time to time due to seasonality.

We may need additional capital, and financing may not be available on terms acceptable to us, or at all.

We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources due to changed business conditions or other future developments, including any changes in our account payable policy, marketing initiatives or investments we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to obtain a credit facility or sell additional equity or debt securities. The sale of additional equity securities could result in dilution of our existing shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. For example, the unsecured senior notes we issued in April 2016 and January 2020 both contain covenants including limitation on liens and restriction on consolidation, merger and sale of all or substantially all of our assets, and our term and revolving credit facilities we entered into in 2017 contain covenants that impose certain minimum financial performance requirements on us and that restrict our ability to raise additional debt. It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all.

Failure to comply with the terms of our indebtedness or enforcement of our obligations under any guarantee or other similar arrangement could have an adverse effect on our cash flow and liquidity.

As of December 31, 2019, we had long-term debt obligations in an aggregate amount of RMB10.1 billion (US\$1.4 billion), including US\$1.0 billion in aggregate principal amount of unsecured senior notes and US\$450 million we had drawn down under our US\$1.0 billion term and revolving credit facilities. Subsequently, we issued in January 2020 US\$1.0 billion in aggregate principal amount of senior unsecured notes, and drew down in April 2020 the remaining US\$550 million under our US\$1.0 billion term and revolving credit facilities. Under the terms of our indebtedness and under any debt financing arrangement that we may enter into in the future, we are, and may be in the future, subject to covenants that could, among other things, restrict our business and operations. If we breach any of these covenants, our lenders under our credit facilities and holders of our unsecured senior notes will be entitled to accelerate our debt obligations. Any default under our credit facilities or unsecured senior notes could require that we repay these debts prior to maturity as well as limit our ability to obtain additional financing, which in turn may have a material adverse effect on our cash flow and liquidity. In addition, enforcement against us under any guarantee and other similar arrangements we may enter into in the future could materially and adversely affect our cash flow and liquidity.

Changes affecting the availability of the London Inter-bank Offered Rate (LIBOR) may have consequences for us that cannot yet be reasonably predicted.

We have outstanding debt with variable interest rates based on LIBOR. In December 2017, we entered into a five-year US\$1.0 billion term and revolving credit facilities agreement with a group of 24 arrangers. The facilities were priced at 115 basis points over LIBOR. As of the date of this annual report, we had fully drawn down the credit facilities. The LIBOR benchmark has been the subject of national, international and other regulatory guidance and proposals to reform. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear whether or not, at that time, LIBOR will cease to exist and a satisfactory replacement rate developed or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of, among other entities, large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index that measures the cost of borrowing cash overnight, backed by U.S. Treasury securities ("SOFR"). SOFR is observed and backward-looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. Whether or not SOFR attains market traction as a LIBOR replacement rate remains in question. As such, the future of LIBOR at this time is uncertain. If LIBOR ceases to exist, we may need to renegotiate the applicable interest rates under our existing revolving credit facilities agreement, as it uses LIBOR as a factor in determining the applicable interest rate. In addition, any changes to benchmark rates may have an uncertain impact on our cost of funds and our access to the capital markets, which could impact our results of operations and cash flows. Uncertainty as to the nature of such potential changes may also adversely affect the trading market for our securities.

Our revenues and financial results may be adversely affected by any economic slowdown in China as well as globally.

The success of our business ultimately depends on consumer spending. We derive substantially all of our revenues from China. As a result, our revenues and financial results are impacted to a significant extent by economic conditions in China and globally, as well as economic conditions specific to online retail. The global macroeconomic environment is facing numerous challenges. The growth rate of the Chinese economy has gradually slowed since 2010 and the trend may continue in the foreseeable future, especially in light of the challenges the global economy is facing due to the COVID-19 global pandemic. See "— We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations." Any slowdown could significantly reduce domestic commerce in China, including through the internet generally and through us. In addition, there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete agreements with our employees and others, to protect our proprietary rights. Although we are not aware of any copycat websites that attempt to cause confusion or diversion of traffic from us at the moment, we may become an attractive target to such attacks in the future because of our brand recognition in the online retail industry in China. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Further, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms.

It is often difficult to register, maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We can provide no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. We have been, and from time to time in the future may be, subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by our products or services, the products or services provided by third-party merchants on our marketplace, or other aspects of our business. There could also be existing patents of which we are not aware that our products may inadvertently infringe. We cannot assure you that holders of patents purportedly relating to some aspect of our technology platform or business, if any such holders exist, would not seek to enforce such patents against us in China, the United States or any other jurisdictions. Further, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question. Finally, we use open source software in connection with our products and services. Companies that incorporate open source software into their products and services have, from time to time, faced claims challenging the ownership of open source software and compliance with open source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or noncompliance with open source licensing terms. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and make available any derivative works of the open source code on unfavorable terms or at no cost. Any requirement to disclose our source code or pay damages for breach of contract could be harmful to our business, results of operations and financial condition.

We have limited insurance coverage, which could expose us to significant costs and business disruption.

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased all risk property insurance covering our inventory and fixed assets such as equipment, furniture and office facilities. We maintain public liability insurance for our business activities at 27 locations. We also provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. Additionally, we provide group accident insurance for all employees and supplementary medical insurance for all management and technology and other professional personnel. However, insurance companies in China currently offer limited business-related insurance products. We do not maintain business interruption insurance or product liability insurance other than in connection with the fixed business premises of our 7FRESH business, nor do we maintain key-man life insurance. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

Our chairman and chief executive officer, Mr. Richard Qiangdong Liu, has considerable influence over important corporate matters. Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and/or our ADSs may view as beneficial.

Our chairman and chief executive officer, Mr. Richard Qiangdong Liu, has considerable influence over important corporate matters. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share in respect of matters requiring the votes of shareholders, while holders of Class B ordinary shares are entitled to twenty votes per share, subject to certain exceptions. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any direct or indirect transfer of Class B ordinary shares or associated voting power by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares will be automatically and immediately converted into the equal number of Class A ordinary shares. Due to the disparate voting powers associated with our two classes of ordinary shares, as of February 29, 2020, Mr. Liu beneficially owned 78.5% of the aggregate voting power of our company, including 5.1% of the aggregate voting power of our company that he may exercise on behalf of Fortune Rising Holdings Limited. Mr. Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited. Fortune Rising Holdings Limited holds 29,373,658 Class B ordinary shares, representing 5.1% of the aggregate voting power of our company, for the purpose of transferring such shares to the plan participants according to our awards under our Share Incentive Plan, and administers the awards and acts according to our instruction. Fortune Rising Holdings Limited can exercise the 5.1% of the aggregate voting power of our company following our instruction. Mr. Liu, as the representative of Fortune Rising Holdings Limited, can exercise this 5.1% of the aggregate voting power of our company on behalf of Fortune Rising Holdings Limited. See “Item 6.E. Directors, Senior Management and Employees—Share Ownership.” As a result, Mr. Liu has considerable influence over matters such as electing directors and approving material mergers, acquisitions or other business combination transactions. In addition, under our current memorandum and articles of association, our board of directors will not be able to form a quorum without Mr. Liu for so long as Mr. Liu remains a director. This concentrated control will limit your ability to influence corporate matters and could also discourage others from pursuing any potential merger, takeover or other change of control transactions, which could have the effect of depriving the holders of our Class A ordinary shares and our ADSs of the opportunity to sell their shares at a premium over the prevailing market price.

Changes in U.S. and international trade policies, particularly with regard to China, may adversely impact our business and operating results.

The U.S. government has made statements and taken certain actions that may lead to potential changes to U.S. and international trade policies towards China. In January 2020, the “Phase One” agreement was signed between the United States and China on trade matters. However, it remains unclear what additional actions, if any, will be taken by the U.S. or other governments with respect to international trade agreements, the imposition of tariffs on goods imported into the U.S., tax policy related to international commerce, or other trade matters. While cross-border business may not be an area of our focus, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our products and services, impact the competitive position of our products or prevent us from selling products in certain countries. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government takes retaliatory trade actions due to the recent U.S.-China trade tension, such changes could have an adverse effect on our business, financial condition and results of operations.

Disruptions in the financial markets and economic conditions could affect our ability to raise capital.

Global economies could suffer dramatic downturns as the result of a deterioration in the credit markets and related financial crisis as well as a variety of other factors including, extreme volatility in security prices, severely diminished liquidity and credit availability, ratings downgrades of certain investments and declining valuations of others. For example, the current COVID-19 pandemic has caused significant volatility in financial markets across the world. In the past, governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets. If these actions are not successful, the return of adverse economic conditions may cause a significant impact on our ability to raise capital, if needed, on a timely basis and on acceptable terms or at all.

We may be the subject of anti-competitive, harassing, or other detrimental conduct by third parties including complaints to regulatory agencies, negative blog postings, and the public dissemination of malicious assessments of our business that could harm our reputation and cause us to lose market share, customers and revenues and adversely affect the price of our ADSs.

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. Our brand name and our business may be harmed by aggressive marketing and communications strategies of our competitors. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, allegations, directly or indirectly against us, may be posted in internet chat-rooms or on blogs or websites by anyone, whether or not related to us, on an anonymous basis. Consumers value readily available information concerning retailers, manufacturers, and their goods and services and often act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media platforms and devices is virtually immediate, as is its impact. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our financial performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues and adversely affect the price of our ADSs.

We face risks related to natural disasters, health epidemics and other outbreaks, such as the outbreak of COVID-19, which could significantly disrupt our operations.

Our business could be adversely affected by the effects of epidemics, including COVID-19, avian influenza, severe acute respiratory syndrome, (SARS), influenza A (H1N1), Ebola or another epidemic. Any such occurrences could cause severe disruption to our daily operations, including our fulfillment infrastructure and our customer service centers, and may even require a temporary closure of our facilities. In recent years, there have been outbreaks of epidemics in China and globally. For example, in early 2020, in response to intensifying efforts to contain the spread of COVID-19, the Chinese government took a number of actions, which included extending the Chinese New Year holiday, quarantining individuals infected with or suspected of having COVID-19, prohibiting residents from free travel, encouraging employees of enterprises to work remotely from home and cancelling public activities, among others. The COVID-19 has also resulted in temporary closure of many corporate offices, retail stores, manufacturing facilities and factories across China. We have taken a series of measures in response to the outbreak, including, among others, remote working arrangements for some of our employees and temporarily allowing the government to utilize our fulfillment infrastructure and logistics services for crisis relief. These measures could reduce the capacity and efficiency of our operations and negatively impact the procurement of products, which in turn could negatively affect our results of operations. The extent to which COVID-19 impacts our results of operations will depend on the future developments of the outbreak, including new information concerning the global severity of and actions taken to contain the outbreak, which are highly uncertain and unpredictable. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the Chinese economy in general. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this annual report, such as those relating to our level of indebtedness, our need to generate sufficient cash flows to service our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

We are also vulnerable to natural disasters and other calamities. If any such disaster were to occur in the future affecting Beijing, Shanghai, Guangzhou, Wuhan, Chengdu, Shenyang or Xi'an, or any other city where we have major operations in China, our operations could be materially and adversely affected due to loss of personnel and damages to property, including our inventory and our technology systems. Our operation could also be severely disrupted if our suppliers, customers or business partners were affected by such natural disasters or health epidemics.

If we do not appropriately maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, we may be unable to accurately report our financial results and the market price of our ADSs may be adversely affected.

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company's internal control over financial reporting. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2019. See "Item 15. Controls and Procedures."

However, if we fail to maintain effective internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. This could in turn result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ADSs. Furthermore, we have incurred and may need to incur additional costs and use additional management and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements going forward.

Registered public accounting firms in China, including our independent registered public accounting firm, are not inspected by the U.S. Public Company Accounting Oversight Board, which deprives us and our investors of the benefits of such inspection.

Auditors of companies whose shares are registered with the SEC and traded publicly in the United States, including our independent registered public accounting firm, must be registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, and is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with applicable professional standards. Our independent registered public accounting firm is located in, and organized under the laws of, the PRC, which is a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities. In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or the CSRC, and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB, or the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular the PRC's, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress that would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges such as the New York Stock Exchange of issuers included on the SEC's list for three consecutive years. Enactment of this legislation or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of our ADSs could be adversely affected. It is unclear if this proposed legislation would be enacted.

This lack of PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors may be deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections, which could cause investors and potential investors of our ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Proceedings instituted by the SEC against certain PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, including our independent registered public accounting firm, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC. In January 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. The decision was neither final nor legally effective unless and until reviewed and approved by the SEC. In February 2014, four of these PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. Under the settlement, the SEC accepted that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms were to receive matching Section 106 requests, and were required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they failed to meet the specified criteria during a period of four years starting from the settlement date, the SEC retained authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Under the terms of the settlement, the underlying proceeding against the four China-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if the SEC will further challenge the four China-based accounting firms' compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties such as suspensions. If additional remedial measures are imposed on the Chinese affiliates of the "big four" accounting firms, including our independent registered public accounting firm, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In the event that the Chinese affiliates of the "big four" become subject to additional legal challenges by the SEC or PCAOB, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to delisting of our securities from Nasdaq or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

We are subject to changing law and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

We are subject to rules and regulations by various governing bodies, including, for example, the SEC, which is charged with the protection of investors and the oversight of companies whose securities are publicly traded, and the various regulatory authorities in China and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

Our international expansion strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks.

International expansion is a significant component of our growth strategy and may require significant capital investment, which could strain our resources and adversely impact current performance, while adding complexity to our current operations. We are subject to PRC law in addition to the laws of the foreign countries in which we operate. If any of our overseas operations, or our associates or agents, violate such laws, we could become subject to sanctions or other penalties, which could negatively affect our reputation, business and operating results.

In addition, we may face operational issues that could have a material adverse effect on our reputation, business and results of operations, if we fail to address certain factors including, but not limited to, the following:

- difficulties in developing, staffing and simultaneously managing a foreign operation as a result of distance, language and cultural differences;
- challenges in formulating effective local sales and marketing strategies targeting users from various jurisdictions and cultures, who have a diverse range of preferences and demands;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them;
- dependence on local platforms in marketing our international products and services overseas;
- challenges in selecting suitable geographical regions for international business;
- longer customer payment cycles;
- currency exchange rate fluctuations;
- political or social unrest or economic instability;
- protectionist or national security policies that restrict our ability to invest in or acquire companies; develop, import or export certain technologies, such as the national AI initiative proposed by the U.S. government; or utilize technologies that are deemed by local governmental regulators to pose a threat to their national security;
- compliance with applicable foreign laws and regulations and unexpected changes in laws or regulations, including compliance with privacy laws and data security laws, including the European Union General Data Protection Regulation, or GDPR, and compliance costs across different legal systems;
- differing, complex and potentially adverse customs, import/export laws, tax rules and regulations or other trade barriers or restrictions which may be applicable to transactions conducted through our international and cross-border platforms, related compliance obligations and consequences of non-compliance, and any new developments in these areas; and
- increased costs associated with doing business in foreign jurisdictions.

One or more of these factors could harm our overseas operations and consequently, could harm our overall results of operations.

Risks Related to Our Corporate Structure

If the PRC government deems that the contractual arrangements in relation to our variable interest entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership of certain of our businesses including value-added telecommunication services is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider (excluding e-commerce, domestic multi-party communications, data collection and transmission services and call centers) and the main foreign investor in the foreign-invested telecommunication enterprise must have experience in providing value-added telecommunications services overseas and maintain a good track record.

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We are a Cayman Islands exempted company and our PRC subsidiaries Jingdong Century, Shanghai Shengdayuan and Xi'an Jingxundi are considered foreign-invested enterprises. Accordingly, none of these PRC subsidiaries is eligible to provide value-added telecommunication services or provide certain other restricted services related to our businesses, such as domestic document delivery services. As a result, we conduct or will conduct such business activities through our variable interest entities and their subsidiaries in PRC, including Jingdong 360, Jiangsu Yuanzhou, Xi'an Jingdong Xincheng and Jingbangda. Jingdong 360 holds our ICP license as an internet information provider. Xi'an Jingdong Xincheng primarily provides courier services through Jingbangda and its subsidiaries.

Jingdong 360, Jiangsu Yuanzhou, Xi'an Jingdong Xincheng and all of our other variable interest entities that have business activities in PRC are 45% owned by Mr. Richard Qiangdong Liu, our chairman and chief executive officer, 30% owned by Ms. Yayun Li, our chief compliance officer, and 25% owned by Ms. Pang Zhang, our employee. Mr. Liu, Ms. Li and Ms. Zhang are PRC citizens. We entered into a series of contractual arrangements with Jingdong 360, Jiangsu Yuanzhou, Xi'an Jingdong Xincheng and other variable interest entities in China and their respective shareholders, which enable us to:

- exercise effective control over Jingdong 360, Jiangsu Yuanzhou, Xi'an Jingdong Xincheng and other variable interest entities in China;
- receive substantially all of the economic benefits of Jingdong 360, Jiangsu Yuanzhou, Xi'an Jingdong Xincheng and other variable interest entities in China; and
- have an exclusive option to purchase all or part of the equity interests in Jingdong 360, Jiangsu Yuanzhou, Xi'an Jingdong Xincheng and other variable interest entities in China when and to the extent permitted by PRC law.

Because of these contractual arrangements, we are the primary beneficiary of Jingdong 360, Jiangsu Yuanzhou, Xi'an Jingdong Xincheng and other variable interest entities in China and hence consolidate their financial results as our variable interest entities. For a detailed discussion of these contractual arrangements, see "Item 4.C. Information on the Company—Organizational Structure."

In the opinion of Zhong Lun Law Firm, our PRC legal counsel, (i) the ownership structures of our variable interest entities in China and the PRC subsidiaries that have entered into contractual arrangements with the variable interest entities, including Jingdong Century, comply with all existing PRC laws and regulations; and (ii) the contractual arrangements between the PRC subsidiaries, including Jingdong Century, the variable interest entities and their respective shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect. However, our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules; accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel. It is uncertain whether any other new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or any of our variable interest entities are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses of such entities;
- discontinuing or restricting the conduct of any transactions between certain of our PRC subsidiaries and variable interest entities;
- imposing fines, confiscating the income from our variable interest entities, or imposing other requirements with which we or our variable interest entities may not be able to comply;

- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with our variable interest entities and deregistering the equity pledges of our variable interest entities, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our variable interest entities; or
- restricting or prohibiting our use of the proceeds of any of our financing outside China to finance our business and operations in China.

The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of our variable interest entities in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of our variable interest entities or our right to receive substantially all the economic benefits and residual returns from our variable interest entities and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of our variable interest entities in our consolidated financial statements. Either of these results, or any other significant penalties that might be imposed on us in this event, would have a material adverse effect on our financial condition and results of operations.

We rely on contractual arrangements with our variable interest entities and their shareholders for a portion of our business operations, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with Jingdong 360 and its shareholders to hold our ICP license as an internet information provider, contractual arrangements with Jiangsu Yuanzhou and its shareholders to conduct the distribution of books and audio and video products and contractual arrangements with other variable interest entities for the relevant restricted businesses. For a description of these contractual arrangements, see “Item 4.C. Information on the Company—Organizational Structure.” These contractual arrangements may not be as effective as direct ownership in providing us with control over our variable interest entities.

If we had direct ownership of our variable interest entities, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of those entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, we rely on the performance by our variable interest entities and their respective shareholders of their obligations under the contracts to exercise control over our variable interest entities. However, the shareholders of our variable interest entities may not act in the best interests of our company or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate our business through the contractual arrangements with our variable interest entities. We may replace the shareholders of our variable interest entities at any time pursuant to our contractual arrangements with them and their shareholders. However, if any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. See “—Any failure by our variable interest entities or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.” Therefore, our contractual arrangements with our variable interest entities may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

Any failure by our variable interest entities or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.

If our variable interest entities or their shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective. For example, if the shareholders of our variable interest entities were to refuse to transfer their equity interest in the variable interest entities to us or our designee when we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. See “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law, and as a result it may be difficult to predict how an arbitration panel would view such contractual arrangements. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Additionally, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay.

Our variable interest entities, including their subsidiaries, hold our necessary licenses and permits, including ICP licenses and Courier Service Operation Permits, and conduct our sales of books and audio and video products (including publication of e-books and online audio and video products). In the event we are unable to enforce our contractual arrangements, we may not be able to exert effective control over our variable interest entities, and our ability to conduct these businesses may be negatively affected. We generate the majority of our revenues from products and services that are offered to customers through our mobile apps and websites and any interruption in our ability to use our mobile apps and websites may have a material and adverse effect on our financial condition and results of operations.

The shareholders of our variable interest entities may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Mr. Richard Qiangdong Liu, Ms. Yayun Li and Ms. Pang Zhang are the shareholders of our variable interest entities that have business activities, including Jingdong 360, Jiangsu Yuanzhou and Xi’an Jingdong Xincheng, among others. Mr. Richard Qiangdong Liu is our chairman and chief executive officer, and Ms. Yayun Li and Ms. Pang Zhang are our employees. The shareholders of our variable interest entities may have potential conflicts of interest with us. These shareholders may breach, or cause our variable interest entities to breach, or refuse to renew, the existing contractual arrangements we have with them and our variable interest entities, which would have a material and adverse effect on our ability to effectively control our variable interest entities and receive substantially all the economic benefits from them. For example, the shareholders may be able to cause our agreements with our variable interest entities to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company. Mr. Richard Qiangdong Liu is also a director and executive officer of our company. We rely on Mr. Liu to abide by the laws of the Cayman Islands and China, which provide that directors owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. If we cannot resolve any conflict of interest or dispute between us and the shareholders of our variable interest entities, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries like Jingdong Century for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If these subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require Jingdong Century or any other relevant PRC subsidiary to adjust its taxable income under the contractual arrangements it currently has in place with our variable interest entities in a manner that would materially and adversely affect its ability to pay dividends and other distributions to us. See “—Contractual arrangements in relation to our variable interest entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or our PRC variable interest entities owe additional taxes, which could negatively affected our financial condition and the value of your investment.”

Under PRC laws and regulations, our wholly foreign-owned subsidiaries in China may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a PRC enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital.

Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See also “—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans to our PRC subsidiaries and consolidated variable interest entities or making additional capital contributions to our wholly foreign-owned subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and consolidated variable interest entities. We may make loans to our PRC subsidiaries and consolidated variable interest entities subject to the approval from governmental authorities and limitation of amount, or we may make additional capital contributions to our wholly foreign-owned subsidiaries in China.

Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our wholly foreign-owned subsidiaries in China to finance their activities cannot exceed statutory limits, i.e., the difference between its total amount of investment and its registered capital, or certain amount calculated based on elements including capital or net assets and the cross-border financing leverage ratio (“Macro-prudential Management Mode”) under relevant PRC laws and the loans must be registered with the local counterpart of the State Administration of Foreign Exchange, or SAFE, or filed with SAFE in its information system. We may also provide loans to our consolidated affiliated entities or other domestic PRC entities under the Macro-prudential Management Mode. According to the Circular of the People’s Bank of China and the State Administration of Foreign Exchange on Adjusting the Macro-prudent Adjustment Parameter for Cross-border Financing issued on March 11, 2020, the limit for the total amount of foreign debt under the Macro-prudential Management Mode is increased to two and a half times from two times of their respective net assets. Moreover, any medium or long-term loan to be provided by us to our consolidated affiliated entities or other domestic PRC entities must also be registered with the NDRC.

We may also decide to finance our wholly foreign-owned subsidiaries in China by means of capital contributions. These capital contributions shall go through record-filing procedures from competent administration for market regulation. SAFE issued the Circular on the Management Concerning the Reform of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect on June 1, 2015. SAFE Circular 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC provided that such usage shall fall into the scope of business of the foreign-invested enterprise, which will be regarded as the reinvestment of foreign-invested enterprise. In addition, SAFE promulgated the Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment on October 23, 2019, or SAFE Circular 28, pursuant to which all foreign-invested enterprises can make equity investments in the PRC with their capital funds in accordance with the law. As SAFE Circular 28 is new and the relevant government authorities have broad discretion in interpreting the regulation, it is unclear whether SAFE will permit such capital funds to be used for equity investments in the PRC in actual practice.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to the subsidiaries of our wholly foreign-owned subsidiaries in China and our consolidated variable interest entities, each a PRC domestic company. Meanwhile, we are not likely to finance the activities of our consolidated variable interest entities by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by our consolidated variable interest entities.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or record-filings on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or any consolidated variable interest entity or future capital contributions by us to our wholly foreign-owned subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries or consolidated variable interest entities when needed. If we fail to complete such registrations or record-filings, our ability to use foreign currency, including the proceeds we received from our initial public offering, and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Contractual arrangements in relation to our variable interest entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or our PRC variable interest entities owe additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, transactions among related parties may be subject to audit or challenge by the PRC tax authorities. If the PRC tax authorities deem the transactions between the PRC subsidiaries and our variable interest entities in China, and their respective shareholders were not entered into on an arm's-length basis and resulted in deferral or underpayment in taxes, they are entitled to make special tax adjustments which might result in the increase of the variable interest entities' tax liabilities. If the tax authorities conduct special tax adjustments, they might impose interest charges for the underpaid taxes. Our financial position could be adversely affected if our variable interest entities' tax liabilities increase or if they are required to pay interest charge.

Our current corporate structure and business operations may be affected by the Foreign Investment Law.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law or the FIL, which has become effective on January 1, 2020 and replaced the outgoing laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, as well their implementation rules and ancillary regulations, or the Outgoing FIE Laws. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulation on Foreign Investment."

Meanwhile, the Implementation Rules to the Foreign Investment Law came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the Foreign Investment Law. However, uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of variable interest entities contractual arrangements and specific rules regulating the organization form of foreign-invested enterprises within the five-year transition period. While FIL does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under definition of "foreign investment" that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council, we cannot assure you that future laws and regulations will not provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our VIEs through contractual arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, or if any of our operations through contractual arrangements is classified in the "restricted" or "prohibited" industry in the future "negative list" under the FIL, our contractual arrangements may be deemed as invalid and illegal, and we may be required to unwind the variable interest entity contractual arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Furthermore, under the FIL, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. In addition, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within a five-year transition period, which means that we may be required to adjust the structure and corporate governance of certain of our PRC subsidiaries in such transition period. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance, financial condition and business operations.

Risks Related to Doing Business in China

Changes in China's or global economic, political or social conditions or government policies could have a material and adverse effect on our business and operations.

Substantially all of our operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments.

In addition, the global macroeconomic environment is facing challenges. For example, the COVID-19 pandemic has caused significant downward pressure for the global economy, and many major economies have lowered their expected growth rate for 2020. In addition, the impact of the decision by the United Kingdom to withdraw from the European Union, commonly referred to as "Brexit", and the resulting effect on the political and economic future of the U.K. and the European Union is uncertain. Brexit could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business primarily through our PRC subsidiaries and consolidated variable interest entities in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are subject to laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. The PRC legal system is evolving rapidly, and the interpretation of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations. Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations.

We are subject to consumer protection laws that could require us to modify our current business practices and incur increased costs.

We are subject to numerous PRC laws and regulations that regulate retailers generally or govern online retailers specifically, such as the Consumer Protection Law. If these regulations were to change or if we, suppliers or third-party merchants on our marketplace were to violate them, the costs of certain products or services could increase, or we could be subject to fines or penalties or suffer reputational harm, which could reduce demand for the products or services offered on our mobile apps and websites and hurt our business and results of operations. For example, the amended Consumer Protection Law, which became effective in March 2014, further strengthens the protection of consumers and imposes more stringent requirements and obligations on business operators, especially on businesses that operate on the internet. Pursuant to the Consumer Protection Law, except for certain types of products, such as custom-made goods, fresh and perishable goods, consumers are generally entitled to return goods purchased within seven days upon receipt without giving any reasons if they purchased the goods over the internet. Consumers whose interests have been damaged due to their purchase of goods or acceptance of services on online marketplace platforms may claim damages from merchants or service providers. Where the operators of an online marketplace platform are unable to provide the real names, addresses and valid contact details of the merchants or service providers, the consumers may also claim damages from the operators of the online marketplace platforms. Operators of online marketplace platforms that know or should have known that merchants or service providers use their platforms to infringe upon the legitimate rights and interests of consumers but fail to take necessary measures must bear joint and several liability with the merchants or service providers. Moreover, if business operators deceive consumers or knowingly sell substandard or defective products, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related business and companies.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Issues, risks and uncertainties relating to PRC government regulation of the internet industry include, but are not limited to, the following:

We only have control over our websites through contractual arrangements. We do not own the websites in China due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet information provision services. This may significantly disrupt our business, subject us to sanctions, compromise enforceability of related contractual arrangements, or have other harmful effects on us.

The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of a new department, the Cyberspace Administration of China (with the involvement of the State Council Information Office, the MIIT, and the Ministry of Public Security). The primary role of this agency is to facilitate the policy-making and legislative development in this field to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry.

New laws and regulations may be promulgated that will regulate internet activities, including online retail. If these new laws and regulations are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations at the time they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties.

The Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, issued by the MIIT in July 2006, prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China. According to this circular, either the holder of a value-added telecommunication services operation permit or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The circular also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. If an ICP license holder fails to comply with the requirements and also fails to remedy such non-compliance within a specified period of time, the MIIT or its local counterparts have the discretion to take administrative measures against such license holder, including revoking its ICP license. Currently, Jingdong 360, our PRC consolidated variable interest entity, holds an ICP license and operates our www.jd.com website. Jingdong 360 owns the relevant domain names and registered trademarks and has the necessary personnel to operate such website.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones.

Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Although almost all of our PRC operating entities incorporated in various locations in China have made the required employee benefit payments, we cannot assure you that we are able to make adequate contribution in a timely manner at all time. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected.

We may be required to register our operating offices outside of our residence addresses as branch offices under PRC law.

Under PRC law, a company setting up premises for business operations outside its residence address must register them as branch offices with the relevant local market regulation bureau at the place where the premises are located and obtain business licenses for them as branch offices. As of December 31, 2019, our comprehensive fulfillment facilities cover almost all the counties and districts across China. We seek to register branch offices in all the locations where we have delivery stations and pickup stations. However, as of the date of this annual report, we have not been able to register branch offices in all of these locations. Furthermore, we may expand our fulfillment network in the future to additional locations in China, and we may not be able to register branch offices in a timely manner due to complex procedural requirements and relocation of branch offices from time to time. If the PRC regulatory authorities determine that we are in violation of the relevant laws and regulations, we may be subject to penalties, including fines, confiscation of income and suspension of operation. If we become subject to these penalties, our business, results of operations, financial condition and prospects could be materially and adversely affected.

Regulation and censorship of information disseminated over the internet in China may adversely affect our business, and we may be liable for content that is displayed on our websites.

China has enacted laws and regulations governing internet access and the distribution of products, services, news, information, audio-video programs and other content through the internet. In the past, the PRC government has prohibited the distribution of information through the internet that it deems to be in violation of PRC laws and regulations. In November 2016, China promulgated the Cyber Security Law, which came into effect on June 1, 2017, to protect cyberspace security and order. Cyber Security Law tightens control of cyber security and sets forth various security protection obligations for network operators. If any of our internet information were deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions of our customers or users of our websites or for content we distribute that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability to us, and if we are found to be liable, we may be prevented from operating our websites in China.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The conversion of RMB into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that RMB will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between RMB and the U.S. dollar in the future.

Any significant appreciation or depreciation of RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive into RMB to pay our operating expenses, appreciation of RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current corporate structure, our company in the Cayman Islands may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our wholly foreign-owned subsidiaries in China are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by our shareholders or the ultimate shareholders of our corporate shareholders who are PRC residents. But approval from or registration with appropriate government authorities or delegated banks is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds famous trademarks or PRC time-honored brands. Moreover, the Anti-Monopoly Law requires that the anti-trust governmental authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the Ministry of Commerce that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the Ministry of Commerce or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our wholly foreign-owned subsidiaries in China to liability or penalties, limit our ability to inject capital into these subsidiaries, limit these subsidiaries’ ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

The Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or SAFE Circular 75, requires PRC residents to register with the relevant local branch of SAFE before establishing or controlling any company outside of China, referred to as an offshore special purpose company, for the purpose of raising funds from overseas to acquire or exchange the assets of, or acquiring equity interests in, PRC entities held by such PRC residents and to update such registration in the event of any significant changes with respect to that offshore company. SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014, which replaced SAFE Circular 75. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle.” The term “control” under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a PRC resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions. In February 2015, SAFE issued the Circular on Further Simplifying and Improving the Policies Concerning Foreign Exchange Control on Direct Investment, or SAFE Circular 13, which took effect on June 1, 2015. SAFE Circular 13 has delegated to the qualified banks the authority to register all PRC residents’ investment in “special purpose vehicle” pursuant to SAFE Circular 37, except that those PRC residents who have failed to comply with SAFE Circular 37 will remain to fall into the jurisdiction of the local SAFE branch and must make their supplementary registration application with the local SAFE branch.

We have requested PRC residents who we know hold direct or indirect interest in our company to make the necessary applications, filings and amendments as required under SAFE Circular 37 and other related rules. Mr. Richard Qiangdong Liu, our founder and beneficial owner, has completed required registrations with SAFE in relation to our financing and restructuring and will make amendments when needed and required in accordance with SAFE Circular 37. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We and our directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted restricted shares, restricted share units or options are subject to these regulations. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our wholly foreign-owned subsidiaries in China and limit these subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors and employees under PRC law.

Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

In the past, local governments in China granted certain financial incentives from time to time to our PRC subsidiaries or consolidated variable interest entities as part of their efforts to encourage the development of local businesses. We received approximately RMB843 million, RMB615 million and RMB2,222 million (US\$319 million) in financial incentives from local governments relating to our business operations in 2017, 2018 and 2019, respectively. The timing, amount and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. We cannot assure you of the continued availability of the government incentives currently enjoyed by our PRC subsidiaries or consolidated variable interest entities. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that none of JD.com, Inc. and its subsidiaries outside of China is a PRC resident enterprise for PRC tax purposes. See “Item 10.E. Additional Information—Taxation—People’s Republic of China Taxation.” However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that JD.com, Inc. or any of its subsidiaries outside of China is a PRC resident enterprise for enterprise income tax purposes, they would be subject to a 25% enterprise income tax on their global income. If these entities derive income other than dividends from their wholly-owned subsidiaries in the PRC, a 25% enterprise income tax on their global income may increase our tax burden. If JD.com, Inc. or any of its subsidiaries outside of China is classified as a PRC resident enterprise, dividends paid to it from its wholly-owned subsidiaries in China may be regarded as tax-exempted income if such dividends are deemed to be “dividends between qualified PRC resident enterprises” under the PRC Enterprise Income Tax Law and its implementation rules. However, we cannot assure you that such dividends will not be subject to PRC withholding tax, as the PRC tax authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC income tax purposes.

In addition, if JD.com, Inc. is classified as a PRC resident enterprise for PRC tax purposes and unless a tax treaty or similar arrangement provides otherwise, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC withholding tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, gains derived by our non-PRC individual shareholders from the sale of our shares and ADSs may be subject to a 20% PRC withholding tax. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of JD.com, Inc. would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that JD.com, Inc. is treated as a PRC resident enterprise.

Under the Arrangement Between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, the dividend withholding tax rate may be reduced to 5%, if a Hong Kong resident enterprise is considered a non-PRC tax resident enterprise and holds at least 25% of the equity interests in the PRC enterprise distributing the dividends, subject to approval of the PRC local tax authority. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%. In October 2009, the State Administration of Taxation issued a circular, known as Circular 601, which provides guidance on determining whether an enterprise is a “beneficial owner” under China’s tax treaties and tax arrangements. Circular 601 provides that, in order to be a beneficial owner, an entity generally must be engaged in substantive business activities, and that a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits will not be regarded as a beneficial owner and will not qualify for treaty benefits such as preferential dividend withholding tax rates. In February 2018, the State Administration of Taxation issued a new circular (Circular 9) to replace Circular 601, which came into effect on April 1, 2018. Circular 9 provides a more flexible framework in determining whether an applicant engages in substantive business activities. In addition, in the event that an enterprise does not satisfy the criteria for “beneficial owner,” but the person who holds 100% ownership interests in the enterprise directly or indirectly satisfies the criteria for “beneficial owner” and the circumstances fall under Circular 9, the enterprise will be deemed as a “beneficial owner.” If our Hong Kong subsidiaries are, in the light of Circular 601, considered to be a non-beneficial owner for purposes of the tax arrangement mentioned above, any dividends paid to them by our wholly foreign-owned PRC subsidiaries would not qualify for the preferential dividend withholding tax rate of 5%, but rather would be subject to a rate of 10%.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies, and heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

The State Administration of Taxation has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued in December 2009, or SAT Circular 698, the Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises promulgated issued in March 2011, or SAT Circular 24, and the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises issued in February 2015, or SAT Circular 7. Pursuant to these rules and notices, if a non-PRC resident enterprise indirectly transfers PRC taxable properties, referring to properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise, by disposing of equity interest in an overseas holding company, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the safe harbor available under SAT Circular 7 may not be subject to PRC tax and the scope of the safe harbor includes qualified group restructuring as specifically set out in SAT Circular 7, public market trading and tax treaty exemptions.

In October 2017, the SAT released the Public Notice Regarding Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Public Notice 37, effective from December 2017. SAT Public Notice 37 replaced a series of important circulars, including but not limited to SAT Circular 698, and revised the rules governing the administration of withholding tax on China-source income derived by a nonresident enterprise. SAT Public Notice 37 provides for certain key changes to the current withholding regime, such as (i) the withholding obligation for a non-resident enterprise deriving dividend arises on the date on which the payment is actually made rather than on the date of the resolution that declared the dividends, (ii) non-resident enterprises are not obligated to report to the taxes authorities if their withholding agents fail to perform the withholding obligation.

Under SAT Circular 7 and SAT Public Notice 37, the entities or individuals obligated to pay the transfer price to the transferor are the withholding agents and must withhold the PRC income tax from the transfer price if the indirect transfer is subject to the PRC enterprise income tax. If the withholding agent fails to do so, the transferor should report to and pay the tax to the PRC tax authorities. In the event that neither the withholding agent nor the transferor fulfills their obligations under SAT Circular 7 and SAT Public Notice 37, according to the applicable law, apart from imposing penalties such as late payment interest on the transferor, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent. The penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

However, as there is a lack of clear statutory interpretation, we face uncertainties on the reporting and consequences on future private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises in our group are transferees in such transactions. For the transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under the rules and notices. As a result, we may be required to expend valuable resources to comply with these rules and notices or to request the relevant transferors from whom we purchase taxable assets to comply, or to establish that our company and other non-resident enterprises in our group should not be taxed under these rules and notices, which may have a material adverse effect on our financial condition and results of operations. There is no assurance that the tax authorities will not apply the rules and notices to our offshore restructuring transactions where non-PRC residents were involved if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-PRC resident investors may be at risk of being taxed under these rules and notices and may be required to comply with or to establish that we should not be taxed under such rules and notices, which may have a material adverse effect on our financial condition and results of operations or such non-PRC resident investors' investments in us. We have conducted acquisition transactions in the past and may conduct additional acquisition transactions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

Risks Related to Our ADSs

The trading price of our ADSs may be volatile.

The trading price of our ADSs ranged from US\$20.18 to US\$36.80 per ADS in 2019. The trading prices of our ADSs may be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other listed companies based in China. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of other Chinese companies' securities after their offerings, including internet and e-commerce companies, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States in early 2020, which may have a material and adverse effect on the trading price of our ADSs.

In addition to the above factors, the price and trading volume of our ADSs may be highly volatile due to multiple factors, including the following:

- regulatory developments affecting us or our industry, customers, suppliers or third-party merchants;
- announcements of studies and reports relating to the quality of our product and service offerings or those of our competitors;
- changes in the economic performance or market valuations of other online retail or e-commerce companies;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the online retail market;

- announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures, capital raisings or capital commitments;
- additions to or departures of our senior management;
- political or market instability or disruptions, and actual or perceived social unrest in the United States other jurisdictions;
- fluctuations of exchange rates between the RMB and the U.S. dollar;
- release or expiry of lock-up or other transfer restrictions on our outstanding shares or ADSs;
- sales or perceived potential sales of additional ordinary shares or ADSs;
- any actual or alleged illegal acts of our senior management or other key employees;
- any share repurchase program; and
- proceedings instituted by the SEC against PRC-based accounting firms, including our independent registered public accounting firm.

We cannot guarantee that any share repurchase program will be fully consummated or that any share repurchase program will enhance long-term shareholder value, and share repurchases could increase the volatility of the price of our ADSs and could diminish our cash reserves.

On December 25, 2018, our board of directors authorized a share repurchase program, under which we may repurchase up to US\$1.0 billion of our ADSs or ordinary shares over the next 12 months through December 25, 2019. We repurchased a total of 2.3 million ADSs under this program, of which 1.4 million ADSs were repurchased at a weighted average price of US\$21.48 per ADS, and 0.9 million ADSs were repurchased at a weighted average price of US\$20.41 per ADS. On March 17, 2020, our board of directors authorized a share repurchase program, under which we may repurchase up to US\$2.0 billion of our ADSs or ordinary shares over the next 24 months through March 17, 2022. From March 17, 2020 to April 15, 2020, we repurchased approximately 1.2 million ADSs at a weighted average price of US\$37.04 per ADS. Our share repurchase programs could affect the price of our stock and increase volatility and may be suspended or terminated at any time.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our ADSs or publishes inaccurate or unfavorable research about our business, the market price for our ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends subject to our memorandum and articles of association and certain restrictions under Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

Substantial future sales or perceived potential sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of our ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. As of February 29, 2020, we had 2,937,248,715 ordinary shares issued and outstanding, comprising of (i) 2,486,367,634 Class A ordinary shares (excluding the 36,694,434 Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Share Incentive Plan), and (ii) 450,881,081 Class B ordinary shares. Among these shares, 1,819,935,722 Class A ordinary shares are in the form of ADSs, which are freely transferable without restriction or additional registration under the Securities Act. The remaining authorized but unissued Class A ordinary shares and the Class B ordinary shares will be available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. Certain holders of our ordinary shares may cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline.

You, as holders of ADSs, may have fewer rights than holders of our ordinary shares and must act through the depositary to exercise those rights.

Holders of ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying Class A ordinary shares represented by the ADSs in accordance with the provisions of the deposit agreement. Under our memorandum and articles of association, the minimum notice period required to convene a general meeting is seven days. When a general meeting is convened, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw the underlying ordinary shares represented by your ADSs to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if the underlying ordinary shares represented by your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

Except in limited circumstances, the depositary for our ADSs will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, which could adversely affect your interests.

Under the deposit agreement for the ADSs, if you do not vote, the depositary will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs at shareholders' meetings unless:

- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that you cannot prevent our ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depositary will not make rights available to you unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

You may not receive cash dividends if the depositary decides it is impractical to make them available to you.

The depositary will pay cash dividends on the ADSs only to the extent that we decide to distribute dividends on our Class A ordinary shares or other deposited securities, and we do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. To the extent that there is a distribution, the depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our Class A ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A ordinary shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to you.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are an exempted company with limited liability registered by way of continuation under the laws of the Cayman Islands. We conduct our operations in China and substantially all of our assets are located in China. In addition, our directors and executive officers, and some of the experts named in this annual report, reside within China, and most of the assets of these persons are located within China. As a result, it may be difficult or impossible for you to effect service of process within the United States upon us or these persons, or to bring an action against us or against these persons in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

There is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments). A judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (a) is given by a foreign court of competent jurisdiction, (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (c) is final, (d) is not in respect of taxes, a fine or a penalty, and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the U.S. courts under civil liability provisions of the U.S. federal securities law if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. Because such a determination has not yet been made by a court of the Cayman Islands, it is uncertain whether such civil liability judgments from U.S. courts would be enforceable in the Cayman Islands.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our director and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

Since we are a Cayman Islands exempted company, the rights of our shareholders may be more limited than those of shareholders of a company organized in the United States.

Under the laws of some jurisdictions in the United States, majority and controlling shareholders generally have certain fiduciary responsibilities to the minority shareholders. Shareholder action must be taken in good faith, and actions by controlling shareholders which are obviously unreasonable may be declared null and void. Cayman Islands law protecting the interests of minority shareholders may not be as protective in all circumstances as the law protecting minority shareholders in some U.S. jurisdictions. In addition, the circumstances in which a shareholder of a Cayman Islands company may sue the company derivatively, and the procedures and defenses that may be available to the company, may result in the rights of shareholders of a Cayman Islands company being more limited than those of shareholders of a company organized in the United States.

Furthermore, our directors have the power to take certain actions without shareholder approval which would require shareholder approval under the laws of most U.S. jurisdictions. The directors of a Cayman Islands company, without shareholder approval, may implement a sale of any assets, property, part of the business, or securities of the company. Our ability to create and issue new classes or series of shares without shareholders' approval could have the effect of delaying, deterring or preventing a change in control without any further action by our shareholders, including a tender offer to purchase our ordinary shares at a premium over then current market prices.

Our memorandum and articles of association contains anti-takeover provisions that could discourage a third party from acquiring us and adversely affect the rights of holders of our Class A ordinary shares and ADSs.

Our memorandum and articles of association contain certain provisions that could limit the ability of others to acquire control of our company, including a dual-class voting structure that gives disproportionate voting power to the Class B ordinary shares held by Max Smart Limited, a company wholly-owned by our chairman and chief executive officer, Mr. Richard Qiangdong Liu and of which he is the sole director, and those held by Fortune Rising Holdings Limited of which Mr. Liu is the sole shareholder and sole director. As of February 29, 2020, Mr. Liu beneficially owned 78.5% of the aggregate voting power of our company, including 5.1% of the aggregate voting power of our company that he may exercise on behalf of Fortune Rising Holdings Limited. Fortune Rising Holdings Limited holds the shares for the purpose of transferring such shares to the plan participants according to our awards under our Share Incentive Plan, and administers the awards and acts according to our instruction. In addition, our memorandum and articles of association also contains a provision that grants authority to our board of directors to establish and issue from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series. These provisions could have the effect of depriving our shareholders of the opportunity to sell their shares at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

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We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of Nasdaq. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

As a Cayman Islands exempted company, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with Nasdaq corporate governance listing standards.

As a Cayman Islands exempted company listed on Nasdaq, we are subject to Nasdaq corporate governance listing standards. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from Nasdaq corporate governance listing standards. For example, neither the Companies Law (2020 Revision) of the Cayman Islands nor our memorandum and articles of association requires a majority of our directors to be independent and we could include non-independent directors as members of our compensation committee and nominating committee, and our independent directors would not necessarily hold regularly scheduled meetings at which only independent directors are present. We follow home country practice with respect to annual meetings and did not hold an annual meeting of shareholders in 2019. We will, however, hold annual shareholders meetings in the future if there are matters that require shareholders' approval. If we choose to follow other home country practice in the future, our shareholders may be afforded less protection than they otherwise would under Nasdaq corporate governance listing standards applicable to U.S. domestic issuers.

We may be classified as a passive foreign investment company for United States federal income tax purposes, which could subject United States investors in the ADSs or ordinary shares to significant adverse tax consequences.

Depending upon the value of our assets, which may be determined based, in part, on the market value of our ADSs and ordinary shares, and the nature of our assets and income over time, we could be classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes. A non-United States corporation, such as our company, will be classified as a PFIC for United States federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. The average percentage of a corporation's assets that produce or are held for the production of passive income is generally determined on the basis of the fair market value of the corporation's assets at the end of each quarter. This determination is based on the adjusted tax basis of the corporation's assets.

In addition, we will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock. Although the law in this regard is unclear, we treat our variable interest entities as being owned by us for United States federal income tax purposes because we control their management decisions and we are entitled to substantially all of the economic benefits, and, as a result, we consolidate their results of operations in our U.S. GAAP financial statements and treat them as being owned by us for United States federal income tax purposes. If it were determined, however, that we are not the owner of our variable interest entities for United States federal income tax purposes, we may be treated as a PFIC for our taxable year ended December 31, 2019 and in future taxable years.

Based on our current income and assets and the value of our ADSs and outstanding ordinary shares, we do not believe that we were a PFIC for our taxable year ended December 31, 2019 and we do not expect to be classified as a PFIC in the foreseeable future. Because PFIC status is a fact-intensive determination, no assurance can be given that we will not be classified as a PFIC for that year. While we do not anticipate becoming a PFIC, changes in the nature of our income or assets, or fluctuations in the market price of our ADSs or ordinary shares, may cause us to become a PFIC for future taxable years. In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our market capitalization, which may fluctuate over time. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income or where we determine not to deploy significant amounts of cash for working capital or other purposes, our risk of becoming classified as a PFIC may substantially increase.

We incur increased costs as a result of being a public company.

As a public company, we incur significant accounting, legal and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and Nasdaq, have detailed requirements concerning corporate governance practices of public companies, including Section 404 of the Sarbanes-Oxley Act relating to internal controls over financial reporting. We expect these rules and regulations applicable to public companies to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. Our management will be required to devote substantial time and attention to our public company reporting obligations and other compliance matters. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance obligations as a public company may place a strain on our management, operational and financial resources and systems for the foreseeable future.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material and adverse effect on our financial condition and results of operations.

Item 4. Information on the Company

A. History and Development of the Company

Our Corporate History

Our chairman and chief executive officer, Mr. Richard Qiangdong Liu, launched an online retail website in January 2004. He subsequently formed a company in Beijing and another company in Shanghai and conducted his online retail business through these two companies. In April 2007, we established a wholly-owned PRC subsidiary, Beijing Jingdong Century Trade Co., Ltd., or Jingdong Century, and we acquired certain intellectual property rights from the two companies Mr. Liu had established earlier, which ceased business operations and were later liquidated and dissolved.

In November 2006, we incorporated Star Wave Investments Holdings Limited under the laws of the British Virgin Islands as our offshore holding company in order to facilitate international financing. We later changed the name of this entity to 360buy Jingdong Inc. In January 2014, 360buy Jingdong Inc. was redomiciled in the Cayman Islands as an exempted company registered under the laws of the Cayman Islands, and was renamed JD.com, Inc.

We have established subsidiaries inside and outside of China and assisted in establishing PRC consolidated variable interest entities to conduct our business operations.

Our significant subsidiaries that conduct business operations in China include the following:

- Jingdong Century, established in April 2007, and certain of its subsidiaries in China, which primarily engage in retail business;
- Shanghai Shengdayuan Information Technology Co., Ltd., or Shanghai Shengdayuan, which was established in April 2011 and primarily operates our online marketplace business; and
- Xi'an Jingxundi Supply Chain Technology Co., Ltd., or Xi'an Jingxundi, which was established in May 2017 and provides primarily technology and consulting services relating to logistics services.

The significant consolidated variable interest entities and their subsidiaries that conduct our business operations in China include, among others, the following:

- Beijing Jingdong 360 Degree E-Commerce Co., Ltd., or Jingdong 360, which was established in April 2007 and holds our ICP license as an internet information provider and operates our www.jd.com website;
- Jiangsu Yuanzhou E-Commerce Co., Ltd., or Jiangsu Yuanzhou, which was established in September 2010 and primarily engages in the business of selling books, audio and video products; and
- Xi'an Jingdong Xincheng Information Technology Co., Ltd., or Xi'an Jingdong Xincheng, which was established in June 2017 and provides primarily technology and consulting services relating to logistics services.

We also conduct certain of our business operations through other consolidated variable interest entities and their subsidiaries, including Jiangsu Jingdong Bangneng Investment Management Co., Ltd., or Jiangsu Jingdong Bangneng.

On May 22, 2014, our ADSs commenced trading on Nasdaq under the symbol "JD." We raised from our initial public offering approximately US\$1.5 billion in net proceeds after deducting underwriting commissions and the offering expenses payable by us. Concurrently with our initial public offering, we also raised US\$1.3 billion from Huang River Investment Limited, our existing shareholder and an affiliate of Tencent, in a private placement.

In December 2014, we completed a secondary public offering, pursuant to which certain selling shareholders sold an aggregate of 26,003,171 ADSs, representing 52,006,342 Class A ordinary shares, for an aggregate gross proceeds of approximately US\$619 million, and we did not sell any ADSs in the offering.

Our Strategic Cooperations and Other Developments

Strategic Cooperation with Tencent. On March 10, 2014, we acquired certain e-commerce businesses and assets from, and entered into a strategic cooperation agreement and formed a strategic partnership with Tencent, a leading internet company serving the largest online community in China. Tencent offers a wide variety of internet services in China, including social communications, online games and digital content and payment. Tencent has a large mobile internet user base, as evidenced by the combined monthly active user accounts of 1,165 million on Tencent's mobile apps Weixin and WeChat as of December 31, 2019 based on publicly available data.

Under the strategic partnership, Tencent offers us prominent access points in its mobile apps Weixin and Mobile QQ and provide us with traffic and other support from other key platforms, which has helped us generate mobile user traffic from Tencent's large mobile user base and enhance our customers' mobile shopping experience. The two parties agree to cooperate in a number of areas including mobile-related products, social networking services, membership systems and payment solutions. The strategic cooperation agreement applies within the territory of the Greater China, including Hong Kong, Macau and Taiwan. Under the strategic cooperation agreement, we are Tencent's preferred partner for all physical goods e-commerce businesses, and Tencent agrees not to engage in any retail or managed marketplace business model in physical goods e-commerce businesses in Greater China and a few selected international markets for a period of eight years, other than through its controlled affiliate Shanghai Icson E-Commerce Development Company Limited, or Shanghai Icson. We expect to further leverage the strategic partnership with Tencent to enhance our customers' online shopping experience, reach Tencent's large mobile and internet user base and further expand our presence on mobile commerce.

On March 10, 2014, we entered into a series of agreements with Tencent and its affiliates pursuant to which we acquired 100% interests in Tencent's Paipai and QQ Wanggou online marketplace businesses, a 9.9% stake in Shanghai Icsen E-Commerce Development Company Limited, or Shanghai Icsen, logistics personnel and certain other assets. Paipai and QQ Wanggou, which we acquired from Tencent, were online marketplaces in China that brought buyers and sellers together online. Paipai was a consumer-to-consumer or C2C marketplace, whereas QQ Wanggou was a business-to-consumer or B2C marketplace. We re-launched the Paipai C2C marketplace in July 2014, but closed it down in 2016. In addition, we obtained the right to acquire the remaining equity of Shanghai Icsen by March 10, 2017 at the higher of the then fair value of Shanghai Icsen or RMB800 million. In April 2016, we exercised the right paying RMB800 million and acquired the remaining equity interest in Shanghai Icsen. Shanghai Icsen operated a B2C e-commerce platform in China.

Concurrent with the above transactions, the execution of the strategic cooperation agreement and for US\$215 million in cash to us, we issued a total of 351,678,637 ordinary shares to Huang River Investment Limited, a wholly-owned subsidiary of Tencent. We paid Tencent RMB181 million in cash as part of the consideration for the transaction during 2014. As part of the agreements, in a private placement concurrent with our initial public offering in May 2014, we issued an aggregate of 139,493,960 Class A ordinary shares to Huang River Investment Limited at the per share equivalent of the price to the public.

In October 2015, we expanded partnership with Tencent to provide third-party merchants with innovative mobile marketing solutions. On May 10, 2019, we renewed the strategic cooperation agreement with Tencent for a period of three years starting from May 27, 2019. Tencent will continue to offer us prominent level 1 and level 2 access points on its Weixin platform to provide traffic support, and the two companies also intend to continue to cooperate in a number of areas including communications, advertising and membership services, among others. It is estimated that such traffic support, advertising spending and other cooperation will amount to over US\$800 million, which will be paid or spent over the next three years. We agreed to issue to Tencent a certain number of our Class A ordinary shares for a total consideration of approximately US\$250 million at prevailing market prices at certain pre-determined dates during the subsequent three-year period, of which 8,127,302 of our Class A ordinary shares were issued in May 2019. Huang River Investment Limited is currently one of our principal shareholders and held 17.9% of our total issued and outstanding shares as of February 29, 2020.

Strategic Cooperation with Walmart. In June 2016, we entered into a series of agreements with Walmart Inc., or Walmart, in relation to our strategic alliance with Walmart, pursuant to which Walmart subscribed for 144,952,250 of our newly issued Class A ordinary shares, representing approximately 5% of our total issued and outstanding shares on a fully diluted basis at the time. As of February 29, 2020, Walmart held Class A ordinary shares representing approximately 9.8% of our total issued and outstanding shares. As part of our strategic alliance with Walmart, we acquired ownership of the Yihaodian marketplace platform assets, including the Yihaodian brand, mobile apps and websites. We have collaborated with Walmart on e-commerce, including launching Sam's Club Flagship Store and Walmart China Flagship Store on JD.com, as well as Sam's Club Global Flagship Store, Walmart Global Flagship Store, and ASDA Flagship Store on JD Worldwide and a one-hour delivery service from Walmart Stores in select cities through the JD Daojia app, as well as leveraging one another's supply chain to increase product selection for customers across China. As part of the strategic alliance, we also entered into an eight-year non-compete arrangement with Walmart, subject to certain conditions and exceptions.

JD Logistics. In April 2017, we established JD Logistics to leverage our advanced technology and logistics expertise to provide integrated supply chain and logistics services to businesses across a wide range of industries, including those beyond e-commerce. JD Logistics provides business partners with comprehensive supply chain solutions, including warehousing management, transportation, delivery, after-sales service, and logistics technology solutions, including cloud-based service and data analytics, among others. In February 2018, we entered into definitive agreements with third-party investors for the financing of JD Logistics. We have raised a total amount of US\$2.5 billion from the third-party investors, who owned an aggregate of approximately 19% stake in JD Logistics on a fully diluted basis upon the completion of the transaction and we have remained as the controlling shareholder of JD Logistics.

JD Digits. As of June 30, 2017, we had completed the reorganization of our finance business operated by Beijing Jingdong Financial Technology Holding Co., Ltd. (now known as Beijing Jingdong Digital Technology Co., Ltd., or JD Digits) pursuant to the agreements we entered into with JD Digits and certain other parties in March 2017, immediately prior to the reorganization, we owned 68.6% of JD Digits. As a result of the reorganization, we disposed of all of our 68.6% equity interest in JD Digits and deconsolidated the financial results of JD Digits from ours since then. Pursuant to the agreements relating to the reorganization, we received approximately RMB14.3 billion in cash with an economic gain of RMB14.2 billion. As JD Digits is under the common control of Mr. Richard Qiangdong Liu through his equity stake and voting arrangements, the gain of RMB14.2 billion was recorded directly to additional paid-in capital in shareholders' equity. In exchange for certain licenses and services to be provided by us to JD Digits, we will receive 40% of the future pre-tax profit of JD Digits when JD Digits has a positive pre-tax income on a cumulative basis. In addition, we may convert our profit-sharing right with respect to JD Digits into 40% of JD Digits's equity interest, subject to applicable regulatory approvals. The above percentage of profit sharing and maximum equity interest issuance to us, which we refer to as the Maximum Interest, is subject to potential proportional dilution as a result of any subsequent equity financings or ESOP increases of JD Digits. In connection with JD Digits's additional round of financing in 2018, the Maximum Interest has been diluted to approximately 36%.

Strategic Cooperation with Google. In June 2018, Google LLC, or Google, invested US\$550 million in us as part of a new strategic partnership, under which Google and we will work together to explore a broad range of possibilities, leveraging our supply chain and logistics expertise and Google's technology strengths. In early 2019, we joined Google Shopping to offer a curated selection of high-quality products to consumers in the United States, which is representative of our early efforts in the joint development of retail solutions in overseas markets.

JD Property. In 2018, we established JD Property, which owns, develops and manages our logistics facilities and other real estate properties, to support JD Logistics and other third parties. In February 2019, JD Property established JD Logistics Properties Core Fund, L.P., or Core Fund, together with GIC, Singapore's sovereign wealth fund, for a total committed capital of over RMB4.8 billion. We serve as the general partner and have committed 20% of the total capital of Core Fund as the limited partner, and GIC has committed the remaining 80%. The investment committee of Core Fund, which comprise the representatives from us and GIC, will oversee the key operations of Core Fund. Furthermore, in February 2019, we entered into a definitive agreement with Core Fund, pursuant to which we sold certain of our modern logistics facilities to Core Fund for a total gross asset value of RMB10.9 billion, to unlock meaningful value from our balance sheet and recycle capital for our future growth initiatives. In the second half of 2019, the closing conditions for the completed assets were met, and we recorded a total disposal gain of RMB3.8 billion for the completed assets in 2019. For the remaining logistics facilities under construction, we will derecognize these assets upon the completion and satisfaction of the hand over condition. In addition, subsequent to the disposition, we have leased back these facilities for operational purposes, and JD Property has started serving as the asset manager managing Core Fund's assets.

JD Health. In November 2019, our healthcare subsidiary, JD Health International, Inc., or JD Health, completed the non-redeemable series A preferred share financing with a group of third-party investors. The total amount of financing raised was US\$931 million, representing 13.5% of the ownership of JD Health on a fully diluted basis upon the completion of this transaction. Over the past few years, JD Health is building a comprehensive "Internet + healthcare" ecosystem, providing pharmaceutical and healthcare products and internet healthcare services to the customers.

Our Major Investments

Bitauto and Yixin. In February 2015, we invested a combination of US\$400 million in cash and certain resources valued at US\$497 million, including exclusive access to the new and used car channels on our e-commerce sites including mobile apps and additional support from our key platforms, as consideration for newly issued ordinary shares of Bitauto Holdings Limited, or Bitauto, an NYSE-listed provider of internet content and marketing services for China's fast-growing automotive industry. In June 2016, we made an additional investment of US\$50 million in cash to purchase newly issued ordinary shares of Bitauto.

In February 2015, we invested US\$100 million in newly issued series A preferred shares of Yixin Group Limited, or Yixin, a subsidiary of Bitauto primarily engaged in e-commerce-related automotive financing platform business and currently listed on the Hong Kong Stock Exchange. In August 2016, we, together with Tencent, Baidu, Bitauto and other investors, entered into definitive agreements, pursuant to which we and the other investors invested an aggregate of US\$550 million in cash in Yixin.

As of December 31, 2019, we held approximately 24% of Bitauto's issued and outstanding shares and approximately 11% of Yixin's issued and outstanding shares. On September 12, 2019, a buyer consortium lead by Tencent submitted a preliminary non-binding proposal letter to Bitauto's board of directors to acquire all of the outstanding ordinary shares and American depositary shares of Bitauto, which would result in Bitauto becoming a private, wholly owned subsidiary of the buyer consortium. In addition, upon the completion of this going-private transaction of Bitauto, the buyer consortium and their affiliates will make an unconditional mandatory general offer to all the shareholders and other securities holders of Yixin for all the issued shares and other securities of Yixin. We have indicated that we will vote all of our shares in Bitauto in favor of these transactions.

Tuniu. In May 2015, we made further investment to acquire newly issued Class A ordinary shares of Tuniu Corporation, or Tuniu, a Nasdaq-listed and leading online leisure travel company in China, through a combination of US\$250 million in cash and certain resources valued at US\$108 million, including exclusive rights to operate the leisure travel channel for both our *www.jd.com* website and mobile apps, and Tuniu's being our preferred partner for hotel and air tickets booking services. Previously in December 2014, we purchased certain newly issued Class A ordinary shares of Tuniu by a cash consideration of US\$50 million. As of December 31, 2019, we held approximately 21% of Tuniu's issued and outstanding shares. Our leisure travel channel is currently operated by Tuniu.

Yonghui. In August 2015, we entered into definitive agreements with Yonghui Superstores Co., Ltd., or Yonghui, pursuant to which we subscribed for newly issued ordinary shares of Yonghui with a consideration of RMB4.23 billion (US\$616 million). In May 2018, we made an additional investment of RMB1.2 billion (US\$178 million) to acquire additional ordinary shares from the existing shareholders of Yonghui. As of December 31, 2019, we hold approximately 12% of Yonghui's issued and outstanding ordinary shares. In addition, we have formed a strategic partnership with Yonghui to strengthen supply chain management capability primarily through joint procurement, and will continue to explore development opportunities in online-to-offline initiatives and other areas of potential strategic cooperation.

Dada. In April 2016, we completed the transaction with Dada Nexus Limited, or Dada Group, a leading platform of local on-demand retail and delivery in China, pursuant to which our online-to-offline business, JD Daojia, became a subsidiary of Dada Group and we contributed certain resources and US\$200 million in cash in exchange for newly issued equity interest in Dada Group. In December 2017, we exercised our warrant to acquire additional preferred shares of Dada Group. In August 2018, in conjunction of Dada Group's Series F round financing with Walmart, we further invested US\$180 million to acquire the newly issued preferred shares of Dada Group. As of December 31, 2019, we owned approximately 47.5% equity interest of Dada Group on a fully diluted basis.

Farfetch. In June 2017, we invested US\$397 million in cash as consideration to acquire certain number of ordinary shares and preferred shares of Farfetch.com Limited, or Farfetch, the leading global e-commerce platform for the fashion industry. As part of this partnership, we became one of the largest shareholders of Farfetch. The strategic partnership between us and Farfetch leverages our leading logistics and technology capabilities and social media resources, including our partnership with Tencent, with Farfetch's leadership in global luxury, to create a frictionless and seamless brand experience. In September 2018, concurrent with Farfetch's initial public offering and listing on the NYSE, we made an additional investment of US\$27 million to purchase its newly issued ordinary shares. In February 2019, we expanded our strategic partnership with Farfetch, pursuant to which our luxury e-commerce platform, Toplife, merged into Farfetch, and Farfetch gained traffic resources on the JD.com mobile app.

China Unicom. In August 2017, we entered into a conditional share subscription agreement with China United Network Communications Limited, or China Unicom, a Chinese telecommunications operator in relation to our investment of approximately RMB5 billion in cash to subscribe for certain privately issued shares of China Unicom. Concurrently, we, through a PRC affiliate, also entered into a strategic business cooperation agreement with China Unicom.

Vipshop. In December 2017, we, along with Tencent, entered into a share subscription agreement to subscribe for newly issued Class A ordinary shares of Vipshop Holdings Limited, or Vipshop, an NYSE-listed online discount retailer for brands in China. In December 2017, we also entered into a business cooperation agreement and established a cooperative relationship with Vipshop, pursuant to which we granted Vipshop entries on both the main page of our mobile app and the main page of our Weixin Discovery shopping entry. We also purchased the ADSs of Vipshop from the open market. As of December 31, 2019, we had accumulatively invested approximately US\$600 million in cash to purchase Class A ordinary shares and ADSs of Vipshop.

Wanda Commercial Properties. In January 2018, we, along with Tencent, entered into a strategic partnership agreement with Dalian Wanda Commercial Properties Co., Ltd., or Wanda Commercial Properties, a leading developer, owner and operator of commercial properties in China, and its major shareholder, Dalian Wanda Group Co., Ltd. Pursuant to the agreement, we invested RMB5 billion to purchase the shares of Wanda Commercial Properties from its existing shareholders.

Jiangsu Five Star. In April 2019, we completed an investment in Jiangsu Five Star Appliance Co., Ltd., or Jiangsu Five Star, one of the leading offline retailers of home appliances and consumer electronics in China. We acquired 46% of Jiangsu Five Star's total shares from its existing shareholder for a total purchase price of RMB1.27 billion with a combination of cash and assumption of the seller's debt. Following this investment, we and Jiangsu Five Star leverage each other's industry expertise and strength to explore new growth opportunities in the area of omni-channel strategy and aim to provide consumers with a fully-integrated, smart online and offline shopping experience. In addition, we provided a loan of approximately RMB1.03 billion to the seller. We are also entitled to certain collateral and investor rights pursuant to the related definitive agreements.

AiHuiShou. In June 2019, we completed an investment of approximately RMB3.38 billion in AiHuiShou International Co. Ltd., or AiHuiShou, an online second-hand consumer electronics trading platform. In connection with this investment, we merged our Paipai Secondhand business with and into AiHuiShou with certain exclusive traffic resources for the next five years, and additionally invested a certain amount of cash in exchange for additional preferred shares of AiHuiShou.

B. Business Overview

Overview

We are a leading technology driven e-commerce company transforming to become a leading supply chain-based technology and service provider. We generated total net revenues of RMB362.3 billion, RMB462.0 billion and RMB576.9 billion (US\$82.9 billion) in 2017, 2018 and 2019 respectively. We incurred net losses from continuing operations of RMB19 million and RMB2,801 million in 2017 and 2018, respectively, and generated net income from continuing operations of RMB11,890 million (US\$1,708 million) in 2019.

Overview of Our E-commerce Business

We are the largest retail company in China by total revenues in 2019, according to Fortune Global 500. We believe our scale and market leadership are built upon our competitive edge in customer experience and operational efficiency, as well as our commitment to strategically invest in technology and logistics infrastructure for the long term.

Providing superior customer experience is our top priority. Our e-commerce business offers customers a wide selection of authentic products at competitive prices. We have built and operate our own nationwide fulfillment infrastructure that supports our e-commerce business. Our speedy, efficient and reliable fulfillment services ensure a high degree of customer satisfaction. We offer an enjoyable online shopping experience mainly through our content-rich, user-friendly and highly personalized mobile apps and website www.jd.com. We also provide comprehensive customer services and convenient payment options. Owing to the superior customer experience we provide, our loyal customer base has expanded rapidly. We had 292.5 million, 305.3 million and 362.0 million annual active customer accounts in 2017, 2018 and 2019, respectively.

We operate online retail and marketplace e-commerce businesses. In our online retail business, we purchase products from suppliers and sell them directly to our customers. We offer a wide range of product categories through our online retail business, including electronics products, home appliances and a large variety of other general merchandise categories. We have established strong relationships with our suppliers as our online retail business grows rapidly over time. As of December 31, 2019, we sourced products from over 24,000 suppliers.

Timely and reliable fulfillment is critical to our success. We believe we have the largest fulfillment infrastructure of any e-commerce company in China. Leveraging this nationwide fulfillment capability, we deliver a majority of the orders to customers by ourselves. In 2019, we further improved our efficiency in more cities, especially the less developed areas, as we continued to expand our same day and next day delivery service in these areas. Our fulfillment services have been proven to be highly reliable in response to customer needs, particularly in the event of business disruptions, such as during the recent COVID-19 outbreak.

We launched our online marketplace in October 2010, and have since then been continually adding third-party merchants and introducing new products and services, including premium international brands, to our customers. As of December 31, 2019, our online marketplace had over 270,000 third-party merchants, who are held to high standards for transacting with our customers. We aim to offer our customers with consistently high-quality online shopping experience regardless they purchase from us or third-party merchants. To this end, we require all third-party merchants to meet our strict standards for product authenticity and service reliability, and closely monitor their performance and activities on our online marketplace.

We provide a variety of digital marketing services to marketers on our e-commerce platform, including suppliers to our online retail business, third-party merchants on our online marketplace and other partners. Powered by AI technology, our digital marketing platform provides our marketing customers with comprehensive digital branding and performance-based marketing solutions and various effective measurement tools, which help them reach targeted audiences, attract and retain customers and improve their returns. Our digital marketing platform also features automatic marketing operation including online marketing message creation, targeting, bidding, deployment and budget allocation, which enables marketers to manage their digital marketing strategy and spending in a convenient and efficient manner.

We are exploring a variety of omni-channel initiatives to meet our customers' ever-growing demand. We believe we are well-positioned to empower traditional offline retailers by capitalizing on our strong online presence, industry know-how and omni-channel technology and systems. We collaborate with Walmart on e-commerce by launching Walmart and Sam's Club Flagship Stores on our platform and providing fulfillment solutions to them. Through our strategic partnership with Dada Nexus Limited, or Dada Group, a leading platform for local on-demand retail and delivery in China, Dada Group has been cooperating with JD Logistics to provide our customers fast on-demand delivery services of a wide selection of grocery and other fresh products through JD Daojia. We are also exploring in the offline retail market through 7FRESH, our offline fresh food supermarket brand, experimenting on the omni-channel model.

Our proprietary and scalable technology platform enhances user experience, improves operating efficiency and supports the growth in our e-commerce business. Leveraging machine-learning technology and massive data sets amassed from online purchase behaviors, we curate personalized product recommendations and push targeted promotions. We utilize AI technology to refine our merchandise sourcing strategy, allowing us to efficiently manage our inventory and control cost. With consumer insights generated from big data analytics, we provide tailor-made products through customer-to-manufacturer production, which increase sales and enhance customer satisfaction.

Overview of Our Supply Chain-based Technologies and Services

Today, we are transforming to become a leading supply chain-based technology and service provider. We take a holistic view on the supply chain covering from upstream manufacturing and procurement, logistics, distribution and retail to end customers.

With our leading position in the retail industry, we have established strong relationships with numerous suppliers, brands and partners. We leverage such relationships and our retail technology capability to provide them with a variety of service solutions. Over the past decade, we have also built a highly scalable and reliable logistics infrastructure and technology platform for our retail business. We are opening up logistics infrastructure and technology platform to third parties with comprehensive logistic services and technology solutions.

Technology is crucial to our achievements today and continued success in the future. It enables better customer experience, more customer cost savings and higher efficiency, while it also serves as a foundation to export our capabilities to enhance productivity and innovation across a multitude of industries in China.

Logistics Services

We made our strategic decision in 2007 to invest in and build our own nationwide fulfillment infrastructure. As of December 31, 2019, our nationwide fulfillment infrastructure covered almost all counties and districts across China, with a network of over 700 warehouses with an aggregate gross floor area of approximately 16.9 million square meters in 89 cities, including warehouse space managed under the JD Logistics Open Warehouse Platform. In addition, we had a team of over 132,200 delivery personnel and 43,700 warehouse staff as of December 31, 2019. Our fulfillment infrastructure is powered by proprietary smart logistics and automation technologies, such as intelligent hardware, robotics, voice recognition, computer vision and deep learning, which allow us to continuously improve our operational efficiency. With full control of the logistics network and associated data flow, we are able to optimize operations and modularize processes so as to ensure scalability and efficiency.

Over the past decade, we have consistently provided superior fulfillment services to our online retail customers, which has been well supported by our self-operated integrated logistics infrastructure and technology platform. We also open up our leading logistics infrastructure to our third-party merchants and partners beyond our e-commerce business. We are expanding our logistics services to partners across various industries, as well as individual users. We provide services relating to almost all aspects of logistics operation, including warehousing management, storage, long-haul transportation, express and on-demand delivery and cold-chain and cross-border services, among others. We offer integrated supply chain management solutions to customers in various vertical markets. We also provide technology solutions for logistics operations to enable customers to transparently and effectively monitor, manage and optimize their logistic workflows.

Our Retail Technology Services and Other Technology Initiatives

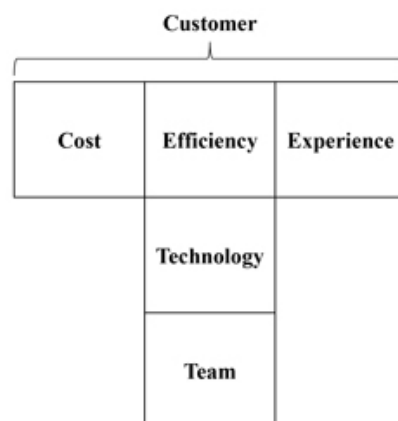
Capitalizing on our retail data, infrastructure and technology, we commercialize our retail capability into services we offer to brands and partners in the retail industry. Through such services, we believe we can create, together with our partners, a more advanced and comprehensive retail ecosystem to reach and serve more consumers, wherever and whenever they shop.

We operate a technology service platform Kepler which provides comprehensive services for our partners to conduct online retail leveraging traffic on third-party channels. For example, we help brands set up mini-programs on Tencent's Wechat and provide one-stop services include mini-program creation, product selection and pricing, digital marketing, inventory management, fulfillment and customer services. Such services are especially valuable for brands with less sophisticated online retail experience but wish to boost sales through emerging mobile internet channels. In addition, powered by predictive analytics utilizing AI and big data, we also offer services to traditional brick-and-mortar retailers to optimize offline stores' operation by recommending product selection based on local consumers' preferences while managing stocks at optimum inventory level.

We have developed robust supply-chain based technology in three key areas, namely AI, Big data analytics and Cloud computing. We have world-class scientists and a large team of AI engineers. Our technology achievements have been well recognized globally and we strive to deliver best-in-class services to our customers and become the most trusted technology service provider in the industry. For example, we built a smart supply-chain platform NeuHub in April 2018, which consists of cloud-based AI infrastructure. It also includes application-level products supporting many use cases that are applicable to our business and ecosystem, as well as customers across industries and governments.

Core Philosophy

Putting customers first is always our core philosophy, as illustrated by the following:



- Our team is the foundation of our company. We have built a strong and dedicated team and made significant efforts in hiring, training and retaining the best talent.
- Technology is a key contributor to maintaining our competitive advantage. Upgrading core technologies can effectively reduce cost, improve operating efficiency, and deliver best-in-class customer experience. In order to achieve sustainable future growth, we have been heavily investing in technology innovation and will continue to do so. Our technology strategy focuses on three key areas, namely: AI, Big Data and Cloud. By adopting a middle platform model and compartmentalizing the IT components and standard APIs in our IT architecture, we have greatly enhanced R&D efficiency, and accelerated business innovation. More importantly, this has enabled us to offer more value-added technology services to our clients across a wide spectrum of industries.
- To create value for our customers, partners and society, we make continuous efforts to reduce cost, improve efficiency, and deliver better customer experiences:
 - Our technology and data-driven management employ an array of key performance indicators to minimize costs and maximize efficiency in our operations;
 - We continue to encourage innovation with our partners in order to offer customers a holistic shopping experience through both online and offline channels, thereby increasing customer loyalty; and
 - We continuously open up our infrastructure, such as logistics, systems and technologies, to our business partners to develop more innovative solutions that could reduce cost and/or enhance efficiency for society as a whole.
- As a result, we are able to offer a broad selection of products, services and solutions at competitive prices as well as excellent experiences. We strive to deliver a sustainable best-in-class customer experience that leads to more loyalty and commitment.

Our Growth Strategies

Our strategies are centered on sustainable and quality growth, which we expect to achieve by further solidifying the market leadership of our e-commerce business, and developing our supply chain-based technology service capabilities to empower the players across the industry value chain. Our team, organization structure and corporate culture undergird the successful execution of our growth strategies.

We will further grow our scale to strengthen our competitive advantages and achieve even greater economies of scale. With our continuous growth in scale and further enhancement of our sourcing capabilities and partnerships with our third-party merchants, we can deliver stronger value propositions to our customers, especially everyday low price, wider selection, and better quality. We will continue our commitment to technology development, investment in logistics infrastructure and supply chain platforms, to fuel our growth and eventually strengthen our self-reinforcing virtuous cycle.

To further enhance customer engagement and customer experience, we will continue to widen our product selection and improve personalization and other features on our platform. We plan to extend online and offline retail scenarios and develop innovative retail channels to better meet evolving customer demand, enhance our touch points with customers and increase our wallet share over time. In addition, we will further penetrate into lower-tier cities where hundreds of millions of consumers have growing but underserved demand for quality products and upgraded services. We will continue to execute tailor-made customer acquisition strategy, offer compelling value-for-money products through more targeted channels. For example, we launched JingXi in 2019, an online marketplace channel, featuring rich social attributes and curated products that cater to the demand of customers in lower-tier cities. We will continue to invest in our fulfillment infrastructure to better serve customers in lower-tier cities. We also plan to prudently explore growth opportunities in overseas markets to grow overseas customer base through organic growth, strategic collaboration, and selective investments and acquisitions.

As a technology-driven company, we will continue to focus on the key areas of our technology initiatives, such as AI, big data and cloud computing, to strengthen our competitive advantage in technology. We will continue to invest in a holistic smart supply-chain technology platform and optimize our service capabilities. We will also open up our platform and offer supply chain-based technology services to customers and partners in various industries. We believe our focus on these technology initiatives will help digitalize and streamline the industry value chain, improve operational efficiency for our customers and partners, and create additional monetization opportunities for us.

We will continue to optimize our organizational structure and adapt to changing market conditions. By delegating decision-making power to managers in each business unit, we enable them to be closer to our customers and navigate through dynamic market environment. We will continue to enhance synergies between business units and encourage innovation. We believe our entrepreneurial corporate culture and our employees are instrumental to a prospering and enduring business. We are committed to attracting new talents by offering compelling incentive packages and encouraging them to achieve their career goals. At the same time, we will also strengthen our talents by instilling in them a sense of ownership and a result-oriented, problem-solving mindset. We are confident that a dedicated team, a well-structured organization and a solid corporate culture will ensure execution of our business strategies and drive growth for years to come.

Our Business

Since founding our company, we have focused on developing our online retail business as well as building our own fulfillment infrastructure, including last mile delivery capability, all based on our proprietary technology platform to support our operations. As our online retail business grew substantially in size, we launched our online marketplace to complement it and expand our product offerings, leverage our established fulfillment infrastructure and technology platform and ensure a superior customer experience. The combination of our online retail and online marketplace, our omni-channel initiatives and our own nationwide fulfillment infrastructure and technology platform, makes us a uniquely strong player in China's retail industry in terms of providing superior customer experience.

Leveraging the significant scale of our business, cutting-edge technologies, and our well-established retail infrastructure, we have also begun to offer comprehensive supply chain-based services that complement our core business and create significant value for a wide range of business partners. Ultimately, this will boost business development and the overall customer experience.

JD Retail

Online Retail

In our online retail business, we acquire products from suppliers and sell them directly to customers. We believe we have the largest online product review database of any online retail company in China with approximately 5,817 million product reviews generated by our customers as of December 31, 2019. As we now offer a wide range of product categories through our online retail business model, net revenues from electronics products, which include computers, mobile handsets and other mobile digital products, and home appliances, have declined as a percentage of our total net revenues. As of December 31, 2019, we sourced products from over 24,000 suppliers. We believe that large scale and market leading position are critical to success in the online retail market in China and can provide important competitive advantages to us.

Online Marketplace

In our online marketplace business, third-party merchants offer products to customers on our online marketplace and pay us sales commissions. We launched our online marketplace in October 2010 and have been adding new products and services, including premium international brands, since then. As of December 31, 2019, there were over 270,000 third-party merchants on our online marketplace. We provide transaction processing and billing services on all orders placed on our online marketplace and require third-party merchants to meet our strict standards for authenticity and reliability. We monitor third-party merchants' performance and activities on our online marketplace closely to ensure that they meet our requirements for authentic products and high-quality customer service. We tag certain top stores on our platform as "JD Haodian (旗舰店)," based on each third-party merchant's quality of service during the entire purchase process. Such certification can help the top third-party merchants improve their sales volumes on the platform. Furthermore, it sets a benchmark to encourage other third-party merchants to improve their quality of service. We aim to offer customers the same high-quality customer experience regardless of the source of the products they choose.

Omni-channel Initiatives

We are exploring a variety of omni-channel integration opportunities and innovative business models.

We believe we are well-positioned to provide omni-channel solutions to customers and offline retailers in select locations in China by capitalizing on our strong online presence and leveraging our strategic partnership with Dada Nexus Limited, or Dada Group, a leading platform for local on-demand retail and delivery in China. Dada Group has partnered with a large number of well-known chain retailers and many first-tier international and domestic FMCG (fast-moving consumer goods) brands by leveraging Dada Group's crowd-sourcing delivery network. Dada Group has been cooperating with JD Logistics to provide fast on-demand delivery services for merchants and consumers.

In June 2016, we entered into a series of agreements in relation to our strategic alliance with Walmart. We have collaborated with Walmart on e-commerce, including launching a Sam's Club Flagship Store and Walmart China Flagship Store on JD.com, Sam's Club Global Flagship Store, Walmart Global Flagship Store, and ASDA Flagship Store on JD Worldwide, and a one-hour delivery service from Walmart Stores in selected cities through the JD Daojia app, as well as leveraging each other's supply chain to enhance product selection for customers across China. We have also experimented with other omni-channel opportunities, aimed at offering shoppers across China faster and more convenient access to high-quality products through multiple channels.

To provide customers with a more dynamic and interactive integrated omni-channel shopping experience, we have enabled some of our offline partners with a variety of the latest technologies such as facial recognition, product recognition, and a tracking system for customers' in-store activities, among others. We have established a closed loop to accumulate a large volume of offline shopping data, and through further analysis of the integrated online and offline dataset, we can offer differentiated products that best suit potential customer demand in each offline franchise store.

7FRESH, our offline fresh food market brand, is part of our omni-channel strategy. In December 2017, we opened our first 7FRESH store in Yizhuang Economic and Technological Development Zone in Beijing. We integrated our advanced supply chain management know-how and cutting-edge storage technologies to 7FRESH stores to deliver a unique shopping experience. The application of our advanced supply chain management solution and technology on 7FRESH is part of our ongoing experiments to deploy our retail and supply chain service capabilities, which, once proven, will empower our potential offline partners to further expand our 7FRESH presence to pursue an enhanced shopping experience for our consumers.

Marketing Services

Leveraging our AI capabilities and our comprehensive dataset accumulated from a wide range of business scenarios along the entire value chain, we provide a variety of marketing services to suppliers, third-party merchants and other business partners through our proprietary advertisement technology platform. In 2019, through our greatly expanded development and investment in advanced advertising and marketing technology, we launched the JD Marketing 360 Platform. This platform employs sophisticated AI and big data technologies in exploiting our user behavior insights to provide brand marketers and third-party merchants with a one-stop brand building and sales growth solution. It integrates omnichannel marketing, rich marketing effectiveness measurements, and comprehensive consumer asset growth management to help our marketers to effectively acquire new users and increase shopping frequency from existing users. We provide native search ads and display ads on our main apps, and we also place display ads, search ads and affiliate ads on China's mainstream high traffic apps and video apps. In 2019, we also invested in automated marketing technologies, launching comprehensive products automating all aspects of marketing, including automatic bidding, targeting, creative generation of ads, and budget allocation to satisfy a broad range of marketing scenarios. These products not only reduce our marketers' labor in marketing campaigns, but also improve their ROI.

JD Logistics

Timely and reliable fulfillment is critical to the success of an online retail business. Leveraging our nationwide fulfillment infrastructure and our advanced technology and logistics expertise, our logistics business, JD Logistics, delivers a majority of orders directly to our customers and also provides logistics services to business partners across a wide range of industries including those beyond e-commerce. We have opened up our technology-driven fulfillment infrastructure by offering comprehensive supply chain solutions to third parties, including warehousing management, transportation, delivery, after-sales services, and logistics technology solutions, such as cloud-based service and data analytics, or a combination of these services. We are dedicated to developing an effective, environmentally-friendly, innovative and smart "green logistics system" through developing and promoting the use of innovative and environmentally-friendly materials and a series of technological innovations.

JD Property

JD Property, our property management group, owns, develops and manages our logistics facilities and other real estate properties, to support JD Logistics and third parties. JD Property has unique advantages to secure scarce land resources as we continue to help boost economies across China through creating employment opportunities and contributing tax, among others. JD Property aims to develop its logistics asset portfolios while maintaining strong capital discipline. With the expansion of our asset portfolios, we have adopted a capital recycling strategy through our fund management platform and other partnerships. We believe this strategy will help further expand our asset portfolios, minimize our related future capital expenditures and enhance our returns. Currently, JD Property manages properties with a total gross floor area of over 10 million square meters. In February 2019, JD Property and GIC, Singapore's sovereign wealth fund, jointly established JD Logistics Properties Core Fund, L.P., or Core Fund, for a total committed capital of over RMB4.8 billion. We serve as the general partner of Core Fund and have committed 20% of its total capital as the limited partner, while GIC has committed the remaining 80%. The investment committee of Core Fund, which comprises the representatives from us and GIC, oversees the key operations of Core Fund. Furthermore, in February 2019, we entered into a definitive agreement with Core Fund, pursuant to which we sold certain of our modern logistics facilities to Core Fund for a total gross asset value of RMB10.9 billion, to unleash the full potential of our balance sheet and optimize the use of capital for our future growth initiatives. In the second half of 2019, the closing conditions for the completed assets were met, and we recorded a total disposal gain of RMB3.8 billion for the completed assets in 2019. For the remaining logistics facilities under construction, we will derecognize these assets upon the completion and satisfaction of the hand over conditions. In addition, subsequent to the disposition, we have leased back these facilities for operational purposes, and JD Property has started serving as the asset manager managing Core Fund's assets.

Technology Initiatives

In December 2019, we formed the new JD Cloud & AI platform to spearhead our technology-related agenda. We have a large team consisting of research and development professionals primarily covering areas of AI, big data analytics and cloud computing. Together, these areas form our technology strategy. We strive to deliver best-in-class services to our customers and become the most trusted technology service provider in the industry, powered by our large and sophisticated IT infrastructures.

Other New Initiatives

Based on our proprietary capabilities in supply chain, logistics, and technologies, we also proactively and cautiously explore opportunities in various new initiatives such as overseas business and healthcare related business, among others. In November 2019, our healthcare subsidiary, JD Health International, Inc., or JD Health, completed the non-redeemable series A preferred share financing with a group of third-party investors.

Customer Experience

Our operation principle is “trust-based, customer-centric value creation,” and we are committed to optimizing the customer experience and achieving customer satisfaction. This commitment drives every aspect of our operations, which are focused on six core components: extensive product offerings, compelling online experience, superior customer service, competitive pricing, timely and accurate fulfillment, and convenient payment options.

Products

We continually seek to add more products that appeal to our customers. We offer a wide range of product categories including but not limited to:

- home appliances;
- mobile handsets and other digital products;
- computers, including desktop, laptop and other varieties, as well as printers and other office equipment;
- furniture and household goods;
- apparel;
- cosmetics and other personal care items and pet products;
- women’s shoes, bags, jewelry and luxury goods;
- men’s shoes, sports gear and fitness equipment;
- automobiles and accessories;
- maternal and childcare products, toys and musical instruments;
- food, beverage and fresh produce;
- gifts, flowers and plants;
- pharmaceutical and healthcare products, including nutritional supplements, healthcare services and other healthcare equipment;
- books, e-books, music, movies and other media products;
- virtual goods, including online travel agency, attraction tickets, and prepaid phone cards and game cards;
- industrial products; and
- installation and maintenance services.

Each of these categories is further divided into numerous subcategories to facilitate browsing.

In building up our product offerings, we focus on quality as well as quantity. Due to our nationwide reach and our efficient fulfillment system, suppliers often choose us to launch new products that they expect will be in high demand, and we often act as the preferred distributor for a period of days or weeks when a hot new product first becomes available for sale to the public. We had a GMV of RMB1,294.5 billion, RMB1,676.9 billion and RMB2,085.4 billion (US\$299.5 billion) in 2017, 2018 and 2019, respectively. “GMV” are to the total value of all orders for products and services placed in our online retail business and on our online marketplaces, regardless of whether the goods are sold or delivered or whether the goods are returned. GMV includes the value from orders placed on our mobile apps and websites as well as orders placed on third-party mobile apps and websites that are fulfilled by us or by our third-party merchants. The calculation of GMV includes shipping charges paid by buyers to sellers and for prudent consideration excludes certain transactions over certain amounts that are comparable to the disclosed parameters in GMV definition by our major industry peer. We believe that GMV provides a measure of the overall volume of transactions that flow through our platform in a given period and is only useful for the purposes of industry and peer comparisons. Therefore, it should not be used as a financial metric.

Online Experience

We believe that providing a compelling online experience is critical to attracting and retaining customers. We make sales primarily through our content-rich and user-friendly mobile apps and website [www.jd.com](#). Our website not only offers a broad selection of authentic products at competitive prices but also provides easy site navigation, basic and advanced search functions, customized product recommendations, comprehensive product information and a large volume of customer reviews and ratings. These features address customers' desire to view, understand and compare products before purchasing. With the increasing popularity of mobile internet-enabled devices, we have also developed apps and features adapted for mobile internet users. We currently offer mobile access through our mobile website [m.jd.com](#) and our various iOS and Android mobile apps. As part of our strategic partnership with Tencent, we launched level 1 access on Tencent's Weixin and direct access on Tencent's Mobile QQ, whereby Tencent users can easily access our product offerings and have an enjoyable mobile shopping experience. Over 90% of orders fulfilled were placed through our mobile apps in 2019.

Our mobile apps and [www.jd.com](#) website contain the following information and features:

Comprehensive product information to support prompt decision-making. Each product page contains pictures, descriptions, and sometimes short videos of the product, the price, a pull-down menu to show whether the product is in stock at the customer's location, customer reviews and ratings, and whether the product will be delivered by us or by one of our third-party merchants. When customers are browsing product pages, we display product highlights, reliable services available for this product and the post-discount price on the front page so as to support customers to make purchase decisions more efficiently.

Interactive user community to enhance customer engagement and loyalty. Our mobile apps and websites contain a large volume of helpful user-generated and professionally-generated content. For each product, customers can provide reviews and ratings that are featured prominently on the product page. We encourage participation by granting loyalty points for posting reviews and ratings. We believe that we have the largest online product review database of any online retail company in China, with approximately 5,817 million product reviews generated by our customers as of December 31, 2019, which benefits our customers, suppliers and third-party merchants. We also encourage third-party merchants to generate content and promote their products through livestreams and short videos on our platform to better interact with our customers.

Targeted product recommendations to satisfy personalized demands. We have made progress in personalized recommendations, leveraging our cutting-edge technologies to provide an individualized shopping experience for each of our customers. We identify customers' demands and make more accurate recommendations based on comprehensive algorithms, which are derived from a large volume of data about customer behavior and preferences.

Smart ordering process to further improve the shopping experience. We continue to leverage our technology to optimize the ordering process, making the shopping experience more convenient and enjoyable. For example, when customers review their shopping carts, not only do we display the special offers available at the time for the products in the customers' shopping carts, but also we combine the existing coupons in our customers' accounts with special offers, and calculate the all-in benefits for customers to provide them maximum benefits.

Real-time order tracking and order information revision system to provide convenient shopping experience. Customers can log into their accounts to check the status of their orders. Each package in our system is given a unique identification number, and its location is updated each time it is handled by one of our warehouse or delivery personnel or one of our contracted third-party couriers. Each of our delivery personnel carries a mobile personal digital assistant, which allows customers to track their location in real time on an online map. Furthermore, we provide customers with the option to adjust their order information such as changing the shipping address or the preferred delivery date or time slot.

Customer Service

Providing satisfactory customer service is a high priority. Our commitment to customers is reflected in the high level of service provided by our customer service staff as well as in our flexible product return and exchange policies. We continue optimizing our customer service to guarantee the best possible shopping experience.

In 2019, we further strengthened our brand image of offering hassle-free services to our customers. Combining unique service capabilities from our retail business and our third-party merchants, we provide our customers with customized services for different product categories. Our services cover the entire purchasing process and include over 60 types of services such as instant refunds, repair by exchange program, home-delivery of replacements, and extended price protection services for selected retail products, among other offerings. The service offering aims to facilitate consumers' purchase decisions by providing trustworthy and guaranteed services. In 2019, we continued to invest in smart services and leveraged our advanced AI and deep learning technologies to more efficiently resolve the high volume of customer inquiries without sacrificing the customer experience. We also leveraged our cutting-edge technologies and smart systems to analyze a large volume of customer feedback and alerted third-party merchants in advance regarding potential customer service issues, helping third-party merchants to improve their service quality for our customers.

24-7 customer service centers. We operate 24-7 customer service centers in Suqian, Yangzhou, Jiangsu province; and, Chengdu, Sichuan province, handling all kinds of customer queries and complaints regarding our products and services. We obtained COPC (Customer Operation Performance Center) Certification in November 2014. Customers can make queries and file complaints via various channels such as phone calls, online written instant messengers, JD official accounts on Weixin and Weibo, and through email. As of December 31, 2019, we had a total of 10,041 customer service representatives at the Suqian, Yangzhou and Chengdu centers.

Returns and exchanges. We accept unconditional returns or exchanges within seven days of purchase. For selected categories in our retail business, we provide an extended 30 days return and 180 days replacement policy to our customers. Defective merchandise can be returned for exchange within 15 days of purchase. For customers with good credit, we provide an "instant refund" service, where we provide refunds as soon as they submit their return requests. If customers report defects more than 15 days after receipt but are still within the warranty period, we will have the defective goods repaired, replaced or take another appropriate action to compensate the customer, depending on the nature of the problem. We will generally pick up defective items for return or exchange at the customer's address, provided that the return or exchange is requested within 15 days of receipt of the item and the address is within the area that is serviced by our employees or by one of the third-party couriers that have agreed to provide this service for us. Alternatively, customers can also mail the merchandise to one of our regional after-sales centers or bring the product to a pickup station nearby. The same policies apply to products sold through our online marketplace.

Membership program. We have established a membership program to cultivate customer loyalty and encourage our customers to make repeat purchases. In 2017, we upgraded the membership system and changed from a five-tier membership structure to the "Jing Xiang Zhi (京享值)" value system, which takes into account various indicators, such as consumer behavior, interaction, credit ratings, and risk level, among others, to determine a comprehensive score for each consumer. We believe the upgraded membership system effectively enhances the shopping experience and consumer engagement. In addition to our "Jing Xiang Zhi (京享值)" membership program, we continued to promote JD Plus, a premium paid membership program. JD Plus members enjoy benefits related to merchandise such as extra rebates, free shipping coupons, exclusive prices on selected product offerings, RMB100 cross-category coupons on a monthly basis, VIP customer services, free return services and PLUS DAY promotion events designed specifically for JD Plus members. JD Plus also partnered with content and lifestyle service providers such as Tencent Video, iQiyi, Ctrip, among others, providing JD Plus members with greater benefits.

Pricing

We offer competitive pricing to attract and retain customers. We make continual efforts to maintain and improve an efficient cost structure and create incentives for our suppliers to provide us with competitive prices.

Pricing policy. We are making continual efforts to set our prices to be competitive with those on other major online retail websites and in physical stores in China. We typically negotiate with our suppliers for prices that are comparable to or lower than those offered to retailers in other sales channels. If we reduce the price on our website and mobile apps before or after the product is delivered to the customer, then the customer generally has an opportunity to lock in the lower price. Currently, third-party merchants are free to set their own prices on our online marketplace. We also continue to enrich our product offerings and service while maintaining low prices.

Special promotions. We offer a selection of discounted products on special occasions, such as our anniversary sales promotional event on June 18 and China's online shopping festival on November 11, as well as on important holidays such as Christmas and Chinese New Year. We also hold daily promotions for selected products for a limited period of time. Special promotions attract bargain hunters and give our customers an additional incentive to visit our website and mobile apps regularly.

Delivery

We believe that timely and reliable fulfillment is critical to the continuing success of our business. To this end, we have incurred and will continue to incur significant expenditures in building and operating our own nationwide fulfillment infrastructure. The following are some of the advantages that derive from our nationwide fulfillment infrastructure:

Delivery network and personnel. We deliver products directly to customers in almost all counties and districts across China. We deliver a majority of orders directly to customers ourselves, and therefore our customers interact with delivery personnel more often than with any other representatives of our company. For this reason, we place great emphasis on training our delivery personnel and setting up delivery stations in more and more counties and districts. We believe that our professionally trained delivery personnel are important in helping us to shape customer experience and distinguish ourselves from our competitors.

Flexible delivery arrangements. We believe that timely and convenient delivery is an essential part of customer satisfaction, and we arrange our delivery schedule to suit our customers' needs. Customers can choose their preferred delivery window during a day, including evening delivery in selected areas, when they place orders. Customers who need to reschedule a delivery can log into their account on our websites or mobile apps to look up the contact information for the delivery person and contact the delivery person directly themselves, provided that the delivery will be made by our employees.

Comprehensive speedy delivery service. We introduced our 211 program in 2010. For goods that we have in stock at the corresponding regional fulfillment center or front distribution center, any orders received by the morning deadline (11:00 a.m. in most of the locations) will be delivered on the same day, and any orders received by the evening deadline (11:00 p.m.) will be delivered by 3:00 p.m. on the following day. Customers also can request that an order placed by 3:00 p.m. be delivered in the evening on the same day in selected cities. There is no extra charge for delivery under our 211 program for orders that satisfy the minimum size requirement, and customers can check the product page on our websites or through our mobile apps to see whether the product is in stock and thus eligible. The program does not cover delivery to addresses through third-party couriers or products shipped directly from our third-party merchants. Customers can request expedited delivery within two hours by paying an extra charge in the major cities where we have regional fulfillment centers. JD Logistics also provides scheduled delivery service in selected cities, allowing customers to choose a convenient delivery window within which to receive their goods. For luxury products, consumers in major cities can enjoy JD Luxury Express, a premium delivery service where a courier in suit, tie and white gloves will deliver to consumers' doors. JD Logistics has launched a new premium logistics service with China Railway Corporation, leveraging domestic high-speed trains for secure, long-distance transportation of high-end goods and JD Luxury Express for the last-mile delivery. The combination has created a seamless network allowing customers to enjoy same-day delivery for high-end goods originating from non-local warehouses.

Customer pickup. Customers who prefer to pick up their order themselves can select a pickup station when placing the order and use the tracking function to find out when the order has arrived there. We have pickup stations at convenient locations across the country and payment can be made on the spot.

Continuous expansion of delivery service. We have established and are making continuous efforts to further expand our cold-chain and cross-border logistics capabilities, and in new business areas, to expand product offerings while ensuring superior customer experience.

Payment

Online payment. Various kinds of online payment methods are offered to customers at the time they place their orders, such as Weixin Pay, JD Pay and UnionPay. Customers chose online payment approximately 98% of the time in 2019.

Payment-on-delivery. We accept payment-on-delivery in almost all of the counties and districts across China where we make deliveries through our own delivery personnel. Our delivery personnel carry mobile POS machines for processing debit cards and credit cards and they also accept cash.

Other payment options. Customers may also choose to pay by postal money order. Enterprise customers can also make payment by wire transfer.

Merchandise Sourcing

In our online retail business, we sourced products from over 24,000 suppliers as of December 31, 2019. Procuring products on such a massive scale requires considerable expertise, which we have built up over a number of years. None of our suppliers accounted for over 10% (by value) of the products we purchased in 2019. In addition, we had over 270,000 third-party merchants on our online marketplace as of December 31, 2019.

As we increase in scale in particular product categories, we expect to increase our direct purchases from manufacturers and, where appropriate, to become an authorized reseller. We believe that our ability to establish direct relationships with manufacturers will enable us to provide high-quality products and obtain better procurement terms and access to hard-to-get products. We believe that manufacturers and distributors consider us an important channel in certain product categories such as computers and mobile devices, and we are gaining significant traction in related categories like home electronics, where we are one of the largest online channels in China. Direct cooperation with manufacturers enables us to increase supply chain efficiency by minimizing supply chain costs and to give customers peace of mind about product quality. In addition, we have created an interface where our third-party merchants access reports regarding inventory status, purchase history and customer reviews of their products. Suppliers and third-party merchants can use this information in their marketing and product development efforts and also in managing their own inventory, which helps them manage costs and makes our services more valuable to them.

We select suppliers and third-party merchants on the basis of brand, reliability, volume and price. They must be able to meet our demands for timely supply of authentic products and also provide high quality after-sale customer service. We perform background checks on our suppliers and third-party merchants and the products they provide before we enter into any agreement. We examine their business licenses and the qualification certificates for their products, and check their brand recognition and investigate the market acceptance of their products among players in the same industry. We also conduct on-site visits to assess and verify their location, business scale, production capacity, property and equipment, human resources, research and development capability, quality control system and fulfillment capability. We normally enter into one-year framework agreements with our suppliers and third-party merchants and renew them annually.

Our standard form contract requires suppliers and third-party merchants to represent that their goods are authentic and from lawful sources and do not infringe upon lawful rights of third parties and to pay us liquidated damages for any breach. We have also put stringent rules in place governing the operations of third-party merchants on our online marketplace. Third-party merchants will be subject to penalties or be asked to end their operations on our online marketplace if they violate the marketplace rules, for example by selling counterfeit products. We have a strict zero-tolerance policy for counterfeit products.

Logistics Services

Fulfillment

We deliver a compelling customer experience by fulfilling orders quickly and accurately. To this end, we have built our nationwide fulfillment infrastructure for the prompt receipt, storage and shipment of our products. Our fulfillment infrastructure is primarily comprised of a nationwide warehouse and delivery network that we operate ourselves, supplemented by contracted third-party couriers to service areas that are not covered by our network. To further enhance inventory accountability and security, we track our inventory at all stages of the receiving and order fulfillment process.

Nationwide Fulfillment Infrastructure

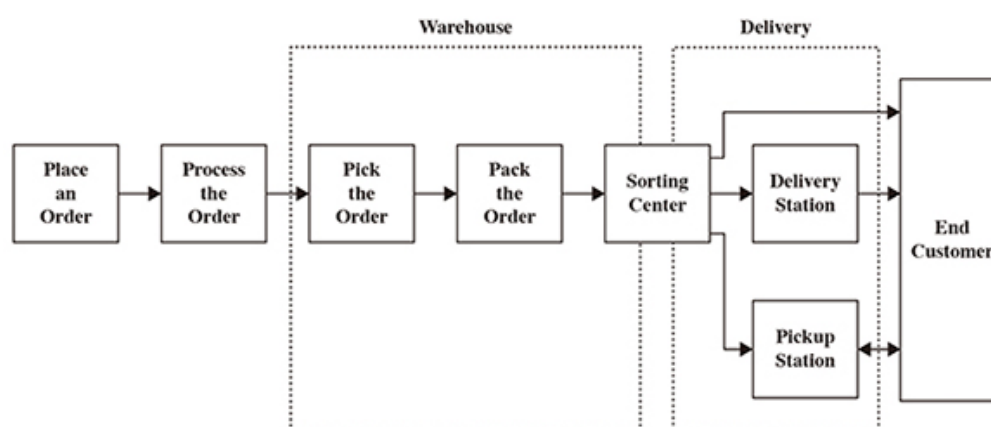
We have built a nationwide fulfillment infrastructure that we believe is the largest among all e-commerce companies in China.

We had established regional fulfillment centers in seven major cities in China as of December 31, 2019: Shenyang in the northeast, Beijing in the north, Shanghai in the east, Wuhan in the center, Guangzhou in the south, Chengdu in the southwest and Xi'an in the northwest. We had also established front distribution centers in 28 cities stocking products that are in high demand and other additional warehouses in 54 cities in China as of December 31, 2019. We operated over 700 warehouses in 89 cities as of December 31, 2019, covering an aggregate gross floor area of approximately 16.9 million square meters, including warehouse space managed under the JD Logistics Open Warehouse Platform. Our comprehensive fulfillment facilities covered almost all counties and districts across China as of the same date.

We deliver a majority of the orders directly to customers ourselves. We maintain cooperation arrangements with a number of third-party couriers to deliver our products to our customers in those areas not covered by our own fulfillment infrastructure, particularly in smaller and less developed cities. Third-party merchants also use third-party couriers if they do not use our delivery services.

Fulfillment Process

The following flow chart outlines our fulfillment process:



When a customer places an order, our delivery management system automatically processes the order and matches it to the warehouse or warehouses with the appropriate inventory. Picking is done on the basis of instructions that are generated automatically by our warehouse management system. The warehouse management system also automatically generates the bar codes and shipping labels that allow our staff to match the items to the correct order in the packing process. After picking, packing, and sorting, the order is shipped to a delivery or pickup station in the customer's city for further handling and delivery. If a customer's order contains products from different warehouses, the products will be combined at the last-mile delivery station and then sent to the customer in a single delivery. If the customer's address is not one to which we make deliveries ourselves, we will have a third-party courier pick up the order at our sorting center to make the delivery. In some cases, we also use third-party couriers to transfer orders between a sorting center and a delivery station. Once the order has been shipped, our system automatically updates the inventory level for each product in the order, ensuring that additional inventory will be ordered as needed. Our customers can track the shipping status of their orders through our websites or mobile apps at each step in the process.

We are in the process of constructing new warehouses on land where we have obtained land use rights. We believe that building our own warehouses will not only increase our storage capacity but will also allow us to restructure and reorganize our fulfillment workflow and processes.

We also have a dedicated internal division, to explore research, development and application of smart logistics and unmanned technology, which we believe represent the future trend of the logistics industry. Through the development of a series of cutting-edge technologies such as intelligent hardware, internet of things, big data, robotics, image and vision recognition, machine learning, deep learning, and smart logistics devices, we intend to revolutionize the logistics industry. We are also experimenting with these technologies in a wide range of logistics business areas such as unmanned warehouses, drone delivery, self-driving vehicles, unmanned delivery stations and convenience stores, among others. We will continue to invest in smart logistics to improve the intelligence level of our logistics system and to provide consumers with an unparalleled shopping experience.

Open Platform of Our Logistics Services

We also open up our leading logistics infrastructure to our third-party merchants and partners beyond our e-commerce business. We have developed comprehensive logistics services and continuously strengthen our logistics service capability by adding new services such as on-demand delivery, cold-chain services and individual parcel delivery solutions. We provide services relating to almost all aspects of logistics operation, including warehousing management, storage, long-haul transportation, express and on-demand delivery and cold-chain and cross-border services, among others. We offer integrated supply chain management solutions to customers in various vertical markets. We also provide technology solutions for logistics operations to enable customers to transparently and effectively monitor, manage and optimize their logistic workflows.

Technology Platform

Technology is the key to our future success. It enables better customer experience, higher efficiency and customer cost savings, while also serving as a vehicle to export our unique capabilities and cutting-edge innovation to benefit the whole industry and society. In December 2019, we formed the new JD Cloud & AI platform to spearhead our technology-related agenda.

We have a large team consisting of research and development professionals primarily covering areas of AI, big data analytics and cloud computing. Together, these areas form our technology strategy. We strive to deliver best-in-class services to our customers and become the most trusted technology service provider in the industry, powered by our large and sophisticated IT infrastructures.

In addition to our core technology innovation, research and development, we also place a strong emphasis on data privacy and security. Protecting customer data and building trust is one of our core values. Operating in compliance with the most stringent standards and regulations both in China and globally, we provide our customers with a high level of security, privacy protection and ease of mind. In 2019, we were named two years in a row as an AAA trusted cloud provider certified by the China Academy of Information and Communications Technology (CAICT.)

AI-powered Services Improving Customer Satisfaction and Partner Productivity

We strive to offer the right product to the right customer at the right time through the right channel, known as our “4R” strategy. Technology is the foundation to achieve the 4R strategy. Through aggregation and analysis of customer behavioral big data, we derive deep insights about customer preferences and offer precision targeting for product recommendations. The access to customer insights also enables us to train and refine robust AI models, empowering a great customer experience. For example, our “Snapshot” feature allows users to identify products through uploaded pictures. Such technology is also publicly available through our open AI platform NeuHub and has been adopted by most major phone manufacturers in China to improve phone users’ shopping experiences.

To support JD’s omni-channel strategy, our technologies are embedded in a multitude of retail scenarios, from online web and mobile shopping experience, to our offline ecosystem, including our JD Smart Speakers, 7FRESH stores, JD E-SPACE, a 50,000 square meter shopping mega store we launched in November 2019, and many JD Home outlets and unmanned convenience stores.

Technology also permeates our customer service experience. Leveraging our cutting-edge technologies and big data, we provide an individualized shopping experience for each customer. We identify customers’ demands and provide accurate recommendations based on comprehensive algorithms derived from a large volume of data on customer behavior and preferences.

Our AI-powered services also empower our partners to improve their operational efficiency and productivity. Our marketing platform employs sophisticated AI and big data technologies to produce user behavior insights and provide brand marketers and third-party merchants with one-stop brand building and sales growth solutions. This not only reduces our marketers’ labor in marketing campaigns, but also improve their ROI. During promotion seasons, our AI-based agent helps third-party merchants efficiently respond to large volume of customer requests, cutting wait times and improving customer experience. AI-triaged calls effectively reduce manned calls and improve operational efficiency. Furthermore, our advanced AI custom service is integrated into our retail ecosystem of over 270,000 stores by way of our SaaS (software as a service) platform.

Smart Retail & Supply Chain Technology Enhancing Operational Efficiency

Through years of online operation, we have amassed a large amount of know-how and data across China’s e-commerce supply-chain, from product manufacturing, warehouse operations and distribution to sales and customer service information. Combining the power of big data analytics and AI on our intelligent cloud platform, we streamline customer-to-manufacturer production to improve sales and enhance customer satisfaction. In August 2019, our Smart Supply Chain AI Platform was selected by the Science and Technology Ministry as one of China’s Top 10 National Open Innovation Platform for Next Generation AI. Underlying this service is our NeuHub open AI platform. Launched in April 2018, NeuHub offers 40 AI APIs covering multiple areas, including natural language processing, speech recognition, computer vision and machine learning. Leveraging our smart retail and supply chain technology, we provide technology solutions for our logistics operations to enable customers to transparently and effectively monitor, manage and optimize their logistic workflows.

At the infrastructural level, our cloud service offers a robust platform that serves both our own online business as well as external government and enterprise customers. During the two major online shopping events in 2019, our cloud platform had a solid operational performance by recording 99.95% of service level agreements (SLAs) and having zero outages. According to IDC's China Public Cloud Service Market report published in the first quarter of 2019, we are one of China's top 10 public cloud IaaS (infrastructure as a service) providers.

Technology Transcending Boundaries of Smart Logistics

In 2019, we enhanced our capabilities and operations of unmanned delivery vehicles, including our in-house level 4 (L4) autonomous delivery robots. Level 4 refers to "high driving automation," which means that no human intervention is needed as long as the system is operating within a certain geo-fenced area. Besides self-driving robots, we also deployed unmanned drones for parcel delivery in certain areas. Furthermore, we also leverage AI technologies to detect and triage mishandling of packages within our fulfillment infrastructure, reducing goods damaged while improving customer satisfaction.

Marketing

We believe that the most effective form of marketing is to continually enhance our customer experience, as customer satisfaction engenders word-of-mouth referrals and repeat purchases. We have been able to build an extensive base of loyal customers primarily through providing superior customer experience and conducting marketing and brand promotion activities.

In addition to continuing marketing activities through traditional online and offline channels, we have also designed innovative programs and promotion activities to further enhance the brand awareness of both ourselves and our partners and to better reach our customers. We have launched a series of successful joint marketing campaigns such as "Super Brand Days," "Super Category Days" and "Super New Product Days." We will continue to leverage our data-driven customer insights to provide customized marketing tools and campaigns for business partners and help them to develop brand recognition in China. We have also made progress in social e-commerce innovations, particularly benefiting from access points within Weixin and QQ channels, both of which have a large mobile internet user base. Through leveraging more targeted, innovative and interactive marketing tools, we can help brands on the platform increase exposure, drive traffic and achieve deeper penetration into lower-tier cities and attract younger generations.

With the increasing popularity of mobile internet-enabled devices, over 90% of our orders fulfilled were placed through our mobile apps in 2019. In order to further improve the customer experience and increase user engagement on the mobile internet, we are exploring cooperation opportunities with many business partners on the mobile side. In addition, we have formed strategic partnerships with a number of major internet companies in China, aiming at leveraging these companies' massive user bases to strengthen collaboration in targeted marketing, user access points and content-driven marketing. We incurred RMB14,918 million, RMB19,237 million and RMB22,234 million (US\$3,194 million) of marketing expenses in 2017, 2018 and 2019, respectively.

Competition

The online retail industry in China is intensely competitive. Our current or potential competitors include (i) major e-commerce companies in China that offer a wide range of general merchandise product categories, such as Alibaba Group, which operates taobao.com and tmall.com, and (ii) major traditional retailers in China that are moving into online retailing, such as Suning Appliance Company Limited, which operates suning.com. We also face competition from online retail companies in China focused on specific product categories and from physical retail stores, including big-box stores that also aim to offer a one-stop shopping experience.

We anticipate that the online retail market will continually evolve and will continue to experience rapid technological change, evolving industry standards, shifting customer requirements, and frequent innovation. We must continually innovate to remain competitive. We believe that the principal competitive factors in our industry are:

- brand recognition and reputation;

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- product quality and selection;
- pricing;
- fulfillment capabilities; and
- customer service.

In addition, new and enhanced technologies may increase competition in the online retail industry. New competitive business models may appear, for example based on new forms of social media or social commerce.

We believe that we are well-positioned to effectively compete on the basis of the factors listed above. However, some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than we do.

Seasonality

We experience seasonality in our business, reflecting a combination of seasonal fluctuations in customer purchases, promotional events, and traditional retail seasonality patterns. For example, we generally experience less user traffic and purchase orders during national holidays in China, particularly during the Chinese New Year holiday season in the first quarter of each year. Furthermore, sales in the traditional retail industry are significantly higher in the fourth quarter of each calendar year than in the preceding three quarters. E-commerce companies in China hold special promotional campaigns on November 11 each year that tend to boost sales in the fourth quarter relative to other quarters, and we hold a special promotional campaign in the second quarter of each year, on June 18, to celebrate the anniversary of the founding of our e-commerce business. Overall, the impact of seasonality on our business has been relatively mild due to our rapid growth but we have seen an upward trend and such a trend may continue in the future. Due to our limited operating history, the seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results.

Intellectual Property

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of December 31, 2019, we owned approximately 1,200 computer software copyrights in China relating to various aspects of our operations and maintained approximately 11,700 trademark registrations inside China and approximately 1,900 trademark registrations outside China. We had approximately 4,300 trademark applications inside China and approximately 1,700 outside China. As of December 31, 2019, we had approximately 2,700 patents granted in China, approximately 160 patents granted outside China, approximately 7,100 patent applications pending in China and approximately 410 patent applications pending outside China. As of December 31, 2019, we had registered approximately 6,600 domain names. Our registered domain names include jd.com, 360buy.com, jdcloud.com and jdwl.com, among others.

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased all risk property insurance covering our inventory and fixed assets such as equipment, furniture and office facilities. We maintain public liability insurance for our business activities at 27 locations. We also provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. Additionally, we provide group accident insurance for all employees and supplementary medical insurance for all management and technology and other professional personnel. We do not maintain business interruption insurance other than in connection with the fixed business premises of our 7FRESH business, nor do we maintain product liability insurance or key-man life insurance. We consider our insurance coverage to be sufficient for our business operations in China.

Enterprise Social Responsibility

Having a positive impact on the communities in which we operate is an integral part of our business, and we maintain that our core values. Our commitment to partners, customers, investors, our employees and society as a whole are the foundation upon which we build a healthy, vibrant and sustainable ecosystem. Combined with an unrelenting focus on developing our technology capabilities to improve efficiency and service, we have laid the groundwork for many years of robust growth.

We are committed to leveraging our technology, logistics infrastructure and relationships with consumers and suppliers to benefit society. We believe in putting our business assets to use to build not only the future of retail, but also a better future for all stakeholders. Our core foci in social responsibility includes environmental sustainability, employee care, poverty alleviation and more. In 2014, we also established the JD Foundation to manage charity- related projects.

Environmental Sustainability. We have always been committed to using green logistics and reducing resource consumption, environmental degradation and pollution in the process of storage, transportation and packaging. Together with brand designers, manufacturers, logistics companies, packaging companies, industry associations, among others, we further enhanced our “Green Stream Initiative,” a joint green supply chain campaign with the goal of improving the utilization rate of supply chain resources and reducing carbon emissions. Additionally, as part of our commitment to sustainable energy, JD Logistics is gradually upgrading its nationwide fleet of delivery trucks, as well as those of its third party partners, to new energy vehicles. JD Logistics has also partnered with several brands to promote reusable packaging across the entire supply chain.

We proactively participate in the promotion of sustainable production and consumption. In 2013, we issued the first ever digital invoice in China and as of the date of this annual report, we have already issued more than 4.6 billion digital invoices across China and replaced paper invoices with digital invoices for all retail orders. Meanwhile, we launched the “Recycling Plan” in many cities in China to help recycle clothing and toys to reduce carbon emissions and environmental pollution through donation or professional recycling.

In 2019, we enhanced our Environmental, Social and Governance (ESG) program with the launch of the China E-Commerce & Logistics Packaging Standard Alliance together with several internationally recognized brands. This alliance aims to optimize the usage of packaging materials in China by establishing nationwide e-commerce packaging standards. JD Logistics has also expanded its box recycling initiative across China with customer incentives provided in the form of rebates.

In 2019, we have used green recycling boxes and cold chain containers 47 million times, and saved 600,000 tons of paper through using lighter and recycling boxes, going paperless, electronic order slips and more. We’ve also committed to the standardization of green logistics, promoting the tape to be narrowed from 53mm to 45mm, banning layer by layer winding as a standardized packaging process, setting the industry standard and benchmark.

Employee care. We have always striven to provide employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. We have invested significant resources in employee career development and training. In 2019, we clarified talent criteria and applied it to the entire talent management process. Throughout the entire year, we not only focused on the improvement of employees’ professional development, but also made efforts to incentivize our employees to have a “sense of goals” and “sense of fulfillment”. Additionally, we placed special emphasis on the building of a talent pipeline and cohesive organizational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making. In 2019, we provided more than 7,925 training courses online and offline for employees.

In 2019, we also initiated employee surveys through our internal communication tools on a routine basis, covering a broad range of topics such as company culture, team cooperation, compensation satisfaction, and others. The surveys helped the management team better understand employees’ needs and thus improved the health of the overall organization.

We won a number of employer awards in 2019, among which the most influential include: Universum’s 2019 Campus Most Attractive Employer Award at the international level, Zhaopin.com’s 2019 Best Employer Award and 58.com’s 2019 China Employer Brand Award in China.

“JD RUN” is an influential employer brand project in China. The project adopts training, internship and project competition to build the most valuable internship platform in the industry, improving the employment rate of interns from JDRUN, and helping the company continuously bring in top quality, energetic staff.

Poverty alleviation. Leveraging our strong supply chain, cutting-edge technologies and logistics network, we participate in poverty alleviation efforts in rural areas. We pioneered our rural e-commerce strategy, aiming to make agricultural products in rural areas available online and at the same time, allow authentic products to reach residents in rural areas. We operate China’s trusted online donation platform, through which our customers can purchase products and donate them directly to non-profit organizations and groups in need across China, leveraging our in-house logistics network. To ensure the transparency of the process, we allow customers to track the delivery status of their donations online to make sure their donation reaches the intended recipient.

COVID-19 outbreak relief. Since the COVID-19 outbreak, we have done our utmost to help people in Wuhan and throughout China. Immediately after the announcement of quarantine in Wuhan, we put together a task force to lead our epidemic relief efforts, and took swift action to donate critically needed medical supply to hospitals and charity organizations in Wuhan, including a large amount of face masks and protective medical materials, which were in urgent demand and short in supply. To ensure timely supply and delivery of daily necessities in Wuhan, JD Logistics opened a dedicated channel for relief materials coming from across the country. In doing so, JD Logistics applied our advanced supply chain technology and expertise, and deployed various technologies such as AI, Big Data and IoT into a dozen emergency and epidemic prevention solutions to support the relief efforts and policies of Hubei government.

Meanwhile, we took the health and safety of our employees as our top priority. We provided all of our frontline employees with masks and other protective equipment immediately after the outbreak. We also introduced a series of new policies, such as subsidies, fee reductions and waivers, to help third-party merchants on our platform.

Regulation

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China.

Regulations Relating to Foreign Investment

Investment activities in the PRC by foreign investors are principally governed by the Catalogue for the Guidance of Foreign Investment Industry, or the Catalogue, which was promulgated and is amended from time to time by the Ministry of Commerce, or MOFCOM, and the National Development and Reform Commission, or NDRC, and together with the FIL and their respective implementation rules and ancillary regulations. The Catalogue lays out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: “encourage,” “restricted” and “prohibited.” Industries not listed in the Catalogue are generally deemed as falling into a fourth category “permitted” unless specifically restricted by other PRC laws.

On June 30, 2019, MOFCOM and the NDRC released the Catalogue of Industries for Encouraging Foreign Investment (2019 Version) and the Special Management Measures (Negative List) for the Access of Foreign Investment (2019), or the 2019 Negative List, which became effective on July 30, 2019, to amend and supplement the Catalogue and replace the previous negative list thereunder. Each of Jingdong Century and Shanghai Shengdayuan primarily engages in the online wholesale and retail of products, the development of computer network technology, technical consultancy and technical services, which are in the permitted category.

On March 15, 2019, the National People’s Congress promulgated the FIL, which has become effective on January 1, 2020 and replaced the Outgoing FIE Laws. The FIL, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list.” The FIL provides that foreign invested entities operating in foreign “restricted” or “prohibited” industries will require entry clearance and other approvals. The FIL does not comment on the concept of “de facto control” or contractual arrangements with variable interest entities, however, it has a catch-all provision under definition of “foreign investment” to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment. See “Item 3. Key Information—D. Risk Factors—Our current corporate structure and business operations may be affected by the newly enacted Foreign Investment Law.”

The FIL also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriate or requisition the investment of foreign investors is prohibited; mandatory technology transfer is prohibited, allows foreign investors’ funds to be freely transferred out and into the territory of PRC, which run through the entire lifecycle from the entry to the exit of foreign investment, and provide an all-around and multi-angle system to guarantee fair competition of foreign-invested enterprises in the market economy. In addition, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. Furthermore, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the FIL, which means that foreign invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law and other laws and regulations governing the corporate governance.

On December 26, 2019, the State Council promulgated the Implementation Rules to the Foreign Investment Law, which became effective on January 1, 2020. The implementation rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On December 30, 2019, MOFCOM and the SAMR, jointly promulgated the Measures for Information Reporting on Foreign Investment, which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

Foreign Investment in Value-Added Telecommunications Businesses. The Regulations for Administration of Foreign-invested Telecommunications Enterprises promulgated by the State Council in December 2001 and subsequently amended in September 2008 and February 2016 set forth detailed requirements with respect to capitalization, investor qualifications and application procedures in connection with the establishment of a foreign-invested telecommunications enterprise. These regulations prohibit a foreign entity from owning more than 50% of the total equity interest in any value-added telecommunications service business in China and require the major foreign investor in any value-added telecommunications service business in China have a good and profitable record and operating experience in this industry. However, the 2019 Negative List allows foreign investors to hold more than 50% equity interests in a value-added telecommunications service provider engaging in e-commerce, domestic multiparty communication, storage-and-forward and call center businesses. Since the 2019 Negative List was recently amended, there exist uncertainties with respect to its interpretation and implementation by authorities. Due to these regulations, we operate our www.jd.com website through Jingdong 360, one of our consolidated variable interest entities.

In July 2006, the Ministry of Information Industry, the predecessor of the Ministry of Industry and Information Technology, or the MIIT, issued the Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Business, pursuant to which a PRC domestic company that holds an operating license for value-added telecommunications business, which we refer to as an ICP License, is prohibited from leasing, transferring or selling the ICP License to foreign investors in any form and from providing any assistance, including resources, sites or facilities, to foreign investors that conduct a value-added telecommunications business illegally in the PRC. Further, the domain names and registered trademarks used by an operating company providing value-added telecommunications services must be legally owned by that company or its shareholders. In addition, the company's operational premises and equipment must comply with the approved coverage region on its ICP License, and the company must establish and improve its internal internet and information security policies and standards and emergency management procedures. If an ICP License holder fails to comply with the requirements and also fails to remedy such non-compliance within a specified period of time, the MIIT or its local counterparts have the discretion to take administrative measures against the license holder, including revoking its ICP license. Jingdong 360, the operator of our [www.jd.com](#) website, owns the relevant domain names and registered trademarks and has the necessary personnel to operate the website.

Licenses and Permits

We are required to hold a variety of licenses and permits in connection with various aspects of our business, including the following:

Value-added Telecommunication License. The Telecommunications Regulations promulgated by the State Council and its related implementation rules, including the Catalogue of Classification of Telecommunications Business issued by the MIIT, categorize various types of telecommunications and telecommunications-related activities into basic or value-added telecommunications services, and internet information services, or ICP services, are classified as value-added telecommunications businesses. Under the Telecommunications Regulations, commercial operators of value-added telecommunications services must first obtain an ICP License from the MIIT or its provincial level counterparts. Pursuant to the Administrative Measures on Internet Information Services promulgated by the State Council in 2000 and amended in 2011, a commercial ICP service operator must obtain an ICP License from the relevant government authorities before engaging in any commercial ICP service in China. When the ICP service involves areas of news, publication, education, medical treatment, health, pharmaceuticals and medical devices, and if required by law or relevant regulations, specific approval from the respective regulatory authorities must be obtained prior to applying for the ICP License from the MIIT or its provincial level counterpart. In 2017, the MIIT replaced the Administrative Measures on Telecommunications Business Operating Licenses promulgated in 2009 by promulgating the Administrative Measures on Telecommunications Business Operating Licenses, which set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Jingdong 360, as our ICP operator, holds an ICP License issued by the Beijing Telecommunications Administration for the provision of information services through the internet and online data processing and transaction processing services and also a value-added telecommunication license issued by the MIIT for the provision of information services through a mobile network, the provision of internet data center services, internet access services, and information services.

Internet Publication License/Network Publication Service License. The National Radio and Television Administration, or NRTA, formerly known as the State Administration of Press and Publication, Radio, Film and Television, or the SAPPRFT, which is integrated from the State Administration of Radio, Film and Television, and the General Administration of Press and Publication, established in March 2018 as a result of institutional reform, is the government agency responsible for regulating publication activities in China. In June 2002, the MIIT and the General Administration of Press and Publication jointly promulgated the Tentative Administrative Measures on Internet Publication, which require internet publishers to obtain a license from the General Administration of Press and Publication to conduct internet publication activities. In February 2016, the SAPPRFT and the MIIT jointly issued the Administrative Measures on Network Publication, which took effect in March 2016 and replaced the Tentative Administrative Measures on Internet Publication. The Administrative Measures on Network Publication further strengthened and expanded the supervision and management on the network publication service. Pursuant to the Administrative Measures on Network Publication, entities engaging in the network publication service are required to obtain a network publication service license from a competent administrative authority; the network publishing services refer to the activities of providing network publications to the public through information networks; and the network publications refer to the digitalized works with the publishing features such as editing, producing and processing. The Administrative Measures on Network Publication also provide the detailed qualifications and application procedures for obtaining a Network Publication Service License. Jingdong 360 holds a Network Publication Service License, which will expire in December 2021.

Online Culture Operating Permit. The Provisional Measures on Administration of Internet Culture, promulgated by the former Ministry of Culture in 2011 (as amended in 2017) and other related rules require entities to obtain an Online Culture Operating Permit from the applicable provincial level culture administrative authority to engage in activities related to “online cultural products.” Cultural products include music, performances, performing arts, works of art, and animation features and cartoons, while “online” includes both products produced for the internet and products converted from offline products and disseminated over the internet. Jingdong 360 holds an Online Culture Operating Permit issued by the Beijing Municipal Bureau of Culture, which will remain valid until December 2020.

Internet Drug Information Service Qualification Certificate. In July 2004, the State Food and Drug Administration, or the SFDA, the predecessor of the National Medical Products Administration, or the NMPA, promulgated the Administrative Measures on Internet Drug Information Service (amended in November 2017). In addition, the Standing Committee of the National People’s Congress further amended the Drug Administration Law on August 26, 2019, which became effective on December 1, 2019. These laws and measures, together with certain implementing rules and notices promulgated by the SFDA or the NMPA, set out regulations governing the classification, application, approval, content, qualifications and requirements for internet drug information services. An ICP service operator that provides information regarding drugs or medical devices must obtain an Internet Drug Information Service Qualification Certificate from the applicable provincial level administrative authority. Jingdong 360 holds an Internet Drug Information Service Qualification Certificate issued by the Beijing Drug Administration for the provision of internet medical information services, which will remain valid until July 2024.

Courier Service Operation Permit. Pursuant to the PRC Postal Law, the Administrative Measures on the Courier Service Market and the Administrative Measures on Courier Service Operation Permits, any entity engaging in courier services must obtain a Courier Service Operation Permit from the State Post Bureau or its local counterpart and is subject to their supervision and regulation. Entities applying for a permit to operate courier services in a certain province should apply to the provincial level post bureau, while an entity applying for a permit to operate courier services across multiple provinces should apply to the State Post Bureau. An entity holding a cross-provincial Courier Service Operation Permit may provide courier services in cities other than its place of registration by establishing new branches at these cities and then filing with the relevant provincial post bureau for those branches. In addition, pursuant to the Interim Regulations of Courier which came into effect in May 2018 and was further amended in March 2019, express delivery operators and their branches may open express delivery terminal outlets according to their business needs, and shall file with the local postal administrations in the places where such terminal outlets are located within 20 days from the date of opening such terminal outlets. Express delivery terminal outlets are not required to obtain a business license. The courier business must be operated within the permitted scope and valid term of the Courier Service Operation Permit. As of December 31, 2019, Jingbangda had obtained one cross-provincial Courier Service Operation Permit, and its 37 subsidiaries had obtained Courier Service Operation Permits. We are in the process of making filings with local postal administrations for express delivery terminal outlets of Jingbangda and its branches. See “Item 3.D. Key Information—Risk Factors—Risks Related to Our Business—Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse impact on our business, financial condition and results of operations.”

Road Transportation Operation Permit. Under the Regulations on Road Transportation promulgated by the State Council in April 2004 and as amended, and the Provisions on Administration of Road Transportation and Stations (Sites) issued by the Ministry of Transport in June 2005 and as amended, anyone engaging in the business of operating road transportation must obtain a Road Transportation Operation Permit, and each vehicle used for shipping must have a Road Transportation Certificate. As of December 31, 2019, Xi’an Jingdong Xuncheng and its 10 branches and 1 subsidiary, Jingbangda and its 33 subsidiaries had obtained Road Transportation Operation Permits that allow these entities to provide road freight transportation services. See “Item 3.D. Key Information—Risk Factors—Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse impact on our business, financial condition and results of operations.”

Unmanned Aerial Vehicle Business License. In March 2018, Civil Aviation Administration promulgated the Administrative Measures for Profit-oriented Flight Activities of Civil Unmanned Aerial Vehicles (for Provisional Implementation), pursuant to which an Unmanned Aerial Vehicle Business License shall be obtained for the use of unmanned aerial vehicles for commercial flight activities, and no commercial flight activities shall be conducted without an Unmanned Aerial Vehicle Operation Permit. Two subsidiaries of Xi’an Jingdong Xincheng, have obtained the Unmanned Aerial Vehicle Operation Permit.

Publication Operation Permit. In May 2016, the Ministry of Commerce and the SAPPRFT jointly promulgated the Administrative Measures for the Publication Market (2016 Version), or the Publication Market Measures (2016 Version), which replaced the Administrative Measures for the Publication Market (2011 Version). According to the Publication Market Measures (2016 Version), where an entity or individual is engaged in the distribution of publications via the internet or other information networks, the entity or individual is required to obtain a Publication Operation Permit. Entities and individuals engaged in the wholesale or retail of publications are required to carry out the relevant activities within the scope of a Publication Operation Permit. Where an entity or individual has obtained the Publication Operation Permit and is engaged in the distribution of publications via the internet or other information networks within the approved business scope, the entity or individual is required to complete record filing with the publication administrative department within 15 days after launching the online distribution business. We engage in wholesale and retail of books and audio and video products and other publications through Jiangsu Yuanzhou, Beijing Jingdong Century Information Technology Co., Ltd., Guangzhou Jingdong Trading Limited, Shenyang Jingdong Century Trading Co., Ltd. and Shanghai Yuanmai Trading Co., Ltd. Each of them has obtained a Publication Operation Permit.

Food Operation Permit. China has adopted a licensing system for food supply operations under the Food Safety Law and its implementation rules. Entities or individuals that intend to engage in food production, food distribution or food service businesses must obtain licenses or permits for such businesses. Pursuant to the Administrative Measures on Food Operation Licensing issued by the SFDA in August 2015 and amended in November 2017, an enterprise needs to obtain a Food Operation Permit from the local food and drug administration, and the permits already obtained by food business operators prior to the effective date of these new measures will remain valid for their originally approved validity period. We sell food, liquor and nutritional supplements through our mobile apps and websites. Our PRC subsidiaries or their branches engaging in food operation business have obtained Food Operation Permits.

Medical Device Operation Enterprise Permit. The Regulations on Supervision and Administration of Medical Devices, issued by the State Council in 2000 and further amended in March 2014 and May 2017, divide medical devices into three types. Enterprises engaging in the sale of Type II medical devices must file with the relevant drug supervision and administration authority while those engaging in the sale of Type III medical devices must obtain a Medical Device Operation Permit from the relevant drug supervision and administrative authority. Beijing Jingdong Century Information Technology Co., Ltd., a subsidiary of Jingdong Century, has obtained a Medical Device Operation Permit for the sale of several types of Type III medical devices, which remains valid until October 2021.

Permit for Production and Operation of Radio and TV Programs. Under the Regulations on the Administration of Production of Radio and Television Programs issued by the State Administration of Radio, Film and Television in July 2004 and amended in August 2015, any entities that engage in the production of radio and television programs are required to apply for a Permit for Production and Operation of Radio and TV Programs from the competent administrative authority. Entities with this permit must conduct their business operations in compliance with the approved scope of production and operation. Furthermore, entities other than radio and TV stations are prohibited from producing consolidated radio and TV programs regarding current political news or similar subjects. Jingdong 360 has obtained a Permit for Production and Operation of Radio and TV Programs, which remains valid until March 2021.

Regulations Relating to E-Commerce

China's e-commerce industry is at a relatively early stage of development and there are few PRC laws or regulations specifically regulating the e-commerce industry. In May 2010, the State Administration of Industry and Commerce adopted the Interim Measures for the Administration of Online Commodities Trading and Relevant Services, which took effective in July 2010. Under these measures, enterprises or other operators which engage in online commodities trading and other services and have been registered with the State Administration of Industry and Commerce or its local branches must make the information stated in their business license available to the public or provide a link to their business license on their website. Online distributors must adopt measures to ensure safe online transactions, protect online shoppers' rights and prevent the sale of counterfeit goods. Information on products and transactions released by online distributors must be authentic, accurate, complete and sufficient.

In January 2014, the State Administration of Industry and Commerce promulgated the Administrative Measures for Online Trading, which terminated the above interim measures and became effective in March 2014. The Administrative Measures for Online Trading further strengthen the protection of consumers and impose more stringent requirements and obligations on online business operators and third-party online marketplace operators. For example, online business operators are required to issue invoices to consumers for online products and services. Consumers are generally entitled to return products purchased from online business operators within seven days upon receipt, without giving any reason. Online business operators and third-party online marketplace operators are prohibited from collecting any information on consumers and business operators, or disclosing, selling or providing any such information to any third party, or sending commercial electronic messages to consumers, without their consent. Fictitious transactions, deletion of adverse comments and technical attacks on competitors' websites are prohibited as well. In addition, third-party online marketplace operators are required to examine and verify the identifications of the online business operators and set up and keep relevant records for at least two years. Moreover, any third-party online marketplace operator that simultaneously engages in online trading for products and services should clearly distinguish itself from other online business operators on the marketplace platform.

In March 2016, the State Administration of Taxation, the Ministry of Finance and the General Administration of Customs jointly issued the Circular on Tax Policy for Cross-Border E-commerce Retail Imports, which took effect in April 2016. Pursuant to this circular, goods imported through the cross-border e-commerce retail are subject to tariff, import value-added tax, or VAT, and consumption tax based on the types of goods. Individuals purchasing any goods imported through cross-border e-commerce retail are taxpayers, and e-commerce companies, companies operating e-commerce transaction platforms or logistic companies are required to withhold the taxes.

On August 31, 2018, the Standing Committee of the National People's Congress promulgated the E-Commerce Law, which became effective on January 1, 2019. Pursuant to the E-Commerce Law, an e-commerce platform operator shall (i) collect, verify and register the truthful information submitted by the third-party merchants that apply to sell products or provide services on its platform, including the identities, addresses, contacts and licenses, establish registration archives and update such information on a regular basis; (ii) submit the identification information of the third-party merchants on its platform to market regulatory administrative department as required and remind the third-party merchants to complete the registration with market regulatory administrative department; (iii) submit identification information and tax-related information to tax authorities as required in accordance with the laws and regulations regarding the administration of tax collection and remind the individual third-party merchants to complete the tax registration; (iv) record and retain the information of the products and services and the transaction information for no less than 3 years; (v) display the platform service agreement and the transaction rules or links to such information on the homepage of the platform; (vi) display the noticeable labels regarding the products or services provided by the platform operator itself on its platform, and take liabilities for such products and services; (vii) establish a credit evaluation system, display the credit evaluation rules, provide consumers with accesses to make comments on the products and services provided on its platform, and restrain from deleting such comments; and (viii) establish intellectual property protection rules, and take necessary measures when any intellectual property holder notify the platform operator that his intellectual property rights have been infringed. An e-commerce platform operator shall take joint liabilities with the relevant third-party merchants on its platform and may be subject to warnings and fines up to RMB2,000,000 where (i) it fails to take necessary measures when it knows or should have known that the products or services provided by the third-party merchants on its platform do not meet the personal or property safety requirements or such third-party merchants' other acts may infringe on the lawful rights and interests of the consumers; or (ii) it fails to take necessary measures, such as deleting and blocking information, disconnecting, terminating transactions and services, when it knows or should have known that the third-party merchants on its platform infringe any intellectual property rights of any other third party. With respect to products or services affecting the consumers' life and health, if an e-commerce platform operator fails to verify the third-party merchants' qualification or fails to fulfill its obligations to safeguard the safety of consumers, which results in damages to the consumers, it shall take corresponding liabilities and may be subject to warnings and fines up to RMB2,000,000.

We are subject to these measures as a result of our online retail marketplace business.

Regulations Relating to Internet Content and Information Security

The Administrative Measures on Internet Information Services specify that internet information services regarding news, publications, education, medical and health care, pharmacy and medical devices, among other things, are to be examined, approved and regulated by the relevant authorities. Internet information providers are prohibited from providing services beyond those included in the scope of their ICP licenses or filings. Furthermore, these measures clearly specify a list of prohibited content. Internet information providers are prohibited from producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes the lawful rights and interests of others. Internet information providers that violate the prohibition may face criminal charges or administrative sanctions by the PRC authorities. Internet information providers must monitor and control the information posted on their websites. If any prohibited content is found, they must remove the offending content immediately, keep a record of it and report to the relevant authorities.

Internet information in China is also regulated and restricted from a national security standpoint. The National People's Congress, China's national legislative body, has enacted the Decisions on Maintaining Internet Security, which may subject violators to criminal punishment in China for any effort to: (1) gain improper entry into a computer or system of strategic importance; (2) disseminate politically disruptive information; (3) leak state secrets; (4) spread false commercial information; or (5) infringe intellectual property rights. The Ministry of Public Security has promulgated measures that prohibit use of the internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content.

In addition, the Standing Committee of the National People's Congress promulgated the Cyber Security Law of the People's Republic of China, or the Cyber Security Law, effective on June 1, 2017, to protect cyberspace security and order. Pursuant to the Cyber Security Law, any individual or organization using the network must comply with the constitution and the applicable laws, follow the public order and respect social moralities, and must not endanger cyber security, or engage in activities by making use of the network that endanger the national security, honor and interests, or infringe on the fame, privacy, intellectual property and other legitimate rights and interests of others. The Cyber Security Law sets forth various security protection obligations for network operators, which are defined as "owners and administrators of networks and network service providers," including, among others, complying with a series of requirements of tiered cyber protection systems; verifying users' real identity; localizing the personal information and important data gathered and produced by key information infrastructure operators during operations within the PRC (where such information and data have to be provided abroad for business purpose, subject to applicable laws and regulations, security assessment shall be conducted); and providing assistance and support to government authorities where necessary for protecting national security and investigating crimes.

Regulations Relating to Internet Privacy

In recent years, PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. The Administrative Measures on Internet Information Services prohibit ICP service operators from insulting or slandering a third party or infringing upon the lawful rights and interests of a third party. Under the Several Provisions on Regulating the Market Order of Internet Information Services, issued by the MIIT in 2011, an ICP operator may not collect any user personal information or provide any such information to third parties without the consent of a user, unless otherwise stipulated by laws and administrative regulations. An ICP service operator must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An ICP service operator is also required to properly keep the user personal information, and in case of any leak or likely leak of the user personal information, the ICP service operator must take immediate remedial measures and, in severe circumstances, to make an immediate report to the telecommunications regulatory authority. In addition, pursuant to the Decision on Strengthening the Protection of Online Information issued by the Standing Committee of the National People's Congress in December 2012 and the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT in July 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An ICP service operator must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying of any such information, or selling or providing such information to other parties. Any violation of the above decision or order may subject the ICP service operator to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities. Furthermore, in June 2016, the Cyberspace Administration of China issued the Administrative Provisions on Mobile Internet Applications Information Services, which became effect on August 1, 2016, to further strengthen the regulation of the mobile app information services. Pursuant to these provisions, owners or operators of mobile apps that provide information services are required to be responsible for information security management, establish and improve the protective mechanism for user information, observe the principles of legality, rightfulness and necessity, and expressly state the purpose, method and scope of, and obtain user consent to, the collection and use of users' personal information. In addition, the new Cyber Security Law also requires network operators to strictly keep confidential users' personal information that they have collected and to establish and improve user information protective mechanism. On November 28, 2019, the Secretary Bureau of the Cyberspace Administration of China, the General Office of the Ministry of Industry and Information Technology, the General Office of the Ministry of Public Security and the General Office of the SAMR promulgated the Identification Method of Illegal Collection and Use of Personal Information Through App, which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance. We have required our users to consent to our collecting and using their personal information, and established information security systems to protect user's privacy.

Regulations Relating to Product Quality and Consumer Protection

The Product Quality Law applies to all production and sale activities in China. Pursuant to this law, products offered for sale must satisfy relevant quality and safety standards. Enterprises may not produce or sell counterfeit products in any fashion, including forging brand labels or giving false information regarding a product's manufacturer. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes physical injury to a person or damage to another person's property, the victim may claim compensation from the manufacturer or from the seller of the product. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer. Similarly, if the manufacturer pays compensation and it is the seller that should bear the liability, the manufacturer has a right of recourse against the seller.

The Consumer Protection Law sets out the obligations of business operators and the rights and interests of the consumers in China. Pursuant to this law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacement of commodities, repairing, ceasing damages, compensation, and restoring reputation, and even subject the business operators or the responsible individuals to criminal penalties when personal damages are involved or if the circumstances are severe. The Consumer Protection Law was further amended in October 2013 and became effective in March 2014. The amended Consumer Protection Law further strengthen the protection of consumers and impose more stringent requirements and obligations on business operators, especially on the business operators through the internet. For example, the consumers are entitled to return the goods (except for certain specific goods, such as custom-made goods, fresh and perishable goods, digital products (e.g. audio-visual products, computer software downloaded online or unpacked by the consumer), newspapers and periodicals delivered and other goods for which non-return of goods is confirmed by the consumer at the time of purchase based on the characteristics of the goods,) within seven days upon receipt without any reasons when they purchase the goods from business operators on the internet. The consumers whose interests have been damaged due to their purchase of goods or acceptance of services on online marketplace platforms may claim damages from sellers or service providers. Where the providers of the online marketplace platforms are unable to provide the real names, addresses and valid contact details of the sellers or service providers, the consumers may also claim damages from the providers of the online marketplace platforms. Providers of online marketplace platforms that know or should have known that sellers or service providers use their platforms to infringe upon the legitimate rights and interests of consumers but fail to take necessary measures must bear joint and several liabilities with the sellers or service providers. Moreover, if business operators deceive consumers or knowingly sell substandard or defective products, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services.

We are subject to the Product Quality Law and the Consumer Protection Law as an online supplier of commodities and a provider of online marketplace platform and believe that we are currently in compliance with these regulations in all material aspects.

Regulations Relating to Pricing

In China, the prices of a very small number of products and services are guided or fixed by the government. According to the Pricing Law, business operators must, as required by the government departments in charge of pricing, mark the prices explicitly and indicate the name, origin of production, specifications, and other related particulars clearly. Business operators may not sell products at a premium or charge any fees that are not explicitly indicated. Business operators must not commit the specified unlawful pricing activities, such as colluding with others to manipulate the market price, using false or misleading prices to deceive consumers to transact, or conducting price discrimination against other business operators. Failure to comply with the Pricing Law may subject business operators to administrative sanctions such as warning, ceasing unlawful activities, compensation, confiscating illegal gains, fines. The business operators may be ordered to suspend business for rectification, or have their business licenses revoked if the circumstances are severe. We are subject to the Pricing Law as an online retailer and believe that our pricing activities are currently in compliance with the law in all material aspects.

Regulations Relating to Mobile Telecommunications Resale Business

In May 2013, the MIIT issued the Circular regarding the Pilot Work on Implementation of Mobile Telecommunications Resale Business and the Pilot Program on Mobile Telecommunications Resale Business, pursuant to which private capital is encouraged to invest in the mobile telecommunications resale business. The resale business refers to the business whereby a reseller purchases mobile telecommunications services (excluding mobile satellite telecommunications service) from a basic telecommunications service provider who owns a mobile network, repackages the services with its private brand and sells the services to end users. Under the circular and the pilot program, the mobile telecommunications resale is categorized as a Class II basic telecommunications business but managed by reference to the value-added telecommunications business. A mobile communications reseller does not build its own wireless network, core network, transmission network and other mobile telecommunications network infrastructures, but must build its customer service system and may build its own business management platform, and billing, business accounting and other business supporting systems as needed. The applicant for the mobile telecommunications resale business must be a private company of which the private capital must account for no less than 50% of the capital and the capital contributed by its largest shareholder must come from private capital. A mobile telecommunications reseller is required to enter into a commercial contract for mobile telecommunications resale business with a basic telecommunications service provider, specifying the resources for resale to mobile communications users, division of responsibilities for service quality assurance between both parties, as well as protection of users' rights and interests and user information. Resellers may pre-charge service fees for up to two years from users on the condition that they provide evidence of their measures to ensure long-term services, and must abide by the Telecommunications Regulations, the Administrative Measures on Internet Information Services and other PRC related laws and regulations. In addition, the MIIT issued the Circular of the Ministry of Industry and Information Technology on the Official Commercial Use of Mobile Communication Resale Business, pursuant to which the mobile communication resale business will be transferred from the pilot to the formal commercial use, and the enterprise that has already approved to be a pilot to conduct the mobile telecommunications resale business, and intends to continue the business, the commercial contract shall be renewed in accordance with the provisions of this circular and shall apply for a renew its telecommunications business license. Jingdong 360 has been approved to be a pilot to conduct the mobile telecommunications resale business, has renewed the telecommunications business license, and has cooperated with China Telecom in 60 cities and with China Unicom in 105 cities.

Regulations Relating to Leasing

Pursuant to the Law on Administration of Urban Real Estate, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are also required to register the lease with the real estate administration department. If the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines.

According to the PRC Contract Law, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the lessor transfers the premises, the lease contract between the lessee and the lessor will still remain valid.

Pursuant to the PRC Property Law, if a mortgagor leases the mortgaged property before the mortgage contract is executed, the previously established leasehold interest will not be affected by the subsequent mortgage; and where a mortgagor leases the mortgaged property after the creation and registration of the mortgage interest, the leasehold interest will be subordinated to the registered mortgage.

Regulations Relating to Advertising Business

The SAMR is the government agency responsible for regulating advertising activities in the PRC. According to PRC laws and regulations, companies that engage in advertising activities must obtain a business license from the SAMR or its local branches which specifically includes operating an advertising business within its business scope. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or revoked due to a violation of any relevant law or regulation. PRC advertising laws and regulations set forth certain content requirements for advertisements in the PRC including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisers, advertising agencies, and advertising distributors are required to ensure that the content of the advertisements they prepare or distribute is true and in full compliance with applicable law. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for advertisements and verify that the content of the advertisements complies with applicable PRC laws and regulations. Prior to distributing advertisements that are subject to government censorship and approval, advertising distributors are obligated to verify that such censorship has been performed and approval has been obtained. The release or delivery of advertisements through the internet must not impair the normal use of the network by users. The advertisements released in pop-up form on a webpage and other forms must show the close flag prominently and ensure one-click close. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to eliminate the effect of illegal advertisement. In circumstances involving serious violations, the SAMR or its local branches may revoke the violators' licenses or permits for their advertising business operations.

In July 2016, the State Administration of Industry and Commerce issued the Interim Measures for the Administration of Internet Advertising to regulate internet advertising activities. According to these measures, no advertisement of any medical treatment, medicines, food for special medical purpose, medical devices, pesticides, veterinary medicines, dietary supplement or other special commodities or services subject to examination by an advertising examination authority as stipulated by laws and regulations may be published unless the advertisement has passed such examination. In addition, no entity or individual may publish any advertisement of prescription drugs or tobacco on the internet. An internet advertisement must be identifiable and clearly identified as an "advertisement" to the consumers. Paid search advertisements are required to be clearly distinguished from natural search results. In addition, the following internet advertising activities are prohibited: providing or using any applications or hardware to intercept, filter, cover, fast forward or otherwise restrict any authorized advertisement of other persons; using network pathways, network equipment or applications to disrupt the normal data transmission of advertisements, alter or block authorized advertisements of other persons or load advertisements without authorization; or using fraudulent statistical data, transmission effect or matrices relating to online marketing performance to induce incorrect quotations, seek undue interests or harm the interests of others. Internet advertisement publishers are required to verify relevant supporting documents and check the content of the advertisement and are prohibited from publishing any advertisement with unverified content or without all the necessary qualifications. Internet information service providers that are not involved in internet advertising business activities but simply provide information services are required to block any attempt to publish an illegal advertisement that they are aware of or should reasonably be aware of through their information services.

Regulations Relating to Intellectual Property Rights

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

Copyright. Copyright in the PRC is principally protected under the Copyright Law of the PRC and its implementation rules. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law of the PRC and related rules and regulations, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc. In addition, the Regulations on the Protection of Rights to Information Network Communication promulgated by the State Council on May 18, 2006 (as amended in 2013), provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and internet service providers.

Patent. The Patent Law provides for patentable inventions, utility models and designs, which must meet three conditions: novelty, inventiveness and practical applicability. The State Intellectual Property Office of National Intellectual Property Administration is responsible for examining and approving patent applications. As of December 31, 2019, we had approximately 2,700 patents granted in China, approximately 160 patents granted outside China, approximately 7,100 patent applications pending in China and approximately 410 patent applications pending outside China.

Trademark. The Trademark Law and its implementation rules protect registered trademarks. The PRC Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. As of December 31, 2019, we had approximately 13,600 registered trademarks in different applicable trademark categories and had approximately 4,300 trademark applications in China and approximately 1,700 outside China.

Domain Name. Domain names are protected under the Administrative Measures on the Internet Domain Names promulgated by the MIIT. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the CNNIC is responsible for the daily administration of .cn domain names and Chinese domain names. CNNIC adopts the “first to file” principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services, which became effective on January 1, 2018. Pursuant to the notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity’s shareholders), or the entity’s principal or senior manager. We have registered jd.com, 360buy.com, 360buy.cn, 360buy.com.cn and other domain names.

Regulations Relating to Employment

The Labor Contract Law and its implementation rules provide requirements concerning employment contracts between an employer and its employees. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee’s salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations, which significantly affects the cost of reducing workforce for employers. In addition, if an employer intends to enforce a non-compete provision with an employee in an employment contract or non-competition agreement, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or ending of the labor contract. Employers in most cases are also required to provide a severance payment to their employees after their employment relationships are terminated.

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. According to the Regulations on Management of Housing Fund, an enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

Regulations Relating to PRC Value Added Tax

On March 23, 2016, the MOF and the SAT jointly issued the Circular on the Pilot Program for Overall Implementation of the Collection of Value Added Tax Instead of Business Tax, or Circular 36, which took effect on May 1, 2016. Pursuant to the Circular 36, all of the companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay VAT, in lieu of business tax. The VAT rate is 6%, except for rate of 11% for real estate sale, land use right transferring and providing service of transportation, postal sector, basic telecommunications, construction, real estate lease; rate of 17% for providing lease service of tangible property; and rate of zero for specific cross-bond activities.

On April 4, 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates, or Circular 32, according to which, (i) for VAT taxable sales or importation of goods originally subject to value-added tax rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for purchase of agricultural products originally subject to deduction rate of 11%, such deduction rate shall be adjusted to 10%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 16%, the input VAT will be calculated at a 12% deduction rate; (iv) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (v) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%. Circular 32 became effective on May 1, 2018 and shall supersede any previously existing provisions in the case of any inconsistency.

Further, On March 20, 2019, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement on Policies for Deepening the VAT Reform, or Announcement 39, to further slash value-added tax rates. According to the Announcement 39, (i) for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (ii) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (iii) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (iv) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (v) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%. The Announcement 39 came into effect on April 1, 2019 and shall be prevail in case of any conflict with existing provisions.

Regulations Relating to Dividend Withholding Tax

Pursuant to the Enterprise Income Tax Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or Circular 81, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Furthermore, the Administrative Measures for Non-Resident Taxpayer to Enjoy Treatments under Tax Treaties, or SAT Circular 60, which became effective in November 2015, require that non-resident enterprises which satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, and be subject to ongoing administration by the tax authorities. In the case where the non-resident enterprises do not apply to the withholding agent to claim the tax treaty benefits, or the materials and the information stated in the relevant reports and statements provided to the withholding agent do not satisfy the criteria for entitlement to tax treaty benefits, the withholding agent should withhold tax pursuant to the provisions of the PRC tax laws. The SAT issued the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (“SAT Circular 35”) on October 14, 2019, which became effective on January 1, 2020. The SAT Circular 35 further simplified the procedures for enjoying treaty benefits and replaced the SAT Circular 60. According to the SAT Circular 35, no approvals from the tax authorities are required for a non-resident taxpayer to enjoy treaty benefits, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, but it shall gather and retain the relevant materials as required for future inspection, and accept follow-up administration by the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. According to the Circular on Several Issues regarding the “Beneficial Owner” in Tax Treaties, or Circular 9, which was issued on February 3, 2018 by the SAT, effective as of April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties. Accordingly, JD.com International Limited, Jingdong E-Commerce (Express) Hong Kong Co., Ltd. and Jingdong E-Commerce (Trade) Hong Kong Corporation Limited may be able to enjoy the 5% withholding tax rate for the dividends they receive from Jingdong Century, Xi’an Jingxundi and Shanghai Shengdayuan, respectively, if they satisfy the conditions prescribed under Circular 81 and other relevant tax rules and regulations, and obtain the approvals as required. However, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

Regulations Relating to Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans.

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular 142 provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC. SAFE also strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of foreign-invested enterprises. The use of such RMB capital may not be changed without SAFE’s approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. In March 2015, SAFE issued SAFE Circular 19, which took effect and replaced SAFE Circular 142 from June 1, 2015. Although SAFE Circular 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC, the restrictions continue to apply as to foreign-invested enterprises’ use of the converted RMB for purposes beyond the business scope, for entrusted loans or for inter-company RMB loans.

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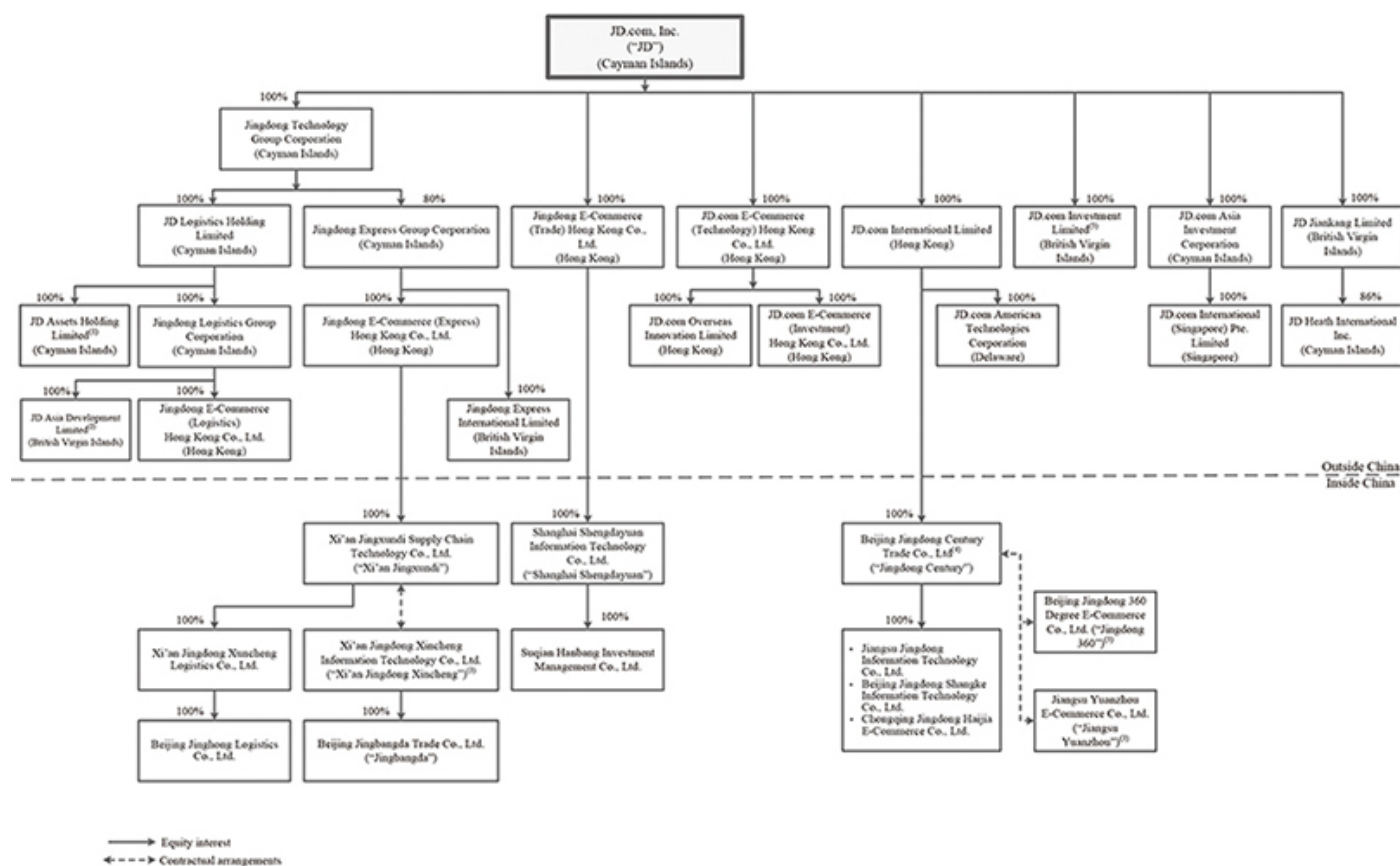
In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts (e.g. pre-establishment expenses account, foreign exchange capital account, guarantee account), the reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment), and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer require SAFE approval, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible before. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

In February 2015, SAFE promulgated SAFE Circular 13, which took effect on June 1, 2015. SAFE Circular 13 delegates the authority to enforce the foreign exchange registration in connection with the inbound and outbound direct investment under relevant SAFE rules to certain banks and therefore further simplifies the foreign exchange registration procedures for inbound and outbound direct investment.

In October 2019, SAFE issued SAFE Circular 28, pursuant to which all foreign-invested enterprises can make domestic equity investments with their capital funds in accordance with the related laws.

C. Organizational Structure

The following diagram illustrates our corporate structure, including our principal subsidiaries and consolidated variable interest entities as of the date of this annual report on Form 20-F:



Notes:

- (1) JD Assets Holding Limited has 22 subsidiaries holding, directly or indirectly, non-logistics properties.
- (2) JD Asia Development Limited has 267 subsidiaries holding, directly or indirectly, logistics properties.

- (3) Jingdong 360, Jiangsu Yuanzhou and Xi'an Jingdong Xincheng are our principal consolidated variable interest entities. Each of Jingdong 360, Jiangsu Yuanzhou and Xi'an Jingdong Xincheng is 45% owned by Mr. Richard Qiangdong Liu, our chairman of board of directors and chief executive officer, 30% owned by Ms. Yayun Li, our chief compliance officer, and 25% owned by Ms. Pang Zhang, our employee. We effectively control these entities through contractual arrangements.
 - (4) Jingdong Century has 89 subsidiaries that engage in retail business. Jingdong Century also has contractual arrangements with another principal consolidated variable interest entity, Jiangsu Jingdong Bangneng Investment Management Co. Ltd. or Jiangsu Jingdong Bangneng. Jiangsu Jingdong Bangneng is 45% owned by Mr. Richard Qiangdong Liu, 30% owned by Ms. Yayun Li, and 25% owned by Ms. Pang Zhang. Jiangsu Jingdong Bangneng owns Suqian Jingdong Sanhong Enterprise Management Center (L.P.), Suqian Jingdong Mingfeng Enterprise Management Co., Ltd., Suqian Jingdong Jinyi Enterprise Management Co., Ltd. and Hengqin Junze Management and Consulting Co., Ltd., each of which constitutes a significant subsidiary of Jiangsu Jingdong Bangneng.
 - (5) JD.com Investment Limited has 63 subsidiaries that hold, directly or indirectly, the companies invested by us.
- * The diagram above omits our equity investees that are insignificant individually and in the aggregate.

Our Consolidated Variable Interest Entities

We obtained control over Jingdong 360 through Jingdong Century in April 2007 by entering into a series of contractual arrangements with Jingdong 360 and the shareholders of Jingdong 360, which we refer to as the Jingdong 360 Agreements. The Jingdong 360 Agreements were subsequently amended and restated, with the latest amendments and restatements in June 2016. As a result of our ownership of Jingdong Century, we became the primary beneficiary of Jingdong 360 in April 2007. We treat Jingdong 360 as our variable interest entity and have consolidated its financial results in our consolidated financial statements in accordance with U.S. GAAP.

We obtained control over Jiangsu Yuanzhou through Jingdong Century by commitments between the then shareholders of Jiangsu Yuanzhou, Jiangsu Yuanzhou and Jingdong Century at the time Jiangsu Yuanzhou was established. Jingdong Century entered into a series of contractual arrangements with Jiangsu Yuanzhou and its shareholders in April 2011, which we refer to as the Jiangsu Yuanzhou Agreements. The Jiangsu Yuanzhou Agreements were subsequently amended and restated, with the latest amendments and restatements in June 2016. We became the primary beneficiary of Jiangsu Yuanzhou in September 2010. We treat Jiangsu Yuanzhou as our variable interest entity and have consolidated its financial results in our consolidated financial statements in accordance with U.S. GAAP.

We obtained control over Xi'an Jingdong Xincheng through Xi'an Jingxundi in June 2017 by entering into a series of contractual arrangements with Xi'an Jingdong Xincheng and the shareholders of Xi'an Jingdong Xincheng, which we refer to as the Xi'an Jingdong Xincheng Agreements. As a result of our ownership of Xi'an Jingxundi, we became the primary beneficiary of Xi'an Jingdong Xincheng in June 2017. We treat Xi'an Jingdong Xincheng as our variable interest entity and have consolidated its financial results in our consolidated financial statements in accordance with U.S. GAAP.

In addition to Jingdong 360, Jiangsu Yuanzhou and Xi'an Jingdong Xincheng, we assisted in establishing additional consolidated variable interest entities, including Jiangsu Jingdong Bangneng. We have entered into a series of contractual arrangements with each of these variable interest entities and their respective shareholders.

The contractual arrangements relating to our variable interest entities allow us to:

- exercise effective control over our variable interest entities;
- receive substantially all of the economic benefits of our variable interest entities; and
- have an exclusive option to purchase all or part of the equity interests in our variable interest entities when and to the extent permitted by PRC law.

We have consolidated the financial results of our variable interest entities and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. The external revenues of our consolidated variable interest entities and their subsidiaries collectively contributed 2.5%, 3.8% and 4.7% of our consolidated total net revenues for the years ended December 31, 2017, 2018 and 2019, respectively.

In the opinion of Zhong Lun Law Firm, our PRC legal counsel:

- the ownership structures of our variable interest entities and the PRC subsidiaries that have entered into contractual arrangements with the variable interest entities, including Jingdong Century, will not result in any violation of PRC laws or regulations currently in effect; and
- the contractual arrangements among the PRC subsidiaries, including Jingdong Century, the variable interest entities and their respective shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect.

However, we have been further advised by our PRC legal counsel that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC counsel that if the PRC government finds that the agreements that establish the structure for operating our online retail and marketplace business do not comply with PRC government restrictions on foreign investment in e-commerce and related businesses, including but not limited to online retail and marketplace businesses, we could be subject to severe penalties including being prohibited from continuing operations. See “Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure—If the PRC government deems that the contractual arrangements in relation to our variable interest entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.” And “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

Contractual Arrangements with Jingdong 360, Jiangsu Yuanzhou and Xi’an Jingdong Xincheng

The following is a summary of the currently effective Jingdong 360 Agreements, Jiangsu Yuanzhou Agreements and Xi’an Jingdong Xincheng Agreements.

Agreements that Provide Us with Effective Control over Jingdong 360, Jiangsu Yuanzhou and Xi’an Jingdong Xincheng

Equity Pledge Agreements. On June 15, 2016, Jingdong Century, Jingdong 360 and each of the shareholders of Jingdong 360 entered into an amended and restated equity pledge agreement in replacement of the previous equity pledge agreement. Pursuant to the amended and restated equity pledge agreement, each of the shareholders of Jingdong 360 has pledged all of his equity interest in Jingdong 360 to guarantee their and Jingdong 360’s performance of his obligations under, where applicable, the amended and restated exclusive technology consulting and services agreement, loan agreement, exclusive purchase option agreement and power of attorney. If Jingdong 360 or the shareholders of Jingdong 360 breach their contractual obligations under these agreements, Jingdong Century, as pledgee, will have the right to dispose of the pledged equity interests. The shareholders of Jingdong 360 agree that, during the term of the equity pledge agreements, they will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests, and they also agree that Jingdong Century’s rights relating to the equity pledge should not be prejudiced by the legal actions of the shareholders, their successors or their designates. During the term of the equity pledge, Jingdong Century has the right to receive all of the dividends and profits distributed on the pledged equity. The amended and restated equity pledge agreements will terminate on the second anniversary of the date when Jingdong 360 and the shareholders of Jingdong 360 have completed all their obligations under the amended and restated exclusive technology consulting and services agreement, loan agreement, exclusive purchase option agreement and powers of attorney.

On June 15, 2016, Jingdong Century, Jiangsu Yuanzhou and each of the shareholders of Jiangsu Yuanzhou entered into an amended and restated equity pledge agreement in replacement of the previous equity pledge agreements. The amended and restated equity pledge agreement between Jingdong Century and the shareholders of Jiangsu Yuanzhou contains terms substantially similar to the amended and restated equity pledge agreement relating to Jingdong 360 described above.

On June 23, 2017, Xi'an Jingxundi, Xi'an Jingdong Xincheng and each of the shareholders of Xi'an Jingdong Xincheng entered into three equity pledge agreements. The equity pledge agreements between Xi'an Jingxundi, Xi'an Jingdong Xincheng and the shareholders of Xi'an Jingdong Xincheng contain terms substantially similar to the amended and restated equity pledge agreement relating to Jingdong 360 described above.

We have completed the registration of the equity pledge for our variable interest entities with the relevant office of the administration for market regulation in accordance with the PRC Property Rights Law.

Powers of Attorney. On June 15, 2016, each of the shareholders of Jingdong 360 granted an irrevocable power of attorney to replace the irrevocable powers of attorney previously executed. Pursuant to the irrevocable power of attorney, each of the shareholders of Jingdong 360 appointed Jingdong Century's designated person as his attorney-in-fact to exercise all shareholder rights, including but not limited to voting on their behalf on all matters of Jingdong 360 requiring shareholder approval, disposing of all or part of the shareholder's equity interest in Jingdong 360, and electing, appointing or removing directors and executive officers. The person designated by Jingdong Century is entitled to dispose of dividends and profits on the equity interest subject to the instructions of the shareholder. Each power of attorney will remain in force for so long as the shareholder remains a shareholder of Jingdong 360. Each shareholder has waived all the rights which have been authorized to Jingdong Century's designated person under each power of attorney.

On June 15, 2016, each of the shareholders of Jiangsu Yuanzhou granted an irrevocable power of attorney in replacement of the irrevocable powers of attorney previously executed. The powers of attorney contain terms substantially similar to the powers of attorney granted by the shareholders of Jingdong 360 described above.

On June 23, 2017, each of the shareholders of Xi'an Jingdong Xincheng granted an irrevocable power of attorney. The powers of attorney contain terms substantially similar to the powers of attorney granted by the shareholders of Jingdong 360 described above.

Agreements that Allow Us to Receive Economic Benefits from Jingdong 360, Jiangsu Yuanzhou and Xi'an Jingdong Xincheng

Exclusive Technology Consulting and Services Agreement. In June 2016, Jingdong Century and Jingdong 360 entered into an exclusive technology consulting and services agreement, which supersedes the version entered into in May 2012. Pursuant to the 2016 agreement, Jingdong Century has the sole and exclusive right to provide specified technology consulting and services to Jingdong 360. Without the prior written consent of Jingdong Century, Jingdong 360 may not accept the same or similar technology consulting and services provided by any third party during the term of the agreement. All the benefits and interests generated from the agreement, including but not limited to intellectual property rights, know-how and trade secrets, will be Jingdong Century's sole and exclusive rights. Jingdong 360 agrees to pay service fees to Jingdong Century on a quarterly basis and the amount of the service fee is decided by Jingdong Century on the basis of the work performed and commercial value of the services, subject to annual evaluation and adjustment. The term of this agreement will expire on June 14, 2026 and may be extended unilaterally by Jingdong Century with Jingdong Century's written confirmation prior to the expiration date. Jingdong 360 cannot terminate the agreement early unless Jingdong Century commits fraud, gross negligence or illegal acts, or becomes bankrupt or winds up.

In June 2016, Jingdong Century and Jiangsu Yuanzhou entered into an exclusive technology consulting and services agreement, which supersedes the version entered into in May 2012. The 2016 agreement between Jingdong Century and Jiangsu Yuanzhou contains terms substantially similar to the exclusive technology consulting and services agreement relating to Jingdong 360 as described above.

Xi'an Jingxundi and Xi'an Jingdong Xincheng entered into an exclusive technology consulting and services agreement on June 23, 2017. The exclusive technology consulting and services agreement between Xi'an Jingxundi and Xi'an Jingdong Xincheng contains terms substantially similar to the exclusive technology consulting and services agreement relating to Jingdong 360 described above.

Intellectual Property Rights License Agreement. On December 25, 2013, Jingdong Century and certain of its subsidiaries entered into an amended and restated intellectual property rights license agreement with Jingdong 360 in replacement of the previous intellectual property rights license agreement. Pursuant to the amended and restated intellectual property rights license agreement, Jingdong Century and the subsidiaries grant Jingdong 360 a non-exclusive right to use certain of its trademarks, patents, copyrights to computer software and other copyrights. Jingdong 360 is permitted to use the intellectual property rights only within the scope of its internet information service operation and in the territory of China. Jingdong 360 agrees that at any time it will not challenge the validity of Jingdong Century's license rights and other rights with respect to the licensed intellectual property and will not take actions that would prejudice Jingdong Century's rights and the license. Jingdong 360 agrees to pay license fees to Jingdong Century annually, subject to annual evaluation and adjustment. Without Jingdong Century's written consent, Jingdong 360 cannot assign or sublicense its rights under the license agreement or transfer the economic interests arising from the license to any third party. The initial term of this agreement is 10 years and may be extended unilaterally by Jingdong Century with Jingdong Century's written confirmation prior to the expiration date.

On December 18, 2013, Jingdong Century and certain of its subsidiaries entered into an amended and restated intellectual property rights license agreement with Jiangsu Yuanzhou in replacement of the previous intellectual property rights license agreement. The amended and restated intellectual property rights license agreement with Jiangsu Yuanzhou contains terms substantially similar to the intellectual property rights license agreement with Jingdong 360 described above.

Business Cooperation Agreement. On May 29, 2012, Jingdong Century and Shanghai Shengdayuan entered into an amended and restated business cooperation agreement with Jingdong 360 in replacement of the previous business cooperation agreement between Jingdong Century and Jingdong 360. Pursuant to the amended and restated business cooperation agreement, Jingdong 360 agrees to provide to Jingdong Century and Shanghai Shengdayuan services, including operating our website, posting Jingdong Century's and Shanghai Shengdayuan's product and service information on the website, transmitting the users' order and transaction information to Jingdong Century and Shanghai Shengdayuan, processing user data and transactions in collaboration with banks and payment agents and other services reasonably requested by Jingdong Century and Shanghai Shengdayuan. Jingdong Century and Shanghai Shengdayuan agree to pay service fees to Jingdong 360 on a quarterly basis. The service fee should be 105% of Jingdong 360's operating costs incurred in the previous quarter. The term of this agreement will expire on May 28, 2022 and may be extended unilaterally by Jingdong Century and Shanghai Shengdayuan with their written confirmation prior to the expiration date.

Business Operations Agreement. On November 20, 2017, Jingdong Century entered into an amended and restated business operations agreement with Jingdong 360 and its shareholders in replacement of the previous business operations agreement between Jingdong Century and Jingdong 360. Pursuant to the amended and restated business operations agreement, Jingdong 360's shareholders must appoint the candidates nominated by Jingdong Century to be the directors on its board of directors in accordance with applicable laws and the articles of association of Jingdong 360, and must cause the persons recommended by Jingdong Century to be appointed as its general manager, chief financial officer and other senior executives. Jingdong 360 and its shareholders also agree to accept and strictly follow the guidance provided by Jingdong Century from time to time relating to employment, termination of employment, daily operations and financial management. Moreover, Jingdong 360 and its shareholders agree that Jingdong 360 will not engage in any transactions that could materially affect its assets, business, personnel, liabilities, rights or operations, including but not limited to the incurrence of debt from any third party and the amendment of Jingdong 360's articles of association, without the prior consent of Jingdong Century's respective designees. Unless otherwise terminated early by Jingdong Century, the agreement will remain effective until Jingdong 360 is dissolved according to the PRC law.

On June 15, 2016, Jingdong Century entered into a business operations agreement with Jiangsu Yuanzhou and its shareholders. The business operations agreement with Jiangsu Yuanzhou contains terms substantially similar to the amended and restated business operations agreement with Jingdong 360 described above.

On June 23, 2017, Xi'an Jingxundi entered into a business operations agreement with Xi'an Jingdong Xincheng and its shareholders. The business operations agreement with Xi'an Jingdong Xincheng contains terms substantially similar to the amended and restated business operations agreement with Jingdong 360 described above.

Agreements that provide us with the Option to Purchase the Equity Interest in Jingdong 360, Jiangsu Yuanzhou and Xi'an Jingdong Xincheng

Exclusive Purchase Option Agreements. On June 15, 2016, Jingdong Century, Jingdong 360 and the shareholders of Jingdong 360 entered into an amended and restated exclusive purchase option agreement in replacement of the previous exclusive purchase option agreements. Pursuant to the amended and restated exclusive purchase option agreement, the shareholders of Jingdong 360 irrevocably grant Jingdong Century an exclusive option to purchase or have its designated persons to purchase at its discretion, to the extent permitted under PRC law, all or part of their equity interests in Jingdong 360. In addition, the purchase price should equal the amount that the shareholders contributed to Jingdong 360 as registered capital for the equity interest to be purchased, or be the lowest price permitted by applicable PRC law. Without the prior written consent of Jingdong Century, Jingdong 360 may not amend its articles of associate, increase or decrease the registered capital, sell or otherwise dispose of its assets or beneficial interest, create or allow any encumbrance on its assets or other beneficial interests, provide any loans for any third parties, enter into any material contract (except those contracts entered into in the ordinary course of business), merge with or acquire any other persons or make any investments, or distribute dividends to the shareholders. The shareholders of Jingdong 360 agree that, without the prior written consent of Jingdong Century, they will not dispose of their equity interests in Jingdong 360 or create or allow any encumbrance on the equity interests. The initial term of the amended and restated exclusive purchase option agreement is 10 years and can be renewed for an additional 10 years on the same terms at Jingdong Century's option, for an unlimited number of times.

On June 15, 2016, Jingdong Century, Jiangsu Yuanzhou and the shareholders of Jiangsu Yuanzhou entered into an amended and restated exclusive purchase option agreement in replacement of the previous exclusive purchase option agreement. The amended and restated exclusive purchase option agreement contains terms substantially similar to the amended and restated exclusive purchase option agreement relating to Jingdong 360 described above.

On June 23, 2017, Xi'an Jingxundi, Xi'an Jingdong Xincheng and each of the shareholders of Xi'an Jingdong Xincheng entered into an exclusive purchase option agreement. The exclusive purchase option agreement contains terms substantially similar to the amended and restated exclusive purchase option agreement relating to Jingdong 360 described above.

Loan Agreements . Pursuant to the amended and restated loan agreement dated November 20, 2017 between Jingdong Century and the shareholders of Jingdong 360, Jingdong Century made loans in an aggregate amount of RMB920 million to the shareholders of Jingdong 360 solely for the capitalization of Jingdong 360. Pursuant to the amended and restated loan agreement, the shareholders can only repay the loans by the sale of all their equity interest in Jingdong 360 to Jingdong Century or its designated person. The shareholders must sell all of their equity interests in Jingdong 360 to Jingdong Century or its designated person and pay all of the proceeds from sale of such equity interests or the maximum amount permitted under PRC law to Jingdong Century. In the event that shareholders sell their equity interests to Jingdong Century or its designated person with a price equivalent to or less than the amount of the principal, the loans will be interest free. If the price is higher than the amount of the principal, the excess amount will be paid to Jingdong Century as the loan interest. The maturity date of the loans is on the tenth anniversary of the date when the shareholders received the loans and paid the amount as capital contribution to Jingdong 360. The term of the loans will be extended automatically for an additional 10 years, unless Jingdong Century objects, for an unlimited number of times. The loan must be repaid immediately under certain circumstances, including, among others, (i) if the shareholders terminate their services with us, (ii) if any other third-party claims against shareholders for an amount more than RMB100,000 and Jingdong Century has reasonable ground to believe that the shareholders are unable to repay the claimed amount, (iii) if a foreign investor is permitted to hold majority or 100% equity interest in Jingdong 360 and Jingdong Century elects to exercise its exclusive equity purchase option, or (iv) if the loan agreement, relevant equity pledge agreement or exclusive purchase option agreement terminates for cause not attributable to Jingdong Century or is deemed to be invalid by a court.

Pursuant to the amended and restated loan agreement dated June 15, 2016 between Jingdong Century and the shareholders of Jiangsu Yuanzhou, Jingdong Century made loans in an aggregate amount of RMB22 million to the shareholders of Jiangsu Yuanzhou solely for the capitalization of Jiangsu Yuanzhou. The amended and restated loan agreement contains terms substantially similar to the amended and restated loan agreement relating to Jingdong 360 described above.

Pursuant to the loan agreement dated June 23, 2017 between Xi'an Jingxundi and the shareholders of Xi'an Jingdong Xincheng, Xi'an Jingxundi made loans in an aggregate amount of RMB1 million to the shareholders of Xi'an Jingdong Xincheng solely for the capitalization of Xi'an Jingdong Xincheng. The loan agreement contains terms substantially similar to the amended and restated loan agreement relating to Jingdong 360 described above.

Additional Contractual Arrangements

In addition to the Jingdong 360 Agreements, Jiangsu Yuanzhou Agreements and Xi'an Jingdong Xincheng Agreements, we have also entered into contractual arrangements with each of our other variable interest entities, including Jiangsu Jingdong Bangneng, and their respective shareholders, including: equity pledge agreements, powers of attorney, exclusive technology consulting and services agreements, business operations agreements, exclusive purchase option agreements and loan agreements. Our contractual agreements with these other variable interest entities contain terms substantially similar to those in the Jingdong 360 Agreements, Jiangsu Yuanzhou Agreements and Xi'an Jingdong Xincheng Agreements.

D. Property, Plant and Equipment

Our national headquarters are located in Yizhuang Economic and Technological Development Zone in Beijing, where we own office buildings with an aggregate floor area of approximately 410,000 square meters. We have acquired land use rights in Beijing to build our headquarters. As of December 31, 2019, we had paid an aggregate of approximately RMB9.5 billion (US\$1.4 billion) for the acquisition of land use rights and construction of the office buildings.

We lease our other offices in Beijing and regional offices in 34 other cities in China with an aggregate floor area of approximately 301,000 square meters.

We own our national customer service center and our data center in Suqian, which have an aggregate floor area of approximately 183,000 and 65,000 square meters, respectively. We lease our customer service centers in Chengdu and Yangzhou with an aggregate floor area of approximately 57,000 square meters.

As of December 31, 2019, we operated regional fulfillment centers in seven cities in China, including Beijing, Shanghai, Wuhan, Guangzhou, Chengdu, Shenyang and Xi'an.

In addition, we also operated front distribution centers in 28 cities for stocking products that are in high demand, as well as other additional warehouses in 54 cities in China as of December 31, 2019. Our comprehensive fulfillment facilities can cover almost all the counties and districts across China.

As of December 31, 2019, we had land use rights in 40 cities in China to build our own warehouses. Highly automated and efficient warehouses will not only expand our ability to fulfill orders by ourselves but also support the third-party merchants on our online marketplace as well as a wide range of business partners in the ecosystem. In connection with our expansion of our fulfillment infrastructure, we had paid an aggregate of approximately RMB18.0 billion (US\$2.6 billion) for the acquisition of land use rights, building of warehouses and purchase of warehousing equipment as of December 31, 2019. To unlock meaningful value from our balance sheet and recycle capital for our future growth initiatives, we disposed certain of our development properties and received proceeds of RMB7.9 billion (US\$1.1 billion) in 2019. See "Item 4. Information on the Company—A. History and Development of the Company" for further information.

We plan to expand our nationwide fulfillment network by leasing, building, or purchasing additional facilities across China over the next several years.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion of our financial condition and results of operations is based upon, and should be read in conjunction with, our audited consolidated financial statements and the related notes included in this annual report on Form 20-F. This report contains forward-looking statements. See “Forward-Looking Information.” In evaluating our business, you should carefully consider the information provided under the caption “Item 3.D. Key Information—Risk Factors” in this annual report on Form 20-F. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

As of June 30, 2017, we deconsolidated JD Digits as a result of the reorganization of JD Digits. Accordingly, JD Digits’s historical financial results for periods prior to July 1, 2017 are reflected in our consolidated financial statements as discontinued operations. Please see “Item 4. Information on the Company—A. History and Development of the Company” for further information.

A. Operating Results

Overview

We are a leading technology driven e-commerce company transforming to become a leading supply chain-based technology and service provider. Our e-commerce business includes online retail and online marketplace. In the online retail business, we acquire products from suppliers and sell them directly to our customers primarily through our mobile apps and websites. In the online marketplace business, third-party merchants sell products to customers primarily through our mobile apps and websites. We also offer marketing, logistics and other value-added services.

Our business has grown substantially in recent years. We generated total net revenues of RMB362.3 billion, RMB462.0 billion and RMB576.9 billion (US\$82.9 billion) in 2017, 2018 and 2019, respectively. Our customer base has also expanded rapidly. We had 292.5 million, 305.3 million and 362.0 million active customer accounts in 2017, 2018 and 2019, respectively. Our online retail business generated net product revenues of RMB331.8 billion, RMB416.1 billion and RMB510.7 billion (US\$73.4 billion) in 2017, 2018 and 2019, respectively. In addition, our marketplace, marketing, logistics and other services generated net service revenues of RMB30.5 billion, RMB45.9 billion and RMB66.2 billion (US\$9.5 billion) in 2017, 2018 and 2019, respectively.

Due to the PRC legal restrictions on foreign ownership of companies that engage in a value-added telecommunications service business and certain other businesses in China, we conduct the relevant parts of our operations through consolidated variable interest entities. We have contractual arrangements with these entities and their shareholders that enable us to effectively control and receive substantially all of the economic benefits from the entities. Accordingly, we consolidate the results of these entities in our financial statements.

Major Factors Affecting Our Results of Operations

Our results of operations and financial condition are affected by the general factors driving China’s retail industry, including levels of per capita disposable income and consumer spending in China. In addition, they are also affected by factors driving online retail in China, such as the growing number of online shoppers, the adoption of online sales strategies by manufacturers and service providers, the availability of improved delivery services and the increasing variety of payment options. Our results of operations are also affected by general economic conditions in China. In particular, we have experienced and expect to continue to experience upward pressure on our operating expenses.

Our results of operations are also affected by PRC regulations and industry policies related to our business operations, licenses and permits and corporate structure. For example, the product quality and consumer protection laws require us to ensure the quality of the goods we sell and give customers the right to return goods within seven days of receipt with no questions asked, the labor contract law and related rules require employers to enter into written contracts with workers and to pay compensation to workers who are terminated under certain circumstances, regulations on foreign ownership and on transfer of funds into and out of China affect our corporate structure and financing, and regulations on business licenses affect our legal and compliance functions. For a summary of the principal PRC laws and regulations that affect us, see “Item 3.D. Key Information—Risk Factors” and “Item 4.B. Information on the Company—Business Overview—Regulation.” Although we have generally benefited from the Chinese government’s policies to encourage economic growth, we are also affected by the complexity, uncertainties and changes in PRC regulations governing various aspects of our operations. For a detailed description of the PRC regulations applicable to us, see “Item 4.B. Information on the Company—Business Overview—Regulation.”

In terms of PRC regulations that may affect our results of operations, the amendments to the Consumer Protection Law that came into effect in March 2014 give consumers the right to return goods within seven days of receipt. Although we recognize revenues net of return allowances, the amendments to the Consumer Protection Law have not had a significant impact on our net revenues. We have adopted shipping policies that do not necessarily pass the full cost of shipping on to our customers. We also have adopted customer-friendly return and exchange policies that make it convenient and easy for customers to change their minds after completing purchases. However, if we experience an increased volume of returns after the amendments to the Consumer Protection Law became effective, our shipping and handling costs and related personnel costs may increase significantly and our results of operations may be materially and adversely affected.

JD.com, Inc., the holding company that is listed on Nasdaq, has no material operations of its own. We conduct our operations primarily through our subsidiaries and consolidated variable interest entities and their subsidiaries in China. As a result, JD.com, Inc.'s ability to pay dividends to our shareholders depends in part upon dividends paid by our PRC subsidiaries subject to compliance with applicable PRC regulations. Our wholly-owned PRC subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC regulations, each of our wholly-owned PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. As of December 31, 2019, the amount restricted, including paid-in capital and statutory reserve funds, as determined in accordance with PRC accounting standards and regulations, was approximately RMB24,189 million (US\$3,475 million). Our PRC subsidiaries have never paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

While our business is influenced by general factors affecting our industry, our operating results are more directly affected by company specific factors, including the following major factors:

- our ability to increase active customer accounts and customer purchases;
- our ability to manage our mix of product and service offerings;
- our ability to further increase and leverage our scale of business;
- our ability to effectively invest in our fulfillment infrastructure and technology platform; and
- our ability to conduct and manage strategic investments and acquisitions.

Our Ability to Increase Active Customer Accounts and Customer Purchases

Growth in the number of our active customer accounts and customer purchases are key drivers of our revenue growth. We have a growing and loyal active customer base. Over the years, our customers have shown loyalty to us through their increased activity levels. Our annual active customer accounts increased from 292.5 million in 2017, to 305.3 million in 2018 and further to 362.0 million in 2019. This increase was primarily driven by our success in attracting new active customer accounts, as well as by our success in generating repeat purchases from existing customer accounts.

Our ability to attract new customer accounts and retain existing customer accounts depends on our ability to provide superior customer experience. To this end, we offer a wide selection of authentic products at competitive prices on our mobile apps and websites and provide speedy and reliable delivery, convenient online and in-person payment options and comprehensive customer services. The number of products we offer has grown rapidly. We have developed a business intelligence system that enables us to increase our operating efficiency through enhanced product merchandising and supply chain management capabilities, and to drive more targeted and relevant product promotions and recommendations to our customers. We have benefited from word-of-mouth viral marketing in winning new customers, and we also conduct online and offline marketing and brand promotion activities to attract new customers. In addition, we encourage existing customers to place more orders with us through a variety of means, including granting coupons and loyalty points and holding special promotions.

Our Ability to Manage Our Mix of Product and Service Offerings

Our results of operations are also affected by the mix of products and services we offer. We commenced our e-commerce business by primarily selling electronics and home appliances products. We began offering general merchandise products around the end of 2008, and we launched our online marketplace in 2010. We earn commissions and service fees from third-party merchants on our online marketplace. We offer a wide range of products and services and aim to provide one-stop shopping solutions to maximize our wallet share. Our mix of products and services also affects our gross margin. For example, the marketplace service revenues that we earn from third-party merchants and the other services that we offer generally have higher gross margins. The split between our online retail business and our online marketplace business thus has a major influence on our revenue growth and our gross margins. Our marketplace, marketing, logistics and other services revenues increased from RMB30.5 billion in 2017, to RMB45.9 billion in 2018, and further to RMB66.2 billion (US\$9.5 billion) in 2019. We intend to further (i) expand our selection of general merchandise products, such as FMCG, which are well received by customers and expected to have a potential for greater online penetration; (ii) attract more third-party merchants to our online marketplace; and (iii) provide more fulfillment and other value-added services to third-party merchants and others.

Our Ability to Further Increase and Leverage our Scale of Business

Our results of operations are directly affected by our ability to further increase and leverage our scale of business. As our business further grows in scale, we expect to obtain more favorable terms from suppliers, including pricing terms and volume-based rebates. In addition, we aim to create value for our suppliers by providing an effective channel for selling large volumes of their products online and by offering them comprehensive information on customer preferences and market demand and ensuring the high quality of fulfillment services. We believe this value proposition also helps us obtain favorable terms from suppliers.

As of December 31, 2019, our nationwide fulfillment infrastructure employed a total of 175,954 warehouse and delivery personnel that manages this fulfillment infrastructure and the large number of orders we receive, process and fulfill each year. Our fulfillment expenses in absolute amount increased over 2017, 2018 and 2019, while the fulfillment expenses as a percentage of our total net revenues decreased from 7.1% in 2017, to 6.9% in 2018 and further to 6.4% in 2019. Our research and development professionals design, develop and operate the technology platform, develop and post content, and improve our AI, big data and cloud technologies and services. Personnel costs are the largest component of our fulfillment costs and of our research and development costs and are likely to remain the largest component for the foreseeable future as we continue to expand our operations. We expect our fulfillment expenses to increase in absolute amount in the near future. Labor costs are rising in China and we strive to continue improving efficiency and utilization of our fulfillment and other personnel to mitigate this effect. Our fulfillment expenses and thus operational efficiency are also affected by the average size of orders placed by our customers.

Our Ability to Effectively Invest in Our Fulfillment Infrastructure and Technology Platform

Our results of operations depend in part on our ability to invest in our fulfillment infrastructure and technology platform to cost-effectively meet the demands of our anticipated growth. Our nationwide fulfillment infrastructure covers almost all counties and districts across China, which, as of December 31, 2019, included a warehousing network of over 700 warehouses in 89 cities that are operated by us, and an aggregate gross floor area of approximately 16.9 million square meters, including warehouse space managed under the JD Logistics Open Warehouse Platform. We have acquired land use rights to approximately 11 million square meters of land in 37 cities in China. We plan to continue to build large scale warehouse facilities with optimized configurations on these sites to improve our fulfillment efficiency, minimize order splitting, accommodate greater product selection and fulfill the anticipated sales of our own products as well as sales by third-party merchants using our fulfillment services. We had paid an aggregate of approximately RMB18.0 billion (US\$2.6 billion) for the acquisition of land use rights, building of warehouses and purchase of warehousing equipment as of December 31, 2019. To unlock meaningful value from our balance sheet and recycle capital for our future growth initiatives, we sold certain of our development properties and received proceeds of RMB7.9 billion (US\$1.1 billion) in 2019. See “Item 4. Information on the Company—A. History and Development of the Company” for further information. In selecting locations for our pickup and delivery stations, order density, a parameter we use to measure the frequency and number of orders generated from a geographical area, is an important criterion. To efficiently deploy our delivery network, we have established delivery stations and pickup stations in areas where we expect order density to increase to the extent where operating our own delivery network will be more cost efficient than using third-party couriers. We also paid significant amounts for upgrading our technology platform during the same periods. To enhance our technology platform, we intend to further invest in AI, big data analytics and cloud computing. We expect these technology initiatives to provide innovative features, solutions and services to customers and suppliers, while increasing our operational efficiency.

Our Ability to Conduct and Manage Strategic Investments and Acquisitions

We have made, and may continue to make, strategic investments and acquisitions to add assets or businesses that are complementary to our existing business. Our financial results could be adversely affected by our investments or acquisitions. The investments and acquired assets or businesses may not generate the financial results we expect. They could result in occurrence of significant investments and goodwill impairment charges, and amortization expenses for other intangible assets. Moreover, we share the results of the investments which we account for as equity method investments. In 2019, our share of results of equity investees was a loss of RMB1.7 billion (US\$0.2 billion), primarily attributable to losses picked up and the impairment recognized from our equity method investments. We may continue to incur impairment charges in connection with our investments or acquisitions and pick up the losses of our equity method investments, which could depress our profitability and have a material adverse impact on our financial results.

Impact of COVID-19 On Our Operations

The majority of our net revenues are derived from online retail sales in China. Our results of operations and financial condition in 2020 will be affected by the spread of COVID-19. The extent to which COVID-19 impacts our results of operations in 2020 will depend on the future developments of the outbreak, including new information concerning the global severity of and actions taken to contain the outbreak, which are highly uncertain and unpredictable. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the Chinese economy in general.

In response to intensifying efforts to contain the spread of COVID-19, the Chinese government has taken a number of actions, which included extending the Chinese New Year holiday, quarantining individuals infected with or suspected of having COVID-19, prohibiting residents from free travel, encouraging employees of enterprises to work remotely from home and cancelling public activities, among others. The COVID-19 has also resulted in temporary closure of many corporate offices, retail stores, manufacturing facilities and factories across China. We have taken a series of measures in response to the outbreak, including, among others, remote working arrangements for some of our employees and temporarily allowing the government to utilize our fulfillment infrastructure and logistics services for crisis relief. These measures could reduce the capacity and efficiency of our operations and negatively impact the procurement of products, which in turn could negatively affect our results of operations.

The spread of COVID-19 has caused us to incur incremental costs, in particular, relating to our logistics business. In addition, we have seen a decrease in demand for big-ticket items, durable goods and discretionary products. However, leveraging our self-operated supply chain and logistics network, we were able to resume part of our operations after the Chinese New Year and have seen an increase in demand for certain product categories, including consumer staples, such as groceries, fresh produce, healthcare and household products during this period.

As of December 31, 2019, we had cash and cash equivalents of RMB36,971 million (US\$5,311 million). Subsequently, we issued in January 2020 senior unsecured notes in an aggregate principal amount of US\$1.0 billion, and drew down in April 2020 the remaining US\$550 million under our term and revolving credit facilities. In February 2020, Jingdong Century, a subsidiary of our company, consummated a private placement of an aggregate of RMB3.0 billion 2.65% notes due April 27, 2020. In March 2020, Jingdong Century consummated a private placement of an aggregate of RMB2.0 billion 2.75% notes due October 30, 2020. We believe this level of liquidity is sufficient to successfully navigate an extended period of uncertainty. See also “Risk Factors—Risks Related to Our Business and Industry—We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.”

Selected Statements of Operations Items

Net Revenues

Net revenues include net product revenues and net service revenues. Product sales is further divided into sales of electronics and home appliances products and sales of general merchandise products. Net revenues from electronics and home appliances products include revenues from sales of computer, communication and consumer electronics products as well as home appliances. Net revenues from general merchandise products mainly include revenues from sales of food, beverage and fresh produce, baby and maternity products, furniture and household goods, cosmetics and other personal care items, pharmaceutical and healthcare products, books, automobiles and accessories, apparel and footwear, bags and jewelry. Net service revenues are further divided into revenues from online marketplace and marketing and revenues from logistics and other services. The following table breaks down our total net revenues by these categories, by amounts and as percentages of total net revenues:

	For the Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US \$	
Electronics and home appliances revenues	236,269	65.2	280,059	60.6	328,703	47,215	57.0
General merchandise revenues	95,555	26.4	136,050	29.5	182,031	26,147	31.5
Net product revenues	331,824	91.6	416,109	90.1	510,734	73,362	88.5
Marketplace and marketing revenues	25,391	7.0	33,532	7.2	42,680	6,131	7.4
Logistics and other service revenues	5,117	1.4	12,379	2.7	23,474	3,372	4.1
Net service revenues	30,508	8.4	45,911	9.9	66,154	9,503	11.5
Total net revenues	362,332	100.0	462,020	100.0	576,888	82,865	100.0

As we have been continually expanding our product categories and value-added service offerings, sales of electronics and home appliances products may decrease as a percentage of our total net revenues, and sales of general merchandise and service revenues may increase as a percentage of our total net revenues.

Net service revenues primarily consist of fees earned from providing marketing and logistics services to our business partners, and commissions earned from third-party merchants for sales made through our online marketplace. Currently, we recognize revenues from the third-party merchants on a net basis as we are not the primary obligor, we do not have control over goods sold by third-party merchants and we do not have latitude to establish prices for them.

We record revenue net of discounts, return allowances and value-added taxes, or VAT.

Cost of revenues

Cost of revenues primarily consists of our cost for acquiring the products that we sell directly and the related inbound shipping charges, inventory write-downs, traffic acquisition costs related to online marketing services, and cost related to logistics services provided to third parties. The rebates and subsidies we receive from suppliers are treated as a reduction in the purchase price and will be recorded as a reduction in cost of revenues when the product is sold.

Fulfillment expenses

Our fulfillment expenses consist primarily of (i) expenses incurred in operating our fulfillment centers, customer service centers and physical stores, including personnel cost and expenses attributable to buying, receiving, inspecting and warehousing inventories, picking, packaging, and preparing customer orders for shipment, processing payment and related transaction costs, (ii) expenses charged by third-party couriers for dispatching and delivering our products, and (iii) lease expenses of warehouses, delivery and pickup stations, and physical stores. The costs related to logistics services provided to third parties are classified in cost of revenues. We expect our fulfillment expenses to increase in absolute amount in the near run, as we invest in new businesses, hire additional fulfillment personnel, build and lease new warehouses and establish more delivery stations to penetrate lower tier cities and to meet our anticipated growth in sales volume and ensure satisfactory customer experience. We plan to make our fulfillment operations more efficient by setting up large customized warehouse facilities to make full use of the available space, improve the pick-and-pack workflow efficiency, accommodate greater product selection and minimize order splitting.

Marketing expenses

Our marketing expenses consist primarily of advertising costs, public relations expenditures, and payroll and related expenses for employees involved in marketing and business development activities. We pay commissions to participants in the associates program when their customer referrals result in successful product sales. We plan to continue to conduct brand promotion and marketing activities to enhance our brand recognition and attract new purchases from new and existing customers.

Research and development expenses

Our research and development expenses consist primarily of payroll and related expenses for research and development professionals involved in designing, developing and operating our technology platform, and improving our AI, big data and cloud technologies and services, and technology infrastructure costs. Technology infrastructure costs include servers and other equipment depreciation, bandwidth and data center costs, rent, utilities and other expenses necessary to support our internal and external business. We plan to continue to invest in technology and innovation to enhance customer experience and provide value-added services to suppliers and third-party merchants.

General and administrative expenses

Our general and administrative expenses consist primarily of employee related expenses for general corporate functions, including accounting, finance, tax, legal and human relations; costs associated with these functions include facilities and equipment depreciation expenses, rental and other general corporate related expenses. We plan to continue to hire additional qualified employees to support our business operations and planned expansion.

Gain on sale of development properties

The gain on sale of development properties is mainly derived from sale of development properties to Core Fund. JD Property develops and manages our logistics facilities and other real estate properties, to support JD Logistics and other third parties. By leveraging its fund management platform, JD Property can realize development profits and recycle capital from mature properties to fund new developments and scale the business. In February 2019, we entered into a definitive agreement with Core Fund, pursuant to which we sold certain of our modern logistics facilities to Core Fund for a total gross asset value of RMB10.9 billion. In the second half of 2019, the closing conditions for the completed assets were met, and we recorded a total disposal gain of RMB3.8 billion for the completed assets in 2019.

Share of results of equity investees

Share of the post-acquisition profits or losses, impairment, and gains or losses from disposals of the equity investments that are accounted for under the equity method are recorded in share of results of equity investees.

Others, net

Others, net consist primarily of gains or losses from fair value change, impairment, disposals of long-term investments other than those accounted for under the equity method, government financial incentives, and other non-operating income or expenses.

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of the shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the Shares, nor will gains derived from the disposal of the shares be subject to Cayman Islands income or corporation tax.

Hong Kong

Our subsidiaries incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong for the years of assessment 2015/2016, 2016/2017 and 2017/2018. Commencing from the year of assessment 2018/2019, the first HK\$2 million of profits earned by our subsidiaries incorporated in Hong Kong will be taxed at half the current tax rate (i.e., 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate. Under the Hong Kong tax laws, we are exempted from the Hong Kong income tax on our foreign-derived income. In addition, payments of dividends from our incorporations in Hong Kong to us are not subject to any Hong Kong withholding tax.

China

Generally, our subsidiaries and consolidated variable interest entities in China are subject to enterprise income tax on their taxable income in China at a rate of 25%, except that a few entities in our group benefit from a preferential tax rate of 15% as they conduct business in certain encouraged sectors or areas, and any entity that qualifies as a “software enterprise” is entitled to an exemption from income tax for the first two years and 50% reduction for the next three years from such entity’s first profitable year. Besides, some small profit enterprises whose annual taxable income amount is RMB1 million or less in 2018 are entitled to the incentive of computing 50% of their income as their taxable income amount and are subject to a reduced enterprise income tax rate of 20%. From January 1, 2019 to December 31, 2021, subject to certain criteria, the portion of annual taxable income amount of a small profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate. Furthermore, our certain entities in China engaging in research and development activities in China were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year of 2016 and 2017, and to claim 175% of their research and development expenses as Super Deduction for the year of 2018 and 2019 (“Super Deduction”) according to the relevant laws and regulations in the PRC. The enterprise income tax is calculated based on the entity’s global income as determined under PRC tax laws and accounting standards.

We are subject to VAT at a rate of 13% prior to July 1, 2017, 11% from July 1, 2017 to April 30, 2018 and 10% from May 1, 2018 to March 1, 2019, and 9% since April 1, 2019 on sales of books, audio and video products, at a rate of 17% prior to May 1, 2018, 16% from May 1, 2018 to March 31, 2019 and 13% from April 1, 2019 on sales of other products, at a rate of 6% or 11%/10%/9% (11% prior to May 1, 2018, 10% from May 1, 2018 to March 31, 2019, and 9% since April 1, 2019) on logistics services and at a rate of 6% on advertising and other services, in each case less any deductible VAT we have already paid or borne. Since January 1, 2014, we have been exempted from VAT on sales of books. We are also subject to surcharges on VAT payments in accordance with PRC law. VAT has been phased in since January 1, 2012, to replace the business tax, and has been implemented in all industries since May 1, 2016.

Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding companies in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and other regulations including Circular 9, and receives approval from the relevant tax authority. If the relevant Hong Kong entity satisfies all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong entity would be subject to withholding tax at the standard rate of 5%. Effective from November 1, 2015, the above mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority. See “Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.”

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

Results of Operations

The following table summarizes our consolidated results of operations in absolute amount and as a percentage of our total net revenues for the periods indicated. Period-to-period comparisons of historical results of operations should not be relied upon as indicative of future performance.

	For the Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US \$	
			(in millions, except for percentages)				
Net revenues:							
Net product revenues	331,824	91.6	416,109	90.1	510,734	73,362	88.5
Net service revenues	30,508	8.4	45,911	9.9	66,154	9,503	11.5
Total net revenues	362,332	100.0	462,020	100.0	576,888	82,865	100.0
Cost of revenues	(311,517)	(86.0)	(396,066)	(85.8)	(492,467)	(70,738)	(85.4)
Fulfillment	(25,865)	(7.1)	(32,010)	(6.9)	(36,968)	(5,310)	(6.4)
Marketing	(14,918)	(4.1)	(19,237)	(4.2)	(22,234)	(3,194)	(3.8)
Research and development	(6,652)	(1.8)	(12,144)	(2.6)	(14,619)	(2,100)	(2.5)
General and administrative	(4,215)	(1.2)	(5,160)	(1.1)	(5,490)	(789)	(1.0)
Impairment of goodwill and intangible assets	—	—	(22)	(0.0)	—	—	—
Gain on sale of development properties	—	—	—	—	3,885	558	0.7
Income/(loss) from operations ⁽¹⁾	(835)	(0.2)	(2,619)	(0.6)	8,995	1,292	1.6
Other income/(expense):							
Share of results of equity investees	(1,927)	(0.5)	(1,113)	(0.2)	(1,738)	(250)	(0.3)
Interest income	2,530	0.7	2,118	0.5	1,786	257	0.3
Interest expense	(964)	(0.3)	(855)	(0.2)	(725)	(104)	(0.1)
Others, net	1,317	0.4	95	0.0	5,375	772	0.9
Income/(loss) before tax	121	0.0	(2,374)	(0.5)	13,693	1,967	2.4
Income tax expenses	(140)	(0.0)	(427)	(0.1)	(1,803)	(259)	(0.3)
Net income/(loss) from continuing operations	(19)	(0.0)	(2,801)	(0.6)	11,890	1,708	2.1
Net income from discontinued operations, net of tax	7	0.0	—	—	—	—	—
Net income/(loss)	(12)	(0.0)	(2,801)	(0.6)	11,890	1,708	2.1

(1) Includes share-based compensation expenses as follows:

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
		(in millions)		
Cost of revenues	(28)	(72)	(82)	(12)
Fulfillment	(426)	(419)	(440)	(63)
Marketing	(136)	(190)	(259)	(37)
Research and development	(671)	(1,163)	(1,340)	(193)
General and administrative	(1,520)	(1,816)	(1,573)	(226)

Segment Information

We have two operating segments, namely JD Retail and New Businesses. JD Retail mainly consists of online retail, online marketplace and marketing services in China. New Businesses include logistics services provided to third parties, overseas business, technology initiatives, as well as asset management services to logistics property investors and sale of development properties by JD Property. JD Digits was previously included in New Businesses, but has been deconsolidated from our financial statements since June 30, 2017 as a result of its reorganization. Our product sales, marketplace and marketing services are mainly included in the JD Retail segment, and our logistics and other services are mainly included in the New Businesses segment.

The table below provides a summary of our operating segment results:

	For the Year Ended December 31,			
	2017 RMB	2018 RMB	2019 RMB US\$	
	(in millions)			
Net revenues:				
JD Retail	356,020	447,502	552,245	79,325
New Businesses	6,022	14,665	23,932	3,438
Inter-segment	(547)	(1,103)	(435)	(63)
Total segment net revenues	361,495	461,064	575,742	82,700
Unallocated items*	837	956	1,146	165
Total consolidated net revenues	362,332	462,020	576,888	82,865
Operating income/(loss):				
JD Retail	4,956	7,049	13,775	1,979
New Businesses	(2,070)	(5,137)	(1,022)	(147)
Including: gain on sale of development properties	—	—	3,885	558
Total segment operating income	2,886	1,912	12,753	1,832
Unallocated items*	(3,721)	(4,531)	(3,758)	(540)
Total consolidated operating income/(loss)	(835)	(2,619)	8,995	1,292

* Unallocated items include share-based compensation, amortization of intangible assets resulting from assets and business acquisitions, effects of business cooperation arrangements, and impairment of goodwill and intangible assets, which are not allocated to segments.

Operating expenses (excluding cost of revenues) before unallocated items as a percentage of net revenues for JD Retail were 12.9%, 13.1% and 12.3% for the years ended December 31, 2017, 2018 and 2019, respectively.

Years Ended December 31, 2019 and 2018

Net Revenues. Our total net revenues increased by 24.9% from RMB462,020 million in 2018 to RMB576,888 million (US\$82,865 million) in 2019, with increases in both categories of net revenues. Net product revenues increased by 22.7% from RMB416,109 million in 2018 to RMB510,734 million (US\$73,362 million) in 2019. Net service revenues increased by 44.1% from RMB45,911 million in 2018 to RMB66,154 million (US\$9,503 million) in 2019.

The increase in our total net revenues was primarily due to our ability to expand our customer base and enhance customer engagement in 2019. Our annual active customer accounts increased from 305.3 million in 2018 to 362.0 million in 2019. The increase in our net service revenues was primarily due to the increasing penetration of our logistics services among our third-party merchants and other third parties, as well as the increase in the marketing services due to our continuous improvement in the automated marketing technologies which resulted in higher ROI and attracted business partners to spend more on marketing.

Cost of revenues. Our cost of revenues increased by 24.3% from RMB396,066 million in 2018 to RMB492,467 million (US\$70,738 million) in 2019. This increase was primarily due to the growth of our online retail business. Costs related to the logistics services provided to third parties also increased rapidly along with the expansion of our logistics business.

Fulfillment expenses. Our fulfillment expenses increased by 15.5% from RMB32,010 million in 2018 to RMB36,968 million (US\$5,310 million) in 2019. This increase was primarily due to the increase in shipping charges, compensation costs relating to fulfillment personnel, rental expenses for our fulfillment infrastructure and payment processing charges, corresponding with the growth of our sales volume. Fulfillment expenses as a percentage of net revenues, were 6.4% in 2019, as compared to 6.9% in 2018, primarily due to economies of scale from enhanced logistics capacity utilization and staff productivity.

Marketing expenses. Our marketing expenses increased by 15.6% from RMB19,237 million in 2018 to RMB22,234 million (US\$3,194 million) in 2019. This increase was primarily due to an increase in our advertising expenditures on both online and offline channels from RMB15,970 million in 2018 to RMB19,286 million (US\$2,770 million) in 2019, as we continued to enhance our brand recognition and to promote our new business initiatives.

Research and development expenses. Our research and development expenses increased by 20.4% from RMB12,144 million in 2018 to RMB14,619 million (US\$2,100 million) in 2019 as we continued to invest in top-notch R&D talent and technology infrastructure. The increase in our research and development expenses was primarily attributable to the increase in the depreciation and amortization expenses in connection with an increase in the number of servers and other electronic equipment, the IDC expenses in connection with the execution of our strategies of continuously improving our mobile, big data and cloud computing technologies, and the compensation costs associated with research and development personnel and relating to hiring additional senior and experienced technology personnel.

General and administrative expenses. Our general and administrative expenses slightly increased by 6.4% along with the expansion of our business, from RMB5,160 million in 2018 to RMB5,490 million (US\$789 million) in 2019.

Gain on sale of development properties. Gain on sale of development properties was nil in 2018, and RMB3,885 million (US\$558 million) in 2019. The gain on sale of development properties in 2019 was primarily derived from sale of development properties to Core Fund.

Share of results of equity investees. Share of results of equity investees was a loss of RMB1,738 million (US\$250 million) in 2019, compared to a loss of RMB1,113 million in 2018. In 2019, our share of results of equity investees was primarily attributable to losses picked up from our equity method investments in Dada Group and impairment losses recognized from our equity method investments in Bitauto and Tuniu.

Others, Net. Others, net was RMB95 million income in 2018 and RMB5,375 million (US\$772 million) income in 2019. In 2019, others, net mainly contained an unrealized gain from fair value change of long-term investments, the realized gain from disposals of our business, and government financial incentives.

Net Income/(Loss). As a result of the foregoing, we had a net income of RMB11,890 million (US\$1,708 million) in 2019, as compared to a net loss of RMB2,801 million in 2018.

Years Ended December 31, 2018 and 2017

Net Revenues. Our total net revenues increased by 27.5% from RMB362,332 million in 2017 to RMB462,020 million in 2018, with increases in both categories of net revenues. Net product revenues increased by 25.4% from RMB331,824 million in 2017 to RMB416,109 million in 2018. Net service revenues increased by 50.5% from RMB30,508 million in 2017 to RMB45,911 million in 2018.

The increase in our total net revenues was primarily due to our ability to expand our customer base and enhance customer engagement in 2018. Our annual active customer accounts increased from 292.5 million in 2017 to 305.3 million in 2018. Over the years, our customers have shown loyalty to us through their increased activity levels. The increase in our net service revenues was also due to the increasing penetration of our logistics services among our third-party merchants and other third parties.

Cost of revenues. Our cost of revenues increased by 27.1% from RMB311,517 million in 2017 to RMB396,066 million in 2018. This increase was primarily due to the growth of our online retail business. Costs related to the logistics services provided to third parties also increased rapidly along with the expansion of our logistics business.

Fulfillment expenses. Our fulfillment expenses increased by 23.8% from RMB25,865 million in 2017 to RMB32,010 million in 2018. This increase was primarily due to the increase in compensation costs relating to fulfillment personnel, shipping charges from contracted third-party shipping companies and couriers, rental expenses for our fulfillment infrastructure and payment processing charges, corresponding with the growth of our sales volume. Fulfillment expenses as a percentage of net revenues, were 6.9% in 2018, as compared to 7.1% in 2017.

Marketing expenses. Our marketing expenses increased by 28.9% from RMB14,918 million in 2017 to RMB19,237 million in 2018. This increase was primarily due to an increase in our advertising expenditures on both online and offline channels from RMB12,376 million in 2017 to RMB15,970 million in 2018, as we continued to enhance our brand recognition and to promote our new business initiatives.

Research and development expenses. Our research and development expenses increased by 82.6% from RMB6,652 million in 2017 to RMB12,144 million in 2018. This increase was primarily due to the increase in the headcount of our technology employees and our continued investment in technology infrastructure. Our technology employees increased from 11,938 as of December 31, 2017 to 16,380 as of December 31, 2018, which involved the addition of research and development talent and the hiring of additional senior and experienced technology employees to execute our technology-related strategies of continuously improving our mobile, big data and cloud computing technologies.

General and administrative expenses. Our general and administrative expenses increased by 22.4% from RMB4,215 million in 2017 to RMB5,160 million in 2018. This increase was primarily due to an increase in staff cost from RMB1,324 million in 2017 to RMB1,637 million in 2018, and an increase in share-based compensation expenses from RMB1,520 million in 2017 to RMB1,816 million in 2018, which were attributable to an increase in the number of employees along with business expansion.

Share of results of equity investees. Share of results of equity investees was a loss of RMB1,113 million in 2018, compared to a loss of RMB1,927 million in 2017. In 2018, our share of results of equity investees was primarily attributable to losses picked up from our equity method investments in Dada Group and Bitauto.

Others, Net. Others, net was RMB1,317 million income in 2017 and RMB95 million income in 2018. In 2018, others, net mainly contained loss from fair value change of long-term investments and the realized gain from disposals of long-term investments.

Net Loss. As a result of the foregoing, we had a net loss of RMB2,801 million in 2018, as compared to a net loss from continuing operations of RMB19 million in 2017.

Critical Accounting Policies

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements.

We prepare our consolidated financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this annual report. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Consolidation of Affiliated Entities

Foreign ownership of internet-based businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other government regulations. These laws and regulations also include limitations on foreign ownership in PRC companies that provide internet content distribution services.

To comply with PRC laws and regulations, we conduct our operations in China through a series of contractual arrangements entered into between our PRC subsidiaries, including Jingdong Century, and our affiliated PRC entities, including, among others, Jingdong 360, Jiangsu Yuanzhou, Jingdong Bangneng and Xi'an Jingdong Xincheng, and their respective shareholders. As a result of these contractual arrangements, we have the ability to direct the activities of these PRC affiliates that most significantly impact their economic performance, and to obtain a majority of the residual returns of these entities. We are considered the primary beneficiary of these entities, and accordingly these entities are our variable interest entities under U.S. GAAP and we consolidate their results in our consolidated financial statements. We will reconsider the initial determination of whether a legal entity is a consolidated affiliated entity upon certain events listed in ASC 810-10-35-4 occurring. We will also continuously reconsider whether we are the primary beneficiaries of our affiliated entities as facts and circumstances change. Any changes in PRC laws and regulations that affect our ability to control these entities might preclude us from consolidating these entities in the future.

Investment in Equity Investees

Investment in equity investees represents our investments in privately held companies, publicly traded companies and private equity funds. We apply the equity method of accounting to account for an equity investment, in common stock or in-substance common stock, according to ASC Topic 323, *Investment—Equity Method and Joint Ventures* (“ASC 323”), over which it has significant influence but does not own a majority equity interest or otherwise control.

An investment in in-substance common stock is an investment in an entity that has risk and reward characteristics that are substantially similar to that entity’s common stock. We consider subordination, risks and rewards of ownership and obligation to transfer value when determining whether an investment in an entity is substantially similar to an investment in that entity’s common stock.

Under the equity method, our share of the post-acquisition profits or losses of the equity investees are recorded in “share of results of equity investees” in our consolidated statements of operations and comprehensive income/(loss) and our share of post-acquisition movements are recorded in accumulated other comprehensive income/(loss) as a component of shareholders’ equity. We record our share of the results of equity investments in publicly listed companies and certain privately held companies on one quarter in arrears basis. The excess of the carrying amount of the investment over the underlying equity in net assets of the equity investee represents goodwill and intangible assets acquired. When our share of losses in the equity investee equals or exceeds our interest in the equity investee, we do not recognize further losses, unless we have incurred obligations or made payments or guarantees on behalf of the equity investee, or we hold other investments in the equity investee.

We continually review our investment in equity investees under equity method to determine whether a decline in fair value to below the carrying value is other-than-temporary. The primary factors we consider are in our determination are the duration and severity of the decline in fair value, the financial condition, operating performance and the prospects of the equity investee, and other company specific information such as recent financing rounds. If the decline in fair value is deemed to be other-than-temporary, the carrying value of the equity investee is written down to fair value.

Private equity funds pursue various investment strategies, including event driven and multi-strategy. Investments in private equity funds generally are not redeemable due to the closed-ended nature of these funds. Beginning on January 1, 2018, these private equity funds, over which we do not have the ability to exercise significant influence, are accounted for under the existing practical expedient in ASC Topic 820, *Fair Value Measurements and Disclosures* (“ASC 820”) to estimate fair value using the net asset value per share (or its equivalent) of the investment (“NAV practical expedient”).

Beginning on January 1, 2018, our equity investments without readily determinable fair values, which do not qualify for NAV practical expedient and over which we do not have the ability to exercise significant influence through the investments in common stock or in substance common stock, are accounted for under the measurement alternative upon the adoption of Accounting Standards Update (“ASU”) 2016-01 (the “Measurement Alternative”). Under the Measurement Alternative, the carrying value is measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. All gains and losses on these investments, realized and unrealized, are recognized in others, net in the Consolidated Statements of Operations and Comprehensive Income/(Loss). We make assessment of whether an investment is impaired based on performance and financial position of the investee as well as other evidence of market value at each reporting date. Such assessment includes, but is not limited to, reviewing the investee’s cash position, recent financing, as well as the financial and business performance. We recognize an impairment loss equal to the difference between the carrying value and fair value in others, net in the Consolidated Statements of Operations and Comprehensive Income/(Loss) if there is any. Prior to January 1, 2018, the cost method of accounting was used.

Revenues

We adopted ASC topic 606, *Revenue from Contracts with Customers* (“ASC 606”), from January 1, 2018, using the modified retrospective transition method. Revenues for the years ended December 31, 2018 and 2019 were presented under ASC 606, and revenues for the year ended December 31, 2017 were not adjusted and continue to be presented under ASC topic 605, *Revenue Recognition* (“ASC 605”). Our revenue recognition policies effective on the adoption date of ASC 606 are presented as below.

Consistent with the criteria of ASC 606, we recognize revenues when we satisfy a performance obligation by transferring a promised good or service (that is, an asset) to a customer. An asset is transferred when the customer obtains control of that asset.

In accordance with ASC 606, we evaluate whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When we are acting as a principal, that we obtain control of the specified goods or services before they are transferred to the customers, the revenues should be recognized in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. When we are acting as an agent and our obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, revenues should be recognized in the net amount for the amount of commission which we earn in exchange for arranging for the specified goods or services to be provided by other parties. Revenues are recorded net of value-added taxes.

We recognize revenue net of discounts and return allowances when the products are delivered and title passes to customers. Significant judgement is required to estimate return allowances. For online retail business with return conditions, we reasonably estimate the possibility of return based on the historical experience, changes in judgments on these assumptions and estimates could materially impact the amount of net revenues recognized.

We also sell prepaid cards which can be redeemed to purchase products sold on mobile apps and website www.jd.com. In accordance with ASC 606, the cash collected from the sales of prepaid cards is initially recorded in advance from customers in the Consolidated Balance Sheets and subsequently recognized as revenues upon the sales of the respective products through redemption of prepaid cards are completed. While the portion estimated unredeemed is recognized as revenues over the expected customer redemption periods.

Revenue arrangements with multiple deliverables are divided into separate units of accounting based on the stand-alone selling price (“SSP”) of each separate unit. In instances where SSP is not directly observable, such as we do not have vendor-specific objective evidence or third-party evidence of the selling prices of the deliverables, considerations are allocated using estimated selling prices. Determining the SSP of each separate unit may require significant judgments, and significant assumptions and estimates have been made in estimating the relative selling price of each single-element.

Inventories

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value. Cost of inventory is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. We take ownership, risks and rewards of the products purchased, but have arrangements to return unsold goods with certain vendors. Write-downs are recorded in cost of revenues in our Consolidated Statements of Operations and Comprehensive Income/(Loss). As a measure of sensitivity, for every 1% of additional inventory valuation allowance as of December 31, 2019, we would have recorded an additional cost of sales of approximately RMB590 million (US\$85 million).

We also provide fulfillment-related services in connection with our online marketplace. Third-party merchants maintain ownership of their inventories and therefore these products are not included in our inventories.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired in a business combination. Goodwill is not depreciated or amortized but is tested for impairment annually or more frequently when an event occurs or circumstances change that could indicate that the carrying value may not be recoverable. Our annual testing date is December 31. We first assess qualitative factors to determine whether it is necessary to perform the two-step test in accordance with ASC 350-20, Intangibles—Goodwill and Other: Goodwill, (“ASC 350-20”). If, as a result of the qualitative assessment, it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described above is required. Otherwise, no further testing is required. In performing the two-step quantitative impairment test, the first step compares the carrying amount of the reporting unit to the fair value of the reporting unit. If the carrying amount of each reporting unit exceeds its fair value, a second step is performed to compute the amount of impairment as the difference between the implied fair value of the reporting unit’s goodwill and the carrying amount of goodwill. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

During the years ended December 31, 2017, 2018 and 2019, management monitored the actual performance of the business and conducted goodwill impairment test pursuant to ASC 350. The goodwill impairment charges during the years ended December 31, 2017, 2018 and 2019 are nil, RMB7 million and nil, respectively.

Nonrecourse Securitization Debt and Transfer of Financial Assets

We in collaboration with JD Digits, periodically securitize accounts receivable and loan receivables arising from consumer financing through the transfer of those assets to securitization vehicles. The securitization vehicles then issue debt securities to third-party investors and JD Digits, collateralized by the transferred assets. The asset-backed debt securities issued by the securitization vehicles are nonrecourse to us and are payable only out of collections on their respective underlying collateralized assets.

The securitization vehicles are considered variable interest entities pursuant to ASC Topic 810, *Consolidation*. We will consolidate the securitization vehicles when economic interests are retained in the form of subordinated interests, and we act as the servicer of securitization vehicles. Accordingly, we are precluded from recording the related transfers of assets in securitization transactions as sales. Asset-backed debt securities issued by the consolidated securitization vehicles are accounted for as the financing type transactions.

We will not consolidate the securitization vehicles when no economic interests are retained by us, and we have no continuing involvements, including being the servicer of the securitization vehicles. Transfers are accounted for as sale and the corresponding transferred accounts receivable are de-recognized in our consolidated balance sheets pursuant to ASC Topic 860, *Transfers and Servicing* (“ASC 860”), (only if they meet all of the three criteria: (i) the transferred financial assets have been isolated from the transferor and its creditor, (ii) each transferee has the rights to pledge or exchange the transferred assets, or the transferor has no continuing involvement with the transferred financial assets, and (iii) the transferor does not maintain effective control over the transferred financial assets or third-party beneficial interests related to those transferred assets. Otherwise, the transfer of the assets will be accounted for as a financing type transaction if the conditions in ASC 860-10-40-5 were not met. The “under common control” relationship of the transferor and transferee should be ignored when applying ASC 860 as long as the transferee will not be consolidated by the transferor.

Due to our continuing involvement rights in securitization vehicles prior to October 2017, we cannot derecognize the existing receivables through the transfer of the receivables to securitization vehicles. The proceeds from the financing-type transactions were reported as current and non-current nonrecourse securitization debt in our consolidated balance sheets based on their respective expected repayment dates pursuant to ASC 860. While the contractual maturities of the asset-backed debt securities were from 2018 to 2019, the securities were repaid as collections on the underlying collateralized assets occur. As of December 31, 2018 and 2019, the collateralized accounts receivable were RMB3,116 million and nil, respectively, and the collateralized loan receivables were RMB1,281 million and nil, respectively.

The weighted average interest rate for the outstanding nonrecourse securitization debt as of December 31, 2018 was approximately 5.81% per annum. The interest expenses in relation to the nonrecourse securitization debt were charged back to JD Digits.

Beginning October 2017, we have revised certain structural arrangements to relinquish our continuing involvement rights when setting up the new securitization vehicles. In 2019, RMB21,500 million (2017: RMB8,000 million, 2018: RMB17,500 million) consumer credit receivables financial assets were derecognized through the sales type arrangements, including accounts receivable of RMB15,302 million (2017: RMB5,693 million, 2018: RMB12,632 million) and loan receivables of RMB6,198 million (2017: RMB2,307 million, 2018: RMB4,868 million). Proceeds from the derecognition were RMB21,500 million in 2019 (2017: RMB8,000 million, 2018: RMB17,500 million), and JD Digits and other third party investors acted as the servicers and purchased the subordinate tranche of the securitization vehicles in these transactions. The investors, including JD Digits, have no recourse to us when the underlying consumers fail to pay amounts contractually on due. The gain/loss recorded upon the sale accounting was immaterial in the periods presented.

Share-Based Compensation

We grant restricted share units (“RSUs”) and share options of our company and our subsidiaries to eligible employees and non-employee consultants. We account for these share-based awards issued to employees in accordance with ASC Topic 718 Compensation — Stock Compensation. We early adopted ASU 2018-07, “Compensation—Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting” beginning July 1, 2018, before then, we accounted for share-based awards issued to non-employees in accordance with ASC 505-50 Equity-Based Payments to Non-Employees.

Employees’ share-based awards, non-employees’ share-based awards and the founder’s share-based awards are measured at the grant date fair value of the awards and recognized as expenses (a) immediately at grant date if no vesting conditions are required, or (b) using graded vesting method, net of estimated forfeitures, over the requisite service period, which is the vesting period.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

We use the binomial option-pricing model to estimate the fair value of share options. The determination of estimated fair value of share-based payment awards on the grant date is affected by the fair value of our ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include our expected value volatility over the expected term of the awards, actual and projected employee share option exercise behaviors, a risk-free interest rate, exercise multiple and expected dividend yield, if any.

Determination of estimated fair value of our subsidiaries before they were publicly listed requires complex and subjective judgments due to their limited financial and operating history, unique business risks and limited public information on companies in China similar to our subsidiaries. We estimate our subsidiaries’ enterprise value for purposes of recording share-based compensation, and the information considered by us mainly include but are not limited to the pricing of recent rounds of financing, future cash flow forecasts, discount rates, and liquidity factors.

We recognize the estimated compensation cost of RSUs based on the fair value of its ordinary shares on the date of the grant. We recognize the compensation cost, net of estimated forfeitures, over a vesting term for service-based RSUs.

We also recognize the compensation cost of performance-based share awards, net of estimated forfeitures, if it is probable that the performance condition will be achieved at the end of each reporting period.

Forfeitures are estimated at the time of grant and revised in the subsequent periods if actual forfeitures differ from those estimates.

Income Taxes

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. We follow the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statements carrying amounts and tax bases of existing assets and liabilities by applying enacted statutory tax rates that will be in effect in the period in which the temporary differences are expected to reverse. We record a valuation allowance to reduce the amount deferred tax assets if based on the weight of available evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in our consolidated statements of operations and comprehensive income/(loss) in the period of change. Deferred tax assets and liabilities are classified as non-current in the consolidated balance sheets.

We recognize in our consolidated financial statements the benefit of a tax position if the tax position is “more likely than not” to prevail based on the facts and technical merits of the position. Tax positions that meet the “more likely than not” recognition threshold are measured at the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement. We estimate our liability for unrecognized tax benefits which are periodically assessed and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in some cases, appeal or litigation process. The actual benefits ultimately realized may differ from our estimates. As each audit is concluded, adjustments, if any, are recorded in our consolidated financial statements in the period in which the audit is concluded. Additionally, in future periods, changes in facts, circumstances and new information may require us to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. As of December 31, 2018 and 2019, we did not have any significant unrecognized uncertain tax positions.

Leases

Before January 1, 2019, we adopted the ASC Topic 840 (“ASC 840”), Leases, each lease is classified at the inception date as either a capital lease or an operating lease.

We adopted the new lease accounting standard, ASC Topic 842, Leases (“ASC 842”), from January 1, 2019 using the optional transition method through a cumulative-effect adjustment in the period of adoption rather than retrospectively adjusting prior periods and the package of practical expedients. We categorize leases with contractual terms longer than twelve months as either operating or finance lease. However, we have no finance leases for any of the periods presented.

Right-of-use (“ROU”) assets represent our right to use underlying assets for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term, reduced by lease incentives received, plus any initial direct costs, using the discount rate for the lease at the commencement date. As the implicit rate in lease is not readily determinable for our operating leases, we generally use the incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. When calculating the incremental borrowing rates, we have taken into account the recent ratings from credit agencies, recent loan prime rate in the PRC and other market rates in the economic environments where our leased assets are located. We apply the incremental borrowing rates at a portfolio level based on lease terms. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. We account for lease and non-lease components separately.

We also enter into sale and leaseback transactions. We act as the seller-lessee, transfers its assets to a third-party entity (the buyer-lessor) and then leases the transferred assets back from the buyer-lessor using an arm-length rental price. Upon consideration of ASC Topic 842-40-25-1 and ASC 606, the transfer of the underlying assets is considered as sales, and according to ASC 842, the leaseback transaction is classified as an operating lease. Therefore, the sale and the leaseback of the underlying assets are separately accounted for by us. Upon completion of the transaction, the legal titles of these assets are transferred to the third-party entity (the buyer-lessor), and we derecognize these transferred assets and recognizes gains or losses from disposal of these assets in accordance with ASC Topic 360, Property, Plant and Equipment. The leaseback transactions are accounted for under ASC 842, and the ROU assets and lease liabilities are recognized at commencement date accordingly.

Recent Accounting Pronouncements

For a summary of recently issued accounting pronouncements, see Note 2 to the consolidated financial statements of JD.com, Inc. and its subsidiaries pursuant to Item 17 of Part III of this annual report.

B. Liquidity and Capital Resources

Our primary sources of liquidity have been proceeds from operating activities, equity and debt financing, and certain business or assets reorganizations.

- In May 2014, we completed our initial public offering in which we issued and sold an aggregate of 83,060,200 ADSs, representing 166,120,400 Class A ordinary shares, resulting in net proceeds to us of approximately US\$1.5 billion. Concurrently with our initial public offering, we also raised US\$1.3 billion by selling 139,493,960 Class A ordinary shares to Huang River Investment Limited, our existing shareholder, in a private placement.
- In April 2016, we issued an aggregate of US\$500 million unsecured senior notes due 2021, with stated annual interest rate of 3.125%, and an aggregate of US\$500 million unsecured senior notes due 2026, with stated annual interest rate of 3.875%. The net proceeds from the sale of these notes were used for general corporate purposes. As of December 31, 2019, the total carrying value and estimated fair value were US\$498.4 million and US\$507.3 million, respectively, with respect to the notes due 2021, and US\$492.4 million and US\$524.1 million, respectively, with respect to the notes due 2026. The estimated fair values were based on quoted prices for our publicly traded debt securities as of December 31, 2019. The unsecured senior notes contain covenants including, among others, limitation on liens, and restriction on consolidation, merger and sale of all or substantially all of our assets. We are in compliance with all the covenants. During 2019, we paid an aggregate of US\$35.0 million in interest payments related to these notes.
- As of June 30, 2017, we completed the reorganization JD Digits. Pursuant to the agreements relating to the reorganization, we received approximately RMB14.3 billion in cash with an economic gain of RMB14.2 billion. See also “Item 4. Information on the Company—A. History and Development of the Company—Our Strategic Cooperations and Other Developments—JD Digits.”
- In December 2017, we entered into a five-year US\$1.0 billion term and revolving credit facilities agreement with a group of 24 arrangers. The facilities were priced at 115 basis points over LIBOR. The use of proceeds of the facilities were intended for general corporate purposes. As of the date of this annual report, we had fully drawn down the credit facilities.
- In February 2018, we entered into definitive agreements with certain third-party investors for financing of JD Logistics and raised approximately US\$2.5 billion from this round of financing. After the completion of this financing, the third-party investors own approximately 19% of the equity interests of JD Logistics on a fully diluted basis.

- In June 2018, we received US\$550 million from Google by issuing 27,106,948 Class A ordinary shares to Google.
- In 2019, we sold certain of our development properties and received proceeds of RMB7.9 billion (US\$1.1 billion), which primarily related to Core Fund transaction. In February 2019, we entered into a definitive agreement with Core Fund, pursuant to which we sold certain of our modern logistics facilities to Core Fund for a total gross asset value of RMB10.9 billion. In the second half of 2019, the closing conditions for the completed assets were met, and we recorded a total disposal gain of RMB3.8 billion for the completed assets in 2019. See also “Item 4. Information on the Company—A. History and Development of the Company—Our Strategic Cooperations and Other Developments —JD Property Management Group.”
- In November 2019, our healthcare subsidiary, JD Health International, Inc., or JD Health, completed the non-redeemable series A preferred share financing with a group of third-party investors. The total amount of financing raised was US\$931 million, representing 13.5% of the ownership of JD Health on a fully diluted basis upon the completion of this transaction.
- In January 2020, we issued an aggregate of US\$700 million senior unsecured notes due 2030, with stated annual interest rate of 3.375%, and an aggregate of US\$300 million senior unsecured notes due 2050, with stated annual interest rate of 4.125%. The net proceeds from the sale of these notes will be used for general corporate purposes and refinancing. The unsecured senior notes contain covenants including, among others, limitation on liens, and restriction on consolidation, merger and sale of all or substantially all of our assets. In March 2020, we purchased from the open market US\$5.0 million of the notes due 2030 and US\$7.0 million of the notes due 2050. We are in compliance with all the covenants.
- In February 2020, Jingdong Century, a subsidiary of our company, consummated a private placement of an aggregate of RMB3.0 billion 2.65% notes due April 27, 2020. In March 2020, Jingdong Century consummated a private placement of an aggregate of RMB2.0 billion 2.75% notes due October 30, 2020. These notes are listed on the inter-bank bond market of China. We intend to use the proceeds from these notes for general corporate purposes.

As of December 31, 2019, we had revolving lines of credit for an aggregate amount of RMB75.3 billion (US\$10.8 billion) from several commercial banks (not including the US\$1.0 billion term and revolving credit facilities we entered into in December 2017). We had drawn down an aggregate of RMB24.3 billion (US\$3.5 billion) under these revolving lines of credit as of December 31, 2019.

As of December 31, 2019, we had a total of RMB64.5 billion (US\$9.3 billion) in cash and cash equivalents, restricted cash and short-term investments. This included primarily RMB33.6 billion (US\$4.8 billion) and US\$2.0 billion in China, RMB1.7 billion (US\$240.2 million), HK\$48.8 million (US\$6.3 million) and US\$1.6 billion in Hong Kong, US\$0.3 billion in the United States, and US\$0.3 billion in Singapore. Our cash and cash equivalents generally consist of bank deposits and liquid investments with maturities of three months or less.

As of December 31, 2019, we were at a net current liability position of RMB922.5 million (US\$132.5 million). Taking into account cash and cash equivalents on hand, our operating cash flows, and the available bank facilities, we believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this annual report. We may, however, need additional cash resources in the future if we experience changes in business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, capital expenditure or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand, we may seek to issue debt or equity securities or obtain additional credit facilities.

Our net inventories have increased significantly in recent years, from RMB41.7 billion as of December 31, 2017 to RMB44.0 billion as of December 31, 2018 and further to RMB57.9 billion (US\$8.3 billion) as of December 31, 2019. These increases reflected the additional inventory required to support our substantially expanded sales volumes. Our annual inventory turnover days were 38.9 days in 2017, 38.7 days in 2018 and 35.8 days in 2019. Annual inventory turnover days are the quotient of average inventory over the immediately preceding five quarters, up to and including the last quarter of the annual period, to cost of revenues of retail business for that annual period, and then multiplied by 360 days. Our inventory balances will fluctuate over time due to a number of factors, including expansion in our product selection and changes in our product mix. Our inventory balances typically increase when we prepare for special promotion events, such as the anniversary of the founding of our company on June 18 and China’s new online shopping festival on November 11.

Our accounts payable primarily include accounts payable to suppliers associated with our retail business. As of December 31, 2017, 2018 and 2019, our accounts payable amounted to RMB74.3 billion, RMB80.0 billion and RMB90.4 billion (US\$13.0 billion), respectively. These increases reflected a significant growth in our sales volumes and scale of operations for our retail business and the related increase in products sourced from our suppliers. Our annual accounts payable turnover days for retail business were 60.3 days in 2017, 60.2 days in 2018 and 54.5 days in 2019. Annual accounts payable turnover days are the quotient of average accounts payable for retail business over the immediately preceding five quarters, up to and including the last quarter of the annual period to cost of revenues of retail business for that annual period, and then multiplied by 360 days.

Our accounts receivable primarily include amounts due from customers and online payment channels. As of December 31, 2017, 2018 and 2019, our accounts receivable amounted to RMB16.4 billion, RMB11.1 billion and RMB6.2 billion (US\$0.9 billion), respectively. The decrease in 2018 and 2019 was primarily due to our derecognition of accounts receivable related to consumer financing through the sales type arrangements serviced by JD Digits. From early 2014, JD Digits started to provide consumer financing to our customers. As of December 31, 2017, 2018 and 2019, the balances of current portion of financing provided to our customers that were included in accounts receivable balances amounted to RMB14.3 billion, RMB6.3 billion and RMB1.0 billion (US\$0.1 billion), respectively. Our accounts receivable turnover days excluding the impact from consumer financing were 1.4 days in 2017, 2.7 days in 2018 and 3.2 days in 2019. Annual accounts receivable turnover days are the quotient of average accounts receivable over the immediately preceding five quarters, up to and including the last quarter of the annual period, to total net revenues for that annual period and then multiplied by 360 days.

Although we consolidate the results of our consolidated variable interest entities, we only have access to cash balances or future earnings of our consolidated variable interest entities through our contractual arrangements with them. See “Item 4.C. Information on the Company—Organizational Structure.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—Holding Company Structure.”

As a Cayman Islands exempted company and offshore holding company, we are permitted under PRC laws and regulations to provide funding to our wholly foreign-owned subsidiaries in China only through loans or capital contributions, subject to the approval of government authorities and limits on the amount of capital contributions and loans. In addition, our wholly foreign-owned subsidiaries in China may provide RMB funding to their respective subsidiaries through capital contributions and entrusted loans, and to our consolidated variable interest entities only through entrusted loans. See “Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans to our PRC subsidiaries and consolidated variable interest entities or making additional capital contributions to our wholly foreign-owned subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.”

RMB may be converted into foreign exchange for current account items, including interest and trade- and service-related transactions. As a result, our PRC subsidiaries and our consolidated variable interest entities in China may purchase foreign exchange for the payment of license, content or other royalty fees and expenses to offshore licensors and content partners, for example.

Our wholly foreign-owned subsidiaries may convert RMB amounts that they generate in their own business activities, including technical consulting and related service fees pursuant to their contracts with the consolidated variable interest entities, as well as dividends they receive from their own subsidiaries, into foreign exchange and pay them to their non-PRC parent companies in the form of dividends. However, current PRC regulations permit our wholly foreign-owned subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Each of our wholly foreign-owned subsidiaries is required to set aside at least 10% of its after-tax profits after making up previous years’ accumulated losses each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Furthermore, capital account transactions, which include foreign direct investment and loans, must be approved by and/or registered with SAFE and its local branches.

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

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in millions)			
Summary Consolidated Cash Flows Data:				
Net cash provided by continuing operating activities	29,342	20,881	24,781	3,560
Net cash used in discontinued operating activities	(2,486)	—	—	—
Net cash provided by operating activities	26,856	20,881	24,781	3,560
Net cash used in continuing investing activities	(21,944)	(26,079)	(25,349)	(3,641)
Net cash used in discontinued investing activities	(17,871)	—	—	—
Net cash used in investing activities	(39,815)	(26,079)	(25,349)	(3,641)
Net cash provided by continuing financing activities	5,180	11,220	2,572	370
Net cash provided by discontinued financing activities	14,055	—	—	—
Net cash provided by financing activities	19,235	11,220	2,572	370
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(642)	1,682	406	57
Net increase in cash, cash equivalents and restricted cash	5,634	7,704	2,410	346
Cash, cash equivalents and restricted cash at beginning of year	24,164	29,798	37,502	5,387
Cash, cash equivalents and restricted cash at end of year	29,798	37,502	39,912	5,733

Continuing Operating Activities

Net cash provided by operating activities in 2019 was RMB24,781 million (US\$3,560 million). In 2019, the principal items accounting for the difference between our net cash provided by operating activities and our net income were certain non-cash expenses, principally depreciation and amortization of RMB5,828 million (US\$837 million), share-based compensation of RMB3,695 million (US\$531 million), gain on sale of development properties of RMB3,885 million (US\$558 million), and gain from fair value change of long-term investments of RMB3,496 million (US\$502 million), and changes in certain working capital accounts, principally an increase in accounts payable of RMB10,391 million (US\$1,493 million), an increase in accrued expenses and other current liabilities of RMB4,418 million (US\$635 million), an increase in advance from customers of RMB3,061 million (US\$440 million), and a decrease of accounts receivable of RMB3,937 million (US\$565 million), partially offset by an increase in inventories of RMB13,916 million (US\$1,999 million). The increase in our accounts payable was due to the growth of our business. The increase in our accrued expenses and other current liabilities was primarily due to the increase of vendor deposits and the growth in payroll. The increase in our advance from customers was due to the increase in our sales of prepaid cards. The decrease in accounts receivable was due to the derecognition of consumer financing related accounts receivable through sales type arrangements. The increase in our inventories was due to the growth of our business.

Net cash provided by operating activities in 2018 was RMB20,881 million. In 2018, the principal items accounting for the difference between our net cash provided by operating activities and our net loss were certain non-cash expenses, principally depreciation and amortization of RMB5,560 million, share of results of equity investees of RMB1,113 million and share-based compensation of RMB3,660 million, and changes in certain working capital accounts, principally an increase in accounts payable of RMB5,467 million, an increase in accrued expenses and other current liabilities of RMB5,158 million, a decrease of accounts receivable of RMB4,287 million and a decrease in amount due from related parties of RMB1,770 million, partially offset by an increase in inventories of RMB2,342 million. The increase in our accounts payable was due to the growth of our business. The increase in our accrued expenses and other current liabilities was primarily due to the growth in payroll and related accruals primarily associated with the increase in our headcount, the growth in our online marketplace business which resulted in the increase of vendor deposits, partially offset by the decrease in the payable to employees in relation to the exercise of options or pursuant to other awards. The increase in our advance from customers was due to the increase in our sales of prepaid cards. The decrease in accounts receivable was due to the derecognition of consumer financing related accounts receivable through sales type arrangements. The increase in our inventories was due to the growth of our business.

Net cash provided by operating activities in 2017 was RMB29,342 million. In 2017, the principal items accounting for the difference between our net cash provided by operating activities and our net loss were certain non-cash expenses, principally depreciation and amortization of RMB4,193 million, share of results of equity investees of RMB1,927 million, share-based compensation of RMB2,780 million, and changes in certain working capital accounts, principally an increase in accounts payable of RMB26,106 million, an increase in advance from customers of RMB2,139 million, an increase in accrued expenses and other current liabilities of RMB4,624 million and a decrease in amount due from related parties of RMB2,457 million, partially offset by an increase in inventories of RMB12,788 million. The increase in our accounts payable was due to the growth of our business. The increase in our accrued expenses and other current liabilities was primarily due to the growth in payroll and related accruals primarily associated with the increase in our headcount and the growth in our online marketplace business which resulted in the increase of vendor deposits. The increase in our advance from customers was due to the increase in our sales of prepaid cards. The increase in our inventories was due to the growth of our business.

Continuing Investing Activities

Net cash used in investing activities in 2019 was RMB25,349 million (US\$3,641 million), consisting primarily of the purchase of short-term investments, investment in equity investees, investment securities, purchases of property, equipment and software and cash paid for construction in progress, partially offset by the maturity of short-term investments, cash received from sale of development properties, cash received from disposals of equity investment and investment securities and loans settled by JD Digits.

Net cash used in investing activities in 2018 was RMB26,079 million, consisting primarily of the purchase of short-term investments, investment in equity investees, investment securities, purchases of property, equipment and software and cash paid for construction in progress, partially offset by the maturity of short-term investments and cash received from disposals of equity investment and investment securities and loans settled by JD Digits.

Net cash used in investing activities in 2017 was RMB21,944 million, consisting primarily of the purchase of short-term investments, investment in equity investees and investment securities, purchases of property, equipment and software, cash paid for construction in progress and land use rights, cash paid for loan originations offered by JD Digits, and increase in loans to JD Digits, partially offset by the maturity of short-term investments, cash received from loan repayments, and cash consideration received with respect to the reorganization of JD Digits.

Continuing Financing Activities

Net cash provided by financing activities in 2019 was RMB2,572 million (US\$370 million), consisting primarily of capital injection from non-controlling interest shareholders of JD Health and proceeds from short-term borrowings, partially offset by the repayment of short-term borrowings and nonrecourse securitization debt.

Net cash provided by financing activities in 2018 was RMB11,220 million, consisting primarily of proceeds from issuance of equity securities by us and JD Logistics and long-term borrowings, partially offset by the repayment of short-term borrowings and nonrecourse securitization debt, and our repurchase of ADSs.

Net cash provided by financing activities in 2017 was RMB5,180 million, consisting primarily of proceeds from short-term borrowings and nonrecourse securitization debt, partially offset by the repayment of short-term borrowings and nonrecourse securitization debt.

Holding Company Structure

JD.com, Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and consolidated variable interest entities in China. As a result, JD.com, Inc.'s ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and our consolidated variable interest entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. Each of the other PRC subsidiaries and our consolidated variable interest entities may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. As of December 31, 2019, the amount restricted, including paid-in capital and statutory reserve funds, as determined in accordance with PRC accounting standards and regulations, was approximately RMB24,189 million (US\$3,475 million). Our PRC subsidiaries have never paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

Capital Expenditures

We made capital expenditures of RMB11,356 million, RMB21,369 million and RMB9,000 million (US\$1,293 million) in 2017, 2018 and 2019, respectively. Our capital expenditures for 2017, 2018 and 2019 consisted primarily of expenditures related to the expansion of our fulfillment infrastructure, technology platform, logistics equipment as well as our office buildings. Our capital expenditures will continue to be significant in the foreseeable future as we expand and improve our fulfillment infrastructure and technology platform to meet the needs of our anticipated growth. JD Property seeks to realize development profits and recycle capital from mature properties to fund new developments and scale the business. We sold certain of our development properties and received proceeds of RMB7.9 billion (US\$1.1 billion) in 2019. See “Item 4. Information on the Company—A. History and Development of the Company” for further information.

C. Research and Development

We have built our technology platform relying primarily on software and systems that we have developed in-house and to a lesser extent on third-party software that we have modified and incorporated. Our research and development professionals design, develop and operate our technology platform and to improve our AI, big data and cloud technologies and services.

In the three years ended December 31, 2017, 2018 and 2019, our research and development expenses, including share-based compensation expenses for research and development staff, were RMB6,652 million, RMB12,144 million and RMB14,619 million (US\$2,100 million), respectively. Our research and development expenses consist primarily of payroll and related expenses for research and development professionals involved in designing, developing and operating our technology platform, and improving our AI, big data and cloud technologies and services, and technology infrastructure costs. Technology infrastructure costs include servers and other equipment depreciation, bandwidth and data center costs, rent, utilities and other expenses necessary to support our internal and external business. We expect spending in research and development continue to be significant over time as we plan to continue to invest in our technology and innovation to enhance customer experience and provide value-added services to our business partners.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2019 that are reasonably likely to have a material and adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions.

E. Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder’s equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

F. Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2019:

	Total	Payment Due by Period			
		Less than 1 year	1-3 years (in RMB thousands)	3-5 years	More than 5 years
Operating lease commitments for offices and fulfillment infrastructures	9,680,789	3,267,527	3,736,982	1,750,015	926,265
Commitments for internet data center service fee	6,021,915	1,495,899	2,385,860	1,390,993	749,163
Capital commitments ⁽¹⁾	7,093,075	7,093,075	—	—	—
Long-term debt obligations ⁽²⁾	10,051,782	—	6,616,566	—	3,435,216
Estimated interest payments in relation to long-term debt ⁽²⁾	1,357,659	349,363	535,222	270,328	202,746
Total	34,205,220	12,205,864	13,274,630	3,411,336	5,313,390

- (1) Our capital commitments primarily relate to commitments on construction of office buildings and warehouses, and are to be paid in the following years according to the construction progress.
- (2) Our long-term debt obligations are mainly unsecured senior notes and long-term borrowings. In addition, we issued in January 2020 US\$700 million 3.375% senior unsecured notes due 2030 and US\$300 million 4.125% senior unsecured notes due 2050, and drew down in April 2020 the remaining US\$550 million under our term and revolving credit facilities obtained in December 2017, which are not reflected in the table above.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth information regarding our executive officers and directors as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
Richard Qiangdong Liu	47	Chairman of the Board of Directors and Chief Executive Officer
Martin Chiping Lau	47	Director
Ming Huang	56	Independent Director
Louis T. Hsieh	55	Independent Director
Dingbo Xu	57	Independent Director
Lei Xu	45	Chief Executive Officer of JD Retail
Zhenhui Wang	45	Chief Executive Officer of JD Logistics
Sidney Xuande Huang*	54	Chief Financial Officer
Sandy Ran Xu*	43	Senior Vice President, Chief Financial Officer of JD Retail
Yayun Li	39	Chief Compliance Officer

* Sidney Xuande Huang will retire in September 2020, and Sandy Ran Xu, currently Senior Vice President of our company and Chief Financial Officer of JD Retail, will succeed Mr. Huang as the Chief Financial Officer of our company. Mr. Huang will begin the process of handing his role over to Ms. Xu beginning June 2020, leaving ample time for a seamless transition until Mr. Huang's retirement in September 2020. Mr. Huang will also serve as a senior consultant to the company following his retirement.

Richard Qiangdong Liu has been our chairman and chief executive officer since our inception. Mr. Liu has over 20 years of experience in the retail and e-commerce industries. In June 1998, Mr. Liu started his own business in Beijing, which was mainly engaged in the distribution of magneto-optical products. In January 2004, Mr. Liu launched his first online retail website. He founded our business later that year and has guided our development and growth since then. In December 2011, Mr. Liu received the prestigious award “2011 China Economic Person of the Year” from CCTV, China’s largest nationwide television network. Mr. Liu has received numerous other awards for his achievements in the e-commerce industry in China, such as “2011 Chinese Business Leader” and Fortune China’s “2012 Chinese Businessman.” Mr. Liu received a bachelor’s degree in sociology from Renmin University of China in Beijing and an EMBA degree from China Europe International Business School.

Martin Chiping Lau has served as our director since March 2014. Mr. Lau is president and executive director of Tencent Holdings Limited, a provider of comprehensive internet services serving the largest online community in China and listed on the Hong Kong Stock Exchange. In 2007, Mr. Lau was appointed as an executive director of Tencent. In 2006, Mr. Lau was promoted as the president of Tencent to manage the day-to-day operation of Tencent. In February 2005, he joined Tencent as the chief strategy and investment officer, and was responsible for corporate strategies, investments, merger and acquisitions and investor relations. Prior to joining Tencent, Mr. Lau was an executive director at Goldman Sachs (Asia) L.L.C.’s investment banking division and the chief operating officer of its telecom, media and technology group. Prior to that, he worked at McKinsey & Company, Inc. as a management consultant. Mr. Lau also serves as a director of Vipshop Holdings Limited, an online discount retailer listed on the NYSE, a director of Tencent Music Entertainment Group, an online music entertainment platform in China listed on the NYSE, a director of Leju Holdings Limited, an online-to-offline real estate services provider in China listed on the NYSE, a non-executive director of Meituan Dianping, an e-commerce platform for service listed on the Hong Kong Stock Exchange, and a non-executive director of Kingsoft Corporation Limited, an internet based software developer, distributor and software service provider listed on the Hong Kong Stock Exchange. Mr. Lau received a bachelor of science degree in electrical engineering from the University of Michigan, a master of science degree in electrical engineering from Stanford University and an MBA degree from Kellogg Graduate School of Management, Northwestern University.

Ming Huang has served as our independent director since March 2014. Mr. Huang has been a professor of finance at the Johnson Graduate School of Management at Cornell University since July 2005. From July 2010 to June 2019, Mr. Huang was a professor of finance at China Europe International Business School. Mr. Huang also served as a professor of finance at Cheung Kong Graduate School of Business in China from July 2008 to June 2010 and Dean of the School of Finance at Shanghai University of Finance and Economics from April 2006 to March 2009. Prior to 2005, he was an associate professor of finance at the Graduate School of Business at Stanford University from September 2002 to June 2005 and an associate dean and visiting professor of finance at Cheung Kong Graduate School of Business from July 2004 to June 2005. Professor Huang’s academic research primarily focuses on behavioral finance, credit risk and derivatives. In recent years, his research has focused on Chinese capital market and public companies. Professor Huang serves as an independent director of Yingli Green Energy Holding Company Limited, a company listed on the NYSE. Mr. Huang is also an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including WH Group Limited, Fantasia Holdings Group Co., Ltd. and an independent director of 360 Security Technology Inc., a company listed on the Shanghai Stock Exchange. Professor Huang received his bachelor’s degree in physics from Peking University, a Ph.D. in theoretical physics from Cornell University and a Ph.D. in finance from Stanford University.

Louis T. Hsieh has served as our independent director since May 2014. Mr. Hsieh has served as the director of New Oriental Education & Technology Group Inc., the largest provider of private educational services in China listed on the NYSE (NYSE: EDU), since March 2007, and served as its chief financial officer from 2005 to 2015 and its president from 2009 to 2016. He also has served as an independent director and chairman of audit committee of YUM China Holdings, Inc., an NYSE-listed fast food restaurant (NYSE: YUMC), since 2016. He was also the chief financial officer of ARIQ Data Networks, Inc. in San Jose, California from 2004 to 2005. Prior to that, Mr. Hsieh was a managing director for the private equity firm of Darby Asia Investors (HK) Limited from 2002 to 2003. From 2000 to 2002, Mr. Hsieh was the managing director and the Asia-Pacific tech/media/telecoms head of UBS Capital Asia Pacific, the private equity division of UBS AG. From 1997 to 2000, Mr. Hsieh was a technology investment banker at JP Morgan in San Francisco, California, where he was a vice president, and Credit Suisse First Boston in Palo Alto, California, where he was an associate. From 1990 to 1996, Mr. Hsieh was a corporate and securities attorney at White & Case LLP in Los Angeles. Mr. Hsieh holds a bachelor’s degree in industrial engineering and engineering management from Stanford University, an MBA degree from the Harvard Business School, and a J.D. degree from the University of California at Berkeley.

Dingbo Xu has served as our independent director since May 2018. Professor Xu has served as a faculty member and professor in highly-respected universities for more than two decades. He is currently Essilor Chair Professor in Accounting and an associate dean at China Europe International Business School in Shanghai. Before joining China Europe International Business School in 2004, he was an assistant professor of accounting at the Hong Kong University of Science and Technology from 1996 to 2003. In addition to his academic positions, Professor Xu serves as the executive director of the editorial board of China Management Accounting Review and the founding chairman of Chartered Global Management Accountant (CGMA) 100 North Asia Leaders Think Tank. Professor Xu has contributed his knowledge and expertise to the board of directors of several public companies. He was a member of the board of directors of The People's Insurance Company (Group) of China Limited (PICC), a company listed on the Hong Kong Stock Exchange, from September 2009 to April 2018. He currently serves as director of China Cinda Asset Management Co. Ltd, a company listed on the Hong Kong Stock Exchange, and Kweichow Moutai Company Limited, a company listed on the Shanghai Stock Exchange. He served as director of Shanghai Shyndec Pharmaceutical Co., Ltd., a company listed on the Shanghai Stock Exchange, from November 2016 to February 2019, and served as director of SANY Heavy Industry, a company listed on the Shanghai Stock Exchange, from January 2013 to August 2019. Professor Xu received his Ph.D in accounting from the University of Minnesota, as well as a master's degree in management and a bachelor's degree in mathematics, both from Wuhan University.

Lei Xu is chief executive officer of JD Retail, responsible for the development, operation and strategy of our retail business, both online and offline. Since joining us in 2009, Mr. Xu has held several leadership roles within the sales and marketing divisions of our retail business, including head of marketing and branding, head of JD Wireless, and head of our marketing and platform operations. Under his leadership, we successfully rebranded ourselves from 360buy to JD.com and launched our popular mascot, Joy. Mr. Xu was responsible for the launch of JD Plus, the first paid membership service in China's e-commerce industry, as well as our Super Brand Day strategic marketing program. He also leads our Kepler open platform, a key pillar of our "Retail as a Service" strategy that leverages our strengths in logistics, marketing, financial services, and other areas to help partners to expand their online businesses. Before joining us, Mr. Xu held several senior management roles in marketing and operations at Lenovo, Allyes and Belle E-Commerce. Mr. Xu holds an EMBA degree from China Europe International Business School.

Zhenhui Wang is chief executive officer of JD Logistics, an integrated supply chain management solutions provider. Mr. Wang joined our company in April 2010, and has served as chief executive officer of JD Logistics since 2017. Since then JD Logistics has expanded services to third parties beyond the JD ecosystem and pioneered the use of automation and 5G technology in logistics, launching the world's first fully-automated warehouse and 5G-powered logistics park. Driven by his "3S" (short-chain, smart, synergic) theory of logistics, Mr. Wang is a leading expert in the development of a global smart supply chain network and an open platform for digital supply chain. Mr. Wang previously held several leadership roles at our company, including general manager of North China region, head of smart devices business and head of fulfillment operations. Prior to joining our company, Mr. Wang held senior roles at Lenovo and other companies. Mr. Wang holds a bachelor's degree in engineering from the University of Science and Technology Beijing and an EMBA from China Europe International Business School.

Sidney Xuande Huang has served as our chief financial officer since September 2013. Prior to joining us, Mr. Huang was the chief financial officer of VanceInfo Technologies Inc., an NYSE-listed IT services provider, and its successor company, Pactera Technology International Ltd., from July 2006 to September 2013. He was also the co-president of VanceInfo Technologies Inc. from 2011 to 2012 and its chief operating officer from 2008 to 2010. Prior to VanceInfo Technologies Inc., he was the chief financial officer with two other China-based companies in technology and internet sectors between 2004 and 2006. Mr. Huang was an investment banker with Citigroup Global Markets Inc. in New York from 2002 to 2004. He served as an audit manager of KPMG LLP from 1996 to 2000 and was a Certified Public Accountant in the State of New York. Mr. Huang is currently a director of Bitauto, an internet company listed on the NYSE. Mr. Huang obtained his master's degree in business administration with distinction from the Kellogg School of Management at Northwestern University as an Austin Scholar. He received his bachelor's degree in accounting from Bernard M. Baruch College, where he graduated as class valedictorian.

Sandy Ran Xu joined our company in July 2018 as vice president of finance and was promoted to senior vice president in January 2020. Ms. Xu oversees group finance, accounting and tax functions in addition to serving as chief financial officer of JD Retail, where she has played a critical role in improving JD Retail's financial and operational performance in 2019. Prior to joining our company, Ms. Xu was an audit partner and spent nearly 20 years with PricewaterhouseCoopers Zhong Tian LLP, Beijing office and PricewaterhouseCoopers, San Jose office, focusing on TMT industry and U.S. capital markets. Ms. Xu was a Certified Public Accountant in both China and the United States. Ms. Xu received her bachelor's degree with a double major in information science and economics from Peking University.

Yayun Li is our chief compliance officer, overseeing compliance, legal affairs and internal audits, as well as information security. She joined us in December 2007. Prior to her current role, Ms. Li served as vice president of our compliance department, where she developed a strong ethics and compliance program predicated on a “zero-tolerance” policy towards counterfeits and promoted a companywide culture of integrity by launching fraud prevention training, a whistle-blower program and an internal fraud investigation framework. She has also been responsible for establishing effective compliance and internal controls to meet U.S. listing requirements. Prior to her role in compliance, Ms. Li served as the head of our legal team. Ms. Li holds a master’s degree in law from Renmin University of China and an EMBA from China Europe International Business School.

B. Compensation

In 2019, we paid an aggregate of approximately RMB12.0 million (US\$1.7 million) in cash to our executive officers, and approximately US\$0.2 million in cash to our non-executive directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries and consolidated variable interest entities are required by law to make contributions equal to certain percentages of each employee’s salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

We are in the process of putting in place a comprehensive retirement plan for the eligible retiring salaried senior management of our company based on years of employment and contributions to our company. This plan is designed to strengthen the ability of our company to attract and retain persons of outstanding competence upon which, in large measure, our continued growth and profitability depend. Eligible management employees of our company will be entitled to benefits, including, but not limited to, cash payments, stock and stock option benefits, insurance programs and pension plans. In addition, we intend to hire certain eligible retiring management employees of our company as consultant for a period of time following retirement to avail our company of the consultant’s knowledge, expertise and experience.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. Without the foregoing causes, we may also terminate an executive officer’s employment in accordance with the applicable law of the jurisdiction where the executive officer is based, and in such case of termination by us, we will provide severance payments to the executive officer as expressly required by such applicable law. The executive officer may resign at any time with a 30-day advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer’s employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for two years following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, customers or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer’s termination, or in the year preceding such termination, without our express consent.

We have also entered into indemnification agreements with some of our directors and executive officers, agreeing to indemnify them against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

Share Incentive Plan

Our currently effective share incentive plan, or the Share Incentive Plan, was adopted in November 2014. The number of shares reserved for future issuances under the Share Incentive Plan will be increased by a number equal to 1% of the total number of outstanding shares as of the last day of the immediately preceding fiscal year, on the first day of each fiscal year during the term of the Share Incentive Plan commencing with the fiscal year ended December 31, 2018. The maximum aggregate number of our shares which may be issued pursuant to all awards under the Share Incentive Plan is 555,266,499 shares as of the date of this annual report, consisting of 106,850,910 shares that have been issued to and reserved with Fortune Rising Holdings Limited, and 448,415,589 shares that are reserved under the Share Incentive Plan. Fortune Rising Holdings Limited holds these ordinary shares for the purpose of transferring such shares to the plan participants according to our awards under the Share Incentive Plan.

The following paragraphs describe the principal terms of the Share Incentive Plan.

Types of Awards. The Plan permits the awards of options, restricted shares, restricted share units or any other type of awards that the committee or the board decides.

Plan Administration. Our board of directors, our compensation committee or a sub-committee designated by our board will administer the Share Incentive Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award grant. Fortune Rising Holdings Limited is the holder on record of the original award pool of 106,850,910 shares and will grant awards to plan participants and execute the award agreements and other related agreements with plan participants based on the instructions of the committee or the full board of directors who administers the Share Incentive Plan.

Award Agreement. Awards granted under the Share Incentive Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to our employees, directors and consultants. However, we may grant options that are intended to qualify as incentive share options only to our employees.

Acceleration of Awards upon Change in Control. If a change in control of our company occurs, the plan administrator may, in its sole discretion, provide for (i) all awards outstanding to terminate at a specific time in the future and give each participant the right to exercise the vested portion of such awards during a specific period of time, or (ii) the purchase of any award for an amount of cash equal to the amount that could have been attained upon the exercise of such award, or (iii) the replacement of such award with other rights or property selected by the plan administrator in its sole discretion, or (iv) payment of award in cash based on the value of ordinary shares on the date of the change-in-control transaction plus reasonable interest.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise of Options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is the tenth anniversary after the date of a grant.

Transfer Restrictions. Awards may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution, except as otherwise provided by the plan administrator.

Termination of the Share Incentive Plan. Unless terminated earlier, the Share Incentive Plan will terminate automatically on December 20, 2023. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval to the extent necessary and desirable to comply with applicable law. Shareholder approval is required for any amendment to the Share Incentive Plan that (i) increases the number of shares available under the Share Incentive Plan, or (ii) permits the plan administrator to extend the term of the Share Incentive Plan or the exercise period for an option beyond ten years from the date of grant.

As of December 31, 2019, the awards that had been granted to our directors, officers, employees and consultants and remained outstanding included (i) restricted share units to receive an aggregate of 100,851,090 ordinary shares, excluding restricted share units that were forfeited, cancelled, or vested after the relevant grant date, and (ii) options to purchase an aggregate of 36,224,124 ordinary shares, excluding options that were forfeited, cancelled, or exercised after the relevant grant date.

In May 2015, the board of directors approved a 10-year compensation plan for Mr. Richard Qiangdong Liu, under which Mr. Liu will receive RMB1.00 per year in cash salary and zero cash bonus during the 10-year period and in the meantime, Mr. Liu was granted an option to acquire a total of 26,000,000 Class A ordinary shares of our company, at an exercise price of US\$16.70 per share or US\$33.40 per ADS, subject to a 10-year vesting schedule with 10% of the award vested on each anniversary of the grant date. We will not grant any additional equity incentive to Mr. Liu during the 10-year period. The number of restricted shares, restricted share units and options granted to each of our other directors and executive officers represents less than 1% of our total outstanding ordinary shares on an as-converted basis as of February 29, 2020. The awards to our other directors and executive officers have two-year, four-year, five-year or six-year vesting schedule, with an equal installment vesting at the end of each calendar year following the grant or on the anniversary of the grant date. Starting from 2016, certain awards have multiple tranches with tiered vesting commencement dates from 2016 to 2020, and each of the tranches is subject to a six-year vesting schedule.

In addition, JD Logistics adopted its own share incentive plan in 2018, which permits JD Logistics to grant stock options, restricted share units and other types of awards its employees, directors and consultants. As of December 31, 2019, JD Logistics had granted 271,320,500 share options.

C. Board Practices

Board of Directors

Our board of directors consists of five directors. A director is not required to hold any shares in our company by way of qualification. A director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with our company must declare the nature of his interest at a meeting of the directors. Subject to the Nasdaq Rules and disqualification by the chairman of the relevant board meeting, a director may vote in respect of any contract or transaction or proposed contract or transaction notwithstanding that he may be interested therein, and if he does so his vote will be counted and he may be counted in the quorum at the relevant board meeting at which such contract or transaction or proposed contract or transaction is considered. The directors may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures or other securities whenever money is borrowed or as security for any debt, liability or obligation of the company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

Under our current memorandum and articles of association, our board of directors will not be able to form a quorum without Mr. Richard Qiangdong Liu for so long as Mr. Liu remains a director.

Committees of the Board of Directors

We have established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees.

Audit Committee

Our audit committee consists of Louis T. Hsieh, Ming Huang and Dingbo Xu. Mr. Hsieh is the chairman of our audit committee. We have determined that Mr. Hsieh, Mr. Huang and Mr. Xu satisfy the “independence” requirements of Nasdaq and Rule 10A-3 under the Securities Exchange Act of 1934. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management’s response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee

Our compensation committee consists of Ming Huang and Martin Chiping Lau. Mr. Huang is the chairman of our compensation committee. We have determined that Mr. Huang and Mr. Lau satisfy the “independence” requirements of Nasdaq. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Dingbo Xu and Louis T. Hsieh. Mr. Xu is the chairperson of our nominating and corporate governance committee. Mr. Xu and Mr. Hsieh satisfy the “independence” requirements of Nasdaq. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

Terms of Directors and Executive Officers

Our officers are elected by and serve at the discretion of the board of directors. Our directors are appointed either by an ordinary resolution of our shareholders, or by a resolution of our board of directors (including the affirmative vote of Mr. Richard Qiangdong Liu for so long as he is a director). Our non-independent directors are not subject to a term of office and hold office until such time as they are removed from office by ordinary resolution of the shareholders. Our independent directors are subject to a contractual one-year term, which may be renewed for one additional year, unless either party provides a prior written notice to the other party before the initial term expires indicating the intention not to renew. A director will cease to be a director if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found by our company to be or becomes of unsound mind; (iii) resigns his office by notice in writing to our company; or (iv) without special leave of absence from our board of directors, is absent from meetings of our board of directors for three consecutive meetings and the board resolves that his office be vacated.

D. Employees

As of December 31, 2017, 2018 and 2019, we had a total of 157,831, 178,927 and 227,730 employees, respectively. The following is a breakdown of our employees as of December 31, 2019 by function:

<u>Function</u>	<u>Number</u>
Procurement	8,128
Warehouses	43,736
Delivery	132,218
Customer Service	16,570
Technology	14,047
Sales and Marketing	8,288
General and Administrative	4,743
TOTAL	<u>227,730</u>

* The number of employees shown above excludes part-time employees and interns.

With so many employees, we place great emphasis on our corporate culture to ensure that we maintain consistently high standards everywhere we operate.

We invest resources in the recruitment of employees in support of our fast-growing business operations. In 2019, we recruited new employees in connection with the expansion of our business, and we will continue to invest resources in training, managing and motivating our workforce. In 2019, we have invested a considerable amount of resources in employee career development and training. We have clear talent criteria and have applied them to the whole process of talent management. In the talent management activities throughout the year, we not only pay attention to the improvement of employees' ability and quality, but also pay special attention to incentive development, so that to enable all kinds of talents to have a "sense of goal" and "sense of fulfillment". We lay special emphasis on the building of talent pipeline and the building of organizational cultural cohesion. We have established a comprehensive employee training and development system covering leadership, general competencies, and professional competencies. Our comprehensive training program covers corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making. As of December 31, 2019, over 700 management trainees had undergone our dedicated management training program. We also sponsored selected senior and mid-level managers to participate in part-time EMBA programs. In addition, we launched "Go to college in JD" program in association with well-known universities in November 2013. All employees are eligible to join the program voluntarily and get scholarship from us once they obtain their bachelor's or master's degree. To boost our strategy of exploring oversea markets, we also have been recruiting international management trainees who are MBA graduates from top universities worldwide.

As required by regulations in China, we participate in various government statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund. We are required under PRC law to contribute to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local government from time to time.

We enter into standard labor contracts with our employees. We also enter into standard confidentiality and non-compete agreements with our senior management. The non-compete restricted period typically expires two years after the termination of employment, and we agree to compensate the employee with a certain percentage of his or her pre-departure salary during the restricted period.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of February 29, 2020 by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our total outstanding shares.

The calculations in the table below are based on 2,937,248,715 ordinary shares outstanding as of February 29, 2020, comprising of (i) 2,486,367,634 Class A ordinary shares, excluding the 36,694,434 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Share Incentive Plan, and (ii) 450,881,081 Class B ordinary shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership and voting power percentage of that person, we have included shares and associated votes that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares and associated votes, however, are not included in the computation of the percentage ownership of any other person. Ordinary shares held by a shareholder are determined in accordance with our register of members.

	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	% of Total Ordinary Shares	% of Aggregate Voting Power
Directors and Executive Officers:					
Richard Qiangdong Liu	24,400,000 ⁽¹⁾	421,507,423 ⁽¹⁾	445,907,423 ⁽¹⁾	15.1 ⁽¹⁾	78.5 ⁽²⁾
Martin Chiping Lau ⁽³⁾	—	—	—	—	—
Ming Huang ⁽⁴⁾	*	— *	—	*	*
Louis T. Hsieh ⁽⁵⁾	*	— *	—	*	*
Dingbo Xu ⁽⁶⁾	*	— *	—	*	*
Lei Xu	*	— *	—	*	*
Zhenhui Wang	*	— *	—	*	*
Sidney Xuande Huang	*	— *	—	*	*
Sandy Ran Xu	*	— *	—	*	*
Yayun Li	*	— *	—	*	*
All Directors and Executive Officers as a Group	29,044,348	421,507,423	450,551,771	15.3	78.6 ⁽²⁾
Principal Shareholders:					
Max Smart Limited ⁽⁷⁾	14,000,000	421,507,423	435,507,423	14.8	73.4
Huang River Investment Limited ⁽⁸⁾	525,192,715	—	525,192,715	17.9	4.6
Walmart ⁽⁹⁾	289,053,746	—	289,053,746	9.8	2.5
Fortune Rising Holdings Limited ⁽¹⁰⁾	—	29,373,658	29,373,658	1.0	5.1

* Less than 1% of our total outstanding ordinary shares.

** Except for Mr. Martin Chiping Lau, Mr. Ming Huang, Mr. Louis T. Hsieh, and Mr. Dingbo Xu, the business address of our directors and executive officers is JD national headquarters at No. 18 Kechuang 11 Street, Yizhuang Economic and Technological Development Zone, Daxing District, Beijing 101111, P.R. China.

- (1) Represents (i) 421,507,423 Class B ordinary shares directly held by Max Smart Limited, (ii) 7,000,000 restricted ADSs, representing 14,000,000 Class A ordinary shares, owned by Max Smart Limited, and (iii) 10,400,000 class A ordinary shares Mr. Liu had the right to acquire upon exercise of options that shall have become vested within 60 days after February 29, 2020. Max Smart Limited is a British Virgin Islands company beneficially owned by Mr. Richard Qiangdong Liu through a trust and of which Mr. Richard Qiangdong Liu is the sole director, as described in footnote (7) below. The ordinary shares beneficially owned by Mr. Liu do not include 29,373,658 Class B ordinary shares held by Fortune Rising Holdings Limited, a British Virgin Islands company, as described in footnote (10) below.
- (2) The aggregate voting power includes the voting power with respect to the 29,373,658 Class B ordinary shares held by Fortune Rising Holdings Limited. Mr. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited and he may be deemed to beneficially own the voting power with respect to all of the ordinary shares held by Fortune Rising Holdings Limited in accordance with the rules and regulations of the SEC, notwithstanding the facts described in footnote (10) below.
- (3) Mr. Lau was appointed by Huang River Investment Limited. The business address of Mr. Lau is 48/F, South Tower, Tencent Binhai Building, Haitian 2nd Road, Nanshan District, Shenzhen, People's Republic of China.
- (4) The business address of Mr. Huang is China Europe International Business School, 699 Hongfeng Road, Pudong District, Shanghai 201206, China.
- (5) The business address of Mr. Hsieh is Tower 2,37-B, I Austin Road West, Kowloon, Hong Kong.
- (6) The business address of Professor Xu is China Europe International Business School, 699 Hongfeng Road, Pudong, Shanghai 201206, China.
- (7) Represents (i) 421,507,423 Class B ordinary shares directly held by Max Smart Limited and (ii) 7,000,000 restricted ADSs, representing 14,000,000 Class A ordinary shares, owned by Max Smart Limited. Max Smart Limited is a British Virgin Islands company beneficially owned by Mr. Richard Qiangdong Liu through a trust and of which Mr. Richard Qiangdong Liu is the sole director. The registered address of Max Smart Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

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- (8) Based on the information provided by Huang River Investment Limited, represents (i) 494,372,695 Class A ordinary shares held by Huang River Investment Limited, and (ii) 15,410,010 ADSs, representing 30,820,020 Class A ordinary shares owned by Huang River Investment Limited or its affiliate. Huang River Investment Limited is a company incorporated in the British Virgin Islands, and is wholly-owned by Tencent Holdings Limited, a company listed on the Hong Kong Stock Exchange. The registered address of Huang River Investment Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Pursuant to the strategic cooperation agreement that we entered into with Tencent in May 2019, we agreed to issue to Tencent a certain number of our Class A ordinary shares for a total consideration of approximately US\$250 million at prevailing market prices at certain pre-determined dates during the subsequent three-year period, of which 8,127,302 of our Class A ordinary shares were issued in May 2019.
- (9) Based on the information provided by Walmart, represents (i) 144,952,250 Class A ordinary shares and (ii) 72,050,748 ADSs, representing 144,101,496 Class A ordinary shares, owned jointly by (i) Walmart, a corporation organized under the laws of the State of Delaware, (ii) Newheight Holdings Ltd., or Newheight, a company organized under the laws of the Cayman Islands, and (iii) Qomolangma Holdings Ltd., or Qomolangma, a company organized under the laws of the Cayman Islands. Walmart wholly owns each of Qomolangma and Newheight indirectly through a number of other wholly-owned subsidiaries. Newheight is a wholly-owned subsidiary of Qomolangma. The address of the principal business office of Walmart is 702 S.W. Eighth Street, Bentonville, Arkansas 72716. The address of the principal business office of Newheight is PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. The address of the principal business office of Qomolangma is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.
- (10) Represents 29,373,658 Class B ordinary shares held by Fortune Rising Holdings Limited. Fortune Rising Holdings Limited holds these Class B ordinary shares for the purpose of transferring such shares to the plan participants according to our awards under our Share Incentive Plan, and administers the awards and acts according to our instruction. Fortune Rising Holdings Limited exercises the voting power with respect to these shares according to our instruction. Fortune Rising Holdings Limited is a company incorporated in the British Virgin Islands. Mr. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited. The registered address of Fortune Rising Holdings Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

To our knowledge, as of February 29, 2020, a total of 1,883,737,107 class A ordinary shares were held by five record holders in the United States, representing approximately 63.3% of our total outstanding shares on an as-converted basis (including the 36,694,434 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Share Incentive Plan). One of these holders is Deutsche Bank Trust Company Americas, the depository of our ADS program, which held 73.6% of our Class A ordinary shares on record, representing approximately 62.4% of our total outstanding shares on record as of February 29, 2020 (including the 36,694,434 Class A ordinary shares issued to it for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Share Incentive Plan). The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to twenty votes per share. Holders of Class A and Class B ordinary shares vote together as one class on all matters subject to a shareholders' vote. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstance. See "Item 10.B. Additional Information—Memorandum and Articles of Association" for a more detailed description of our Class A ordinary shares and Class B ordinary shares.

Except for the above, we are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

Please refer to "Item 6.E. Directors, Senior Management and Employees—Share Ownership."

B. Related Party Transactions

Contractual Arrangements with Our Variable Interest Entities and Their Shareholders

PRC laws and regulations currently limit foreign ownership of companies that engage in businesses such as value-added telecommunications service business in China. Due to these restrictions, we operate our relevant business through contractual arrangements with our variable interest entities. For a description of these contractual arrangements, see “Item 4.C. Information on the Company—Organizational Structure.”

Agreements and Business Cooperation with Tencent

Strategic Cooperation Agreement. On March 10, 2014, we entered into a strategic cooperation agreement and formed a strategic partnership with Tencent. As part of the strategic partnership, Tencent agreed to offer us prominent access points in its mobile apps Weixin and Mobile QQ and provide internet traffic and other support from other key platforms to us. The two parties agreed to cooperate in a number of areas including mobile-related products, social networking services, membership systems and payment solutions. The strategic cooperation agreement had a term of five years and applies within the territory of the Greater China. Under the strategic cooperation agreement, we are Tencent’s preferred partner for all physical goods e-commerce businesses, and Tencent agrees not to engage in any retail or managed marketplace business model in physical goods e-commerce businesses in the Greater China and a few selected international markets for a period of eight years, other than through its controlled affiliate Shanghai Ictson E-Commerce Development Company Limited, or Shanghai Ictson.

On May 10, 2019, we renewed the strategic cooperation agreement with Tencent for a period of three years starting from May 27, 2019. Tencent will continue to offer us prominent level 1 and level 2 access points on its Weixin platform to provide traffic support, and the two companies also intend to continue to cooperate in a number of areas including communications, advertising and membership services, among others. It is estimated that such traffic support, advertising spending and other cooperation will amount to over US\$800 million, which will be paid or spent over the next three years. We agreed to issue to Tencent a certain number of our Class A ordinary shares for a total consideration of approximately US\$250 million at prevailing market prices at certain pre-determined dates during the three-year period, of which 8,127,302 of our Class A ordinary shares were issued in May 2019.

Business Cooperation with Tencent. Huang River Investment Limited, a wholly-owned subsidiary of Tencent, has been a principal shareholder of us since March 2014. In 2017, we generated RMB261 million commission services revenues from cooperation on advertising business with Tencent, RMB32 million revenues from services provided to and products sold to Tencent, and purchased a total amount of RMB675 million advertising resources and payment processing services from Tencent. In 2018, we generated RMB345 million commission services revenues from cooperation on advertising business with Tencent, RMB277 million revenues from services provided and products sold to Tencent, and purchased a total amount of RMB1,176 million advertising resources and payment processing services from Tencent. In 2019, we generated RMB288 million (US\$41 million) commission services revenues from cooperation on advertising business with Tencent, RMB399 million (US\$57 million) revenues from services provided to and products sold to Tencent, and purchased a total amount of RMB2,222 million (US\$319 million) advertising resources and payment processing services from Tencent. As of December 31, 2019, we had a total amount of RMB1,128 million (US\$162 million) due from Tencent.

Agreements and Transactions Relating to JD Digits

On March 1, 2017, we entered into a framework agreement, or the Framework Agreement, and an intellectual property license and software technology services agreement, or the JD Digits IPLA, with JD Digits, and certain entities controlled by Mr. Richard Qiangdong Liu, our chairman and chief executive officer, including Suqian Linghang Fangyuan Equity Investment Center, or Suqian Linghang, and Suqian Dongtai Jinrong Investment Management Center, or Suqian Dongtai. As of June 30, 2017, the reorganization of JD Digits had been completed. As a result, we disposed of all of our 68.6% equity interest in JD Digits and deconsolidated the financial results of JD Digits from ours since then. Pursuant to the agreements, we received approximately RMB14.3 billion in cash upon transaction closing with an economic gain of RMB14.2 billion and 40% of the future pre-tax profit of JD Digits when JD Digits has a positive pre-tax income on a cumulative basis. In addition, we will be able to convert our profit sharing right with respect to JD Digits into 40% of JD Digits’s equity interest, subject to applicable regulatory approvals. The above percentage of profit sharing and maximum equity interest issuance to us, which we refer to as the Maximum Interest, is subject to potential proportional dilution as a result of any future equity financings or ESOP increases of JD Digits. In connection with JD Digits’s additional round of financing in 2018, the Maximum Interest has been diluted to approximately 36%. Please see “Item 4. Information on the Company—A. History and Development of the Company” for further information.

Framework Agreement

The Framework Agreement, as amended, contains the following major provisions:

Liquidity Event Payment

Under the Framework Agreement, in the event of a liquidity event of JD Digits, if our total ownership of equity interests in JD Digits, if any, acquired as described under “—Potential Equity Interest” below, has not reached the Maximum Interest, we would be entitled, at our election, to receive a one-time payment up to the Maximum Interest percentage of the equity value, immediately prior to such liquidity event of JD Digits. If we acquire equity interests in JD Digits in an aggregate amount less than the Maximum Interest, then the percentage of JD Digits’s equity value used to calculate the liquidity event payment will be reduced proportionately. The above-mentioned maximum percentage of JD Digits’s equity interest that may be issued to us and JD Digits’s equity value in the form of liquidity payment to us at our election are subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Digits, and have been diluted from 40% to approximately 36% in connection with JD Digits’s additional round of financing in 2018.

In lieu of receiving the liquidity event payment, we may elect to receive payments under the profit sharing provision of the JD Digits IPLA described below in perpetuity, subject to the receipt of regulatory approvals, including under applicable stock exchange listing rules, required to permit continuation of the profit share following a liquidity event of JD Digits. If we so elect, in connection with such a liquidity event, JD Digits must use its commercially reasonable efforts to obtain such regulatory approvals. If such approvals are not obtained, then JD Digits will pay us the liquidity event payment described above.

A “liquidity event” as defined in the Framework Agreement includes (i) a qualified initial public offering of JD Digits, (ii) a change of control transaction, (iii) a bona-fide issuance of approximately 40% or more of the securities of JD Digits on a fully-diluted basis, (iv) a bona-fide lease, sale or otherwise disposal of all or substantially all of the assets of JD Digits, and (v) a liquidation, dissolution or winding up of JD Digits.

Potential Equity Interest

The Framework Agreement provides for future potential equity issuances to us by JD Digits. Under the Framework Agreement, in the event that JD Digits applies for and receives certain PRC regulatory approvals in the future, JD Digits will issue and we will purchase newly issued equity interests in JD Digits, up to the full 40% equity interest, or such lesser equity interest as may be permitted by the applicable regulatory approvals. This maximum percentage of potential equity interest that may be issued to us upon receipt of PRC regulatory approvals is subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Digits, and has been diluted to approximately 36% in connection with JD Digits’s additional round of financing in 2018.

If we were to acquire any of such newly issued equity interests, we will have a pre-emptive right prior to the time of a qualified IPO of JD Digits, in the event JD Digits issues additional equity interests to third parties, that will entitle us to acquire additional equity interests in order to maintain the equity ownership percentage we hold in JD Digits immediately prior to such third-party issuances.

If the liquidity event payment described above under “—Liquidity Event Payment” has not become payable upon a liquidity event of JD Digits, then our right to acquire up to the Maximum Interest will continue after such liquidity event.

The consideration to be paid by us to acquire any equity interest in JD Digits up to the Maximum Interest will be fully funded by payments from JD Digits in respect of certain intellectual property and software technology services we will provide to JD Digits.

To the extent we acquire the Maximum Interest pursuant to the provisions of the Framework Agreement, the liquidity event payment and the profit sharing arrangement under the JD Digits IPLA described in “—JD Digits Intellectual Property License and Software Technology Services Agreement” below will automatically terminate. If we acquire less than the Maximum Interest in JD Digits pursuant to the provisions of the Framework Agreement, the liquidity event payment amount and the profit sharing arrangement under the JD Digits IPLA will be proportionately reduced based on the amount of equity interests acquired by us.

We believe that under applicable regulatory rules and practices currently in effect, the relevant PRC approvals necessary for us to own any equity interest in JD Digits may be difficult to obtain. There can be no assurance that such applicable regulatory rules and practices will change in the near future.

Certain Restrictions on the Transfer of JD Digits Equity Interests

Pursuant to the Framework Agreement, certain parties thereto, including in some cases our company, are subject to restrictions on the transfer of equity interests in JD Digits, including:

- prior to our acquisition of the Maximum Interest, none of Suqian Linghang, Suqian Dongtai or JD Digits may transfer or issue, as applicable, any equity interest in JD Digits to a non-PRC person or entity, and JD Digits shall cause its other shareholders not to do so; and
- in the event that we acquire any equity interest in JD Digits, any transfer of equity interest in JD Digits by Suqian Linghang or Suqian Dongtai, on the one hand, or our company, on the other hand, will be subject to a right of first refusal by the other party.

Non-competition Undertakings

Under the Framework Agreement, we and JD Digits have each agreed to certain limitations on our respective ability to enter into or participate in the same line of business as the other party. The Framework Agreement provides that JD Digits may not engage in the e-commerce business conducted by us from time to time, or the logical extensions thereof, and we are restricted from engaging in financial, financial derivatives and other finance-related business conducted by JD Digits and its subsidiaries from time to time, including consumer finance, supply chain finance, third-party payment, factoring, insurance brokerage and agency, crowdfunding, wealth management, securities brokerage, banking, financial leasing, asset management and credit reference businesses, except for insurance business and certain other permitted shared businesses. Each party may, however, make passive investments in competing businesses which such party does not control.

Corporate Governance Provisions

Pursuant to the Framework Agreement, we and JD Digits mutually recommended one person who JD Digits nominated as a member of its board of directors.

In addition, prior to our acquisition of the Maximum Interest, without the prior written consent of the audit committee of our board, JD Digits will not:

- issue any equity securities other than in a qualified IPO, unless the pre-money valuation of JD Digits on a consolidated basis implied by such issuance of equity securities is not less than the valuation of JD Digits implied by its issuance of equity securities to the investors as contemplated under the Framework Agreement;
- undertake or consummate, and neither Suqian Linghang nor Suqian Dongtai will otherwise permit, an initial public offering of JD Digits other than a qualified IPO; or
- undertake or consummate, and neither Suqian Linghang nor Suqian Dongtai will otherwise permit, any liquidity event of JD Digits involving a related party as a counter-party.

JD Digits Intellectual Property License and Software Technology Services Agreement

Under the terms of the JD Digits IPLA, we have agreed to license to JD Digits certain intellectual property rights and provide various software technology services to JD Digits.

Under the JD Digits IPLA, we will receive, in addition to a service fee, royalty streams related to JD Digits and its subsidiaries, which we refer to collectively as the profit sharing payments. The profit sharing payments will be paid annually and will equal the sum of an expense reimbursement plus the Maximum Interest percentage of the consolidated pre-tax income of JD Digits on a cumulative basis (subject to certain adjustments). The percentage of the consolidated pre-tax income of JD Digits payable to us in the form of the profit sharing payments is also subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Digits.

In addition, if we acquire any equity interest in JD Digits as described above under “—Framework Agreement—Potential Equity Interest,” the profit sharing payments will be reduced in proportion to such equity issuance and, at or prior to the time of such equity issuance, JD Digits will make a payment to us in consideration for the reduction in profit sharing payments. This payment by JD Digits will effectively fund our subscription for equity interest of JD Digits, and will result in our acquiring equity interests in JD Digits with effectively no cash impact to us, subject to applicable taxes.

The JD Digits IPLA will terminate (i) after our total equity interest ownership in JD Digits has reached the Maximum Interest, when a qualified IPO of JD Digits occurs; (ii) after a qualified IPO of JD Digits has occurred, when our total equity interest ownership in JD Digits reaches the Maximum Interest, each percentage above being subject to potential dilution as a result of any future equity financings or ESOP pool increases of JD Digits; or (iii) when the liquidity event payment as described above under “—Framework Agreement—Liquidity Event Payment” becomes payable.

Business Transactions with JD Digits and Its Subsidiaries

JD Digits is a related party controlled by our chairman of the board of directors and chief executive officer, Mr. Richard Qiangdong Liu, through his equity stake and voting arrangements in JD Digits. In 2017, 2018 and 2019, we provided services and sold goods to JD Digits in a total amount of RMB272 million, RMB449 million and RMB342 million (US\$49 million), respectively. In 2017, 2018 and 2019, we received payment processing and other services provided by JD Digits in the amount of RMB2,936 million, RMB3,931 million and RMB4,981 million (US\$715 million), respectively. In 2017, 2018 and 2019, interest income in the amount of RMB871 million, RMB180 million and RMB41 million (US\$6 million) was recognized in relation to the financial support provided to JD Digits by us. Based on a series of agreements signed on January 1, 2016, JD Digits will perform the credit risk assessment services and earn fees for providing such services, and JD Digits will purchase the consumer financing receivables past due over certain agreed period of time from us at carrying values without recourse and also agree to bear other cost directly related to the consumer financing to absorb the risks. In connection with the agreements, the total amount of over-due receivables related to the consumer financing transferred from us to JD Digits were RMB497 million, RMB242 million and RMB189 million (US\$27million) for the years ended December 31, 2017, 2018 and 2019, respectively.

We also transferred certain financial assets to JD Digits with or without recourse at fair value. The amount of accounts receivables transferred with recourse in 2018 and 2019 were RMB1,388 million and nil and were not derecognized, while the amount of accounts receivables transferred without recourse in 2018 and 2019 were RMB9,854 million and RMB24,586 million (US\$3,531 million) and were derecognized.

As of December 31, 2019, we had a total amount of RMB1,729 million (US\$248 million) due from JD Digits.

As of June 30, 2017, the reorganization of JD Digits had been completed, and we disposed all of our equity interest in JD Digits. As part of the transaction, we received approximately RMB14.3 billion in cash with an economic gain of RMB14.2 billion in 2017. As JD Digits is under the common control of Mr. Richard Qiangdong Liu through his equity stake and voting arrangements, the gain of RMB14.2 billion was recorded directly to additional paid-in capital in shareholders' equity. We also retained the right to receive 40% of future pre-tax profit of JD Digits when JD Digits has a positive pre-tax income on a cumulative basis. In connection with JD Digits's additional round of financing in 2018, the percentage of profit sharing has been diluted to approximately 36%.

Transactions with Our Equity Investees and Other Related Parties

Traffic Support, Marketing and Promotion Services Provided to Bitauto and its subsidiaries, or Bitauto Group. Bitauto Group is an equity investee of us. In February 2015, we invested a combination of US\$400 million in cash and certain resources valued at US\$497 million as consideration for the newly issued ordinary shares of Bitauto. On the completion date of the transaction, the traffic support, marketing and promotion services to be provided to Bitauto which had a fair value of US\$497 million were recorded as deferred revenues and would be recognized as net service revenues over the cooperation period of five years on a straight line basis starting from April 2015. In 2017, 2018 and 2019, net service revenues in the amount of RMB609 million, RMB609 million and RMB607 million (US\$87 million) had been recognized, respectively. In June 2016, we subscribed for 2,471,577 of newly issued ordinary shares from Bitauto for a consideration of US\$50 million. As of December 31, 2019, we had a total amount of RMB165 million (US\$24 million) deferred revenues in relation to traffic support, marketing and promotion services to be provided to Bitauto Group.

Traffic Support, Marketing and Promotion Services Provided to Tuniu and its subsidiaries, or Tuniu Group. Tuniu Group is an equity investee of us. In May 2015, we invested in Tuniu with a combination of US\$250 million in cash and certain resources valued at US\$108 million as consideration for the newly issued ordinary shares of Tuniu. On the completion date of the transaction, the traffic support, marketing and promotion services to be provided to Tuniu which had a fair value of US\$108 million were recorded as deferred revenues and would be recognized as net service revenues over the cooperation period of five years on a straight line basis starting from August 2015. In 2017, 2018 and 2019, net service revenues in the amount of RMB132 million, RMB132 million and RMB132 million (US\$19 million) had been recognized, respectively. As of December 31, 2019, we had a total amount of RMB83 million (US\$12 million) deferred revenues in relation to traffic support, marketing and promotion services to be provided to Tuniu Group. As of December 31, 2019, we had an amount of RMB2,133 thousand (US\$306 thousand) due to Tuniu Group.

Business Transaction and Non-compete Obligation with Dada and its subsidiaries, or Dada Group. Dada Group is an equity investee of us. In April 2016, we contributed certain resources and US\$200 million in cash in exchange for newly issued equity interest in Dada. On the completion date of the transaction, the traffic support, marketing and promotion services to be provided to Dada which had a fair value of approximately US\$67 million were recorded as deferred revenues and would be recognized as net service revenues, and the non-compete obligation with Dada Group which had a fair value of approximately US\$83 million were recorded as other liabilities and would be recognized as other income over a period of seven years on a straight line basis starting from May 2016. In 2017, 2018 and 2019, other income in the amount of RMB80 million, RMB79 million and RMB82 million (US\$12 million) had been recognized, respectively. As of December 31, 2019, we had a total amount of RMB207 million (US\$30 million) deferred revenues in relation to traffic support, marketing and promotion services to be provided to Dada Group and a total amount of RMB277 million (US\$40 million) other liabilities in relation to non-compete obligation with Dada Group. In 2017, 2018 and 2019, we provided services and sold goods to Dada Group in a total amount of RMB100 million, RMB122 million and RMB133 million (US\$19 million), respectively, and in the same periods, we also received services from Dada Group in a total amount of RMB694 million, RMB939 million and RMB1,565 million (US\$225 million), respectively. As of December 31, 2019, we had a total amount of RMB208 million (US\$30 million) due to Dada Group.

Bridge Financing to Yixin and its subsidiaries, or Yixin Group. Yixin Group is an equity investee of us. On October 27, 2017, to provide a temporary bridge financing to Yixin Group, we entered into an entrusted loan agreement with Yixin Group and an independent third-party PRC commercial bank whereby we lent a total of RMB1,000 million to Yixin Group. The commercial terms of the bridge loan were comparable to the terms in arms' length transactions with third-party borrowers. Yixin Group repaid the bridge loan and associated interest before December 31, 2017.

Business Transactions with Core Fund. JD Property, our property management group, owns, develops and manages our logistics facilities and other real estate properties to support JD Logistics and third parties. In February 2019, JD Property and GIC, Singapore’s sovereign wealth fund, jointly established JD Logistics Properties Core Fund, L.P., or Core Fund, for a total committed capital of over RMB4.8 billion. We serve as the general partner of Core Fund and have committed 20% of its total capital, while GIC has committed the remaining 80%. The investment committee of Core Fund, which comprises representatives from us and GIC, oversees the key operations of Core Fund. Furthermore, in February 2019, we entered into a definitive agreement with Core Fund, pursuant to which we sold certain of our modern logistics facilities to Core Fund for a total gross asset value of RMB10.9 billion, to unleash the full potential of our balance sheet and optimize the use of capital for our future growth initiatives. In the second half of 2019, the closing conditions for the completed assets were met, and we recorded a total disposal gain of RMB3.8 billion for the completed assets in 2019. For the remaining logistics facilities under construction, we will derecognize these assets upon the completion and satisfaction of the hand over conditions. In addition, subsequent to the disposition, we have leased back these facilities for operational purposes, and JD Property has started serving as the asset manager managing Core Fund’s assets. In 2019, we received lease and property management services from Core Fund in a total amount of RMB476 million (US\$68 million). Interest income in the amount of RMB75 million (US\$11 million) was recognized in 2019 in connection with our financial support provided to Core Fund. As of December 31, 2019, we had an amount of RMB1,149 million (US\$165 million) due from Core Fund.

Business Transactions with AiHuiShou and its subsidiaries, or AiHuiShou Group. AiHuiShou Group is an equity investee of ours. In June 2019, we completed an investment of approximately RMB3.38 billion (US\$0.5 billion) in AiHuiShou International Co. Ltd., or AiHuiShou, an online second-hand consumer electronics trading platform. In connection with this investment, we merged our Paipai Secondhand business with and into AiHuiShou with certain exclusive traffic resources for the next five years, and additionally invested a certain amount of cash in exchange for additional preferred shares of AiHuiShou. Upon the completion of the transaction, the traffic support, marketing and promotion services to be provided to AiHuiShou Group were recorded as deferred revenues and would be recognized as net service revenues over the cooperation period of five years on a straight line basis starting from June 2019. As of December 31, 2019, we had a total amount of RMB1,899 million (US\$273 million) deferred revenues in relation to traffic support, marketing and promotion services to be provided to AiHuiShou Group. In 2018 and 2019, we provided services and sold goods to AiHuiShou Group in a total amount of RMB9 million and RMB349 million (US\$50 million), respectively. In 2018 and 2019, we also received services from AiHuiShou Group in a total amount of nil and RMB10 million (US\$2 million), respectively. As of December 31, 2019, we had an amount of RMB18 million (US\$3 million) due to AiHuiShou Group.

Our transactions with equity investees other than those discussed above were insignificant, individually or in the aggregate, in each of the past three fiscal years.

Our revenues from related parties, excluding those from the major related parties as described above, represented approximately 0.01%, 0.06% and 0.13% of total net revenues of our company for the years ended December 31, 2017, 2018, and 2019, respectively. Transactions with related parties included in operating expenses, excluding those with the major related parties as described above, represented 0.07%, 0.14% and 0.20% of total operating expenses of our company for the years ended December 31, 2017, 2018, and 2019, respectively.

In addition, Mr. Richard Qiangdong Liu, our chairman and chief executive officer, has purchased his own aircraft for both business and personal use. The use of the aircraft in connection with the performance of his duty as employee is free of charge to us, and we have agreed to assume the cost of maintenance, crew and operations of the aircraft relating to the use of the aircraft. Such maintenance and incidental costs were insignificant for all periods presented.

Employment Agreements and Indemnification Agreements

See “Item 6.B. Directors, Senior Management and Employees—Compensation.”

Share Incentives

See “Item 6.B. Directors, Senior Management and Employees—Compensation.”

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

From time to time, we may be subject to legal, regulatory and/or administrative proceedings relating to third-party and principal intellectual property infringement claims, contract disputes involving suppliers and third-party merchants, consumer protection claims, claims relating to data and privacy protection, employment related disputes, unfair competition and other matters in the ordinary course of our business.

As we routinely enter into business contracts with our suppliers, third-party merchants and consumers on our platform, we have been and may continue to be involved in legal proceedings arising from contract disputes, including being named as a co-defendant in lawsuits filed against our suppliers by third parties. For example, in July 2019, Shanghai Gopher Asset Management Co., Ltd., or Gopher, filed a lawsuit in a court in Shanghai, requesting the court to enforce the fulfillment of payment obligations by Jingdong Century, one of our subsidiaries, to Gopher under certain accounts receivable assignment confirmation letters allegedly signed by Jingdong Century. Gopher alleges that (i) Jingdong Century was a party to certain purchase agreements with its two suppliers, Guangdong Chengxing Holding Group Co., Ltd., or Guangdong Chengxing, and Guangdong Zhongcheng Industry Holding Co., Ltd., or Guangdong Zhongcheng, and has payment obligations to these two suppliers under these agreements; and (ii) Jingdong Century confirmed and agreed to certain accounts receivable assignment confirmation letters (by affixing its seal to the letter) delivered by Gopher and the two suppliers when the two suppliers assigned their rights under the purchase agreements to Gopher. Gopher sought uncollected accounts receivable of approximately RMB2.4 billion in aggregate, plus damages due to late payments as well as litigation related expenses. In addition, in August 2019, Noah (Shanghai) Financial Leasing Co., Ltd., or Noah, filed a lawsuit in a court in Shanghai, requesting the court to enforce the fulfillment of payment obligations by Jingdong Century to Noah under certain accounts receivable assignment confirmation letters allegedly signed by Jingdong Century. Noah alleges that (i) Jingdong Century was a party to certain purchase agreements with Guangdong Chengxing and Guangdong Zhongcheng and has payment obligations to these two suppliers under these agreements; and (ii) Jingdong Century confirmed and agreed to certain accounts receivable assignment confirmation letters (by affixing its seal to the letter) delivered by Noah and the two vendors when the two vendors assigned their rights under the purchase agreements to Noah. Noah sought uncollected accounts receivable of approximately RMB71.1 million in aggregate, plus damages due to late payments as well as litigation related expenses. These two lawsuits relate to similar subject matters and are still at an early stage. Jingdong Century has not received nor confirmed the accounts receivable assignment confirmation letters as alleged by the plaintiffs. In addition, Jingdong Century's corporate seal that was allegedly affixed to the purchase agreements and accounts receivable assignment confirmation letters is inconsistent with the corporate seal of Jingdong Century filed with the competent PRC government authority. We believe these lawsuits are without merit and we are defending ourselves vigorously. There is uncertainty, however, regarding the timing or ultimate resolution of these lawsuits and the other legal proceedings in which we are involved. See "Item 3 D.—Risk Factors—We may be subject to legal, regulatory and/or administrative proceedings."

Dividend Policy

Our board of directors has complete discretion on whether to distribute dividends subject to our memorandum and articles of association and certain restrictions under Cayman Islands law. In addition, our shareholders may by ordinary resolution declare dividends, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We have not declared or paid any dividends on our ordinary shares, nor do we have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company registered by way of continuation under the laws of the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business."

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the ordinary shares underlying our ADSs to the depositary, as the registered holder of such ordinary shares, and the depositary will then pay such amounts to our ADS holders in proportion to the ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. The Offer and Listing

A. Offering and Listing Details

Our ADSs, each representing two of our Class A ordinary shares, have been listed on Nasdaq since May 22, 2014. Our ADSs trade under the symbol “JD.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on Nasdaq since May 22, 2014 under the symbol “JD.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and the Companies Law (2020 Revision) of the Cayman Islands, which is referred to as the Companies Law below, and the common law of the Cayman Islands.

The following are summaries of material provisions of our current amended and restated memorandum and articles of association that became effective immediately prior to the completion of our initial public offering in May 2014, insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other location within the Cayman Islands as our board of directors may from time to time decide. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law, as amended from time to time, or any other law of the Cayman Islands.

Board of Directors

See “Item 6.C. Directors, Senior Management and Employees—Board Practices.”

Ordinary Shares

General. All of our issued and outstanding ordinary shares are fully paid and non-assessable. Our ordinary shares are issued in registered form, and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Our company will issue only non-negotiable shares, and will not issue bearer or negotiable shares.

Ordinary Shares. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon (i) any transfer of Class B ordinary shares or the voting power attached to Class B ordinary shares by a holder thereof to any person or entity that is not an Affiliate (as defined in our memorandum and articles of association) of such holder, or (ii) the transfer of a majority of the issued and outstanding voting securities or the voting power attached to such voting securities or the sale of all or substantially all of the assets of a holder of Class B ordinary shares that is an entity to any person or entity that is not an Affiliate of such holder, such Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary shares. All Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary shares when Mr. Richard Qiangdong Liu ceases to be a director and the chief executive officer of our company, or in some other specified situations.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our share premium account, and provided further that a dividend may not be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Dividends received by each Class B ordinary share and Class A ordinary share in any dividend distribution shall be the same.

Voting Rights. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law or provided for in our memorandum and articles of association. In respect of matters requiring shareholders' vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to twenty votes. Voting at any shareholders' meeting is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any shareholder holding not less than 10% of the votes of the outstanding voting shares in our company present in person or by proxy.

A quorum required for a meeting of shareholders consists of one or more shareholders present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, and holding shares which represent, in aggregate, not less than one-third of the votes attaching to the issued and outstanding voting shares in our company entitled to vote at general meetings. Shareholders may be present in person or by proxy or, if the shareholder is a legal entity, by its duly authorized representative. Shareholders' meetings may be convened by our board of directors on its own initiative or by our chairman or upon a request to the directors by one or more shareholders holding shares which represent, in aggregate, no less than one-third of the votes attaching to our voting share capital. Advance notice of at least seven days is required for the convening of our annual general shareholders' meeting and any other general shareholders' meeting.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution. A special resolution requires the affirmative vote of no less than two-thirds of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Law and our memorandum and articles of association.

Under our memorandum and articles of association, so long as the total issued and outstanding Class B ordinary shares constitute a majority of our aggregate voting rights and a majority of the total issued and outstanding Class A ordinary shares are held by the persons (exclusive of Max Smart Limited, Fortune Rising Holdings Limited, Mr. Richard Qiangdong Liu and their Affiliates) that were our shareholders immediately prior to the completion of our initial public offering, any amendments to our memorandum and articles of association and certain related party transactions between Mr. Richard Qiangdong Liu or any of his immediate family members or Affiliates, on one hand, and us on the other hand, require approval by both (i) holders of a majority of the total issued and outstanding Class A ordinary shares (exclusive of Max Smart Limited, Fortune Rising Holdings Limited, Mr. Richard Qiangdong Liu and their Affiliates) and (ii) holders of a majority of our aggregate voting rights.

Liquidation. On a winding up of our company, if the assets available for distribution among our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus will be distributed among our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. The rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not our company is being wound-up, may only be varied with the consent in writing of the holders of a majority of the issued shares of that class or series or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class or series.

Anti-Takeover Provisions. Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

General Meetings of Shareholders and Shareholder Proposals. Our shareholders' general meetings may be held in such place within or outside the Cayman Islands as our board of directors considers appropriate.

As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting.

Shareholders' annual general meetings and any other general meetings of our shareholders may be convened by a majority of our board of directors or our chairman. Our board of directors shall give not less than seven days' written notice of a shareholders' meeting to those persons whose names appear as members in our register of members on the date the notice is given (or on any other date determined by our directors to be the record date for such meeting) and who are entitled to vote at the meeting.

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Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association allow one or more of our shareholders holding shares representing in aggregate not less than one-third of the votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings, to requisition an extraordinary general meeting of our shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Limitations on the Right to Own Shares. There are no limitations on the right to own our shares.

Transfer of Shares. Any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

However, our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which our company has a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- the ordinary shares transferred are free of any lien in favor of us;
- any fee related to the transfer has been paid to us; or
- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

If our directors refuse to register a transfer they are required, within three months after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

Directors' Power to Issue Shares. Our memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our memorandum and articles of association also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent of available authorized but unissued shares. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Exempted Company. We are an exempted company with limited liability under the Companies Law. The Companies Law in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not required to be open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value, negotiable or bearer shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder's shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil). We are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. Except as otherwise disclosed in this annual report, we currently intend to comply with the Nasdaq rules in lieu of following home country practice.

Register of Members. Under the Companies Law, we must keep a register of members and there should be entered therein:

- the names and addresses of our members, together with a statement of the shares held by each member, and such statement shall confirm (i) the amount paid or agreed to be considered as paid, on the shares of each member, (ii) the number and category of shares held by each member, and (iii) whether each relevant category of shares held by a member carries voting rights under the articles of association of the company, and if so, whether such voting rights are conditional;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members is deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

C. **Material Contracts**

Other than in the ordinary course of business and other than those described under this item, “Item 4. Information on the Company” or “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions” or elsewhere in this annual report, we have not entered into any material contract during the two years immediately preceding the date of this annual report.

Certain Agreements with Walmart

In June 2016, we entered into a series of agreements with Walmart in relation to our strategic alliance with Walmart. Set forth below is a summary of certain of the agreements.

Share Subscription Agreement. On June 20, 2016, we entered into a share subscription agreement with Newheight, a wholly-owned subsidiary of Walmart, pursuant to which Newheight subscribed for 144,952,250 of our newly issued Class A ordinary shares, which amounted to approximately 5% of our total outstanding shares as of the date of the agreement. In return, Walmart transferred to us Yihaodian marketplace platform assets, including the Yihaodian brand, mobile apps and websites, and entered into business cooperation arrangements with us.

Investor Rights Agreement. On June 20, 2016, we entered into an investor rights agreement with Newheight. Pursuant to the investor rights agreement:

- *Observer right.* So long as Newheight and certain other wholly-owned subsidiaries of Walmart hold no less than 289,053,746 shares of our Class A ordinary shares (including ADSs representing Class A ordinary shares), Newheight has the right to designate one of its senior executives to attend all meetings of our board of directors in a non-voting observer capacity;
- *Registration rights.* After the expiration of a period of 60 months following June 20, 2016, Walmart has certain demand registration rights, piggyback registration rights and F-3 registration rights under the investor rights agreement with respect to their registrable securities, including ordinary shares issued under the share subscription agreement;
- *Preemptive rights with respect to share issuance.* Within the first 24 months after June 20, 2016 (and regardless of Newheight’s percentage of ownership of our share capital) and, after such period, for so long as Newheight holds at least 10% of our then outstanding share capital on a fully diluted basis, if we propose to issue certain new securities, Newheight or a wholly-owned subsidiary of Walmart designated by Newheight has the right to purchase such number of new securities under the same terms and conditions at its election so as to enable Newheight to hold a pro rata portion of the new securities equal to the percentage of our share capital on a fully diluted basis then held by Newheight.
- *Transfer restrictions.* Walmart agreed to certain lock-up, standstill, rights of first refusal and other transfer restrictions provided in the investor rights agreement.

Certain Agreements with Google

In June 2018, we entered into a series of agreements with Google in relation to our strategic partnership with Google. Set forth below is a summary of certain of the agreements.

Share Subscription Agreement. On June 18, 2018, we entered into a share subscription agreement with Google LLC, pursuant to which Google LLC subscribed for 27,106,948 of our newly issued Class A ordinary shares, representing approximately 0.93% of our total outstanding shares (prior to the issuance of such shares) as of May 31, 2018.

Investor Rights Agreement. On June 18, 2018, we entered into an investor rights agreement with Google LLC, pursuant to which:

- *Observer right.* So long as Google LLC and certain wholly-owned subsidiaries of Google LLC hold at least 10% of our outstanding share capital on a fully diluted basis, Google LLC has the right to designate one senior executive to attend all meetings of our board of directors in a non-voting observer capacity.

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- *Registration rights.* After the expiration of a period of 12 months following June 18, 2018, Google LLC has certain demand registration rights, piggyback registration rights and F-3 registration rights under the investor rights agreement with respect to their registrable securities, including ordinary shares issued under the share subscription agreement.
- *Preemptive rights with respect to share issuance.* Within the first 24 months after June 18, 2018, so long as Google LLC does not transfer or otherwise dispose of any of the Class A ordinary shares it acquired pursuant to the share subscription agreement, if we propose to issue certain new securities, Google LLC or a wholly-owned subsidiary of Google LLC designated by Google LLC pursuant to the investor rights agreement has the right to purchase such number of new securities under the same terms and conditions at its election so as to enable Google LLC to hold a pro rata portion of the new securities equal to the percentage of our share capital on a fully diluted basis then held by Google LLC.
- *Transfer restrictions.* Google LLC agreed to certain lock-up and other transfer restrictions provided in the investor rights agreement.

D. Exchange Controls

See “Item 4.B. Information on the Company—Business Overview—Regulation—Regulations Relating to Foreign Exchange.”

E. Taxation

The following summary of the principal Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People’s Republic of China and the United States.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to any payments made by or to our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

There is no income tax treaty or convention currently in effect between the United States and the Cayman Islands.

People’s Republic of China Taxation

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the State Administration of Taxation issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that none of JD.com, Inc. and its subsidiaries outside of China is a PRC resident enterprise for PRC tax purposes. JD.com, Inc. is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that JD.com, Inc. meets all of the conditions above. JD.com, Inc. is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. For the same reasons, we believe our other subsidiaries outside of China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.”

If the PRC tax authorities determine that JD.com, Inc. is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC withholding tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. In addition, gains derived by our non-PRC individual shareholders from the sale of our shares and ADSs may be subject to a 20% PRC withholding tax. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to dividends realized by non-PRC individuals, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of JD.com, Inc. would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that JD.com, Inc. is treated as a PRC resident enterprise.

Provided that our Cayman Islands holding company, JD.com, Inc., is not deemed to be a PRC resident enterprise, holders of our ADSs and ordinary shares who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our shares or ADSs. SAT Circular 7 further clarifies that, if a non-resident enterprise derives income by acquiring and selling shares in an offshore listed enterprise in the public market, such income will not be subject to PRC tax. In addition, SAT Public Notice 37 provided certain key changes to the previous withholding regime, such as (i) the withholding obligation for a non-resident enterprise deriving dividend arises on the date on which the payment is actually made rather than on the date of the resolution that declared the dividends, (ii) non-resident enterprises are not obligated to report tax to relevant authorities if their withholding agents fail to perform the withholding obligation is removed. However, there is uncertainty as to the application of SAT Public Notice 37 and SAT Circular 7, we and our non-PRC resident investors may be at risk of being required to file a return and being taxed under SAT Public Notice 37 and SAT Circular 7 and we may be required to expend valuable resources to comply with SAT Public Notice 37 and SAT Circular 7 or to establish that we should not be taxed under SAT Public Notice 37 and SAT Circular 7. See “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies, and heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.”

United States Federal Income Tax Considerations

The following discussion is a summary of United States federal income tax considerations relating to the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that holds our ADSs or ordinary shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the “Code”). This discussion is based on the tax laws of the United States as in effect on the date of this annual report on Form 20-F and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report on Form 20-F, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax considerations described below. No ruling has been sought from the United States Internal Revenue Service (the “IRS”) with respect to any United States federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This discussion does not address all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, banks, certain financial institutions, insurance companies, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships and their partners, tax-exempt entities (including private foundations), investors who are not U.S. Holders, investors liable for the alternative minimum tax, investors who acquired their ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation, investors who own (directly, indirectly, or constructively) 10% or more of our stock (by vote or value), investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, investors subject to the 3.8% Medicare tax on their net investment income, investors required to accelerate the recognition of any item of gross income with respect to our ADSs or ordinary shares as a result of such income being recognized on an applicable financial statement or investors that have a functional currency other than the United States dollar), all of whom may be subject to tax rules that differ significantly from those summarized below.

In addition, this discussion does not address any state, local or non-United States tax considerations (other than the discussion below relating to certain withholding rules and the United States-PRC income tax treaty). Each U.S. Holder is urged to consult its tax advisor regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our ADSs or ordinary shares.

General

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or ordinary shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the law of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person under the Code.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) owns our ADSs or ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or ordinary shares.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with their terms. U.S. Holders who hold ADSs will be treated as the holder of the underlying ordinary shares represented by those ADSs for US. Federal income tax purposes.

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be classified as a “passive foreign investment company,” or PFIC, for United States federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company’s unbooked intangibles associated with active business activity are taken into account as a non-passive asset. The average percentage of a corporation’s assets that produce or are held for the production of passive income generally is determined on the basis of the fair market value of the corporation’s assets at the end of each quarter.

In addition, we will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock. Although the law in this regard is unclear, we treat our variable interest entities as being owned by us for United States federal income tax purposes because we control their management decisions and we are entitled to substantially all of the economic benefits associated with these entities, and, as a result, we consolidate their results of operations in our U.S. GAAP financial statements and treat them as being owned by us for United States federal income tax purposes. If it were determined, however, that we are not the owner of our variable interest entities for United States federal income tax purposes, we may be treated as a PFIC for our taxable year ended December 31, 2019 and in future taxable years.

Subject to the foregoing uncertainties, based on our current income and assets and the value of our ADSs and outstanding ordinary shares, we do not expect to be classified as a PFIC for our taxable year ended December 31, 2019 or in the foreseeable future. While we do not anticipate becoming a PFIC, changes in the nature of our income or assets, or fluctuations in the market price of our ADSs or ordinary shares, may cause us to become a PFIC for future taxable years. In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our market capitalization, which may fluctuate over time. Among other factors, if our market capitalization subsequently declines, we may be or become classified as a PFIC for the current or future taxable years. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income or where we determine not to deploy significant amounts of cash for working capital or other purposes, our risk of becoming classified as a PFIC may substantially increase.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, and unless the U.S. Holder makes a “mark-to-market” election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder’s holding period for the ADSs or ordinary shares), and (ii) any gain realized on the sale or other disposition, including a pledge, of ADSs or ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period for the ADSs or ordinary shares;
- amounts allocated to the current taxable year and any taxable years in a U.S. Holder’s holding period prior to the first taxable year in which we are classified as a PFIC (a “pre-PFIC year”) will be taxable as ordinary income; and
- amounts allocated to each prior taxable year, other than the current taxable year or a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to such U.S. Holder for that year, and such amounts will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to such years.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or ordinary shares cannot be treated as capital, even if such ADSs or ordinary shares are held as capital assets.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by a lower-tier PFIC and a disposition of shares of a lower-tier PFIC even though such U.S. Holders would not receive the proceeds of those distributions or dispositions. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election with respect to our ADSs, but not our ordinary shares, provided that our ADSs remained listed on Nasdaq and that the ADSs are regularly traded. The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter, or “regularly traded” on a qualified exchange or other market, as defined in applicable Treasury regulations. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes this election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder’s adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of our ADSs and we cease to be a PFIC, the holder will not be required to take into account the gain or loss described above during any period that we are not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election. In the case of a U.S. Holder who has held ADSs during any taxable year in respect of which we were classified as a PFIC and continues to hold such ADSs (or any portion thereof) and has not previously determined to make a mark-to-market election and who is now considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs.

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Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the general PFIC rules described above with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

A U.S. Holder that holds ADSs or ordinary shares in any year in which we are classified as a PFIC may make a "deemed sale" election with respect to such ADSs or ordinary shares in a subsequent taxable year in which we are not classified as a PFIC. If a U.S. Holder makes a valid deemed sale election with respect to such ADSs or ordinary shares, such U.S. Holder will be treated as having sold all of its ADSs or ordinary shares for their fair market value on the last day of the last taxable year in which we were a PFIC and such ADSs or ordinary shares will no longer be treated as PFIC stock. A U.S. Holder will recognize gain (but not loss), which will be subject to tax as an "excess distribution" received on the last day of the last taxable year in which we were a PFIC. A U.S. Holder's basis in the ADSs or ordinary shares would be increased to reflect gain recognized, and such U.S. Holder's holding period would begin on the day after we ceased to be a PFIC.

The deemed sale election is only relevant to U.S. Holders that hold the ADSs or ordinary shares during a taxable year in which we cease to be a PFIC. U.S. Holders are urged to consult their tax advisors regarding the advisability of making a deemed sale election and the consequences thereof in light of the U.S. Holder's individual circumstances.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from the tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or ordinary shares during any taxable year that we are a PFIC, the holder must file an annual Internal Revenue Service Form 8621.

Each U.S. Holder is urged to consult its tax advisor concerning the United States federal income tax consequences of purchasing, holding, and disposing of ADSs or ordinary shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market election and the unavailability of the qualified electing fund election.

Dividends

Any cash distributions (including any amount of any PRC tax withheld) paid on our ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of ordinary shares, or by the depository, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution we pay will generally be reported as a "dividend" for United States federal income tax purposes. Dividends received on our ADSs or ordinary shares will not be eligible for the dividends received deduction allowed to corporations under the Code.

Individuals and other non-corporate recipients will be subject to tax at the lower capital gain tax rate applicable to “qualified dividend income” on dividends paid on our ADSs, provided that certain conditions are satisfied, including that (i) our ADSs are readily tradable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefit of the United States-PRC income tax treaty (the “Treaty”), (ii) we are neither a passive foreign investment company nor treated as such with respect to a U.S. Holder (as discussed above) for the taxable year in which the dividend was paid and the preceding taxable year, and (iii) certain holding period requirements are met. Because (i) U.S. Treasury guidance indicates that ADSs representing ordinary shares, such as ours, listed on the Nasdaq Global Select Market are considered to be readily tradable on an established securities market in the United States, and (ii) we believe that we were not a PFIC for United States federal income tax purposes for our taxable year ended December 31, 2019 and we do not expect to be a PFIC in subsequent years, we believe that we are a qualified foreign corporation with respect to dividends paid on the ADSs, but not with respect to dividends paid on our ordinary shares. In the event that we are deemed to be a PRC resident enterprise under PRC tax law, we believe that we would be eligible for the benefits under the Treaty and that we should be treated as a qualified foreign corporation with respect to dividends paid on our ordinary shares or ADSs. U.S. Holders should consult their tax advisors regarding the availability of the reduced tax rate on dividends in their particular circumstances.

For United States foreign tax credit purposes, dividends generally will be treated as income from foreign sources and generally will constitute passive category income. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit not in excess of any applicable treaty rate in respect of any nonrefundable foreign withholding taxes imposed on dividends received on our ADSs or ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for United States federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Ordinary Shares

Subject to the PFIC discussion above, a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the sale or other disposition and the holder’s adjusted tax basis in such ADSs or ordinary shares. The gain or loss will generally be capital gain or loss. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year. An individual U.S. Holder or other non-corporate U.S. Holder who has held the ADSs or ordinary shares for more than one year will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss recognized by a U.S. Holder will generally be treated as U.S. source income or loss for foreign tax credit purposes, which will generally limit the availability of foreign tax credits. However, in the event we are deemed to be a PRC “resident enterprise” under PRC tax law, we may be eligible for the benefits of the Treaty. In such event, if PRC tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares, a U.S. Holder that is eligible for the benefits of the Treaty may elect to treat such gain as PRC source income. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers, and are required to file reports and other information with the SEC. Specifically, we are required to file annually an annual report on Form 20-F within four months after the end of each fiscal year, which is December 31. All information filed with the SEC can be obtained over the internet at the SEC’s website at www.sec.gov. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Deutsche Bank Trust Company Americas, the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

In accordance with Nasdaq Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at <http://ir.jd.com>. In addition, we will provide hardcopies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Foreign Exchange Risk

Substantially all of our revenues and expenses are denominated in RMB. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and RMB because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

The conversion of RMB into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between RMB and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amounts available to us.

As of December 31, 2019, we had RMB-denominated cash and cash equivalents, restricted cash and short-term investments of RMB35.3 billion, and U.S. dollar-denominated cash, cash equivalents and short-term investments of US\$4.2 billion. Assuming we had converted RMB35.3 billion into U.S. dollars at the exchange rate of RMB6.9618 for US\$1.00 as of December 31, 2019, our U.S. dollar cash balance would have been US\$9.2 billion. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US\$8.7 billion instead. Assuming we had converted US\$4.2 billion into RMB at the exchange rate of RMB6.9618 for US\$1.00 as of December 31, 2019, our RMB cash balance would have been RMB64.3 billion. If the RMB had depreciated by 10% against the U.S. dollar, our RMB cash balance would have been RMB67.5 billion instead.

Inflation

To date, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2017, 2018 and 2019 were increases of 1.8%, 1.9% and 4.5%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected by higher rates of inflation in China in the future.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

An ADS holder will be required to pay the following service fees to the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of the ADSs):

<u>Service</u>	<u>Fees</u>
• to any person to whom ADSs are issued or to any person to whom a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)	Up to US\$0.05 per ADS issued
• Surrendering ADSs for cancellation and withdrawal of deposited securities	Up to US\$0.05 per ADS surrendered
• Distribution of cash dividends	Up to US\$0.05 per ADS held
• Distribution of cash entitlements (other than cash dividends) and/or cash proceeds, including proceeds from the sale of rights, securities and other entitlements	Up to US\$0.05 per ADS held
• Distribution of ADSs pursuant to exercise of rights	Up to US\$0.05 per ADS held
• Operation and maintenance costs	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary bank

An ADS holder will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of the ADSs) such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex, fax and electronic transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery of ordinary shares on deposit or the servicing of ordinary shares, deposited securities and/or ADSs.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, deposited securities, ADSs and ADRs.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Fees and Other Payments Made by the Depositary to Us

Deutsche Bank Trust Company Americas, as depositary, has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. Further, the depositary has agreed to reimburse us certain fees payable to the depositary by holders of ADSs. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this time. In 2019, we were entitled to receive approximately US\$10.3 million reimbursement from the depositary for our expenses incurred in connection with investor relationship programs related to the ADS facility and the travel expense of our key personnel in connection with such programs.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, as of December 31, 2019, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, our management including our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of internal control over financial reporting as of December 31, 2019 using the criteria set forth in the report "Internal Control—Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2019.

Our independent registered public accounting firm, Deloitte Touche Tohmatsu Certified Public Accountants LLP, has audited the effectiveness of our company's internal control over financial reporting as of December 31, 2019, as stated in its report, which appears from page F-5 to F-6 of this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Louis T. Hsieh, an independent director (under the standards set forth in Nasdaq Stock Market Rule 5605(a) (2) and Rule 10A-3 under the Exchange Act) and member of our audit committee, is an audit committee financial expert.

Item 16B. Code of Ethics

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers and employees in April 2014. We have posted a copy of our code of business conduct and ethics on our website at <http://ir.jd.com>.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by our independent registered public accounting firms for the periods indicated.

	2018		2019 ⁽⁵⁾	
Audit fees ⁽¹⁾	US\$	4,074,302	US\$	2,450,000
Audit-related fees ⁽²⁾	US\$	1,205,401	US\$	366,605
Tax fees ⁽³⁾	US\$	68,194	US\$	137,047
All other fees ⁽⁴⁾	US\$	138,909	US\$	—

- (1) "Audit fees" means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements and assistance with and review of documents filed with the SEC. In 2018 and 2019, the audit refers to financial audit and audit pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.
- (2) "Audit-related fees" means fees billed in each of the fiscal years listed for the issue of comfort letter, rendering of listing advice and other audit-related services.
- (3) "Tax Fees" means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for tax compliance, tax advice and tax planning.
- (4) "All other fees" means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors associated with certain financial due diligence projects, permissible services to review and comment on internal control design over financial reporting and other advisory services.
- (5) On June 22, 2019, we engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP ("Deloitte") as our independent registered public accounting firm, and dismissed PricewaterhouseCoopers Zhong Tian LLP ("PwC"). The fees for 2019 are fees payable to Deloitte. See also "Item 16F. Change in Registrant's Certifying Accountant."

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our independent registered public accounting firms, including audit services, audit-related services, tax services and other services as described above, other than those for de minimis services which are approved by the audit committee prior to the completion of the audit.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On December 25, 2018, our board of directors authorized a share repurchase program, under which we may repurchase up to US\$1.0 billion of our ADSs or ordinary shares over the next 12 months from December 26, 2018 through December 25, 2019. The share repurchase program was publicly announced on December 26, 2018.

As of December 31, 2019, we had repurchased a total of approximately 2.3 million ADSs under this share repurchase program. The table below is a summary of the shares repurchased by us in 2019. All shares were repurchased in the open market pursuant to the share repurchase program announced on December 26, 2018.

<u>Period</u>	<u>Total Number of ADSs Purchased</u>	<u>Average Price Paid Per ADS</u>	<u>Total Number of ADSs Purchased as Part of the Publicly Announced Plan</u>	<u>Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plan</u>
January 1, 2019 to January 31, 2019	935,848	20.41	935,848	950,900,225
Total	935,848	20.41	935,848	—

On March 17, 2020, our board of directors authorized a share repurchase program, under which we may repurchase up to US\$2.0 billion of our ADSs or ordinary shares over the next 24 months through March 17, 2022. The share repurchase program was publicly announced on March 17, 2020.

As of April 15, 2020, we had repurchased a total of approximately 1.2 million ADSs under this share repurchase program. The table below is a summary of the shares repurchased by us from March 17, 2020 to April 15, 2020. All shares were repurchased in the open market pursuant to the share repurchase program announced on March 17, 2020.

<u>Period</u>	<u>Total Number of ADSs Purchased</u>	<u>Average Price Paid Per ADS</u>	<u>Total Number of ADSs Purchased as Part of the Publicly Announced Plan</u>	<u>Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plan</u>
March 17, 2020 to March 31, 2020	1,191,370	37.04	1,191,370	1,955,868,397
Total	1,191,370	37.04	1,191,370	1,955,868,397

Item 16F. Change in Registrant's Certifying Accountant

On June 22, 2019, we engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP ("Deloitte") as our independent registered public accounting firm, and dismissed PricewaterhouseCoopers Zhong Tian LLP ("PwC"). The change of our independent registered public accounting firm had been approved by the audit committee of our board, and the decision was not made due to any disagreements between us and PwC.

The reports of PwC on our consolidated financial statements for the fiscal years ended December 31, 2017 and 2018 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle.

During the fiscal years ended December 31, 2017 and 2018 and the subsequent interim period through June 22, 2019, there have been no (i) disagreements between us and PwC on any matter of accounting principles or practices, financial statement disclosure, or audit scope or procedure, which disagreements if not resolved to the satisfaction of PwC would have caused them to make reference thereto in their reports on the consolidated financial statements for such years, or (ii) reportable events as defined in Item 16F(a)(1)(v) of the instructions to Form 20-F.

We have provided PwC with a copy of the disclosures hereunder and required under Item 16F of Form 20-F and requested from PwC a letter addressed to the SEC indicating whether it agrees with such disclosures. A copy of PwC's letter dated December 3, 2019 is attached as Exhibit 16.1 to the registration statement on Form F-3 filed with the SEC on December 3, 2019.

During each of the fiscal years ended December 31, 2017 and 2018 and the subsequent interim period through June 22, 2019, neither we nor anyone on behalf of us has consulted with Deloitte regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report nor oral advice was provided to us that Deloitte concluded was an important factor considered by us in reaching a decision as to any accounting, audit, or financial reporting issue, (ii) any matter that was the subject of a disagreement pursuant to Item 16F(a)(1)(iv) of the instructions to Form 20-F, or (iii) any reportable event pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F.

Item 16G. Corporate Governance

As a Cayman Islands company listed on Nasdaq, we are subject to the Nasdaq corporate governance listing standards. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards. Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, has provided a letter to the Nasdaq Stock Market certifying that under Cayman Islands law, we are not required to hold annual shareholders meetings every year. We follow home country practice with respect to annual meetings and did not hold an annual meeting of shareholders in 2019. We will, however, hold annual shareholders meetings in the future if there are matters that require shareholders' approval.

Other than the annual meeting practice described above, there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under Nasdaq Stock Market Rules.

However, if we choose to follow other home country practice in the future, our shareholders may be afforded less protection than they otherwise would under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers. See "Item 3.D. Key Information—Risk Factors—Risks Related to Our ADSs—We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies."

Item 16H. Mine Safety Disclosure

Not applicable.

PART III**Item 17. Financial Statements**

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of JD.com, Inc., its subsidiaries and its consolidated variable interest entities are included at the end of this annual report.

Item 19. Exhibits

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
2.1	Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3)
2.2	Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
2.3	Deposit Agreement dated May 21, 2014 among the Registrant, the depository and holder of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-198578), filed with the Securities and Exchange Commission on September 5, 2014)
2.4	Indenture, dated as of April 29, 2016, between the Registrant and The Bank of New York Mellon, as trustee (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-3 (File No. 333-235338) filed by the Registrant with the Securities and Exchange Commission on December 3, 2019)
2.5	First Supplemental Indenture, dated April 29, 2016, between the Registrant and The Bank of New York Mellon, as trustee (incorporated herein by reference to Exhibit 4.1 to the current report on Form 6-K (File No. 001-36450) furnished to the Securities and Exchange Commission on April 29, 2016)
2.6	Form of US\$500,000,000 3.125% Notes Due 2021 (included in Exhibit 2.5)
2.7	Form of US\$500,000,000 3.875% Notes Due 2026 (included in Exhibit 2.5)
2.8	Second Supplemental Indenture, dated January 14, 2020, between the Registrant and The Bank of New York Mellon, as trustee (incorporated herein by reference to Exhibit 4.1 to the current report on Form 6-K (File No. 001-36450) furnished to the Securities and Exchange Commission on January 14, 2020)
2.9	Form of US\$700,000,000 3.375% Notes due 2030 (included in Exhibit 2.8)
2.10	Form of US\$300,000,000 4.125% Notes due 2050 (included in Exhibit 2.8)
2.11*	Description of American Depositary Shares of the Registrant
2.12*	Description of Class A Ordinary Shares of the Registrant
2.13	Description of the Registrant's US\$500,000,000 3.125% Notes Due 2021 (incorporated herein by reference to (i) the section titled "Description of Debt Securities" in the Registrants' registration statement on Form F-3 (File No. 333-210795) filed with the Securities and Exchange Commission on April 18, 2016 and (ii) the section titled "Description of the Notes" in the prospectus supplement, in the form filed by the Registrant with the Securities and Exchange Commission on April 22, 2016 pursuant to Rule 424(b) under the Securities Act of 1933, as amended)

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<u>Exhibit Number</u>	<u>Description of Document</u>
2.14	Description of the Registrant's US\$500,000,000 3.875% Notes Due 2026 (incorporated herein by reference to (i) the section titled "Description of Debt Securities" in the Registrants' registration statement on Form F-3 (File No. 333-210795) filed with the Securities and Exchange Commission on April 18, 2016 and (ii) the section titled "Description of the Notes" in the prospectus supplement, in the form filed by the Registrant with the Securities and Exchange Commission on April 22, 2016 pursuant to Rule 424(b) under the Securities Act of 1933, as amended)
2.15	Description of the Registrant's US\$700,000,000 3.375% Notes due 2030 (incorporated herein by reference to (i) the section titled "Description of Debt Securities" in the Registrants' registration statement on Form F-3 (File No. 333-235338) filed with the Securities and Exchange Commission on December 3, 2019 and (ii) the section titled "Description of the Notes" in the prospectus supplement, in the form filed by the Registrant with the Securities and Exchange Commission on January 8, 2020 pursuant to Rule 424(b) under the Securities Act of 1933, as amended)
2.16	Description of the Registrant's US\$300,000,000 4.125% Notes due 2050 (incorporated herein by reference to (i) the section titled "Description of Debt Securities" in the Registrants' registration statement on Form F-3 (File No. 333-235338) filed with the Securities and Exchange Commission on December 3, 2019 and (ii) the section titled "Description of the Notes" in the prospectus supplement, in the form filed by the Registrant with the Securities and Exchange Commission on January 8, 2020 pursuant to Rule 424(b) under the Securities Act of 1933, as amended)
4.1	Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-200450), as amended, initially filed with the Securities and Exchange Commission on November 21, 2014)
4.2	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.3	Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.4	English translation of the Amended and Restated Loan Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated November 20, 2017 (incorporated herein by reference to Exhibit 4.4 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 27, 2018)
4.5	English translation of the Amended and Restated Equity Pledge Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.5 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on May 1, 2017)
4.6	English translation of the Power of Attorney by the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.6 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on May 1, 2017)
4.7	English translation of the Second Amended and Restated Exclusive Technology Consulting and Service Agreement between Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd., dated June 15, 2016 (incorporated herein by reference to Exhibit 4.7 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 14, 2019)

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.8	<u>English translation of the Amended and Restated Intellectual Property Rights License Agreement between Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 25, 2013 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)</u>
4.9	<u>English translation of the Amended and Restated Business Cooperation Agreement between Beijing Jingdong Century Trade Co., Ltd., Shanghai Shengdayuan Information Technology Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated May 29, 2012 (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)</u>
4.10	<u>English translation of the Amended and Restated Exclusive Purchase Option Agreement between Beijing Jingdong Century Trade Co., Ltd., Beijing Jingdong 360 Degree E-Commerce Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.10 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on May 1, 2017)</u>
4.11	<u>English translation of the Business Operations Agreement between Beijing Jingdong Century Trade Co., Ltd., Beijing Jingdong 360 Degree E-Commerce Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated November 20, 2017 (incorporated herein by reference to Exhibit 4.11 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 27, 2018)</u>
4.12	<u>English translation of the Amended and Restated Loan Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.12 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on May 1, 2017)</u>
4.13	<u>English translation of the Amended and Restated Equity Pledge Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.13 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on May 1, 2017)</u>
4.14	<u>English translation of the Power of Attorney by the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.14 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on May 1, 2017)</u>
4.15	<u>English translation of the Second Amended and Restated Exclusive Technology Consulting and Service Agreement between Beijing Jingdong Century Trade Co., Ltd. and Jiangsu Yuanzhou E-Commerce Co., Ltd., dated June 15, 2016 (incorporated herein by reference to Exhibit 4.15 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 15, 2019)</u>
4.16	<u>English translation of the Amended and Restated Intellectual Property Rights License Agreement between Beijing Jingdong Century Trade Co., Ltd. and Jiangsu Yuanzhou E-Commerce Co., Ltd. dated December 18, 2013 (incorporated herein by reference to Exhibit 10.15 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)</u>
4.17	<u>English translation of the Amended and Restated Exclusive Purchase Option Agreement between Beijing Jingdong Century Trade Co., Ltd., Jiangsu Yuanzhou E-Commerce Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.17 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on May 1, 2017)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.18	<u>English translation of the Business Operations Agreement between Beijing Jingdong Century Trade Co., Ltd., Jiangsu Yuanzhou E-Commerce Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated August 25, 2016 (incorporated herein by reference to Exhibit 4.18 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on May 1, 2017)</u>
4.19	<u>English translation of Strategic Cooperation Agreement between the Registrant and Bitauto Holdings Limited, dated January 9, 2015 (incorporated herein by reference to Exhibit 99.3 to Schedule 13D (File No. 005-85981) filed with the Securities and Exchange Commission on February 26, 2015)</u>
4.20	<u>Amended and Restated Investor Rights Agreement by and among Bitauto Holdings Limited, JD.com Global Investment Limited, Dongting Lake Investment Limited, Morespark Limited and Baidu Holdings Limited dated June 17, 2016 (incorporated herein by reference to Exhibit 99.6 to Schedule 13D/A (File No. 005-85981) filed with the Securities and Exchange Commission on June 21, 2016)</u>
4.21*	<u>English translation of Executed Form of the Equity Pledge Agreement between a wholly-owned subsidiary of the Registrant and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect</u>
4.22*	<u>English translation of Executed Form of the Power of Attorney by the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect</u>
4.23*	<u>English translation of Executed Form of the Exclusive Technology Consulting and Service Agreement between a wholly-owned subsidiary of the Registrant and a Chinese variable interest entity of the Registrant, as currently in effect</u>
4.24*	<u>English translation of Executed Form of the Business Operations Agreement between a wholly-owned subsidiary of the Registrant, a Chinese variable interest entity of the Registrant, and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect</u>
4.25*	<u>English translation of Executed Form of the Exclusive Purchase Option Agreement between a wholly-owned subsidiary of the Registrant, a Chinese variable interest entity of the Registrant, and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect</u>
4.26*	<u>English translation of Executed Form of the Loan Agreement between a wholly-owned subsidiary of the Registrant and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect</u>
4.27	<u>Investor Rights Agreement between the Registrant and Newheight Holdings Ltd., dated June 20, 2016 (incorporated herein by reference to Exhibit 4.35 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on May 1, 2017)</u>
4.28*	<u>Framework Agreement by and among the Registrant, Beijing Jingdong Financial Technology Holding Co., Ltd. and other parties listed therein, dated March 1, 2017, as amended</u>
4.29	<u>Intellectual Property License and Software Technology Services Agreement between the Registrant and Beijing Jingdong Financial Technology Holding Co., Ltd., dated March 1, 2017 (incorporated herein by reference to Exhibit 4.37 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on May 1, 2017)</u>
4.30	<u>Investor Rights Agreement by and among Vipshop Holdings Limited, Windcreek Limited, Tencent Mobility Limited and other parties listed therein, dated December 29, 2017 (incorporated herein by reference to Exhibit 99.4 to our report on Schedule 13D filed with the Securities and Exchange Commission with respect to Vipshop Holdings Limited on January 8, 2018)</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.31	<u>English summary of Strategic Cooperation Agreement regarding Dalian Wanda Commercial Properties Co., Ltd. by and among Dalian Wanda Group Co., Ltd., Dalian Wanda Commercial Properties Co., Ltd., Tencent Technology (Shenzhen) Co., Ltd. and Beijing Jingdong Century Trading Co., Ltd., dated January 27, 2018 (incorporated herein by reference to Exhibit 4.41 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 27, 2018)</u>
4.32	<u>Shareholders Agreement of Jingdong Express Group Corporation, dated March 7, 2018 (incorporated herein by reference to Exhibit 4.43 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 27, 2018)</u>
4.33	<u>US\$1,000,000,000 Term and Revolving Credit Facilities Agreement dated between the Registrant and other parties thereto, dated December 21, 2017 (incorporated herein by reference to Exhibit 4.44 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 27, 2018)</u>
4.35	<u>Investor Rights Agreement, by and between the Registrant and Google LLC, dated as of June 18, 2018 (incorporated herein by reference to Exhibit 4.40 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 15, 2019)</u>
4.36	<u>Subscription Agreement, by and between the Registrant and Google LLC, dated as of June 18, 2018 (incorporated herein by reference to Exhibit 4.41 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 15, 2019)</u>
4.37	<u>Subscription Agreement relating to the offering of limited partnership interests in JD Logistics Properties Core Fund, L.P. (incorporated herein by reference to Exhibit 4.42 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 15, 2019)</u>
4.38†	<u>Share Purchase Agreement, by and between Jingdong E-Commerce (Logistics) Hong Kong Corporation Limited, as sellers, and JD Star Development X (HK) Limited, as purchaser, dated as of February 27, 2019 (incorporated herein by reference to Exhibit 4.43 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 15, 2019)</u>
4.39	<u>Share Subscription Agreement, dated May 10, 2019, by and between the Registrant and Huang River Investment Limited (incorporated herein by reference to Exhibit 9 to Form Schedule 13D/A filed by Tencent Holdings Limited with the Securities and Exchange Commission on May 15, 2019)</u>
4.40	<u>English Translation of Strategic Cooperation Agreement, dated as of May 10, 2019, among Shenzhen Tencent Computer Systems Co., Ltd., JD.com, Inc. and Chongqing Jingdong Haijia E-Commerce Co., Ltd. (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-3 (File No.: 333-235338) filed by the Registrant with the Securities and Exchange Commission on December 3, 2019)</u>
8.1*	<u>List of Principal Subsidiaries and Consolidated Variable Interest Entities</u>
11.1	<u>Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)</u>
12.1*	<u>Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
12.2*	<u>Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
13.1**	<u>Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

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<u>Exhibit Number</u>	<u>Description of Document</u>
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP
15.2*	Consent of PricewaterhouseCoopers Zhong Tian LLP
15.3*	Consent of Zhong Lun Law Firm
16.1	Letter from PricewaterhouseCoopers Zhong Tian LLP to the Securities and Exchange Commission, dated December 3, 2019 (incorporated herein by reference to Exhibit 16.1 to the registration statement on Form F-3 to the registration statement on Form F-3 (File No.: 333-235338) filed by the Registrant with the Securities and Exchange Commission on December 3, 2019)
99.1***	Consolidated Financial Statements of Dada Nexus Limited as of December 31, 2017, 2018 and 2019 and for the years ended December 31, 2017, 2018 and 2019
99.2***	Consolidated Financial Statements of Bitauto Holdings Limited as of December 31, 2017, 2018 and 2019 and for the years ended December 31, 2017, 2018 and 2019
99.3***	Consolidated Financial Statements of Tuniu Corporation as of December 31, 2017, 2018 and 2019 and for the years ended December 31, 2017, 2018 and 2019
101.INS*	Inline XBRL Instance Document—this instance document does not appear in the Interactive Data File because its XBRL tags are not embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

** Furnished herewith

*** To be filed by amendment within six months of December 31, 2019

† Portions of this exhibit have been omitted pursuant to Rule 406 under the Securities Act.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

JD.com, Inc.

By: /s/ Richard Qiangdong Liu
Name: Richard Qiangdong Liu
Title: Chairman and Chief Executive Officer

Date: April 15, 2020

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JD.com, Inc.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of JD.com, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of JD.com, Inc. and its subsidiaries (the “Company”) as of December 31, 2019, the related consolidated statements of operations and comprehensive income/(loss), changes in shareholders’ equity and cash flows for the year ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 15, 2020, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has adopted the new lease accounting standard, ASC Topic 842, Leases, on January 1, 2019.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Investment in equity investees - the impairment assessments of investments accounted for under the Measurement Alternative and equity method - Refer to Notes 2.S and 7 to the financial statements

Critical Audit Matter Description

The Company performs impairment assessments over its investment in equity investees periodically or when factors may indicate that a decrease in value of the equity method investments has occurred that is other than temporary. The evaluation of the impairment indicators requires that management to exercise significant judgments.

For investments accounted for under the Measurement Alternative, the Company undertakes qualitative assessments periodically to evaluate whether any of the investments are impaired. Impairment indicators include issues with the investees' operation performance and financial position, as well as other negative factors including liquidity concerns and relevant trends in their respective industries.

For equity method investments, the Company evaluates whether indicators that a decrease in value of the investment has occurred that is other than temporary. The primary factors the Company considers include the duration and severity of the decline in the fair value, the financial condition, operating performance and the prospects of the equity investee, and other company specific information such as recent financing transactions, if any.

We identified the impairment assessments of equity investments accounted for under the Measurement Alternative and equity method as a critical audit matter because of the significant judgments management must exercise to determine if an impairment of the investment has occurred. This evaluation requires a high degree of auditor judgment and an increased extent of effort, when performing audit procedures to evaluate the reasonableness of management's significant judgments.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures focus on the determination of whether the investment accounted for under the Measurement Alternative is impaired, or an other-than-temporary impairment exists for equity method investments and included the following, among others:

- We obtained an understanding and evaluated the control design, and tested the operating effectiveness of controls over management's review of their impairment indicator analysis and the conclusions reached with respect to their impairment assessments for investments accounted for under the Measurement Alternative and equity method investments.
- We tested management's evaluation of impairment for investments accounted for under the Measurement Alternative and equity method respectively by performing following audit procedures:
 - Assessing the methodologies applied and testing the completeness and accuracy of data used by management in its impairment analysis;
 - Comparing significant financial assumptions used in the investees' financial statements to their respective industry and relevant market key indicators;

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- Inquiring with the key management and external auditors of the equity method investees, and inquiring with the key management of the Measurement Alternative investees;
- Performing searches for adverse public information and legal claims or litigations related to the investees to identify whether any such information may contradict management's significant assumptions used;
- Reviewing investees board minutes and other information to assess the completeness and accuracy on significant operating and financing activities considered by the management to form their assumptions.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China

April 15, 2020

We have served as the Company's auditor since 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of JD.com, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of JD.com, Inc. and its subsidiaries (the “Company”) as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Company and our report dated April 15, 2020, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the adoption of the new lease accounting standard, ASC Topic 842, Leases, on January 1, 2019.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China

April 15, 2020

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of JD.com, Inc.

Opinion on the Financial Statements

We have audited the consolidated balance sheet of JD.com, Inc. and its subsidiaries (the “Company”) as of December 31, 2018 and December 31, 2017, and the related consolidated statements of operations and comprehensive income/(loss), of changes in shareholders’ equity and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and December 31, 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People’s Republic of China
April 15, 2019

We served as the Company’s auditor from 2010 to 2019.

JD.com, Inc.
Consolidated Balance Sheets
(All amounts in thousands, except for share, per share data or otherwise noted)

	As of December 31,			
	2017 RMB	2018 RMB	2019 RMB	US\$ Note 2(g)
ASSETS				
Current assets				
Cash and cash equivalents	25,688,327	34,262,445	36,971,420	5,310,612
Restricted cash	4,110,210	3,239,613	2,940,859	422,428
Short-term investments	8,587,852	2,035,575	24,602,777	3,533,968
Accounts receivable, net	16,359,147	11,109,988	6,190,588	889,222
Advance to suppliers	394,574	477,109	593,130	85,198
Inventories, net	41,700,379	44,030,084	57,932,156	8,321,434
Loan receivables, net	5,132,698	2,716,475	1,551,459	222,853
Prepayments and other current assets	2,258,904	3,848,225	4,078,102	585,783
Amount due from related parties	10,796,561	3,136,265	4,234,067	608,186
Total current assets	115,028,652	104,855,779	139,094,558	19,979,684
Non-current assets				
Property, equipment and software, net	12,574,178	21,082,838	20,654,071	2,966,772
Construction in progress	3,196,516	6,553,712	5,806,308	834,024
Intangible assets, net	6,692,717	5,011,706	4,110,034	590,369
Land use rights, net	7,050,809	10,475,658	10,891,742	1,564,501
Operating lease right-of-use assets	—	—	8,643,597	1,241,575
Goodwill	6,650,570	6,643,669	6,643,669	954,303
Investment in equity investees	18,551,319	31,356,616	35,575,807	5,110,145
Investment securities	10,027,813	15,901,573	21,417,104	3,076,375
Deferred tax assets	158,250	103,158	80,556	11,571
Other non-current assets	2,227,942	5,283,948	6,806,258	977,658
Amount due from related parties	1,896,200	1,896,200	—	—
Total non-current assets	69,026,314	104,309,078	120,629,146	17,327,293
Total assets	184,054,966	209,164,857	259,723,704	37,306,977

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Balance Sheets
(All amounts in thousands, except for share, per share data or otherwise noted)

	As of December 31,			
	2017 RMB	2018 RMB	2019 RMB	US\$ Note 2(g)
LIABILITIES				
Current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB7,577,086, RMB9,234,523 and RMB14,399,069 as of December 31, 2017, 2018 and 2019, respectively. Note 1)				
Short-term borrowings	200,000	147,264	—	—
Nonrecourse securitization debt	12,684,881	4,397,670	—	—
Accounts payable	74,337,708	79,985,018	90,428,382	12,989,224
Advance from customers	13,605,298	13,017,603	16,078,619	2,309,549
Deferred revenues (including amounts in relation to traffic support, marketing and promotion services to be provided to related parties of RMB813,525, RMB863,480 and RMB796,193 as of December 31, 2017, 2018 and 2019, respectively)	1,592,332	1,980,489	3,326,594	477,835
Taxes payable	658,220	825,677	2,015,788	289,550
Amount due to related parties	54,342	215,614	317,978	45,675
Accrued expenses and other current liabilities	15,117,840	20,292,680	24,656,180	3,541,639
Operating lease liabilities	—	—	3,193,480	458,715
Total current liabilities	118,250,621	120,862,015	140,017,021	20,112,187
Non-current liabilities				
Deferred revenues (including amounts in relation to traffic support, marketing and promotion services to be provided to related parties of RMB1,273,545, RMB463,153 and RMB1,747,020 as of December 31, 2017, 2018 and 2019, respectively)	1,273,545	463,153	1,942,635	279,042
Nonrecourse securitization debt	4,475,238	—	—	—
Unsecured senior notes	6,447,357	6,786,143	6,912,492	992,917
Deferred tax liabilities	882,248	828,473	1,338,988	192,334
Long-term borrowings	—	3,088,440	3,139,290	450,931
Operating lease liabilities	—	—	5,523,164	793,353
Other non-current liabilities	337,254	308,489	225,883	32,446
Total non-current liabilities	13,415,642	11,474,698	19,082,452	2,741,023
Total liabilities	131,666,263	132,336,713	159,099,473	22,853,210
Commitments and contingencies (Note 34)				
MEZZANINE EQUITY				
Convertible redeemable non-controlling interests (Note 23)	—	15,961,284	15,964,384	2,293,140
SHAREHOLDERS' EQUITY:				
JD.com, Inc. shareholders' equity				
Ordinary shares (US\$0.00002 par value; 100,000,000,000 shares authorized; 2,477,346,590 Class A ordinary shares issued and 2,406,652,132 outstanding, 461,362,309 Class B ordinary shares issued and 446,011,297 outstanding as of December 31, 2017; 2,507,473,330 Class A ordinary shares issued and 2,447,926,638 outstanding, 458,342,517 Class B ordinary shares issued and 446,369,717 outstanding as of December 31, 2018; 2,520,271,138 Class A ordinary shares issued and 2,480,575,334 outstanding, 453,672,011 Class B ordinary shares issued and 443,739,929 outstanding as of December 31, 2019.)	377	380	381	55
Additional paid-in capital	76,254,607	82,832,895	90,676,122	13,024,810
Statutory reserves	635,966	1,400,412	1,459,165	209,596
Treasury stock	(4,457,608)	(3,783,729)	(2,530,166)	(363,436)
Accumulated deficit	(22,234,609)	(24,038,081)	(11,912,679)	(1,711,149)
Accumulated other comprehensive income	1,842,081	3,359,096	4,163,147	597,999
Total JD.com, Inc. shareholders' equity	52,040,814	59,770,973	81,855,970	11,757,875
Non-controlling interests	347,889	1,095,887	2,803,877	402,752
Total shareholders' equity	52,388,703	60,866,860	84,659,847	12,160,627
Total liabilities, mezzanine equity and shareholders' equity	184,054,966	209,164,857	259,723,704	37,306,977

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Statements of Operations and Comprehensive Income/(Loss)
(All amounts in thousands, except for share, per share data or otherwise noted)

	For the year ended December 31,			
	2017 RMB	2018 RMB	2019 RMB	US\$ Note 2(g)
Net revenues				
Net product revenues	331,824,410	416,108,746	510,733,967	73,362,344
Net service revenues	30,507,344	45,911,013	66,154,517	9,502,502
Total net revenues	<u>362,331,754</u>	<u>462,019,759</u>	<u>576,888,484</u>	<u>82,864,846</u>
Cost of revenues	(311,516,831)	(396,066,126)	(492,467,391)	(70,738,515)
Fulfillment	(25,865,128)	(32,009,658)	(36,968,041)	(5,310,127)
Marketing	(14,918,107)	(19,236,740)	(22,234,045)	(3,193,721)
Research and development	(6,652,374)	(12,144,383)	(14,618,677)	(2,099,842)
General and administrative	(4,214,790)	(5,159,666)	(5,490,159)	(788,612)
Impairment of goodwill and intangible assets	—	(22,317)	—	—
Gain on sale of development properties	—	—	3,884,709	558,004
Income/(loss) from operations	<u>(835,476)</u>	<u>(2,619,131)</u>	<u>8,994,880</u>	<u>1,292,033</u>
Other income/(expense)				
Share of results of equity investees	(1,926,720)	(1,113,105)	(1,738,219)	(249,680)
Interest income	2,530,490	2,117,921	1,785,572	256,481
Interest expense	(963,742)	(854,538)	(725,010)	(104,141)
Others, net	1,316,408	95,175	5,375,309	772,115
Income/(loss) before tax	<u>120,960</u>	<u>(2,373,678)</u>	<u>13,692,532</u>	<u>1,966,808</u>
Income tax expenses	(139,593)	(426,872)	(1,802,440)	(258,904)
Net income/(loss) from continuing operations	<u>(18,633)</u>	<u>(2,800,550)</u>	<u>11,890,092</u>	<u>1,707,904</u>
Net income from discontinued operations, net of tax	6,915	—	—	—
Net income/(loss)	<u>(11,718)</u>	<u>(2,800,550)</u>	<u>11,890,092</u>	<u>1,707,904</u>
Net loss from continuing operations attributable to non-controlling interests shareholders	(135,452)	(311,409)	(297,163)	(42,685)
Net loss from discontinued operations attributable to non-controlling interests shareholders	(5,030)	—	—	—
Net income from continuing operations attributable to mezzanine equity classified as non-controlling interests shareholders	—	2,492	3,100	445
Net income from discontinued operations attributable to mezzanine equity classified as non-controlling interests shareholders	281,021	—	—	—
Net income/(loss) attributable to ordinary shareholders	<u>(152,257)</u>	<u>(2,491,633)</u>	<u>12,184,155</u>	<u>1,750,144</u>
Including: Net loss from discontinued operations attributable to ordinary shareholders	(269,076)	—	—	—
Net income/(loss) from continuing operations attributable to ordinary shareholders	<u>116,819</u>	<u>(2,491,633)</u>	<u>12,184,155</u>	<u>1,750,144</u>

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Statements of Operations and Comprehensive Income/(Loss)
(All amounts in thousands, except for share, per share data or otherwise noted)

	For the year ended December 31,			
	2017 RMB	2018 RMB	2019 RMB	2019 US\$ Note 2(g)
Net income/(loss)	(11,718)	(2,800,550)	11,890,092	1,707,904
Other comprehensive income:				
Foreign currency translation adjustments	(822,052)	2,696,784	793,671	114,004
Net change in unrealized gains/(losses) on available-for-sale securities:				
Unrealized gains, net of tax	1,473,014	237,585	312,723	44,920
Reclassification adjustment for gains recorded in net income, net of tax	(352,274)	(260,712)	(258,537)	(37,137)
Net unrealized gains/(losses) on available-for-sale securities	1,120,740	(23,127)	54,186	7,783
Total other comprehensive income	298,688	2,673,657	847,857	121,787
Total comprehensive income/(loss)	286,970	(126,893)	12,737,949	1,829,691
Total comprehensive loss attributable to non-controlling interests shareholders	(140,482)	(311,409)	(253,357)	(36,392)
Total comprehensive income attributable to mezzanine equity classified as non-controlling interests shareholders	281,021	2,492	3,100	445
Total comprehensive income attributable to ordinary shareholders	<u>146,431</u>	<u>182,024</u>	<u>12,988,206</u>	<u>1,865,638</u>
Net income/(loss) per share				
Basic				
Continuing operations	0.04	(0.87)	4.18	0.60
Discontinued operations	(0.09)	—	—	—
Net income/(loss) per share	(0.05)	(0.87)	4.18	0.60
Diluted				
Continuing operations	0.04	(0.87)	4.11	0.59
Discontinued operations	(0.09)	—	—	—
Net income/(loss) per share	(0.05)	(0.87)	4.11	0.59
Weighted average number of shares				
Basic	2,844,826,014	2,877,902,678	2,912,637,241	2,912,637,241
Diluted	2,911,461,817	2,877,902,678	2,967,321,803	2,967,321,803

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Statements of Cash Flows
(All amounts in thousands, except for share, per share data or otherwise noted)

	For the year ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$ Note2(g)
Cash flows from operating activities:				
Net income/(loss)	(11,718)	(2,800,550)	11,890,092	1,707,904
Loss from discontinued operations, net of income tax	(6,915)	—	—	—
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:				
Depreciation and amortization	4,192,716	5,560,034	5,828,055	837,148
Share-based compensation	2,780,062	3,659,989	3,694,955	530,746
(Gains)/losses from disposal of property, equipment and software	11,591	(11,166)	65,492	9,407
Deferred income tax	(221,010)	(10,454)	533,117	76,577
Amortization of discounts and issuance costs of the unsecured senior notes	13,426	13,649	14,812	2,128
Impairment of goodwill and intangible assets	—	22,317	—	—
Impairment of investments	139,823	593,138	1,954,031	280,679
Fair value change of long-term investments	—	1,512,979	(3,495,709)	(502,127)
Gain from business and investment disposals	(74,965)	(1,320,266)	(1,199,407)	(172,284)
Gain on sale of development properties	—	—	(3,884,709)	(558,004)
Share of results of equity investees	1,926,720	1,113,105	1,738,219	249,680
Foreign exchange (gains)/losses	(213,482)	192,491	(124,070)	(17,822)
Changes in operating assets and liabilities:				
Accounts receivable	(545,991)	4,287,004	3,936,793	565,485
Inventories	(12,788,337)	(2,342,058)	(13,915,610)	(1,998,852)
Advance to suppliers	(137,457)	(75,370)	(127,812)	(18,359)
Prepayments and other current assets	(328,041)	(899,139)	486,067	69,819
Operating lease right-of-use assets	—	—	(1,407,345)	(202,152)
Amount due from related parties	2,456,933	1,769,930	(1,500,728)	(215,566)
Other non-current assets	(372,576)	44,990	(408,937)	(58,740)
Accounts payable	26,106,191	5,466,698	10,391,341	1,492,623
Advance from customers	2,138,964	(745,854)	3,061,018	439,688
Deferred revenues	(374,042)	(603,464)	454,780	65,325
Taxes payable	92,932	166,120	722,781	103,821
Accrued expenses and other current liabilities	4,624,014	5,158,390	4,417,646	634,557
Operating lease liabilities	—	—	1,521,635	218,569
Amount due to related parties	(66,370)	128,909	134,713	19,350
Net cash provided by continuing operating activities	29,342,468	20,881,422	24,781,220	3,559,600
Net cash used in discontinued operating activities	(2,485,741)	—	—	—
Net cash provided by operating activities	26,856,727	20,881,422	24,781,220	3,559,600

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Statements of Cash Flows
(All amounts in thousands, except for share, per share data or otherwise noted)

	For the year ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$ Note2(g)
Cash flows from investing activities:				
Purchase of short-term investments	(9,288,743)	(2,518,000)	(24,501,345)	(3,519,398)
Maturity of short-term investments	7,211,608	9,053,087	2,018,324	289,914
Purchases of investment securities	(7,824,277)	(4,562,283)	(770,818)	(110,721)
Cash received from disposal of investment securities	—	317,975	1,009,088	144,946
Cash paid for investments in equity investees	(6,207,880)	(17,398,204)	(10,508,432)	(1,509,442)
Cash received from disposal of equity investment	202,774	1,606,338	3,606,308	518,014
Cash paid for loan originations	(24,379,691)	(36,432,214)	(43,560,458)	(6,257,068)
Cash received from loan repayments	23,019,358	38,984,140	44,592,432	6,405,302
Purchase of property, equipment and software	(3,294,286)	(9,743,453)	(2,597,069)	(373,045)
Purchase of intangible assets	(8,774)	(130,797)	(41,449)	(5,954)
Purchase of land use rights	(4,785,538)	(4,136,305)	(1,039,106)	(149,258)
Cash paid for construction in progress	(3,267,277)	(7,358,939)	(5,321,968)	(764,453)
Cash received from sale of development properties	—	—	7,905,251	1,135,518
Cash paid for business combination, net of cash acquired	(160,658)	(19,578)	(41,380)	(5,944)
Loans (provided to)/settled by JD Digits	(6,187,891)	6,259,241	4,148,796	595,937
Proceeds from JD Digits reorganization (Note 6)	13,027,155	—	—	—
Other investing activities	—	—	(247,531)	(35,556)
Net cash used in continuing investing activities	(21,944,120)	(26,078,992)	(25,349,357)	(3,641,208)
Net cash used in discontinued investing activities	(17,871,171)	—	—	—
Net cash used in investing activities	(39,815,291)	(26,078,992)	(25,349,357)	(3,641,208)

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Statements of Cash Flows
(All amounts in thousands, except for share, per share data or otherwise noted)

	For the year ended December 31,			
	2017 RMB	2018 RMB	2019 RMB	US\$ Note 2(g)
Cash flows from financing activities:				
Proceeds from issuance of ordinary shares	—	3,531,870	—	—
Repurchase of ordinary shares	—	(205,886)	(131,010)	(18,818)
Proceeds from settlement of capped call options	737,501	—	—	—
Proceeds from issuance of ordinary shares pursuant to share-based awards	135,745	48,555	112,153	16,110
Proceeds from issuance of convertible redeemable preferred shares of JD Logistics, net	—	15,958,792	—	—
Capital injection from non-controlling interest shareholders	209,725	805,561	6,648,761	955,035
Proceeds from short-term borrowings	700,000	1,179,422	5,803,800	833,664
Repayment of short-term borrowings	(2,356,888)	(1,200,000)	(5,969,768)	(857,504)
Proceeds from long-term borrowings	—	2,890,575	—	—
Proceeds from nonrecourse securitization debt	16,500,000	—	—	—
Repayment of nonrecourse securitization debt	(10,889,371)	(11,960,194)	(3,886,227)	(558,222)
Other financing activities	143,653	171,233	(5,242)	(753)
Net cash provided by continuing financing activities	5,180,365	11,219,928	2,572,467	369,512
Net cash provided by discontinued financing activities	14,054,620	—	—	—
Net cash provided by financing activities	19,234,985	11,219,928	2,572,467	369,512
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(641,534)	1,681,163	405,891	58,302
Net increase in cash, cash equivalents, and restricted cash	5,634,887	7,703,521	2,410,221	346,206
Cash, cash equivalents, and restricted cash at beginning of year	24,163,650	29,798,537	37,502,058	5,388,834
Cash, cash equivalents, and restricted cash at end of year	29,798,537	37,502,058	39,912,279	5,733,040
Supplemental cash flow disclosures of continuing operations:				
Cash paid for income taxes	(240,899)	(666,305)	(807,622)	(116,008)
Cash paid for interest	(577,306)	(421,035)	(679,120)	(97,550)
Supplemental disclosures of non-cash investing and financing activities:				
Issuance of ordinary shares in connection with strategic cooperation agreement with Tencent	—	—	759,195	109,052
Equity investments obtained through commitment of future services and contribution of certain business	—	181,228	2,370,807	340,545
Right-of-use assets acquired under operating leases	—	—	4,860,770	698,206

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Statements of Changes in Shareholders' Equity
(All amounts in thousands, except for share, per share data or otherwise noted)

	Ordinary shares		Treasury stock		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income/(loss)	Accumulated deficit	Non-controlling interests	Total Shareholder equity
	Shares	Amount RMB	Shares	Amount RMB						
Balance as of December 31, 2016	<u>2,938,708,899</u>	<u>377</u>	<u>(102,264,502)</u>	<u>(5,181,880)</u>	<u>59,258,417</u>	<u>132,938</u>	<u>1,543,393</u>	<u>(21,860,345)</u>	<u>269,962</u>	<u>34,162.8</u>
Repurchase of ordinary shares	—	—	—	—	737,501	—	—	—	—	737.5
Accretion of redeemable non-controlling interests	—	—	—	—	(281,021)	—	—	—	—	(281.0)
Exercise of share-based awards	—	—	4,116,816	259,583	(114,556)	—	—	—	—	145.0
Share-based compensation and vesting of share-based awards	—	—	12,102,216	464,689	2,460,785	—	—	—	—	2,925.4
Net income/(loss)	—	—	—	—	—	—	—	128,764	(140,482)	(11.7)
Foreign currency translation adjustments	—	—	—	—	—	—	(822,052)	—	—	(822.0)
Net change in unrealized gains on available-for-sale securities	—	—	—	—	—	—	1,120,740	—	—	1,120.7
Statutory reserves	—	—	—	—	—	503,028	—	(503,028)	—	—
Change of the capital from non-controlling interest shareholders	—	—	—	—	—	—	—	—	231,055	231.0
Gain from JD Digits reorganization	—	—	—	—	14,193,481	—	—	—	(12,646)	14,180.8
Balance as of December 31, 2017	<u>2,938,708,899</u>	<u>377</u>	<u>(86,045,470)</u>	<u>(4,457,608)</u>	<u>76,254,607</u>	<u>635,966</u>	<u>1,842,081</u>	<u>(22,234,609)</u>	<u>347,889</u>	<u>52,388.7</u>
Cumulative effect of changes in accounting principles related to revenue recognition and financial instruments	—	—	—	—	—	—	(1,156,642)	1,452,607	—	295.9
Issuance of ordinary shares	27,106,948	3	—	—	3,531,867	—	—	—	—	3,531.8
Repurchase of ordinary shares	—	—	(2,792,400)	(205,886)	—	—	—	—	—	(205.8)
Accretion of convertible redeemable non-controlling interests	—	—	—	—	—	—	—	(2,492)	—	(2.4)
Exercise of share-based awards	—	—	1,077,036	67,982	(30,792)	—	—	—	—	37.1
Share-based compensation and vesting of share-based awards	—	—	16,241,342	811,783	2,447,238	—	—	—	400,968	3,659.9
Net loss	—	—	—	—	—	—	—	(2,489,141)	(311,409)	(2,800.5)
Foreign currency translation adjustments	—	—	—	—	—	—	2,696,784	—	—	2,696.7
Net change in unrealized gains on available-for-sale debt securities	—	—	—	—	—	—	(23,127)	—	—	(23.1)
Statutory reserves	—	—	—	—	—	764,446	—	(764,446)	—	—
Change of the capital from non-controlling interest shareholders	—	—	—	—	—	—	—	—	658,439	658.4
Share of changes in the equity investee's capital accounts	—	—	—	—	629,975	—	—	—	—	629.9
Balance as of December 31, 2018	<u>2,965,815,847</u>	<u>380</u>	<u>(71,519,492)</u>	<u>(3,783,729)</u>	<u>82,832,895</u>	<u>1,400,412</u>	<u>3,359,096</u>	<u>(24,038,081)</u>	<u>1,095,887</u>	<u>60,866.8</u>
Issuance of ordinary shares	8,127,302	1	—	—	759,194	—	—	—	—	759.1
Repurchase of ordinary shares	—	—	(1,871,696)	(131,010)	—	—	—	—	—	(131.0)
Accretion of convertible redeemable non-controlling interests	—	—	—	—	—	—	—	(3,100)	—	(3.1)
Exercise of share-based awards	—	—	3,299,962	210,336	(79,352)	—	—	—	(10,547)	120.4
Share-based compensation and vesting of share-based awards	—	—	20,463,340	1,174,237	1,948,609	—	—	—	572,109	3,694.9
Net income/(loss)	—	—	—	—	—	—	—	12,187,255	(297,163)	11,890.0
Foreign currency translation adjustments	—	—	—	—	—	—	749,865	—	43,806	793.6
Net change in unrealized gains on available-for-sale debt securities	—	—	—	—	—	—	54,186	—	—	54.1
Statutory reserves	—	—	—	—	—	58,753	—	(58,753)	—	—
Change of the capital from non-controlling interest shareholders	—	—	—	—	5,228,721	—	—	—	1,399,785	6,628.5
Share of changes in the equity investee's capital accounts	—	—	—	—	(13,945)	—	—	—	—	(13.9)
Balance as of December 31, 2019	<u>2,973,943,149</u>	<u>381</u>	<u>(49,627,886)</u>	<u>(2,530,166)</u>	<u>90,676,122</u>	<u>1,459,165</u>	<u>4,163,147</u>	<u>(11,912,679)</u>	<u>2,803,877</u>	<u>84,659.8</u>

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share, per share data or otherwise noted)

1. Principal activities and organization

JD.com, Inc. (the “Company”) is a leading technology driven e-commerce company transforming to become the leading supply chain based technology and service provider, providing products and services to consumers, third-party merchants, suppliers and other business partners through its subsidiaries, consolidated variable interest entities (“VIEs”) (collectively, the “Group”). The Group operates e-commerce business, including online retail and online marketplace mainly through its retail mobile apps and www.jd.com website (collectively, “JD Platform”). The Group serves consumers through online retail, focusing on product selection, price and convenience, serves third-party merchants through online marketplace, offering programs that enable the merchants to sell their products on JD Platform and to fulfill the orders either by themselves or through the Group’s logistic services. Leveraging its AI capabilities and technologies, the Group provides a variety of marketing services to business partners through its proprietary advertisement technology platform. Leveraging its nationwide fulfillment infrastructure, the Group provides comprehensive supply chain solutions, primarily including warehousing, transportation, delivery and after-sales service to third parties, including both third-party merchants and suppliers on JD Platform and other business partners, through the Group’s logistics business (“JD Logistics”).

Prior to June 2017, the Group offered financial services to its suppliers, third-party merchants and qualified individual customers through the Group’s finance business (“JD Digits”, formerly known as “JD Finance”), which was deconsolidated from the Group since June 30, 2017 as a result of the reorganization of JD Digits. Upon the reorganization of JD Digits, the Group disposed all its equity stake in JD Digits and was entitled to a profit sharing right from JD Digits when JD Digits has a positive pre-tax income on a cumulative basis. In addition, the Group would be able to convert its profit sharing right with respect to JD Digits into JD Digits’s equity interest, subject to applicable regulatory approvals (Note 6).

In 2018, the Group established JD Property Management Group (“JD Property”), which owns, develops and manages the Group’s logistics facilities and other real estate properties, to support JD Logistics and other third parties. By leveraging its fund management platform, JD Property can realize development profits and recycle capital from mature properties to fund new developments and scale the business.

The Group’s principal operations and geographic markets are in the People’s Republic of China (“PRC”). The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries and consolidated VIEs.

As of December 31, 2019, the Company’s major subsidiaries, consolidated VIEs and VIEs’ subsidiaries are as follows:

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share, per share data or otherwise noted)

1. Principal activities and organization (Continued)

	Equity interest held	Place and date of incorporation
Subsidiaries		
Beijing Jingdong Century Trade Co., Ltd. (“Jingdong Century”)	100%	Beijing, China, April 2007
Jiangsu Jingdong Information Technology Co., Ltd.	100%	Jiangsu, China, June 2009
Shanghai Shengdayuan Information Technology Co., Ltd. (“Shanghai Shengdayuan”)	100%	Shanghai, China, April 2011
Jingdong E-Commerce (Express) Hong Kong Co., Ltd.	80%	Hong Kong, China, August 2011
Jingdong Technology Group Corporation	100%	Cayman Islands, November 2011
Jingdong Logistics Group Corporation	100%	Cayman Islands, January 2012
Jingdong Express Group Corporation (“Jingdong Express”)	80%	Cayman Islands, January 2012
JD.com E-Commerce (Technology) Hong Kong Co., Ltd.	100%	Hong Kong, China, February 2012
Jingdong E-Commerce (Logistics) Hong Kong Co., Ltd.	100%	Hong Kong, China, February 2012
Jingdong E-Commerce (Trade) Hong Kong Co., Ltd.	100%	Hong Kong, China, February 2012
JD.com International Limited	100%	Hong Kong, China, February 2012
Beijing Jingdong Shangke Information Technology Co., Ltd. (“Beijing Shangke”)	100%	Beijing, China, March 2012
JD.com E-Commerce (Investment) Hong Kong Co., Ltd.	100%	Hong Kong, China, July 2013
JD.com American Technologies Corporation	100%	Delaware, USA, August 2013
Chongqing Jingdong Haijia E-commerce Co., Ltd. (“Chongqing Haijia”)	100%	Chongqing, China, June 2014
JD.com Overseas Innovation Limited	100%	Hong Kong, China, October 2014
JD.com International (Singapore) Pte. Ltd.	100%	Singapore, November 2014
JD.com Investment Limited	100%	British Virgin Islands, January 2015
JD Asia Development Limited	100%	British Virgin Islands, February 2015
JD.com Asia Investment Corporation	100%	Cayman Islands, March 2015
Suqian Hanbang Investment Management Co., Ltd.	100%	Jiangsu, China, January 2016
Xi’an Jingxundi Supply Chain Technology Co., Ltd. (“Xi’an Jingxundi”)	80%	Shaanxi, China, May 2017
Xi’an Jingdong Xuncheng Logistics Co., Ltd.	80%	Shaanxi, China, June 2017
Jingdong Express International Limited	80%	British Virgin Islands, November 2017
Beijing Jinghong Logistics Co., Ltd.	80%	Beijing, China, November 2017
JD Assets Holding Limited	100%	Cayman Islands, March 2018
JD Logistics Holding Limited	100%	Cayman Islands, March 2018
JD Health International Inc.	86%	Cayman Islands, November 2018
JD Jiankang Limited	100%	British Virgin Islands, April 2019
Place and date of incorporation		
Consolidated VIEs		
Beijing Jingdong 360 Degree E-commerce Co., Ltd. (“Jingdong 360”)		Beijing, China, April 2007
Jiangsu Yuanzhou E-commerce Co., Ltd. (“Jiangsu Yuanzhou”)		Jiangsu, China, September 2010
Jiangsu Jingdong Bangneng Investment Management Co., Ltd. (“Jingdong Bangneng”)		Jiangsu, China, August 2015
Xi’an Jingdong Xincheng Information Technology Co., Ltd. (“Xi’an Jingdong Xincheng”)		Shaanxi, China, June 2017
Consolidated VIEs’ Subsidiaries		
Beijing Jingbangda Trade Co., Ltd. (“Beijing Jingbangda”)		Beijing, China, August 2012
Hengqin Junze Management Consulting Co., Ltd.		Guangdong, China, April 2017
Suqian Jingdong Mingfeng Enterprise Management Co., Ltd.		Jiangsu, China, July 2017
Suqian Jingdong Jinyi Enterprise Management Co., Ltd.		Jiangsu, China, August 2017
Suqian Jingdong Sanhong Enterprise Management Center (limited partnership)		Jiangsu, China, August 2017

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share, per share data or otherwise noted)

1. Principal activities and organization (Continued)

• **Organization**

The Company was incorporated in the British Virgin Islands (“BVI”) in November 2006 and was re-domiciled in the Cayman Islands in January 2014 as an exempted company registered under the laws of the Cayman Islands.

In April 2007 and May 2017, the Company established Jingdong Century and Xi’an Jingxundi as wholly foreign-owned enterprises in the PRC, respectively. In April 2007, September 2010, August 2015 and June 2017, Jingdong 360, Jiangsu Yuanzhou, Jingdong Bangneng and Xi’an Jingdong Xincheng were incorporated in the PRC, respectively. The paid-in capital of each of these entities was funded by the Company, and they were established to facilitate the Group’s operation and business expansion plans and comply with the PRC laws and regulations which prohibit or restrict foreign ownership of the companies where the PRC operating licenses are required. By entering into a series of agreements, Jingdong 360, Jiangsu Yuanzhou and Jingdong Bangneng became VIEs of Jingdong Century and Xi’an Jingdong Xincheng became a VIE of Xi’an Jingxundi. Consequently, Jingdong Century became the primary beneficiary of Jingdong 360, Jiangsu Yuanzhou and Jingdong Bangneng, and Xi’an Jingxundi became the primary beneficiary of Xi’an Jingdong Xincheng. Beijing Jingbangda became the subsidiary of Xi’an Jingdong Xincheng and changed from the Company’s subsidiary to the Company’s consolidated VIE’s subsidiary.

• **Consolidated variable interest entities**

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its websites and other restricted businesses in the PRC through certain PRC domestic companies, whose equity interests are held by certain management members of the Group (“Nominee Shareholders”). The Group obtained control over these PRC domestic companies by entering into a series of Contractual Arrangements with these PRC domestic companies and their respective Nominee Shareholders. These contractual agreements include loan agreements, exclusive purchase option agreements, exclusive technology consulting and services agreements, intellectual property rights license agreement, equity pledge agreements, powers of attorney, business cooperation agreement and business operation agreements. These contractual agreements can be extended at the Group’s relevant PRC subsidiaries’ options prior to the expiration date. Management concluded that these PRC domestic companies are consolidated VIEs of the Group, of which the Group is the ultimate primary beneficiary. As such, the Group consolidated the financial results of these PRC domestic companies and their subsidiaries in the Group’s consolidated financial statements. Refer to Note 2(b) to the consolidated financial statements for the principles of consolidation.

The following is a summary of the contractual agreements (collectively, “Contractual Agreements”) that the Group, through its subsidiaries, entered into with the consolidated VIEs and their Nominee Shareholders:

• **Loan agreements**

Pursuant to the relevant loan agreements, the Group’s relevant PRC subsidiaries have granted interest-free loans to the relevant Nominee Shareholders of the VIEs with the sole purpose of providing funds necessary for the capital injection to the relevant VIEs. The loans for initial and subsequent capital injections are eliminated with the capital of the relevant VIEs during consolidation. The Group’s relevant PRC subsidiaries can require the Nominee Shareholders to settle the loan amount with the equity interests of relevant VIEs, subject to any applicable PRC laws, rules and regulations. The loan agreements are renewable upon expiration.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share, per share data or otherwise noted)

1. Principal activities and organization (Continued)

• ***Exclusive purchase option agreements***

The Nominee Shareholders of the VIEs have granted the Group's relevant PRC subsidiaries the exclusive and irrevocable rights to purchase from the Nominee Shareholders, to the extent permitted under the PRC laws and regulations, part or all of the equity interests in these entities for a purchase price equal to the lowest price permitted by the PRC laws and regulations. The Group's relevant PRC subsidiaries may exercise such option at any time. In addition, the VIEs and their Nominee Shareholders have agreed that without prior written consent of the Group's relevant PRC subsidiaries, they will not transfer or otherwise dispose the equity interests or declare any dividend.

• ***Exclusive technology consulting and services agreements***

The Group's relevant PRC subsidiaries and relevant VIEs entered into exclusive technology consulting and services agreements under which relevant VIEs engage the Group's relevant PRC subsidiaries as their exclusive provider of technical platform and technical support, maintenance and other services. The VIEs shall pay to the Group's relevant PRC subsidiaries service fees determined based on the volume and market price of the service provided. The Group's relevant PRC subsidiaries exclusively own any intellectual property arising from the performance of the agreements. During the term of the agreements, the relevant VIEs may not enter into any agreement with third parties for the provision of identical or similar services without prior consent of the Group's relevant PRC subsidiaries.

• ***Intellectual property rights license agreement***

Pursuant to the intellectual property rights license agreement, Jingdong Century has granted Jingdong 360 non-exclusive rights to use certain software products, trademarks, website, copyrights, and domain names developed or owned by Jingdong Century within the scope of internet information service operation of Jingdong 360 and in the territory of the PRC. Jingdong 360 has agreed to pay license fees to Jingdong Century and the amount of the license fees is decided based on the agreed arrangement.

• ***Equity pledge agreements***

Pursuant to the relevant equity pledge agreements, the Nominee Shareholders of the VIEs have pledged all of their equity interests in relevant VIEs to the Group's relevant PRC subsidiaries as collateral for all of their payments due to the Group's relevant PRC subsidiaries and to secure their obligations under the above agreements. The Nominee Shareholders may not transfer or assign the equity interests, the rights and obligations in the equity pledge agreements or create or permit to create any pledges which may have an adverse effect on the rights or benefits of the Group's relevant PRC subsidiaries without the Group's relevant PRC subsidiaries' preapproval. The Group's relevant PRC subsidiaries are entitled to transfer or assign in full or in part the equity interests pledged. In the event of default, the Group's relevant PRC subsidiaries as the pledgee, will be entitled to request immediate repayment of the loans or to dispose of the pledged equity interests through transfer or assignment. The equity pledge agreements will expire on the second anniversary of the date when the Nominee Shareholders have completed all their obligations under the above agreements unless otherwise terminated earlier by the Group's relevant PRC subsidiaries.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share, per share data or otherwise noted)

1. Principal activities and organization (Continued)

• ***Powers of attorney***

Pursuant to the irrevocable powers of attorney, each of the Nominee Shareholders appointed any person designated by the Group's relevant PRC subsidiaries as their attorney-in-fact to exercise all shareholder rights under the PRC laws and the relevant articles of association, including but not limited to, voting on their behalf on all matters requiring shareholder approval, disposing of all or part of the Nominee Shareholders' equity interests, and electing, appointing or removing directors and the general managers of the VIEs. Each power of attorney will remain in force during the period when the Nominee Shareholders continue to be shareholders of the VIEs. Each of the Nominee Shareholders has waived all the rights which have been authorized to the person designated by the Group's relevant PRC subsidiaries under each power of attorney.

• ***Business cooperation agreement***

Pursuant to the business cooperation agreement, Jingdong 360 has agreed to provide services to Jingdong Century and Shanghai Shengdayuan including operating the Group's website, posting Jingdong Century's and Shanghai Shengdayuan's products and services information on the website, transmitting the users' orders and transactions information to Jingdong Century and Shanghai Shengdayuan, processing user data and transactions in collaboration with banks and payment agents and other services reasonably requested by Jingdong Century and Shanghai Shengdayuan. Jingdong Century and Shanghai Shengdayuan agree to pay service fees to Jingdong 360 on a quarterly basis. The service fee is decided based on Jingdong 360's operating costs incurred.

• ***Business operation agreements***

Pursuant to the business operation agreements, the relevant Nominee Shareholders of the VIEs must appoint the candidates nominated by the Group's relevant PRC subsidiaries to be the directors on the VIEs' board of directors in accordance with applicable laws and the articles of association of the VIEs, and must cause the persons recommended by the Group's relevant PRC subsidiaries to be appointed as the VIEs' general manager, chief financial officer and other senior executives.

• ***Risks in relations to the VIE structure***

The Company believes that the contractual arrangements among its subsidiaries, the VIEs and its shareholders are in compliance with the current PRC laws and legally enforceable. However, uncertainties in the interpretation and enforcement of the PRC laws, regulations and policies could limit the Company's ability to enforce these contractual arrangements. As a result, the Company may be unable to consolidate the VIEs and its subsidiary in the consolidated financial statements. The Company's ability to control its VIEs also depends on the authorization by the shareholders of the VIEs to exercise voting rights on all matters requiring shareholders' approval in the VIEs. The Company believes that the agreements on authorization to exercise shareholder's voting power are legally enforceable. In addition, if the legal structure and contractual arrangements with its VIEs were found to be in violation of any future PRC laws and regulations, the Company may be subject to fines or other actions. The Company believes the possibility that it will no longer be able to control and consolidate its VIEs as a result of the aforementioned risks is remote.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share, per share data or otherwise noted)

1. Principal activities and organization (Continued)

The following table sets forth the assets, liabilities, results of operations and changes in cash, cash equivalents, and restricted cash of the consolidated VIEs structured by the Contractual Agreements and their subsidiaries taken as a whole, which were included in the Group's consolidated financial statements with intercompany transactions eliminated:

	As of December 31,		
	2017 RMB	2018 RMB	2019 RMB
Total assets	19,281,227	23,878,253	38,749,631
Total liabilities	19,547,831	26,717,946	43,734,593
	For the year ended December 31,		
	2017 RMB	2018 RMB	2019 RMB
Total net revenues	15,926,297	37,561,128	59,306,001
Net loss	(115,318)	(2,646,122)	(2,268,090)
	For the year ended December 31,		
	2017 RMB	2018 RMB	2019 RMB
Net cash provided by/(used in) operating activities	1,188,220	(1,144,849)	953,673
Net cash used in investing activities	(10,117,516)	(7,596,181)	(6,450,150)
Net cash provided by financing activities	9,626,497	8,902,074	5,542,926
Net increase in cash, cash equivalents, and restricted cash	697,201	161,044	46,449
Cash, cash equivalents, and restricted cash at beginning of year	21,959	719,160	880,204
Cash, cash equivalents, and restricted cash at end of year	719,160	880,204	926,653

As of December 31, 2017, 2018 and 2019, the total assets of the Group's consolidated VIEs (where appropriate, the term "VIEs" also refers to its subsidiaries as a whole) were mainly consisting of cash and cash equivalents, short-term investments, accounts receivable, inventories, prepayments and other current assets, investment securities, investment in equity investees, property, equipment and software, intangible assets, operating lease right-of-use assets and other non-current assets. As of December 31, 2017, 2018 and 2019, the total liabilities of the consolidated VIEs were mainly consisting of accounts payable, advance from customers, deferred revenues, accrued expenses and other current liabilities, operating lease liabilities and liabilities to the Group's other subsidiaries. These balances have been reflected in the Group's consolidated financial statements with intercompany transactions eliminated.

In accordance with the Contractual Agreements, the Group's relevant PRC subsidiaries have the power to direct activities of the Group's consolidated VIEs, and can have assets transferred out of the Group's consolidated VIEs. Therefore, the Group's relevant PRC subsidiaries consider that there is no asset in the Group's consolidated VIEs that can be used only to settle their obligations except for registered capitals and the PRC statutory reserves of the Group's consolidated VIEs amounting to RMB1,090,876 as of December 31, 2019. As the Group's consolidated VIEs are incorporated as limited liability companies under the PRC Company Law, the creditors do not have recourse to the general credit of the Group's relevant PRC subsidiaries for all the liabilities of the Group's consolidated VIEs. The total shareholders' deficit of the Group's consolidated VIEs was RMB266,604, RMB2,839,693 and RMB4,984,962 as of December 31, 2017, 2018 and 2019, respectively.

Currently there is no contractual arrangement that could require the Group's relevant PRC subsidiaries or the Group to provide additional financial support to the Group's consolidated VIEs. As the Group is conducting certain businesses in the PRC through the consolidated VIEs, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss.

The Group periodically securitizes consumer financing receivables through the transfer of those assets to securitization vehicles, which was considered as variable interest entities of the Group when the Group held the subordinate tranche of such securitization vehicles. The Group consolidated such variable interest entities when the Group or any subsidiary was considered as the primary beneficiary, please refer to Note 2(v).

JD Digits, which was deconsolidated from the Group since June 30, 2017 as a result of its reorganization (Note 6), is a VIE of the Group while the Group or any subsidiary is not considered the primary beneficiary.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share, per share data or otherwise noted)

2. Summary of significant accounting policies

a. Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America (“U.S. GAAP”). Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

b. Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the consolidated VIEs for which the Company is the ultimate primary beneficiary. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors.

A consolidated VIE is an entity in which the Company, or its subsidiaries, through the Contractual Arrangements, bear the risks of, and enjoy the rewards normally associated with, ownership of the entity, and therefore the Company or its subsidiaries are the primary beneficiary of the entity.

All transactions and balances among the Company, its subsidiaries and the consolidated VIEs have been eliminated upon consolidation.

c. Reclassifications

In 2018, items related to restricted cash in the consolidated statements of cash flows for the year ended December 31, 2017 have been reclassified to conform to the current period presentation to facilitate comparison as a result of the adoption of Accounting Standards Update (“ASU”) 2016-18, *Statement of cash flows (Topic 230): restricted cash*.

d. Non-controlling interests

For the Company’s consolidated subsidiaries and VIEs, non-controlling interests are recognized to reflect the portion of their equity that is not attributable, directly or indirectly, to the Company as the controlling shareholder. Non-controlling interests are classified as a separate line item in the equity section of the Group’s consolidated balance sheets and have been separately disclosed in the Group’s consolidated statements of operations and comprehensive income/(loss) to distinguish the interests from that of the Company.

e. Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent liabilities at the balance sheet date, and the reported revenues and expenses during the reported period in the consolidated financial statements and accompanying notes. Significant accounting estimates are used for, but not limited to, returns allowance, vendor and customer incentives, determination of the stand-alone selling price (“SSP”), the valuation and recognition of share-based compensation arrangements, taxation, fair value of assets and liabilities acquired in business combinations, fair value of certain equity investees, assessment for impairment of long-lived assets, investment in equity investees, investment securities, intangible assets and goodwill, allowance for doubtful accounts, inventory reserve for excess and obsolete inventories, lower of cost and net realizable value of inventories, depreciable lives of property, equipment and software, useful lives of intangible assets, the discount rate for lease, redemption value of the redeemable preferred shares and consolidation of VIEs. Actual results may differ materially from those estimates.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share, per share data or otherwise noted)

2. Summary of significant accounting policies (Continued)

f. Foreign currency translation

The Group's reporting currency is Renminbi ("RMB"). The functional currency of the Group's entities incorporated in Cayman Islands, BVI, Hong Kong, Singapore and the United States of America is U.S. dollars ("US\$"). The Group's PRC subsidiaries and consolidated VIEs determined their functional currency to be RMB. The Group's entities incorporated in the Republic of Indonesia, Japan, France, Australia and other jurisdictions generally use their respective local currencies as their functional currencies. The determination of the respective functional currency is based on the criteria of ASC Topic 830, *Foreign Currency Matters*.

Transactions denominated in currencies other than functional currency are translated into functional currency at the exchange rates quoted by authoritative banks prevailing at the dates of the transactions. Exchange gains and losses resulting from those foreign currency transactions denominated in a currency other than the functional currency are recorded as a component of others, net in the consolidated statements of operations and comprehensive income/(loss). Total exchange gains/(losses) were a gain of RMB213,482, a loss of RMB192,491 and a gain of RMB124,070 for the years ended December 31, 2017, 2018 and 2019, respectively.

The consolidated financial statements of the Group are translated from the functional currency into RMB. Assets and liabilities denominated in foreign currencies are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings generated in current period are translated into RMB at the appropriate historical rates. Revenues, expenses, gains and losses are translated into RMB using the periodic average exchange rates. The resulting foreign currency translation adjustments are recorded in accumulated other comprehensive income/(loss) as a component of shareholders' equity. Total foreign currency translation adjustments to the Group's other comprehensive income/(loss) were a loss of RMB822,052, a gain of RMB2,696,784 and a gain of RMB793,671 for the years ended December 31, 2017, 2018 and 2019, respectively.

g. Convenience translation

Translations of the consolidated balance sheets, the consolidated statements of operations and comprehensive income/(loss) and the consolidated statements of cash flows from RMB into US\$ as of and for the year ended December 31, 2019 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.9618, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 31, 2019. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 31, 2019, or at any other rate.

h. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, money market fund investments, time deposits, as well as highly liquid investments, which have original maturities of three months or less.

i. Restricted cash

Cash that is restricted as to withdrawal or for use or pledged as security is reported separately on the face of the consolidated balance sheets, and is included in the total cash, cash equivalents, and restricted cash in the consolidated statements of cash flows. The Group's restricted cash mainly represents security deposits held in designated bank accounts for issuance of bank acceptance and letter of guarantee.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share, per share data or otherwise noted)

2. Summary of significant accounting policies (Continued)

j. Short-term investments

Short-term investments include wealth management products, which are certain deposits with variable interest rates or principal not-guaranteed with certain financial institutions. For equity classified securities, the investments are recorded at fair market value with fair value change gains or losses recorded in interest income in the consolidated statements of operations and comprehensive income/(loss). The Group also holds debt classified securities, and such investments are recorded as available-for-sale debt securities and held-to-maturity securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income. Realized gains or losses are included in interest income in the consolidated statements of operations and comprehensive income/(loss) during the period in which the gain or loss is realized.

In addition, short-term investments are also comprised of time deposits placed with banks with original maturities longer than three months but less than one year.

k. Accounts receivable, net

Accounts receivable, net mainly represent amounts due from customers and online payment channels and are recorded net of allowance for doubtful accounts.

The Group, in collaboration with JD Digits, provides consumer financing to the qualified customers in the online retail business, such consumer financing receivables are recorded as accounts receivable. Due to the legacy contractual arrangements with JD Digits, the Group remains as the legal owner of the consumer financing receivables, where JD Digits performs the related credit assessment.

JD Digits is obligated to purchase the consumer financing receivables past due over certain agreed period of time from the Group at carrying values to absorb the risks, no allowance for doubtful accounts were provided. The Group, in collaboration with JD Digits, periodically securitizes consumer financing receivables through the transfer of those assets to securitization vehicles, please refer to Note 2(v).

Other than the accounts receivable arising from the consumer financing, the Group considers many factors in assessing the collectability of its accounts receivable, such as the age of the amounts due, the payment history, creditworthiness and financial conditions of the customers and industry trend, to determine the allowance percentage for the overdue balances by age. The Group adjusts the allowance percentage periodically when there are significant differences between estimated bad debts and actual bad debts. If there is strong evidence indicating that the accounts receivable are likely to be unrecoverable, the Group also makes specific allowance in the period in which a loss is determined to be probable. Accounts receivable balances are written off after all collection efforts have been exhausted.

The accounts receivable with the collection period over one year are classified into other non-current assets in the consolidated balance sheets.

l. Inventories, net

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value. Cost of inventories is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventories to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. The Group takes ownership, risks and rewards of the products purchased, but has arrangements to return unsold goods with certain vendors. Write downs are recorded in cost of revenues in the consolidated statements of operations and comprehensive income/(loss).

The Group also provides fulfillment-related services in connection with the Group's online marketplace. Third-party merchants maintain ownership of their inventories and therefore these products are not included in the Group's inventories.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share, per share data or otherwise noted)

2. Summary of significant accounting policies (Continued)

m. Loan receivables, net

Loan receivables represent the consumer financing, in collaboration with JD Digits, provided to qualified individual customers on our online marketplace. Due to the legacy contractual arrangements with JD Digits, the Group remains as the legal owner of the consumer financing receivables, including such loan receivables, where JD Digits performs the related credit assessment and absorbs the credit risks. The loan terms extended to the customers generally range from 1 month to 24 months. As JD Digits is obligated to purchase the receivables past due over certain agreed period of time from the Group at carrying values to absorb the credit risks, no provision for doubtful accounts was recorded for the years ended December 31, 2017, 2018 and 2019. The loan receivables were measured at amortized cost and reported in the consolidated balance sheets at outstanding principal. As of December 31, 2017, 2018 and 2019, the loan receivables with the collection period over one year amounting to RMB243,624, RMB105,455 and RMB179,886, respectively, were classified into other non-current assets in the consolidated balance sheets. Cash paid for loan originations and cash received from loan repayments are classified as investing activities in the consolidated statements of cash flows. The Group, in collaboration with JD Digits, periodically securitizes loan receivables through the transfer of those assets to securitization vehicles, please refer to Note 2(v).

n. Property, equipment and software, net

Property, equipment and software are stated at cost less accumulated depreciation and impairment. Property, equipment and software are depreciated at rates sufficient to write off their costs less impairment and residual value, if any, over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

<u>Category</u>	<u>Estimated useful lives</u>
Electronic equipment	3-5 years
Office equipment	5 years
Vehicles	3-5 years
Logistics, warehouse and other heavy equipment	5-10 years
Leasehold improvement	Over the shorter of the expected life of leasehold improvements or the lease term
Software	3-5 years
Building	40 years
Building improvement	5-10 years

Repairs and maintenance costs are charged to expenses as incurred, whereas the costs of renewals and betterment that extend the useful lives of property, equipment and software are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the costs, accumulated depreciation and impairment with any resulting gain or loss recognized in the consolidated statements of operations and comprehensive income/(loss).

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2. Summary of significant accounting policies (Continued)

o. Construction in progress

Direct costs that are related to the construction of property, equipment and software and incurred in connection with bringing the assets to their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property, equipment and software items and the depreciation of these assets commences when the assets are ready for their intended use. As of December 31, 2017, 2018 and 2019, construction in progress in the amount of RMB3,196,516, RMB6,553,712 and RMB5,806,308, respectively, were primarily relating to the construction of office buildings and warehouses.

p. Land use rights, net

Land use rights are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives which are 34 to 50 years and represent the shorter of the estimated usage periods or the terms of the agreements.

q. Intangible assets, net

Intangible assets purchased from third parties are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives. The Group performs valuation of the intangible assets arising from business combination to determine the fair value to be assigned to each asset acquired. The acquired intangible assets are recognized and measured at fair value and are expensed or amortized using the straight-line approach over the estimated economic useful lives of the assets.

The estimated useful lives of intangible assets are as follows:

<u>Category</u>	<u>Estimated useful lives</u>
Strategic cooperation	5 years
Non-compete	5-8 years
Domain names and trademarks	5-20 years
Technology and others	2-10 years

r. Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired in a business combination.

Goodwill is not depreciated or amortized but is tested for impairment on an annual basis as of December 31, and in between annual tests when an event occurs or circumstances change that could indicate that the asset might be impaired. In accordance with the Financial Accounting Standards Board (“FASB”) guidance on testing of goodwill for impairment, the Group first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount of each reporting unit exceeds its fair value, an impairment loss equal to the difference between the implied fair value of the reporting unit’s goodwill and the carrying amount of goodwill will be recorded. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

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2. Summary of significant accounting policies (Continued)

s. Investment in equity investees

Investment in equity investees represents the Group's investments in privately held companies, publicly traded companies and private equity funds. The Group applies the equity method of accounting to account for an equity investment, in common stock or in-substance common stock, according to ASC Topic 323, Investment—Equity Method and Joint Ventures ("ASC 323"), over which it has significant influence but does not own a majority equity interest or otherwise control.

An investment in in-substance common stock is an investment in an entity that has risk and reward characteristics that are substantially similar to that entity's common stock. The Group considers subordination, risks and rewards of ownership and obligation to transfer value when determining whether an investment in an entity is substantially similar to an investment in that entity's common stock.

Under the equity method, the Group's share of the post-acquisition profits or losses of the equity investees are recorded in share of results of equity investees in the consolidated statements of operations and comprehensive income/(loss) and its share of post-acquisition movements of accumulated other comprehensive income are recorded in accumulated other comprehensive income/(loss) as a component of shareholders' equity. The Group records its share of the results of equity investments in publicly listed companies and certain privately held companies on one quarter in arrears basis. The excess of the carrying amount of the investment over the underlying equity in net assets of the equity investee represents goodwill and intangible assets acquired. When the Group's share of losses in the equity investee equals or exceeds its interest in the equity investee, the Group does not recognize further losses, unless the Group has incurred obligations or made payments or guarantees on behalf of the equity investee, or the Group holds other investments in the equity investee.

The Group continually reviews its investment in equity investees under equity method to determine whether a decline in fair value to below the carrying value is other-than-temporary. The primary factors the Group considers in its determination are the duration and severity of the decline in fair value, the financial condition, operating performance and the prospects of the equity investee, and other company specific information such as recent financing rounds. If the decline in fair value is deemed to be other-than-temporary, the carrying value of the equity investee is written down to fair value.

Private equity funds pursue various investment strategies, including event driven and multi-strategy. Investments in private equity funds generally are not redeemable due to the closed-ended nature of these funds. Beginning on January 1, 2018, these private equity funds, over which the Group does not have the ability to exercise significant influence, are accounted for under the existing practical expedient in ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820") to estimate fair value using the net asset value per share (or its equivalent) of the investment ("NAV practical expedient").

Beginning on January 1, 2018, the Group's equity investments without readily determinable fair values, which do not qualify for NAV practical expedient and over which the Group does not have the ability to exercise significant influence through the investments in common stock or in substance common stock, are accounted for under the measurement alternative upon the adoption of ASU 2016-01 (the "Measurement Alternative"). Under the Measurement Alternative, the carrying value is measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. All gains and losses on these investments, realized and unrealized, are recognized in others, net in the consolidated statements of operations and comprehensive income/(loss). The Group makes assessment of whether an investment is impaired based on performance and financial position of the investee as well as other evidence of market value at each reporting date. Such assessment includes, but is not limited to, reviewing the investee's cash position, recent financing, as well as the financial and business performance. The Group recognizes an impairment loss equal to the difference between the carrying value and fair value in others, net in the consolidated statements of operations and comprehensive income/(loss) if there is any. Prior to January 1, 2018, the cost method of accounting was used.

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2. Summary of significant accounting policies (Continued)

t. Investment securities

The Group invests in marketable equity securities to meet business objectives. Beginning on January 1, 2018, these marketable securities are classified as investments with readily determinable fair values, which are reported at fair value in the consolidated balance sheets, the unrealized gains and losses on equity securities are recorded in others, net in the consolidated statements of operations and comprehensive income/(loss) upon the adoption of ASU 2016-01. Prior to January 1, 2018, the unrealized gains and losses on marketable securities were recorded in accumulated other comprehensive income/(loss) as a component of shareholders' equity, net of income taxes.

u. Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets.

v. Nonrecourse securitization debt and transfer of financial assets

The Group, in collaboration with JD Digits, periodically securitizes accounts receivable and loan receivables arising from consumer financing through the transfer of those assets to securitization vehicles. The securitization vehicles then issue debt securities to third-party investors and JD Digits, collateralized by the transferred assets. The asset-backed debt securities issued by the securitization vehicles are nonrecourse to the Group and are payable only out of collections on their respective underlying collateralized assets.

The securitization vehicles are considered variable interest entities pursuant to ASC Topic 810, *Consolidation*. The Group will consolidate the securitization vehicles when economic interests are retained in the form of subordinated interests, and acting as the servicer of securitization vehicles. Accordingly, the Group are precluded from recording the related transfers of assets in securitization transactions as sales. Asset-backed debt securities issued by the consolidated securitization vehicles are accounted for as the financing type transactions.

The Group will not consolidate the securitization vehicles when no economic interests are retained by the Group, and the Group has no continuing involvements, including the servicer of the securitization vehicles. Transfers are accounted for as sale and corresponding transferred accounts receivable are de-recognized in the consolidated balance sheets pursuant to ASC Topic 860, *Transfers and Servicing* ("ASC 860"), only if they meet all of the three criteria: (i) the transferred financial assets have been isolated from the transferor and its creditor, (ii) each transferee has the rights to pledge or exchange the transferred assets, or the transferor has no continuing involvement with the transferred financial assets, and (iii) the transferor does not maintain effective control over the transferred financial assets or third-party beneficial interests related to those transferred assets. Otherwise, the transfer of the assets will be accounted for as a financing type transaction if the conditions in ASC 860-10-40-5 were not met. The under common control relationship of the transferor and transferee should be ignored when applying ASC 860, as long as the transferee will not be consolidated by the transferor.

Due to the Group's continuing involvement rights in securitization vehicles prior to October 2017, the Group cannot derecognize the existing receivables through the transfer of the receivables to securitization vehicles. The proceeds from the financing type transactions were reported as current and non-current nonrecourse securitization debt in the consolidated balance sheets based on their respective expected repayment dates pursuant to ASC 860. While the contractual maturities of the asset-backed debt securities were from 2018 to 2019, the securities were repaid as collections on the underlying collateralized assets occur. As of December 31, 2017, 2018 and 2019, the collateralized accounts receivable were RMB11,701,973, RMB3,116,309 and nil, respectively, and the collateralized loan receivables were RMB4,512,764, RMB1,281,361 and nil, respectively. The weighted average interest rate for the outstanding nonrecourse securitization debt as of December 31, 2017 and 2018 was approximately 5.33% and 5.81% per annum, respectively. The interest expenses in relation to the nonrecourse securitization debt were charged back to JD Digits.

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2. Summary of significant accounting policies (Continued)

v. Nonrecourse securitization debt and transfer of financial assets (Continued)

Beginning October 2017, the Group revised certain structural arrangements to relinquish its continuing involvement rights when setting up the new securitization vehicles. In 2019, RMB21,500,000 (2017: RMB8,000,000, 2018: RMB17,500,000) consumer credit receivables financial assets were derecognized through the sales type arrangements, including accounts receivable of RMB15,302,084 (2017: RMB5,693,223, 2018: RMB12,632,342) and loan receivables of RMB6,197,916 (2017: RMB2,306,777, 2018: RMB4,867,658). Proceeds from the derecognition were RMB21,500,000 (2017: RMB8,000,000, 2018: RMB17,500,000), and JD Digits and other third-party investors acted as the servicers and purchased the subordinate tranche of the securitization vehicles in these transactions. The investors, including JD Digits, have no recourse to the Group when the underlying consumers fail to pay amounts contractually on due. The gain/loss recorded upon the sale accounting was immaterial in the periods presented.

w. Unsecured senior notes and long-term borrowings

Unsecured senior notes are recognized initially at fair value, net of debt discounts or premiums and debt issuance costs. Debt discount or premium and debt issuance costs are recorded as a reduction of the principal amount and the related accretion is recorded as interest expense in the consolidated statements of operations and comprehensive income/(loss) over the maturities of the notes using the effective interest method.

Long-term borrowings are recognized at carrying amount. Interest expense is accrued over the estimated term of the facilities and recorded in the consolidated statements of operations and comprehensive income/(loss).

x. Fair value

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The Group measures certain financial assets, including investments under the equity method on other-than-temporary basis, investments under the Measurement Alternative, intangible assets, goodwill and fixed assets at fair value when an impairment charge is recognized.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 — Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

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2. Summary of significant accounting policies (Continued)

y. Revenues

The Group adopted ASC Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), from January 1, 2018, using the modified retrospective transition approach that increased retained earnings by approximately RMB256,994. Revenues for the years ended December 31, 2018 and 2019 were presented under ASC 606, and revenues for the year ended December 31, 2017 were not adjusted and continue to be presented under ASC Topic 605, *Revenue Recognition*. The Group’s revenue recognition policies effective on the adoption date of ASC 606 are presented as below.

Consistent with the criteria of ASC 606, the Group recognizes revenues when the Group satisfies a performance obligation by transferring a promised good or service (that is, an asset) to a customer. An asset is transferred when the customer obtains control of that asset.

In accordance with ASC 606, the Group evaluates whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When the Group is a principal, that the Group obtains control of the specified goods or services before they are transferred to the customers, the revenues should be recognized in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. When the Group is an agent and its obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, the revenues should be recognized in the net amount for the amount of commission which the Group earns in exchange for arranging for the specified goods or services to be provided by other parties. Revenues are recorded net of value-added taxes.

The Group recognizes revenues net of discounts and return allowances when the products are delivered and title is passed to customers. Significant judgement is required to estimate return allowances. For online retail business with return conditions, the Group reasonably estimate the possibility of return based on the historical experience, changes in judgments on these assumptions and estimates could materially impact the amount of net revenues recognized. As of December 31, 2018 and 2019, liabilities for return allowances were RMB363,191 and RMB425,135, respectively, which were included in “Accrued expenses and other current liabilities”. The rights to recover products from customers associated with the Group’s liabilities for return allowances are the Group’s assets, which were RMB381,165 and RMB454,298 as of December 31, 2018 and 2019, respectively, and were included in “Prepayments and other current assets”.

The Group also sells prepaid cards which can be redeemed to purchase products sold on the JD Platform. In accordance with ASC 606, the cash collected from the sales of prepaid cards is initially recorded in advance from customers in the consolidated balance sheets and subsequently recognized as revenues upon the sales of the respective products through redemption of prepaid cards are completed. Upon the adoption of ASC 606, the Group began to recognize revenue from estimated unredeemed prepaid cards over the expected customer redemption periods, rather than waiting until prepaid cards expire or when the likelihood of redemption becomes remote.

Revenue arrangements with multiple deliverables are divided into separate units of accounting based on the SSP of each separate unit. In instances where SSP is not directly observable, such as the Group does not have vendor-specific objective evidence or third-party evidence of the selling prices of the deliverables, considerations are allocated using estimated selling prices. Determining the SSP of each separate unit may require significant judgments, and significant assumptions and estimates have been made in estimating the relative selling price of each single-element.

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2. Summary of significant accounting policies (Continued)

y. Revenues (Continued)

Net Product Revenues

The Group recognizes the product revenues from the online retail business on a gross basis as the Group is acting as a principal in these transactions and is responsible for fulfilling the promise to provide the specified goods. Revenues from the sales of electronics and home appliance products were RMB236,268,621, RMB280,059,089 and RMB328,703,453, and revenues from the sales of general merchandise products were RMB95,555,789, RMB136,049,657 and RMB182,030,514, for the years ended December 31, 2017, 2018 and 2019, respectively. The Group's net product revenues were mainly generated by the JD Retail (formerly known as JD Mall) segment.

Net Service Revenues

The Group charges commission fees to third-party merchants for participating in the Group's online marketplace, where the Group generally is acting as an agent and its performance obligation is to arrange for the provision of the specified goods or services by those third-party merchants. Upon successful sales, the Group charges the third-party merchants a negotiated amount or a fixed rate commission fee based on the sales amount. Commission fee revenues are recognized on a net basis at the point of delivery of products, net of return allowances.

The Group provides marketing services to third-party merchants, suppliers and other business partners on its various website channels and third-party marketing affiliate's websites, including but not limited to pay for performance marketing services on which the customers are charged based on effective clicks on their product information, and display advertising services that allow customers to place advertisements on various websites. The Group recognizes revenues from pay for performance marketing services based on effective clicks, and recognizes revenues from display advertising services ratably over the period during which the advertising services are provided or on the number of times that the advertisement has been displayed based on cost per thousand impressions. The Group did not enter into material advertising-for-advertising barter transactions for the periods presented.

The Group opens its fulfillment infrastructure by offering comprehensive supply chain solutions to third parties through JD Logistics, primarily including warehousing, transportation, delivery and after-sales service. Revenues resulting from these services are recognized over time as the Group performs the services in the contracts because of the continuous transfer of control to the customers.

The Group offers consumer financing to individual customers and supply chain financing to suppliers and merchants on the Group's online marketplace through JD Digits before June 30, 2017. Revenues resulting from these financing services are recognized in accordance with the contractual terms, and were reflected in discontinued operation results as JD Digits was deconsolidated from the Group since June 30, 2017 as a result of the reorganization of JD Digits (Note 6).

JD Plus memberships provide the Group's core customers with a better shopping experience, access to an evolving suite of benefits that represent a single stand-ready obligation. Subscriptions are paid for at the time of or in advance of delivering the services. Revenues from such arrangements are recognized over the subscription period.

The Group offers comprehensive customer services, primarily include 7*24 hours customer services to respond to customers' post-sales requests, return and exchange services to facilitate customers' return, exchange and repair of defective goods. These services are free of charge. The Group also provides return/exchange logistics services to the customers, of which the revenues recognized were not material for the periods presented.

Revenues from online marketplace and marketing services were RMB25,390,981, RMB33,531,862 and RMB42,680,212 for the years ended December 31, 2017, 2018 and 2019, respectively, which were mainly generated by the JD Retail segment. Revenues from logistics and other services were RMB5,116,363, RMB12,379,151 and RMB23,474,305, for the years ended December 31, 2017, 2018 and 2019, respectively, which were mainly generated by the New Businesses segment.

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2. Summary of significant accounting policies (Continued)

z. Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represent amounts invoiced and revenues recognized prior to invoicing when the Group has satisfied the Group's performance obligation and has the unconditional rights to payment. The allowance for doubtful accounts and authorized credits is estimated based on the Group's assessment of various factors including historical experience, the age of the accounts receivable balances, current economic conditions and other factors that may affect the Group's customers' ability to pay. The balances of accounts receivable, net of allowance for doubtful accounts were RMB16,359,147, RMB11,109,988 and RMB6,190,588 as of December 31, 2017, 2018 and 2019, respectively.

Unearned revenues consist of payments received or awards to customers related to unsatisfied performance obligation at the end of the period, included in current and non-current deferred revenues and advance from customers in the Group's consolidated balance sheets. As of December 31, 2018, the Group's total unearned revenues were RMB15,461,245, of which RMB12,997,919 was recognized as revenues for the year ended December 31, 2019. The Group's total unearned revenues were RMB21,347,848 as of December 31, 2019.

The Group applied a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include certain partner sales incentive programs. The Group has no material incremental costs of obtaining contracts with customers that the Group expects the benefit of those costs to be longer than one year which need to be recognized as assets.

aa. Customer incentives and loyalty programs

The Group provides two types of discounted coupons, referred to as D Coupons and J Coupons, for free to its customers to incentivize purchase.

- D Coupons are given to a customer upon current purchase or can be given for free to promote future purchases. This coupon requires the customer to make future purchase of a minimum value in order to enjoy the value provided by the coupon. The rights to purchase discounted products in the future are not considered as a separate performance obligation under ASC 606, as the discount does not represent a material rights to the customer. The Group assesses the significance of the discount by considering its percentage of the total future minimum purchase value, historical usage pattern by the customers and relative outstanding volume and monetary value of D Coupons compared to the other discounts offered by the Group. D Coupons are accounted for as a reduction of revenues on the future purchase.
- J Coupons are given to a customer upon their qualified purchase or can be given for free to promote future purchases and are to be used on a future purchase, with no limitation as to the minimum value of the future purchase. Accordingly, the Group has determined that J Coupons awarded are considered as a separate performance obligation within the scope of ASC 606, as J Coupons represent a material rights to the customer. Therefore, the delivered products and J Coupons awarded are treated as two distinct performance obligations identified in the contract. The total sales consideration is allocated based on management's best estimate of the relative SSP of each performance obligation. The amount allocated to J Coupons is deferred and recognized when J Coupons are redeemed or at the coupon's expiration, whichever occurs first. J Coupons have an expiration of one year after issuance. For the years ended December 31, 2017, 2018 and 2019, the amount of expired J Coupons was not material.

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2. Summary of significant accounting policies (Continued)

aa. Customer incentives and loyalty programs (Continued)

Registered customers may also earn J Beans, which was launched based on certain activities performed on the Group's website by the customers such as purchasing merchandise or reviewing their buying experiences. J Beans can be used as cash to buy any products sold by the Group, which will directly reduce the amount paid by the customer, or redeemed for D Coupons that can be used in certain shops on JD Platform. The Group considers J Beans awarded from sales of products and reviewing buying experiences to be part of its revenue generating activities. Thus J Beans is considered to be a separate performance obligation identified in the contract. Therefore, the sales consideration is allocated to the products and J Beans based on the relative SSP of the products and J Beans awarded. Consideration allocated to J Beans is initially recorded as deferred revenues, and recognized as revenues when J Beans are used or expired. J Beans will expire at the subsequent year end after issuance. For the years ended December 31, 2017, 2018 and 2019, the amount of expired J Beans was not material.

bb. Cost of revenues

Cost of revenues consists primarily of purchase price of products, inbound shipping charges, write-downs of inventories, traffic acquisition costs related to online marketing services, and cost related to logistics services provided to third parties. Shipping charges to receive products from the suppliers are included in inventories, and recognized as cost of revenues upon sale of the products to the customers.

cc. Rebates and subsidies

The Group periodically receives considerations from certain vendors, representing rebates for products sold and subsidies for the sales of the vendors' products over a period of time. The rebates are not sufficiently separable from the Group's purchase of the vendors' products and they do not represent a reimbursement of costs incurred by the Group to sell vendors' products. The Group accounts for the rebates received from its vendors as a reduction to the prices it pays for the products purchased and therefore the Group records such amounts as a reduction of cost of revenues when recognized in the consolidated statements of operations and comprehensive income/(loss). Rebates are earned upon reaching minimum purchase thresholds for a specified period. When volume rebates can be reasonably estimated based on the Group's past experiences and current forecasts, a portion of the rebates is recognized as the Group makes progress towards the purchase threshold. Subsidies are calculated based on the volume of products sold through the Group and are recorded as a reduction of cost of revenues when the sales have been completed and the amount is determinable.

dd. Fulfillment

Fulfillment expenses consist primarily of (i) expenses incurred in operating the Group's fulfillment centers, customer service centers and physical stores, including personnel cost and expenses attributable to buying, receiving, inspecting and warehousing inventories, picking, packaging, and preparing customer orders for shipment, processing payment and related transaction costs, (ii) expenses charged by third-party couriers for dispatching and delivering the Group's products and (iii) lease expenses of warehouses, delivery and pickup stations, and physical stores. The cost related to logistics services provided to third parties is classified in cost of revenues in the consolidated statements of operations and comprehensive income/(loss). Shipping cost included in fulfillment expenses amounted to RMB12,691,013, RMB15,216,351 and RMB17,858,972 for the years ended December 31, 2017, 2018 and 2019, respectively.

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2. Summary of significant accounting policies (Continued)

ee. Marketing

Marketing expenses consist primarily of advertising costs, public relations expenditures, and payroll and related expenses for employees involved in marketing and business development activities. The Group pays commissions to participants in the associates program when their customer referrals result in successful product sales and records such costs in marketing in the consolidated statements of operations and comprehensive income/(loss).

Advertising costs, which consist primarily of online advertising, offline television, movie and outdoor advertising, and incentive programs to attract or retain consumers for the Group's online marketplace, are expensed as incurred, and totaled RMB12,375,922, RMB15,970,433 and RMB19,285,939 for the years ended December 31, 2017, 2018 and 2019, respectively.

ff. Research and development

Research and development expenses consist primarily of payroll and related expenses for research and development employees involved in designing, developing and maintaining technology platform, and improving artificial intelligence, big data and cloud technologies and services, and technology infrastructure costs. Technology infrastructure costs include servers and other equipment depreciation, bandwidth and data center costs, rent, utilities and other expenses necessary to support the Group's internal and external business. Research and development expenses are expensed as incurred. Software development costs are recorded in "Research and development" as incurred as the costs qualifying for capitalization have been insignificant.

gg. General and administrative

General and administrative expenses consist primarily of employee related expenses for general corporate functions, including accounting, finance, tax, legal and human relations; costs associated with these functions including facilities and equipment depreciation expenses, rental and other general corporate related expenses.

hh. Share-based compensation

The Company grants restricted share units ("RSUs") and share options of the Company and its subsidiaries to eligible employees and non-employee consultants. The Group accounts for share-based awards issued to employees in accordance with ASC Topic 718 *Compensation – Stock Compensation*. The Group early adopted ASU 2018-07, "Compensation-Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting" beginning July 1, 2018, before then, the Group accounted for share-based awards issued to non-employees in accordance with ASC 505-50, *Equity-Based Payments to Non-Employees*.

Employees' share-based awards, non-employees' share-based awards and the founder's share-based awards are measured at the grant date fair value of the awards and recognized as expenses a) immediately at grant date if no vesting conditions are required; or b) using graded vesting method, net of estimated forfeitures, over the requisite service period, which is the vesting period.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

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2. Summary of significant accounting policies (Continued)

hh. Share-based compensation (Continued)

The Group uses the binominal option-pricing model to estimate the fair value of share options. The determination of estimated fair value of share-based payment awards on the grant date is affected by the fair value of the Company's ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected value volatility of the Company over the expected term of the awards, actual and projected employee share option exercise behaviors, a risk-free interest rate, exercise multiple and expected dividend yield, if any.

Determination of estimated fair value of the Company's subsidiaries before they were publicly listed requires complex and subjective judgments due to their limited financial and operating history, unique business risks and limited public information on companies in China similar to the Company's subsidiaries. The Company estimates the Company's subsidiaries' enterprise value for purposes of recording share-based compensation, and the information considered by the Company mainly include but are not limited to the pricing of recent rounds of financing, future cash flow forecasts, discount rates, and liquidity factors.

The Group recognizes the estimated compensation cost of RSUs based on the fair value of its ordinary shares on the date of the grant. The Group recognizes the compensation cost, net of estimated forfeitures, over a vesting term for service-based RSUs.

The Group also recognizes the compensation cost of performance-based share awards, net of estimated forfeitures, if it is probable that the performance condition will be achieved at the end of each reporting period.

Forfeitures are estimated at the time of grant and revised in the subsequent periods if actual forfeitures differ from those estimates.

ii. Income tax

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. The Group follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statements carrying amounts and tax bases of existing assets and liabilities by applying enacted statutory tax rates that will be in effect in the period in which the temporary differences are expected to reverse. The Group records a valuation allowance to reduce the amount of deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of operations and comprehensive income/(loss) in the period of change. Deferred tax assets and liabilities are classified as non-current in the consolidated balance sheets.

The Group recognizes in its consolidated financial statements the benefit of a tax position if the tax position is "more likely than not" to prevail based on the facts and technical merits of the position. Tax positions that meet the "more likely than not" recognition threshold are measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. The Group estimates its liability for unrecognized tax benefits which are periodically assessed and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in some cases, appeal or litigation process. The actual benefits ultimately realized may differ from the Group's estimates. As each audit is concluded, adjustments, if any, are recorded in the Group's consolidated financial statements in the period in which the audit is concluded. Additionally, in future periods, changes in facts, circumstances and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. As of December 31, 2017, 2018 and 2019, the Group did not have any significant unrecognized uncertain tax positions.

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2. Summary of significant accounting policies (Continued)

jj. Leases

Before January 1, 2019, the Group adopted ASC Topic 840 (“ASC 840”), *Leases*, and each lease is classified at the inception date as either a capital lease or an operating lease.

The Group adopted the new lease accounting standard, ASC Topic 842, *Leases* (“ASC 842”), from January 1, 2019 using the modified retrospective transition approach through a cumulative-effect adjustment in the period of adoption rather than retrospectively adjusting prior periods and the package of practical expedients. The Group categorizes leases with contractual terms longer than twelve months as either operating or finance lease. However, the Group has no finance leases for any of the periods presented.

Right-of-use (“ROU”) assets represent the Group’s rights to use underlying assets for the lease term and lease liabilities represent the Group’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term, reduced by lease incentives received, plus any initial direct costs, using the discount rate for the lease at the commencement date. As the implicit rate in lease is not readily determinable for the Group’s operating leases, the Group generally use the incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The Group’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Group accounts for lease and non-lease components separately.

The Group also enters into sale and leaseback transactions. The Group acts as the seller-lessee, transfers its assets to a third-party entity (the buyer-lessor) and then leases the transferred assets back from the buyer-lessor at an arm-length rental price. Upon consideration of ASC Topic 842-40-25-1 and ASC 606, the transfer of the underlying assets is considered as sales, and according to ASC 842, the leaseback transaction is classified as an operating lease. Therefore, the sale and the leaseback of the underlying assets are separately accounted for by the Group. Upon completion of the transaction, the legal titles of these assets are transferred to the third-party entity (the buyer-lessor), and the Group derecognizes these transferred assets and recognizes gains or losses from disposal of these assets in accordance with ASC Topic 360, *Property, Plant and Equipment*. The leaseback transactions are accounted for under ASC 842, and the ROU assets and lease liabilities are recognized at commencement date accordingly.

kk. Comprehensive income/(loss)

Comprehensive income/(loss) is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments from shareholders and distributions to shareholders. Comprehensive income/(loss) for the periods presented includes net income/(loss), change in unrealized gains/(losses) on available-for-sale debt securities, foreign currency translation adjustments, and share of change in other comprehensive income/(loss) of equity investees. Comprehensive income/(loss) also included change in unrealized gains/(losses) on available-for-sale equity securities for the year ended December 31, 2017, before the adoption of ASU 2016-01.

ll. Net income/(loss) per share

Basic net income/(loss) per share is computed by dividing net income/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For the calculation of diluted net income/(loss) per share, the weighted average number of ordinary shares is adjusted by the effect of dilutive potential ordinary shares, including unvested RSUs and ordinary shares issuable upon the exercise of outstanding share options using the treasury stock method. Additionally, the Company takes into account the effect of dilutive shares of entities in which the Company holds equity interests. The dilutive impact from equity interests mainly include equity investments accounted for using the equity method and the consolidated subsidiaries. The effect mentioned above is not included in the calculation of the diluted income/(loss) per share when inclusion of such effect would be anti-dilutive.

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2. Summary of significant accounting policies (Continued)

mm. Segment reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”), or decision making group, in deciding how to allocate resources and in assessing performance. The Group’s CODM is the Chief Executive Officer.

The Group’s principal operations are organized into two major business segments, JD Retail and New Businesses, which are defined based on the products and services provided. JD Retail mainly consists of online retail, online marketplace and marketing services in China. New Businesses include logistics services provided to third parties, overseas business, technology initiatives, as well as asset management services to logistics property investors and sale of development properties by JD Property. JD Digits was included in New Businesses before June 30, 2017, which was deconsolidated from the Group since June 30, 2017 as a result of the reorganization of JD Digits (Note 6).

nn. Statutory reserves

The Company’s subsidiaries and consolidated VIEs established in the PRC are required to make appropriations to certain non-distributable reserve funds.

In accordance with the laws applicable to the Foreign Investment Enterprises established in the PRC, the Group’s subsidiaries registered as wholly-owned foreign enterprise have to make appropriations from their after-tax profits (as determined under generally accepted accounting principles in the PRC (“PRC GAAP”)) to reserve funds including general reserve fund, enterprise expansion fund and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with the PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the company. Appropriations to the enterprise expansion fund and staff bonus and welfare fund are made at the respective company’s discretion.

In addition, in accordance with the PRC Company Laws, the Group’s consolidated VIEs, registered as Chinese domestic companies, must make appropriations from their after-tax profits as determined under the PRC GAAP to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under the PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

The use of the general reserve fund, enterprise expansion fund, statutory surplus fund and discretionary surplus fund are restricted to the offsetting of losses or increasing of the registered capital of the respective company. The staff bonus and welfare fund is a liability in nature and is restricted to fund payments of special bonus to employees and for the collective welfare of employees. None of these reserves are allowed to be transferred to the company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

For the years ended December 31, 2017, 2018 and 2019, profit appropriation to statutory surplus fund for the Group’s entities incorporated in the PRC was approximately RMB503,028, RMB764,446 and RMB58,753, respectively. No appropriation to other reserve funds was made for any of the periods presented.

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2. Summary of significant accounting policies (Continued)

oo. Recent accounting pronouncements

Recently adopted accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”, which introduces a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. In July 2018, the FASB issued ASU 2018-11, and provided another transition approach by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Group adopted the new lease standard beginning January 1, 2019 using the modified retrospective transition approach through a cumulative-effect adjustment in the period of adoption rather than retrospectively adjusting prior periods and the package of practical expedients. Adoption of the standard resulted in recognition of additional ROU assets and lease liabilities by approximately RMB7 billion and RMB7 billion as of January 1, 2019, respectively. Refer to Note 18 for further details.

Recently issued accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments-Credit Losses (Topic 326)”, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The adoption of this standard is not expected to have a material impact on the Group’s consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment”, the guidance removes step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not the difference between the fair value and carrying amount of goodwill which was the step 2 test before. The ASU should be adopted on a prospective basis for the annual or any interim goodwill impairment tests beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of this standard is not expected to have a material impact on the Group’s consolidated financial statements.

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3. Concentration and risks

Concentration of customers and suppliers

There are no customers or suppliers from whom revenues or purchases individually represent greater than 10% of the total revenues or the total purchases of the Group for the years ended December 31, 2017, 2018 and 2019.

Concentration of credit risk

Assets that potentially subject the Group to significant concentrations of credit risk primarily consist of cash and cash equivalents, restricted cash, accounts receivable and short-term investments. The maximum exposure of such assets to credit risk is their carrying amounts as of the balance sheet dates. As of December 31, 2017, 2018 and 2019, majority of the Group's cash and cash equivalents, restricted cash and short-term investments were held by major financial institutions located in the PRC and Hong Kong which the management believes are of high credit quality. On May 1, 2015, China's new Deposit Insurance Regulation came into effect, pursuant to which banking financial institutions, such as commercial banks, established in China are required to purchase deposit insurance for deposits in RMB and in foreign currency placed with them. Such Deposit Insurance Regulation would not be effective in providing complete protection for the Group's accounts, as its aggregate deposits are much higher than the compensation limit. However, the Group believes that the risk of failure of any of these Chinese banks is remote. Bank failure is uncommon in China and the Group believes that those Chinese banks that hold the Group's cash and cash equivalents, restricted cash and short-term investments are financially sound based on public available information. Accounts receivable are typically unsecured and are mainly derived from revenues earned from customers in the PRC. The risk with respect to accounts receivable is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring processes of outstanding balances. Besides, JD Digits performs the related credit assessment of the consumer financing receivables recorded in the Group's consolidated balance sheets. JD Digits purchases the consumer financing receivables past due over certain agreed period of time from the Group at carrying values without recourse and also agrees to bear other cost directly related to the consumer financing business to absorb the risks.

Currency convertibility risk

The PRC government imposes controls on the convertibility of RMB into foreign currencies. The Group's cash and cash equivalents, restricted cash and short-term investments denominated in RMB that are subject to such government controls amounted to RMB27,566,040, RMB15,443,123 and RMB33,601,008 as of December 31, 2017, 2018 and 2019, respectively. The value of RMB is subject to changes in the central government policies and to international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in the PRC must be processed through the PBOC or other Chinese foreign exchange regulatory bodies which require certain supporting documentation in order to process the remittance.

Foreign currency exchange rate risk

In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the US\$. Since June 2010, the RMB has fluctuated against the US\$, at times significantly and unpredictably. The appreciation of the RMB against the US\$ was approximately 7% in 2017. The depreciation of the RMB against the US\$ was approximately 5% and 1% in 2018 and 2019, respectively. It is difficult to predict how market forces or the PRC or U.S. government policy may impact the exchange rate between the RMB and the US\$ in the future.

4. Restricted cash

To meet the requirements of specific business operations, primarily including secured deposits held in designated bank accounts for issuance of bank acceptance and letter of guarantee, the Group held restricted cash of RMB4,110,210, RMB3,239,613 and RMB2,940,859 as of December 31, 2017, 2018 and 2019, respectively.

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5. Fair value measurement

As of December 31, 2017, 2018 and 2019, information about inputs into the fair value measurement of the Group's assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

Description	Fair value as of December 31, 2017 RMB	Fair value measurement at reporting date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1) RMB	Significant Other Observable Inputs (Level 2) RMB	Significant Unobservable Inputs (Level 3) RMB
Assets:				
Cash equivalents				
Money market funds	1,372,182	1,372,182	—	—
Restricted cash	4,110,210	—	4,110,210	—
Short-term investments				
Wealth management products	8,582,754	—	8,582,754	—
Investment securities				
Listed equity securities	10,027,813	10,027,813	—	—
Total assets	24,092,959	11,399,995	12,692,964	—

Description	Fair value as of December 31, 2018 RMB	Fair value measurement at reporting date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1) RMB	Significant Other Observable Inputs (Level 2) RMB	Significant Unobservable Inputs (Level 3) RMB
Assets:				
Cash equivalents				
Money market funds	1,373	1,373	—	—
Restricted cash	3,239,613	—	3,239,613	—
Short-term investments				
Wealth management products	1,934,820	—	1,934,820	—
Investment securities				
Listed equity securities	15,901,573	15,901,573	—	—
Total assets	21,077,379	15,902,946	5,174,433	—

Description	Fair value as of December 31, 2019 RMB	Fair value measurement at reporting date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1) RMB	Significant Other Observable Inputs (Level 2) RMB	Significant Unobservable Inputs (Level 3) RMB
Assets:				
Cash equivalents				
Money market funds	3,590,620	3,590,620	—	—
Restricted cash	2,940,859	—	2,940,859	—
Short-term investments				
Wealth management products	23,206,770	—	23,206,770	—
Investment securities				
Listed equity securities	21,417,104	21,417,104	—	—
Total assets	51,155,353	25,007,724	26,147,629	—

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. Following is a description of the valuation techniques that the Group uses to measure the fair value of assets that the Group reports in its consolidated balance sheets at fair value on a recurring basis.

Cash equivalents

Money market funds. The Group values its money market funds using quoted prices in active markets for these investments, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 1.

Restricted cash

Restricted cash is valued based on the pervasive interest rates in the market, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 2.

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5. Fair value measurement (Continued)

Short-term investments

Wealth management products. The Group values its wealth management products using alternative pricing sources and models utilizing market observable inputs, and accordingly the Group classifies the valuation techniques that use these inputs as Level 2. The wealth management products usually have short original maturities of less than 1 year, the carrying value approximates to fair value.

As of December 31, 2017, 2018 and 2019, gross unrealized gains of RMB23,755, RMB627 and RMB54,813 were recorded on wealth management products, respectively. No impairment charges were recorded for the years ended December 31, 2017, 2018 and 2019, respectively.

Investment securities

Listed equity securities. The Group values its listed equity securities using quoted prices for the underlying securities in active markets, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 1. Prior to January 1, 2018, the Group accounted for the investment securities at fair value with unrealized gains and losses recognized in accumulated other comprehensive income on the consolidated balance sheets. Realized gains and losses on marketable equity securities sold or impaired were recognized in others, net in the consolidated statements of operations and comprehensive income/(loss). Starting from January 1, 2018, upon adoption of ASU 2016-01, unrealized gains and losses during the year are recognized in others, net in the consolidated statements of operations and comprehensive income/(loss), and the Group recognizes a cumulative-effect adjustment for the net unrealized gains related to marketable equity securities of RMB1,156,642 from accumulated other comprehensive income to the opening balance of retained earnings in the period of adoption.

The following table summarizes the carrying value and fair value of the investment securities:

	<u>Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Provision for Decline in Value</u>	<u>Fair Value</u>
	RMB	RMB	RMB	RMB	RMB
December 31, 2017	9,087,935	1,476,834	(513,047)	(23,909)	10,027,813
December 31, 2018	16,071,098	3,952,704	(4,122,229)	—	15,901,573
December 31, 2019	18,329,057	5,008,610	(1,920,563)	—	21,417,104

In 2017, the Group invested in China United Network Communications Limited (“China Unicom”) with a total consideration of RMB5,000,000, and held approximately 2.4% of China Unicom’s equity interest. As of December 31, 2019, the accumulated unrealized loss related to the investment in China Unicom was RMB688,141 (as of December 31, 2017 and 2018: RMB366,032 and RMB1,215,227).

In 2017, the Group invested in Vipshop Holdings Ltd. (“Vipshop”) with a total consideration of RMB2,794,547 and held approximately 5.5% of Vipshop’s equity interest. In 2018 and 2019, the Group purchased additional shares with a total amount of RMB1,121,792. As of December 31, 2019, the accumulated unrealized gain related to the investment in Vipshop was RMB1,077,422 (as of December 31, 2017 and 2018: unrealized loss of RMB37,064 and RMB2,004,447).

In 2017, the Group invested in Farfetch.com Limited (“Farfetch”) with a total consideration of RMB2,713,285, and this investment was accounted for as cost method investment as of December 31, 2017. On September 21, 2018, Farfetch completed its initial public offering on New York Stock Exchange. Concurrently with Farfetch’s initial public offering (“IPO”), the Group purchased additional shares with a total amount of RMB186,155, and started to account for the investment at fair value. As of December 31, 2019, the accumulated unrealized gain related to the investment in Farfetch was RMB159,589 (as of December 31, 2018: RMB2,250,113).

In 2018, the Group invested in ESR Cayman Limited (“ESR”) with a total consideration of RMB1,952,325, and this investment was accounted for as equity investment measured at fair value using the Measurement Alternative as of December 31, 2018. On November 1, 2019, ESR completed IPO on The Stock Exchange of Hong Kong Limited. Concurrently with ESR’s IPO, the Group sold approximately 3.4% of its investment in ESR and started to account for the remaining investment at fair value. As of December 31, 2019, the accumulated unrealized gain related to the investment in ESR was RMB1,777,252.

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5. Fair value measurement (Continued)

Other financial instruments

The followings are other financial instruments not measured at fair value in the consolidated balance sheets, but for which the fair value is estimated for disclosure purposes.

Time deposits. Time deposits with original maturities of three months or less and longer than three months but less than one year have been classified as cash equivalents and short-term investments, respectively, in the consolidated balance sheets. The fair value of the Group's time deposits is determined based on the prevailing interest rates in the market, which have been categorized as Level 2 in the fair value hierarchy. As of December 31, 2017, 2018 and 2019, the fair value of time deposits classified as cash equivalents and short-term investments amounted to RMB5,081,748, RMB12,050,507 and RMB11,189,560, respectively.

Unsecured senior notes. The carrying amounts of unsecured senior notes approximate to their fair values due to the fact that the related interest rates approximate to the rates currently offered by financial institutions for similar debt instruments of comparable maturities. The fair value of unsecured senior notes was categorized as Level 2 in the fair value hierarchy. As of December 31, 2017, 2018 and 2019, the fair value of unsecured senior notes amounted to RMB6,527,960, RMB6,382,604 and RMB7,195,427, respectively.

Short-term receivables and payables. Accounts receivable, loan receivables and prepayments and other current assets are financial assets with carrying values that approximate to fair value due to their short-term nature. Accounts payable, accrued expenses and other current liabilities and advance from customers, are financial liabilities with carrying values that approximate to fair value due to their short-term nature. The Group classifies the valuation techniques that use these inputs as Level 2 in the fair value hierarchy.

Short-term borrowings and long-term borrowings. Interest rates under the borrowing agreements with the lending parties were determined based on the prevailing interest rates in the market. The carrying value of short-term borrowings and long-term borrowings approximates to fair value. The Group classifies the valuation techniques that use these inputs as Level 2 in the fair value hierarchy.

Nonrecourse securitization debt. The carrying amount of nonrecourse securitization debt approximates to its fair value due to the fact that the related interest rates approximate to the rates currently offered by financial institutions for similar debt instruments of comparable maturities. The Group classifies the valuation techniques that use these inputs as Level 2 in the fair value hierarchy.

Assets and liabilities measured at fair value on a nonrecurring basis

Goodwill. The inputs used to measure the estimated fair value of goodwill are classified as Level 3 in the fair value hierarchy due to the significance of unobservable inputs using company-specific information.

Investment in equity investees. Investments in privately held companies and publicly traded companies included in investment in equity investees in the consolidated balance sheets are reviewed periodically for impairment using fair value measurement. The primary factors that the Group considers include the duration and severity that the fair value of the investment is below its carrying value; post-balance sheet date fair value of the investment; the financial condition, operating performance, strategic collaboration with and the prospects of the investee; the economic or technological environment in which the investee operates; and other entity specific information such as recent financing rounds completed by the investee companies. The investments in privately held companies without readily determinable fair value were measured using significant unobservable inputs (Level 3) as of December 31, 2017, 2018 and 2019, and the impairment charges of RMB59,987, RMB593,138 and RMB1,612,139 were recorded in others, net in the consolidated statements of operations and comprehensive income/(loss) for the years ended December 31, 2017, 2018 and 2019, respectively. The valuation methodology used to estimate the fair value of investments in publicly traded companies and associated impairment charges are discussed in Note 7 —“Investment in equity investees”.

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6. JD Digits reorganization

In the first half of 2017, the Group entered into a series of definitive agreements relating to the reorganization of JD Digits. Pursuant to the definitive agreements, the Group disposed all its equity stake of 68.6% in JD Digits so that it holds neither legal ownership nor effective control of JD Digits, received RMB14.3 billion in cash and is entitled to a royalty and software technical services fee of 40% of the future pre-tax profit of JD Digits when JD Digits has a positive pre-tax income on a cumulative basis. In addition, the Group would be able to convert its profit sharing right with respect to JD Digits into 40% of JD Digits's equity interest, subject to applicable regulatory approvals. Mr. Richard Qiangdong Liu, the Group's Chairman of the Board and the Chief Executive Officer, also participated in the reorganization of JD Digits, and purchased an equity stake of JD Digits at the same price as third-party investors and pursuant to the same set of definitive agreements. Mr. Richard Qiangdong Liu also obtained majority voting rights in JD Digits through his equity stake and act-in-concert arrangement with other investors and participants of employee stock ownership plan. The transaction was completed by June 30, 2017 and all of the cash consideration was received in 2017. After JD Digits's additional round of financing in 2018, the Group's percentage of Digits's pre-tax profit sharing has been diluted to approximately 36%, and if permitted by the regulation, the Group is entitled to convert its profit-sharing right into approximately 36% of JD Digits's equity interest.

Because the Group is entitled to a royalty and software technical services fee of 40% of the future pre-tax profit of JD Digits when JD Digits has a positive pre-tax income on a cumulative basis, and therefore the Group is considered to have a variable interest in JD Digits even though the Group has no equity interest in JD Digits. As the Group shares a large portion of JD Digits's expected residual returns, it limits the rights of holders of the equity investment at risk to receive JD Digits's expected residual returns, hence, JD Digits is a VIE of the Group.

Mr. Richard Qiangdong Liu holds a minority equity stake in JD Digits, and obtains majority voting rights in JD Digits through his equity stake and voting arrangements, possesses the power to direct the activities of JD Digits that would most significantly impact its economic performance, and also exposes to benefits and losses of JD Digits. As a result, JD Digits is an unconsolidated VIE of the Group as the Group is not considered the primary beneficiary of JD Digits.

Hence upon the completion of the transaction on June 30, 2017, JD Digits was deconsolidated from the Group as a result of the reorganization. The Group and JD Digits are both controlled by Mr. Richard Qiangdong Liu before and after the transaction, so the disposal of JD Digits was achieved through an under the common control transaction, accordingly, the gain of RMB14,193,481 from the disposal of JD Digits was recorded in equity account as additional paid-in capital. The gain represented the excess of cash consideration, net of taxes, over the net carrying value of the disposed equity stake in JD Digits.

The disposal of JD Digits has met the discontinued operation criteria. However, given the facts that the disposal is achieved through an under common control transaction, and therefore the held-for-sale and discontinued operation presentation can only be adopted upon the disposal date, which is June 30, 2017.

The Group has classified the historical financial results of JD Digits as discontinued operations in the Group's consolidated statements of operations and comprehensive income/(loss) for the period presented prior to July 1, 2017.

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6. JD Digits reorganization (Continued)

The following tables set forth the results of operations and cash flows of discontinued operations, which were included in the Group's consolidated financial statements:

	For the year ended December 31, 2017^(*)
	RMB
Net revenues	2,392,903
Operating expenses	(2,067,622)
Income from operations of discontinued operations	325,281
Other expenses	(316,245)
Income from discontinued operations before tax	9,036
Income tax expenses	(2,121)
Net income from discontinued operations, net of tax	6,915
Net loss from discontinued operations attributable to non-controlling interests shareholders	(5,030)
Net income from discontinued operations attributable to mezzanine equity classified as non-controlling interests shareholders	281,021
Net loss from discontinued operations attributable to ordinary shareholders	<u>(269,076)</u>
	For the year ended December 31, 2017^(*)
	RMB
Net cash used in discontinued operating activities	(2,485,741)
Net cash used in discontinued investing activities	(17,871,171)
Net cash provided by discontinued financing activities	14,054,620

(*) Included financial results of discontinued operations from January 1, 2017 to June 30, 2017.

There were no profit sharing payments recognized in the Group's consolidated financial statements after the JD Digits reorganization as JD Digits was in a loss position on a cumulative basis.

According to the JD Digits reorganization arrangements, upon certain redemption events of JD Digits, and on the premise that JD Digits is the first obligator, the Group and Suqian Dongtai Jinrong Investment Management Center, an entity controlled by Mr. Richard Qiangdong Liu further has the obligation to make up the remaining gap (if any) of the redemption price to the shareholders of JD Digits when all other means are exhausted, and such amount the Group needs to pay will be capped by the proceeds from the sales of the Group's shares of JD Digits if the Group becomes a shareholder of JD Digits or the liquidity payment the Group would receive upon the liquidity events. As the Group and JD Digits are under common control of Mr. Richard Qiangdong Liu, the Group is therefore exempted from recording a guarantee liability in its consolidated financial statements. Based on the Group's assessment, the chance to settle the guarantee obligation by the Group is remote as of December 31, 2017, 2018 and 2019.

As disclosed above, the Group's exposure to pay the redemption price is limited to the proceeds from the sales of the Group's shares of JD Digits or the liquidity event payment the Group received upon the certain liquidity events. And the Group's maximum exposure to loss as a result of its involvement with JD Digits relates to net amounts due from JD Digits were RMB12,076,035, RMB3,902,238 and RMB1,728,568 as of December 31, 2017, 2018 and 2019, respectively (Note 30).

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7. Investment in equity investees

Measurement Alternative and NAV practical expedient

Equity investments measured at fair value without readily determinable fair value were accounted as cost method investments prior to adopting ASU 2016-01. As of December 31, 2017, the carrying amount of the Group's cost method investments was RMB9,750,726. After adoption of ASU 2016-01, the carrying amount of the Group's equity investments measured at fair value using the Measurement Alternative was RMB17,104,784 and RMB17,580,557 as of December 31, 2018 and 2019, respectively, and the carrying amount of the Groups' investments under NAV practical expedient was RMB944,378 and RMB2,515,919 as of December 31, 2018 and 2019, respectively. For the years ended December 31, 2017, 2018 and 2019, the Group invested RMB6,217,682, RMB12,108,139 and RMB6,198,126 in multiple private companies and private equity funds accounted for under the Measurement Alternative and NAV practical expedient, respectively, which may have operational synergy with the Group's core business. During the year ended December 31, 2019, investment consideration for the top two investees were RMB3,380,825 and RMB1,296,245, respectively. During the year ended December 31, 2019, fair value changes recognized for equity investments which were measured using the Measurement Alternative and NAV practical expedient were not significant.

The Group accounted for the investment in AiHuiShou International Co. Ltd., ("AiHuiShou") under the Measurement Alternative. In June 2019, the Group signed series of agreements with AiHuiShou, an online second-hand consumer electronics trading platform. The Group merged its Paipai Secondhand business into AiHuiShou with certain exclusive traffic resources for the next five years, and additionally invested RMB138,582 in cash in exchange for additional preferred share investment in AiHuiShou. Total consideration for the above investment in AiHuiShou was RMB3,380,825.

Equity method

As of December 31, 2019, the Group's investments accounted for under the equity method totaled RMB15,479,331 (as of December 31, 2017 and 2018: RMB8,800,593 and RMB13,307,454), which mainly included the investment in Yonghui Superstores Co., Ltd. ("Yonghui") amounting to RMB5,508,062, the investment in Bitauto Holdings Limited ("Bitauto") amounting to RMB1,817,781, the investment in Dada Nexus Limited ("Dada") amounting to nil, the investment in Tuniu Corporation ("Tuniu") amounting to RMB457,443, the investment in Jiangsu Five Star Appliance Co., Ltd. ("Jiangsu Five Star") amounting to RMB1,317,045, and investment in Yixin Group Limited ("Yixin") amounting to RMB1,206,741. The Group applies the equity method of accounting to account for its equity investments, in common stock or in-substance common stock, over which it has significant influence but does not own a majority equity interest or otherwise control.

Investment in Yonghui

On August 11, 2016, the Group completed the investment in Yonghui through the subscription of newly issued ordinary shares representing 10% equity interest in Yonghui. On May 23, 2018, the Group acquired additional ordinary shares from the existing shareholders of Yonghui, the Group's interest in Yonghui's issued and outstanding ordinary shares increased from 10% to 12% accordingly. Yonghui is a leading hypermarket and supermarket operator in China and is listed on the Shanghai Stock Exchange. Total consideration for the investment in Yonghui was RMB5,458,074 in cash. Investment in Yonghui is accounted for using the equity method as the Group obtained significant influence by the rights to nominate two board members out of eleven. The Group received dividend of RMB114,845, RMB143,557 and RMB120,338 for the years ended December 31, 2017, 2018 and 2019, respectively, which have been recorded as a reduction to the carrying amount of investment in Yonghui.

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7. Investment in equity investees (Continued)

Investment in Yonghui (Continued)

Investment in Yonghui is accounted for using the equity method with the investment cost allocated as follows:

	As of December 31, 2017 RMB	As of December 31, 2018 RMB	As of December 31, 2019 RMB
Carrying value of investment in Yonghui	4,245,001	5,450,209	5,508,062
Proportionate share of Yonghui's net tangible and intangible assets	1,946,349	2,122,874	2,249,239
Positive basis difference	<u>2,298,652</u>	<u>3,327,335</u>	<u>3,258,823</u>
Positive basis difference has been assigned to:			
Goodwill	1,270,190	1,989,726	1,989,726
Amortizable intangible assets (*)	1,371,283	1,783,478	1,692,129
Deferred tax liabilities	<u>(342,821)</u>	<u>(445,869)</u>	<u>(423,032)</u>
	<u>2,298,652</u>	<u>3,327,335</u>	<u>3,258,823</u>
 Cumulative gains in equity interest in Yonghui	 124,917	 250,538	 428,729

(*) As of December 31, 2019, the weighted average remaining life of the intangible assets not included in Yonghui's consolidated financial statements was 15 years.

As of December 31, 2017, 2018 and 2019, the market value of the Group's investment in Yonghui was RMB9,666,167, RMB8,609,614 and RMB8,248,601 based on its quoted closing price, respectively.

The proportionate share of Yonghui's net income recorded in "share of results of equity investees" in the consolidated statements of operations and comprehensive income/(loss) was a gain of RMB122,893, RMB96,558 and RMB164,068 for the years ended December 31, 2017, 2018 and 2019, respectively. The following table includes the results of operations of Yonghui for each of the periods presented.

	For the year ended December 31, 2017 RMB	For the year ended December 31, 2018 RMB	For the year ended December 31, 2019 RMB
Revenues	55,524,229	67,975,691	81,367,849
Gross profit	11,319,620	14,912,887	18,019,934
Income from operations	2,065,795	1,296,271	2,024,586
Net income	1,721,628	1,189,513	1,774,888
Net income attributable to shareholders	1,818,910	1,548,833	2,000,842
Percentage of ownership in Yonghui	10%	12%	12%
Proportionate share of Yonghui's net income, before basis adjustments	181,891	160,630	232,580
Basis adjustments	<u>(58,998)</u>	<u>(64,072)</u>	<u>(68,512)</u>
Proportionate share of Yonghui's net income	<u>122,893</u>	<u>96,558</u>	<u>164,068</u>

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7. Investment in equity investees (Continued)

Investment in Bitauto

On February 16, 2015, the Group completed its investment in Bitauto through the subscription of newly issued ordinary shares, representing approximately 25% of the outstanding ordinary shares of Bitauto. Bitauto is a leading provider of internet content and marketing services for China's fast-growing automotive industry that is listed on Nasdaq. Total consideration for the initial investment in Bitauto was RMB5,496,188 with a combination of RMB2,450,920 in cash and RMB3,045,268 in the form of future services, including exclusive access to the new and used car channels on the JD Platform and additional support from the Group's key platforms for a period of 5 years. On June 17, 2016, the Group additionally acquired Bitauto's newly issued ordinary shares by paying the cash consideration of RMB328,975. As of December 31, 2019, the Group held approximately 24% of Bitauto's issued and outstanding shares.

Investment in Bitauto is accounted for using the equity method with the investment cost allocated as follows:

	As of December 31, 2017	As of December 31, 2018	As of December 31, 2019
	RMB	RMB	RMB
Carrying value of investment in Bitauto (*)	2,128,409	2,544,367	1,817,781
Proportionate share of Bitauto's net tangible and intangible assets	2,228,925	2,619,609	2,347,924
Positive/(negative) basis difference	<u>(100,516)</u>	<u>(75,242)</u>	<u>(530,143)</u>
Positive/(negative) basis difference has been assigned to:			
Goodwill (*)	—	—	—
Amortizable intangible assets (**)	(100,516)	(75,242)	(530,143)
	<u>(100,516)</u>	<u>(75,242)</u>	<u>(530,143)</u>
Cumulative losses in equity interest in Bitauto	(3,696,754)	(3,280,796)	(3,910,223)

(*) In the first quarter of 2019, the Group conducted impairment assessment on its investment in Bitauto considering the duration and severity of the decline of Bitauto's stock price after the investment, as well as the financial condition, operating performance and the prospects of Bitauto, and concluded the decline in fair value of the investment was other-than-temporary. Accordingly, the Group recorded impairment charge of RMB488,453 to write down the carrying value of its investment in Bitauto to the fair value, based on quoted closing price of Bitauto's stock as of March 31, 2019.

(**) As of December 31, 2019, the negative basis difference between carrying value of investment in Bitauto and proportionate share of Bitauto's net tangible and intangible assets was RMB530,143. This difference would not be amortized.

As of December 31, 2017, 2018 and 2019, the market value of the Group's investment in Bitauto was approximately RMB3,773,634 and RMB3,087,400 and RMB1,793,871 based on its quoted closing price, respectively.

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7. Investment in equity investees (Continued)

Investment in Dada

In April 2016, the Group signed series of agreements with Dada, China's largest crowdsourcing delivery platform. The Group obtained a) the newly issued ordinary shares of Dada which represents approximately 81% of the issued and outstanding ordinary shares, or approximately 41% of the equity interests of Dada on a fully diluted basis, b) the newly issued preferred shares of Dada which represents approximately 7% of the equity interest in Dada on a fully diluted basis, and c) a warrant to purchase additional preferred shares of Dada at a pre-determined price for the next 2 years. Total consideration for the above investments and warrant was RMB3,508,200 with a combination of RMB1,298,700 in cash, the Group's future services, including supply chain support for a period of 10 years, traffic and other additional support for a period of 7 years, non-compete obligation in O2O business for a period of 7 years, and the Group's O2O business, JD Daojia. The Group holds two board seats out of six with the founder of Dada holding the casting vote after the transaction.

With the assistance of an independent appraiser, the Group estimated the fair value of the assets/investments received as follows:

	<u>As of April 26, 2016</u> RMB
Assets/investments received by the Group	
Dada's ordinary shares	2,164,050
Dada's preferred shares	1,298,700
Warrant to purchase Dada's preferred shares	45,450
	<u>3,508,200</u>

The investment in Dada's ordinary shares is accounted for using the equity method with the investment cost allocated as follows:

	<u>As of December 31, 2017</u> RMB	<u>As of December 31, 2018</u> RMB	<u>As of December 31, 2019</u> RMB
Carrying value of investment in Dada's ordinary shares	139,147	—	—
Proportionate share of Dada's net tangible and intangible assets	(1,579,323)	(1,709,458)	(1,701,718)
Positive basis difference	<u>1,718,470</u>	<u>1,709,458</u>	<u>1,701,718</u>
Positive basis difference has been assigned to:			
Goodwill	1,605,891	1,605,891	1,605,891
Amortizable intangible assets (*)	150,105	138,089	127,770
Deferred tax liabilities	(37,526)	(34,522)	(31,943)
	<u>1,718,470</u>	<u>1,709,458</u>	<u>1,701,718</u>
Cumulative losses in equity interest in Dada's ordinary shares	(2,024,903)	(2,164,050)	(2,164,050)

(*) As of December 31, 2019, the weighted average remaining life of the intangible assets not included in Dada's consolidated financial statements was 6 years.

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7. Investment in equity investees (Continued)

Investment in Dada (Continued)

The investment in Dada's preferred shares is accounted for under the Measurement Alternative as the underlying preferred shares were not considered in-substance common stock and had no readily determinable fair value as of December 31, 2019. The warrant is a freestanding financial instrument and was recorded at fair value of RMB45,450 upon initial recognition. On December 28, 2017, the Group exercised the warrant in entirety in cash and purchased additional preferred shares of Dada, at the pre-determined price with the total consideration of RMB983,820. On August 9, 2018, the Group further invested RMB1,230,808 to acquire the newly issued preferred shares of Dada. The Group's investment in Dada's ordinary shares has been reduced to zero in 2018. According to ASC 323-10-35-25, as the Group's total investment in Dada includes the preferred shares investment, the Group should continue to recognize Dada's losses up to the Group's carrying value in the preferred shares investment. As of December 31, 2019, the Group recognized a cumulative loss of RMB1,373,385 against the investment in Dada's preferred shares based on the ownership level and seniority of preferred shares investment the Group held in Dada. As of December 31, 2019, the carrying amount of preferred shares of Dada was RMB2,376,775.

Investment in Tuniu

In December 2014, the Group acquired 7% equity interest in Tuniu with cash consideration of RMB305,930. Tuniu is a leading online leisure travel company in China that is listed on Nasdaq. The Group accounted for the initial investment as an available-for-sale security.

On May 22, 2015, the Group additionally acquired Tuniu's newly issued ordinary shares for total consideration of RMB2,188,490 with a combination of RMB1,528,275 in cash and RMB660,215 in the form of future services, including granting Tuniu an exclusive rights, for a period of 5 years, to operate the leisure travel channels on the JD Platform, and Tuniu becomes the Group's preferred partner for hotel and air ticket booking services. After the subsequent investment in May 2015, the Group held approximately 28% of Tuniu's issued and outstanding shares and had one board seat. Hence, the Group adopted equity method of accounting to account for the investment in Tuniu.

Investment in Tuniu is accounted for using the equity method with the investment cost allocated as follows:

	As of December 31, 2017 RMB	As of December 31, 2018 RMB	As of December 31, 2019 RMB
Carrying value of investment in Tuniu (*)	947,500	858,566	457,443
Proportionate share of Tuniu's net tangible and intangible assets	779,525	714,009	633,295
Positive/(negative) basis difference	<u>167,975</u>	<u>144,557</u>	<u>(175,852)</u>
Positive/(negative) basis difference has been assigned to:			
Goodwill (*)	23,899	23,899	—
Amortizable intangible assets (**)	192,101	160,877	(175,852)
Deferred tax liabilities	<u>(48,025)</u>	<u>(40,219)</u>	<u>—</u>
	<u>167,975</u>	<u>144,557</u>	<u>(175,852)</u>
 Cumulative losses in equity interest in Tuniu	 (1,546,645)	 (1,635,579)	 (2,036,702)

(*) In the second and fourth quarter of 2019, the Group conducted impairment assessments on its investment in Tuniu considering the duration and severity of the decline of Tuniu's stock price after the investment, and concluded the decline in fair value of the investment was other-than-temporary. Accordingly, the Group recorded impairment charges of RMB222,212 and RMB86,072 in the second and fourth quarters of 2019, respectively, to write down the carrying value of its investment in Tuniu to its fair value, based on quoted closing prices of Tuniu as of June 30, 2019 and December 31, 2019, respectively.

(**) As of December 31, 2019, the negative basis difference between carrying value of investment in Tuniu and proportionate share of Tuniu's net tangible and intangible assets was RMB175,852. This difference would not be amortized.

As of December 31, 2017, 2018 and 2019, the market value of the Group's investment in Tuniu was approximately RMB1,304,082, RMB867,921 and RMB457,443 based on quoted closing price, respectively.

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7. Investment in equity investees (Continued)Investment in Jiangsu Five Star

In April 2019, the Group invested RMB1,274,257 with a combination of cash and assumption of the seller's debt as consideration to acquire ordinary shares of Jiangsu Five Star, a leading offline retailer of home appliances and consumer electronics, from its existing shareholder (the "Seller"), in exchange for 46% of Jiangsu Five Star's total equity interest. The Group also provided a fifteen months interest-bearing loan of RMB1,024,946 to the Seller and has the rights to purchase additional shares. Investment in Jiangsu Five Star is accounted for using the equity method as the Group obtained significant influence by the rights to nominate two board members out of five.

Investment in Jiangsu Five Star is accounted for using the equity method with the investment cost allocated as follows:

	As of April 29, 2019 RMB	As of December 31, 2019 RMB
Carrying value of investment in Jiangsu Five Star	1,274,257	1,317,045
Proportionate share of Jiangsu Five Star's net tangible and intangible assets	432,310	480,438
Positive basis difference	<u>841,947</u>	<u>836,607</u>
Positive basis difference has been assigned to:		
Goodwill	586,325	586,325
Amortizable intangible assets (*)	208,840	206,069
Property (*)	131,990	127,641
Deferred tax liabilities	(85,208)	(83,428)
	<u>841,947</u>	<u>836,607</u>
Cumulative gains in equity interest in Jiangsu Five Star	—	42,788

(*) As of December 31, 2019, the weighted average remaining lives of the intangible assets and property were 19 years and 24 years, respectively.

Investment in Yixin

In February 2015 and August 2016, the Group invested US\$100,000 and US\$30,000 in cash, respectively, to acquire Yixin's newly issued preferred shares. Yixin, a controlled subsidiary of Bitauto, is a leading online automobile retail transaction platform in China. The investment in Yixin was accounted for under the cost method as the underlying shares the Group invested in were not considered in-substance common stock and had no readily determinable fair value.

On November 16, 2017, Yixin successfully completed the global offering and traded on the Main Board of the Stock Exchange of Hong Kong Limited. After the offering, the Group held approximately 11% of Yixin's issued and outstanding shares and the investment is accounted for using the equity method, as the preferred shares the Group previously invested in were automatically converted into ordinary shares upon listing and the Group obtained significant influence by the rights to nominate one non-executive board member out of nine and the significant influence on its controlling shareholder, Bitauto.

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7. Investment in equity investees (Continued)

Investment in Yixin (Continued)

Investment in Yixin is accounted for using the equity method with the investment cost allocated as follows:

	As of December 31, 2017 RMB	As of December 31, 2018 RMB	As of December 31, 2019 RMB
Carrying value of investment in Yixin	860,992	1,044,537	1,206,741
Proportionate share of Yixin's net tangible and intangible assets	1,703,448	1,641,276	1,663,071
Negative basis difference	<u>(842,456)</u>	<u>(596,739)</u>	<u>(456,330)</u>
Cumulative gains in equity interest in Yixin	—	183,545	345,749

As of December 31, 2019, the negative basis difference between carrying value of investment in Yixin and proportionate share of Yixin's net tangible and intangible assets was RMB456,330. This difference would not be amortized. As of December 31, 2017, 2018 and 2019, the market value of the Group's investment in Yixin was approximately RMB3,586,393, RMB1,049,246 and RMB1,060,433 based on quoted closing price, respectively.

The Group summarizes the condensed financial information of the Group's equity investments under equity method as a group below in accordance with Rule 4-08 of Regulation S-X:

	For the year ended December 31,		
	2017 RMB	2018 RMB	2019 RMB
Operating data:			
Revenues	72,206,753	94,099,295	128,942,238
Gross profit	19,162,739	26,893,544	34,540,510
Loss from operations	(2,200,140)	(1,471,960)	(534,006)
Net loss	(2,549,137)	(1,722,715)	(564,940)
Net loss attributable to shareholders	(2,977,210)	(1,748,305)	(1,235,224)
Balance sheet data:			
Current assets	78,125,211	110,276,278	117,073,881
Non-current assets	62,806,104	78,546,934	97,456,584
Current liabilities	58,734,790	80,643,552	94,482,219
Non-current liabilities	16,703,429	22,755,496	18,910,340
Redeemable stock	5,877,854	9,897,962	10,593,025
Non-controlling interests	717,106	431,498	380,510

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7. Investment in equity investees (Continued)

The Group recorded its interests in Yonghui, Bitauto, Dada, Tuniu, Jiangsu Five Star and Yixin one quarter in arrears to enable the Group to provide its financial disclosure independent of the reporting schedule of these equity investees.

The Group performs impairment assessment of its investments under the Measurement Alternative and equity method whenever events or changes in circumstances indicate that the carrying value of the investment may not be fully recoverable. Impairment charges in connection with the Measurement Alternative investments of RMB59,987, RMB593,138 and RMB1,612,139 were recorded in others, net in the consolidated statements of operations and comprehensive income/(loss) for the years ended December 31, 2017, 2018 and 2019, respectively. As of December 31, 2019, the accumulated impairment of the Group's Measurement Alternative investments was RMB 2,458,382. Impairment charges in connection with the equity method investments of nil, nil and RMB796,737 were recorded in share of results of equity investees in the consolidated statements of operations and comprehensive income/(loss) for the years ended December 31, 2017, 2018 and 2019, respectively.

8. Accounts receivable, net

Accounts receivable, net consists of the following:

	As of December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Online retail and online marketplace receivables (*)	14,819,862	7,756,808	2,392,737
Logistics receivables	1,020,771	2,997,163	3,073,641
Advertising receivables and others	572,495	534,410	1,042,211
Accounts receivable	16,413,128	11,288,381	6,508,589
Allowance for doubtful accounts	(53,981)	(178,393)	(318,001)
Accounts receivable, net	<u>16,359,147</u>	<u>11,109,988</u>	<u>6,190,588</u>

The movements in the allowance for doubtful accounts are as follows:

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Balance at beginning of the year	(36,993)	(53,981)	(178,393)
Additions	(16,988)	(124,412)	(213,395)
Write-off	—	—	73,787
Balance at end of the year	<u>(53,981)</u>	<u>(178,393)</u>	<u>(318,001)</u>

(*) For the accounts receivable in relation to consumer financing business, which is recorded in online retail and online marketplace receivables, as JD Digits performs credit risk assessment services for the individuals and purchases the over-due receivables from the Group at carrying values to absorb the risks and obtain the rewards from such business, no allowance for doubtful accounts in relation to consumer financing receivables were provided.

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9. Inventories, net

Inventories, net consist of the following:

	As of December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Products	41,840,945	44,678,983	58,795,341
Packing materials and others	358,207	219,961	223,234
Inventories	42,199,152	44,898,944	59,018,575
Inventory valuation allowance	(498,773)	(868,860)	(1,086,419)
Inventories, net	<u>41,700,379</u>	<u>44,030,084</u>	<u>57,932,156</u>

10. Property, equipment and software, net

Property, equipment and software, net consist of the following:

	As of December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Electronic equipment	7,172,694	13,780,685	14,397,628
Building and building improvement	5,855,920	9,118,708	9,084,029
Logistics, warehouse and other heavy equipment	2,693,969	3,912,356	6,104,497
Vehicles	1,164,376	1,240,001	1,249,667
Leasehold improvement	827,408	1,318,735	2,100,120
Office equipment	287,282	406,534	388,841
Software	203,848	250,920	301,919
Total	18,205,497	30,027,939	33,626,701
Less: accumulated depreciation	(5,631,319)	(8,945,101)	(12,911,659)
Less: impairment	—	—	(60,971)
Net book value	<u>12,574,178</u>	<u>21,082,838</u>	<u>20,654,071</u>

Depreciation expenses were RMB2,310,065, RMB3,533,483 and RMB4,673,362 for the years ended December 31, 2017, 2018 and 2019, respectively.

11. Land use rights, net

Land use rights, net consist of the following:

	As of December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Land use rights	7,254,974	10,860,924	11,380,221
Less: accumulated amortization	(204,165)	(385,266)	(488,479)
Net book value	<u>7,050,809</u>	<u>10,475,658</u>	<u>10,891,742</u>

Amortization expenses for land use rights were RMB84,405, RMB181,101 and RMB222,143 for the years ended December 31, 2017, 2018 and 2019, respectively.

As of December 31, 2019, amortization expenses related to the land use rights for future periods are estimated to be as follows:

	For the year ending December 31,					2025 and thereafter
	2020	2021	2022	2023	2024	RMB
	RMB	RMB	RMB	RMB	RMB	RMB
Amortization expenses	228,572	228,572	228,572	228,572	228,572	9,748,882

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12. Intangible assets, net

Intangible assets, net consist of the following:

As of December 31, 2017					
	Weighted-Average Amortization Period Year	Gross Carrying Amount RMB	Accumulated Amortization RMB	Impairment Amount RMB	Net Carrying Amount RMB
Strategic Cooperation	5.0	6,075,289	(4,563,957)	—	1,511,332
Non-compete	8.0	2,467,005	(885,390)	—	1,581,615
Domain names and trademark	19.5	3,250,789	(278,372)	(27,124)	2,945,293
Technology and others	6.2	1,040,668	(256,606)	(129,585)	654,477
Total	9.3	12,833,751	(5,984,325)	(156,709)	6,692,717

As of December 31, 2018					
	Weighted-Average Amortization Period Year	Gross Carrying Amount RMB	Accumulated Amortization RMB	Impairment Amount RMB	Net Carrying Amount RMB
Strategic cooperation	5.0	6,075,289	(5,779,015)	—	296,274
Non-compete	8.0	2,467,005	(1,194,067)	—	1,272,938
Domain names and trademark	19.3	3,305,413	(453,423)	(27,124)	2,824,866
Technology and others	6.2	1,165,899	(403,270)	(145,001)	617,628
Total	9.3	13,013,606	(7,829,775)	(172,125)	5,011,706

As of December 31, 2019					
	Weighted-Average Amortization Period Year	Gross Carrying Amount RMB	Accumulated Amortization RMB	Impairment Amount RMB	Net Carrying Amount RMB
Strategic cooperation	5.0	6,075,289	(6,075,289)	—	—
Non-compete	8.0	2,467,005	(1,502,141)	—	964,864
Domain names and trademark	19.3	3,311,250	(633,360)	(27,124)	2,650,766
Technology and others	6.2	1,181,076	(541,671)	(145,001)	494,404
Total	9.3	13,034,620	(8,752,461)	(172,125)	4,110,034

Amortization expenses for intangible assets were RMB1,798,246, RMB1,845,450 and RMB932,550 for the years ended December 31, 2017, 2018 and 2019, respectively. The Group recorded an impairment charge of nil, RMB15,416 and nil for the years ended December 31, 2017, 2018 and 2019, respectively.

As of December 31, 2019, amortization expenses related to the intangible assets for future periods are estimated to be as follows:

	For the year ending December 31,					
	2020 RMB	2021 RMB	2022 RMB	2023 RMB	2024 RMB	2025 and thereafter RMB
Amortization expenses	633,717	625,153	460,885	339,733	229,864	1,820,682

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13. Goodwill

The changes in the carrying amount of goodwill were as follows:

	<u>JD Retail</u> <u>RMB</u>	<u>New Businesses</u> <u>RMB</u>	<u>Total</u> <u>RMB</u>
Balance as of December 31, 2016			
Goodwill	6,527,019	2,593,420	9,120,439
Accumulated impairment loss	—	(2,593,420)	(2,593,420)
	<u>6,527,019</u>	<u>—</u>	<u>6,527,019</u>
Transaction in 2017			
Additions	123,551	—	123,551
Balance as of December 31, 2017			
Goodwill	6,650,570	2,593,420	9,243,990
Accumulated impairment loss	—	(2,593,420)	(2,593,420)
	<u>6,650,570</u>	<u>—</u>	<u>6,650,570</u>
Transaction in 2018			
Impairment	(6,901)	—	(6,901)
Balance as of December 31, 2018			
Goodwill	6,650,570	2,593,420	9,243,990
Accumulated impairment loss	(6,901)	(2,593,420)	(2,600,321)
	<u>6,643,669</u>	<u>—</u>	<u>6,643,669</u>
Balance as of December 31, 2019			
Goodwill	6,650,570	2,593,420	9,243,990
Accumulated impairment loss	(6,901)	(2,593,420)	(2,600,321)
	<u>6,643,669</u>	<u>—</u>	<u>6,643,669</u>

The Group recorded an impairment charge of nil, RMB6,901 and nil for the years ended December 31, 2017, 2018 and 2019, respectively.

14. Short-term borrowings

Short-term borrowings as of December 31, 2017, 2018 and 2019 amounted to RMB200,000, RMB147,264 and nil, respectively, which consisted of borrowings from financial institutions. All of these borrowings were repayable within one year. The weighted average interest rate for the outstanding borrowings as of December 31, 2017 and 2018 was approximately 7.00% and 4.15 % per annum, respectively.

15. Accounts payable

Accounts payable consists of the following:

	<u>As of December 31,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Vendor payable	62,548,717	66,701,380	74,639,015
Shipping charges payable and others	11,788,991	13,283,638	15,789,367
Total	<u>74,337,708</u>	<u>79,985,018</u>	<u>90,428,382</u>

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16. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of December 31,		
	2017 RMB	2018 RMB	2019 RMB
Deposits	9,787,387	12,870,155	14,619,420
Salary and welfare	3,131,752	3,952,163	5,037,530
Rental fee payables	400,632	653,105	332,893
Internet data center fee	212,143	387,478	614,712
Liabilities for return allowances (*)	—	363,191	425,135
Accrued administrative expenses	185,876	318,012	368,821
Professional fee	59,802	122,930	268,054
Vehicle fee	69,042	114,576	190,289
Interest payable	84,807	44,449	43,598
Payable related to employees' exercise of share-based awards	152,177	42,979	403,398
Others	1,034,222	1,423,642	2,352,330
Total	<u>15,117,840</u>	<u>20,292,680</u>	<u>24,656,180</u>

(*) Liabilities for return allowances were included in "Accounts receivable, net" as of December 31, 2017.

17. Unsecured senior notes

In April 2016, the Company issued unsecured senior notes with two maturity dates for an aggregate principal amount of US\$1,000,000. Listed on the Singapore Stock Exchange, these notes are both fixed rate notes and senior unsecured obligations, with interest payable semi-annually in arrears on and of each year, beginning on October 29, 2016.

A summary of the Company's unsecured senior notes as of December 31, 2017, 2018 and 2019 is as follows:

	As of December 31,			Effective interest rate
	2017 RMB	2018 RMB	2019 RMB	
US\$500,000 3.125% notes due 2021	3,242,565	3,413,264	3,477,276	3.37%
US\$500,000 3.875% notes due 2026	3,204,792	3,372,879	3,435,216	4.15%
Carrying value	6,447,357	6,786,143	6,912,492	
Unamortized discount and debt issuance costs	86,843	77,057	63,708	
Total principal amounts of unsecured senior notes	<u>6,534,200</u>	<u>6,863,200</u>	<u>6,976,200</u>	

The unsecured senior notes were issued at a discount amounting to RMB79,289. The debt issuance costs of RMB35,727 were presented as a direct deduction from the principal amount of the unsecured senior notes in the consolidated balance sheets. The effective interest rates for the unsecured senior notes include the interest charged on the notes as well as amortization of the debt discounts and debt issuance costs.

The unsecured senior notes contain covenants including, among others, limitation on liens, consolidation, merger and sale all or substantially all of the Company's assets. The notes will rank senior in rights of payment to all of the Company's existing and future obligations expressly subordinated in rights of payment to the notes and rank at least equal in rights of payment with all of the Company's existing and future unsecured and unsubordinated obligations (subject to any priority rights pursuant to applicable law).

The proceeds from issuance of the unsecured senior notes were used for general corporate purposes.

As of December 31, 2019, the principal of the unsecured senior notes of RMB3,488,100 and RMB3,488,100 will be due in 2021 and 2026, respectively, and the aggregate amounts repayable of RMB3,488,100 and RMB3,488,100 were within a period of more than one year but not exceeding two years and within a period of more than five years, respectively.

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18. Leases

The Group has operating leases for warehouses, stores, office spaces, delivery centers and other corporate assets that the Group utilizes under lease arrangements.

A summary of supplemental information related to operating leases as of December 31, 2019 is as follows:

	<u>As of December 31, 2019</u>
	RMB
Operating lease ROU assets	8,643,597
Operating lease liabilities-current	3,193,480
Operating lease liabilities-non-current	5,523,164
Total operating lease liabilities	<u>8,716,644</u>
Weighted average remaining lease term	4.4 years
Weighted average discount rate	4.7%

A summary of lease cost recognized in the Group's consolidated statements of operations and comprehensive income/(loss) and supplemental cash flow information related to operating leases is as follows:

	<u>For the year ended</u>
	<u>December 31, 2019</u>
	RMB
Operating lease cost	3,377,389
Short-term lease cost	1,212,899
Total (*)	<u>4,590,288</u>
Cash paid for operating leases	3,460,898

(*) The lease expenses based on ASC 840 were RMB3,086,709 and RMB4,571,036 for the years ended December 31, 2017 and 2018, respectively.

A summary of maturity of operating lease liabilities under the Group's non-cancelable operating leases as of December 31, 2019 is as follows:

	<u>As of December 31, 2019</u>
	RMB
2020	3,267,527
2021	2,187,920
2022	1,549,062
2023	1,085,230
2024	664,785
2025 and thereafter	926,265
Total lease payments	<u>9,680,789</u>
Less: interest	(964,145)
Present value of operating lease liabilities	<u>8,716,644</u>

As of December 31, 2019, the Group has no significant lease contract that has been entered into but not yet commenced.

As of December 31, 2018, the future minimum lease payments under the Group's non-cancelable operating lease agreements based on ASC 840 are as follows:

	<u>As of December 31, 2018</u>
	RMB
2019	3,596,926
2020	2,553,344
2021	1,452,812
2022	907,116
2023	459,342
2024 and Thereafter	1,044,818
	<u>10,014,358</u>

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19. Gain on sale of development properties

Gain on sale of development properties for the years ended December 31, 2017, 2018 and 2019 were nil, nil and RMB3,884,709, respectively. The gain on sale of development properties for the year ended December 31, 2019 was mainly derived from disposals of logistics facilities to JD Logistics Properties Core Fund, L.P. (the "Core Fund").

In 2018, the Group established JD Property to manage the expanding logistics facilities and other real estate properties. In February 2019, JD Property established Core Fund together with GIC Private Limited ("GIC"), Singapore's sovereign wealth fund, for a total committed capital of over RMB4.8 billion. The Group serves as the general partner and committed 20% of the total capital of Core Fund as the limited partner, and GIC committed the remaining 80%.

Furthermore, on February 27, 2019, the Group entered into definitive agreements with Core Fund, pursuant to which the Group will dispose of certain modern logistics facilities to Core Fund for a total gross asset value of RMB10.9 billion, and concurrently lease back these completed facilities for operational purposes with an initial lease term of 5 to 6 years. The initial annual rent for the completed facilities is approximate RMB0.7 billion that increases by 3% per year throughout each 5 years period, and the rental rate will be adjusted based on the growth rate of fair market rent at the beginning of each 5 years period. Upon the expiry of the initial lease agreement, if the adjusted rental rate is acceptable, the Group may choose to renew the lease with the same terms and conditions. Core Fund will use leverage to finance the purchase, and the closing of the purchase is subject to certain conditions, including the availability of debt financing.

The investment committee of Core Fund, which comprises the representatives from the Group and GIC, will oversee the key operations of Core Fund. Given the control over Core Fund is shared between the Group and GIC, the Group does not consolidate Core Fund and investment in Core Fund is accounted for using the equity method as the Group obtained significant influence by the rights to nominate two members of the investment committee out of four. The lease back transaction is classified as an operating lease, and accounted for under ASC 842, the ROU assets and operating lease liabilities were recorded accordingly.

In the second half of 2019, the closing conditions for the asset group of completed logistics facilities were met and Core Fund signed definitive facility agreements with bank consortium to finance the purchase, therefore, the Group recorded a total disposal gain of RMB3,801,492 for the completed assets for the year ended December 31, 2019, which represents the excess of cash consideration of the net assets, including the consideration received and expected to receive, over the carrying value of the net assets disposed as of the disposal date. For the remaining logistics facilities under construction, the Group will derecognize these assets upon its completion and satisfaction of the hand-over condition.

20. Interest income and interest expense

Interest income and interest expense consist of the following:

	<u>For the year ended December 31,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Interest income:			
Interest income in relation to nonrecourse securitization debt charged to JD Digits	702,147	527,025	37,646
Interest income in relation to loans provided to JD Digits	569,395	119,047	40,628
Interest income in relation to bank deposits, wealth management products and others	1,258,948	1,471,849	1,707,298
Total	<u>2,530,490</u>	<u>2,117,921</u>	<u>1,785,572</u>
Interest expense:			
Interest expense in relation to nonrecourse securitization debt	(702,147)	(527,025)	(37,646)
Interest expense in relation to unsecured senior notes, bank borrowings and others	(261,595)	(327,513)	(687,364)
Total	<u>(963,742)</u>	<u>(854,538)</u>	<u>(725,010)</u>

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21. Others, net

Others, net consist of the following:

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Gain from business and investment disposals	74,965	1,320,266	1,199,407
Government financial incentives	843,447	614,658	2,222,223
Impairment of investments	(139,823)	(593,138)	(1,954,031)
Foreign exchange gains/(losses), net	213,482	(192,491)	124,070
Gains/(losses) from fair value change of long-term investments	—	(1,512,979)	3,495,709
Others	324,337	458,859	287,931
Total	1,316,408	95,175	5,375,309

Government financial incentives represent rewards provided by the relevant PRC municipal government authorities to the Group for business achievements made by the Group. Government financial incentives are recognized in others, net in the consolidated statements of operations and comprehensive income/(loss) when the government financial incentives are received and no further conditions need to be met. The amounts of such government financial incentives are determined solely at the discretion of the relevant government authorities and there is no assurance that the Group will continue to receive these government financial incentives in the future.

22. Taxation**a) Value added tax (“VAT”)**

The Group is subject to statutory VAT rate of 13% prior to July 1, 2017, 11% from July 1, 2017 to April 30, 2018, 10% from May 1, 2018 to March 31, 2019 and 9% from April 1, 2019 for revenues from sales of audio, video products and books in the PRC. The Group is subject to statutory VAT rate of 17% prior to May 1, 2018, 16% from May 1, 2018 to March 31, 2019 and 13% from April 1, 2019 for sales of other products in the PRC. The Group is exempted from VAT for revenues from sales of books from January 1, 2014 to December 31, 2020 in comply with relevant VAT regulations of the PRC.

The Group is subject to VAT at the rate of 6% or 11%/10%/9% (11% prior to May 1, 2018, 10% from May 1, 2018 to March 31, 2019 and 9% from April 1, 2019) for revenues from logistics services, and 6% for revenues from online advertising and other services.

The Group is also subject to cultural undertaking development fees at the rate of 3% on revenues from online advertising services in the PRC, which is reduced by 50% from July 1, 2019 to December 31, 2024.

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22. Taxation (Continued)

b) Income tax

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains.

Indonesia

Under the current laws of the Republic of Indonesia, the Group's subsidiaries in Indonesia are subject to 25% income tax on its taxable income generated from operations in Indonesia.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the Company's subsidiaries incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax on its taxable income generated from operations in Hong Kong for the year of assessment 2017/2018. Commencing from the year of assessment 2018/2019, the first Hong Kong dollars ("HK\$") 2 million of profits earned by its subsidiaries incorporated in Hong Kong will be taxed at half the current tax rate (i.e., 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate. Under the Hong Kong tax laws, the Company is exempted from the Hong Kong income tax on its foreign-derived income. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

China

Under the PRC Enterprise Income Tax Law (the "EIT Law"), the standard enterprise income tax rate for domestic enterprises and foreign invested enterprises is 25%. Most of the Group's PRC subsidiaries and consolidated VIEs are subject to the statutory income tax rate of 25%.

The EIT Law and its implementation rules permit certain High and New Technologies Enterprises, or HNTEs, to enjoy a reduced 15% enterprise income tax rate subject to these HNTEs meeting certain qualification criteria. In addition, the relevant EIT laws and regulations also provide that entities recognized as Software Enterprises are able to enjoy a tax holiday consisting of a two-year-exemption commencing from their first profitable calendar year and a 50% reduction in ordinary tax rate for the following three calendar years. Beijing Shangke has been entitled to an exemption from income tax for first two years and 50% reduction for the next three years from its first profitable year as a "software enterprise". It has also been qualified as HNTE and enjoys a preferential income tax rate of 15%. The privileges cannot be applied simultaneously. Beijing Shangke applied the privilege of "software enterprise" and was exempted from income tax in 2017, and enjoyed a preferential income tax rate of 12.5% in 2018 and 2019.

Certain enterprises will benefit from a preferential tax rate of 15% under the EIT Law if they are located in applicable PRC regions as specified in the Catalogue of Encouraged Industries in Western Regions (initially effective through the end of 2010 and further extended to 2020), or the Western Regions Catalogue, subject to certain general restrictions described in the EIT Law and the related regulations. Several entities of the Group are qualified as the enterprises within the Catalogue of Encouraged Industries in Western Regions and enjoyed 15% preferential income tax rate.

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22. Taxation (Continued)

b) Income tax (Continued)

According to the relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The State Taxation Administration of the PRC announced in September 2018 that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2020.

Withholding tax on undistributed dividends

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for the PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside of the PRC should be considered as a resident enterprise for the PRC tax purposes.

The EIT law also imposes a withholding income tax of 10% on dividends distributed by a Foreign Investment Enterprise (“FIE”) to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Company did not record any dividend withholding tax on the retained earnings of its FIEs in the PRC, as the Company intends to reinvest all earnings in China to further expand its business in China, and its FIEs do not intend to declare dividends on the retained earnings to their immediate foreign holding companies.

The components of income/(loss) before tax are as follows:

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Income/(loss) before tax			
Income/(loss) from China operations	3,681,735	(578,300)	14,177,105
Loss from non-China operations	(3,560,775)	(1,795,378)	(484,573)
Total income/(loss) before tax	<u>120,960</u>	<u>(2,373,678)</u>	<u>13,692,532</u>
Income tax benefits/(expenses) applicable to China operations			
Current income tax expenses	(360,603)	(437,326)	(1,269,323)
Deferred tax benefits/(expenses)	221,010	10,454	(533,117)
Subtotal income tax expenses applicable to China operations	<u>(139,593)</u>	<u>(426,872)</u>	<u>(1,802,440)</u>
Total income tax expenses	<u>(139,593)</u>	<u>(426,872)</u>	<u>(1,802,440)</u>

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22. Taxation (Continued)

b) Income tax (Continued)

Reconciliation of difference between the PRC statutory income tax rate and the Group's effective income tax rate for the years ended December 31, 2017, 2018 and 2019 is as follows:

	For the year ended December 31,		
	2017	2018	2019
Statutory income tax rate	25.0%	25.0%	25.0%
Tax effect of preferential tax rates and tax holiday	(942.7)%	8.3%	(8.1)%
Tax effect of tax-exempt entities	588.6%	(1.9)%	3.7%
Effect on tax rates in different tax jurisdiction	30.5%	2.2%	(3.9)%
Tax effect of non-deductible expenses	536.0%	(42.4)%	5.7%
Tax effect of non-taxable income	(14.0)%	3.8%	(1.0)%
Tax effect of Super Deduction and others	—	53.9%	(13.2)%
Changes in valuation allowance	(120.8)%	(66.7)%	5.0%
Expiration of loss carry forwards	12.8%	(0.2)%	—
Effective tax rates	<u>115.4%</u>	<u>(18.0)%</u>	<u>13.2%</u>

The following table sets forth the effect of tax holiday:

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Tax holiday effect	1,140,251	198,118	1,115,598
Effect of tax holiday on basic net income/(loss) per share	0.40	0.07	0.38
Effect of tax holiday on diluted net income/(loss) per share	0.39	0.07	0.38

c) Deferred tax assets and deferred tax liabilities

	As of December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Deferred tax assets			
- Net operating loss carry forwards	1,162,287	2,028,350	2,775,074
- Deferred revenues	299,723	283,824	137,128
- Inventory valuation allowance	124,693	217,215	271,605
- Allowance for doubtful accounts	52,117	88,036	214,932
- Unrealized fair value losses for certain investments	—	482,027	356,259
Less: valuation allowance	<u>(1,480,570)</u>	<u>(2,996,294)</u>	<u>(3,674,442)</u>
Net deferred tax assets	<u>158,250</u>	<u>103,158</u>	<u>80,556</u>
Deferred tax liabilities			
- Intangible assets arisen from business combination	882,248	819,032	748,691
- Accelerated tax depreciation and others	—	9,441	590,297
Total deferred tax liabilities	<u>882,248</u>	<u>828,473</u>	<u>1,338,988</u>

As of December 31, 2019, the accumulated net operating loss of RMB5,413,758 of the Company's subsidiaries incorporated in Singapore and Hong Kong can be carried forward indefinitely to offset future taxable income, the remaining accumulated net operating loss of RMB8,863,674 mainly arose from the Company's subsidiaries and consolidated VIEs established in the PRC and Indonesia, which can be carried forward to offset future taxable income and will expire during the period from 2020 to 2024.

A valuation allowance is provided against deferred tax assets when the Group determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Group evaluates a variety of factors including the Group's entities' operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

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22. Taxation (Continued)**c) Deferred tax assets and deferred tax liabilities (Continued)**

The Group has incurred net accumulated operating losses for income tax purposes since its inception. The Group believes that it is more likely than not that these net accumulated operating losses (except for the net operating loss generated by certain entities in 2017, 2018 and 2019) and other deferred tax assets will not be utilized in the future based on its estimate of the operation performance of these PRC entities. The amount of valuation allowance offset in deferred tax assets as of December 31, 2017, 2018 and 2019 was RMB1,480,570, RMB2,996,294 and RMB3,674,442, respectively.

The movements of valuation allowance of deferred tax assets are as follows:

	For the year ended December 31,		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Balance at beginning of the year	1,626,680	1,480,570	2,996,294
Additions	807,558	2,755,222	7,635,196
Reversals	(953,668)	(1,239,498)	(6,957,048)
Balance at end of the year	<u>1,480,570</u>	<u>2,996,294</u>	<u>3,674,442</u>

23. Convertible redeemable non-controlling interests

In 2018, the Group entered into definitive agreements with third-party investors to raise financing for Jingdong Express, the parent company of JD Logistics, with the total amount of US\$2,510,000 (RMB15,973,564) by issuance of the series A preferred shares of Jingdong Express (“Jingdong Express Series A Preferred Shares”), representing approximately 19% of the ownership of Jingdong Express on a fully diluted basis.

The Group determined that Jingdong Express Series A Preferred Shares should be classified as mezzanine equity upon their issuance since they were contingently redeemable by the holders 5 years from the issuance date in the event that a qualified initial public offering (“Qualified IPO”) has not occurred and Jingdong Express Series A Preferred Shares have not been converted. The Qualified IPO is defined as an IPO that (i) has been approved by the Board of Directors of Jingdong Express or (ii) with the offering price per share that values Jingdong Express at no less than US\$20,000,000 on a fully diluted basis immediately following the completion of such offering.

The Group records accretion on Jingdong Express Series A Preferred Shares, where applicable, to the redemption value from the issuance date to the earliest redemption date.

The Group determined that there were no embedded derivatives requiring bifurcation as the economic characteristics and risks of the embedded conversion and redemption features are clearly and closely related to that of Jingdong Express Series A Preferred Shares. Jingdong Express Series A Preferred Shares are not readily convertible into cash as there is not a market mechanism in place for trading of Jingdong Express’s shares.

The Group determined that there was no embedded beneficial conversion feature attributable to Jingdong Express Series A Preferred Shares because the initial effective conversion prices were higher than the fair value of Jingdong Express’s ordinary shares determined by the Group with the assistance from an independent valuation firm.

The rights, preferences and privileges of Jingdong Express Series A Preferred Shares are as follows:

Dividend Rights

As regards dividends, Jingdong Express Series A Preferred Shares shall rank pari passu with the ordinary shares and the holders of Jingdong Express Series A Preferred Shares shall be entitled to the same amount of dividends as the holders of the ordinary shares on an as converted basis as if they were a single class. No dividend or distribution shall be payable except out of any funds legally available.

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23. Convertible redeemable non-controlling interests (Continued)

Voting Rights

The holder of each ordinary share issued and outstanding should have one vote in respect of each ordinary share held and the holder of each Jingdong Express Series A Preferred Shares shall carry such number of votes as is equal to the number of votes of ordinary shares then issuable upon the conversion of such Jingdong Express Series A Preferred Shares. The holders of Jingdong Express Series A Preferred Shares and the holders of ordinary shares shall vote together and not as a separate class.

Liquidation Preferences

In the event of any voluntary or involuntary liquidation, dissolution or winding up of Jingdong Express, all assets and funds of Jingdong Express legally available for distribution (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed ratably among the holders according to their relative number of ordinary shares held by such holders (all Jingdong Express Series A Preferred Shares as if they had been converted into ordinary shares immediately prior to such liquidation, dissolution or winding up of Jingdong Express).

Redemption Rights

From and after the fifth anniversary of Jingdong Express Series A Preferred Shares original issuance date, and prior to the consummation of a Qualified IPO, each holder of Jingdong Express Series A Preferred Shares shall have the rights at any time to require and demand Jingdong Express to redeem all or any portion of Jingdong Express Series A Preferred Shares held by such holder.

The initial redemption price payable on each Jingdong Express Series A Preferred Shares is the total of:

- (i) any dividend relating to each Jingdong Express Series A Preferred Shares which has been declared by Jingdong Express but unpaid, to be calculated up to and including the date of the redemption; plus
- (ii) Jingdong Express Series A Preferred Shares purchase price, that is US\$2.50 per Jingdong Express Series A Preferred Shares, subject to appropriate adjustments in the event of any share dividend, share combination or similar recapitalization events.

Jingdong Express accretes changes in the redemption value over the period from the date of issuance to the earliest redemption date of Jingdong Express Series A Preferred Shares using effective interest method. Changes in the redemption value are considered to be changes in accounting estimates. The accretion is recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in-capital. Once additional paid-in-capital has been exhausted, additional charges are recorded by increasing the accumulated deficit.

Conversion Rights

Each Jingdong Express Series A Preferred Shares shall be convertible, at the option of the holder of Jingdong Express Series A Preferred Shares, at any time after the date of issuance of such Jingdong Express Series A Preferred Shares, into such number of fully paid and non-assessable ordinary shares as is determined by dividing Jingdong Express Series A Preferred Shares purchase price by the conversion price then applicable to such Jingdong Express Series A Preferred Shares. The conversion price of each Jingdong Express Series A Preferred Shares is the same as its original issuance price if no adjustments to conversion price have occurred. As of December 31, 2019, each Jingdong Express Series A Preferred Shares is convertible into one ordinary share.

Each Jingdong Express Series A Preferred Shares shall automatically be converted into ordinary shares (i) upon the consummation of a Qualified IPO; or (ii) in the event that the holders of Jingdong Express Series A Preferred Shares holding at least 50% of Jingdong Express Series A Preferred Shares in issue elect to convert Jingdong Express Series A Preferred Shares.

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23. Convertible redeemable non-controlling interests (Continued)

The convertible redeemable non-controlling interests for the years ended December 31, 2018 and 2019 are summarized as follows:

	<u>Number of shares</u>	<u>Amount</u> <u>RMB</u>
Balance as of December 31, 2017	—	—
Issuance	1,004,000,000	15,973,564
Less: preferred shares issuance costs		(14,772)
Net income from continuing operations attributable to mezzanine equity classified as non-controlling interests shareholders		2,492
Balance as of December 31, 2018	<u>1,004,000,000</u>	<u>15,961,284</u>
Net income from continuing operations attributable to mezzanine equity classified as non-controlling interests shareholders		3,100
Balance as of December 31, 2019	<u>1,004,000,000</u>	<u>15,964,384</u>

24. Financing for JD Health

In May 2019, the Group's healthcare subsidiary, JD Health International, Inc. ("JD Health") entered into definitive agreements for the non-redeemable series A preferred share financing ("JD Health Series A Preferred Shares") with a group of third-party investors. The total amount of financing raised was US\$931 million, representing 13.5% of the ownership of JD Health on a fully diluted basis.

The Group determined that JD Health Series A Preferred Shares should be classified as non-controlling interests upon its issuance since they were not redeemable by the holders. As of December 31, 2019, among the proceeds received, RMB1,045,400 was recorded as non-controlling interests and RMB5,232,343 was recorded as additional paid-in capital.

25. Ordinary shares

Upon inception, 1 ordinary share was issued at a par value of US\$0.00002 per share.

In March 2014, the Company issued 351,678,637 ordinary shares to Huang River Investment Limited, a wholly owned subsidiary of Tencent Holdings Limited ("Tencent"), in connection with Tencent Transaction (Note 30). Additionally, upon the initial public offering in May 2014, the Company issued 166,120,400 Class A ordinary shares. Concurrently, the Company issued 139,493,960 Class A ordinary shares in a private placement to Huang River Investment Limited.

In June 2016, the Company issued 144,952,250 Class A ordinary shares to Newheight Holdings Ltd., a wholly owned subsidiary of Walmart, in connection with Walmart Transaction.

In June 2018, the Company issued 27,106,948 Class A ordinary shares to Google LLC, and received a consideration of US\$549,836 (RMB3,531,870) after deducting financing charges.

In May 2019, the Company issued 8,127,302 Class A ordinary shares to Huang River Investment Limited (Note 30).

The ordinary shares reserved for future exercise of the RSUs and share options were 149,369,486,160,323,374 and 137,075,214 as of December 31, 2017, 2018 and 2019, respectively.

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26. Share repurchase program

In September 2015, the Company's Board of Directors authorized a share repurchase program ("2015 share repurchase program") under which the Company may repurchase up to US\$1,000,000 worth of its American depositary shares ("ADSs") over the following 24 months. In December 2018, the Company's Board of Directors authorized a share repurchase program ("2018 share repurchase program") under which the Company may repurchase up to US\$1,000,000 worth of its ADSs over the following 12 months. The share repurchases may be made in accordance with applicable laws and regulations through open market transactions, privately negotiated transactions or other legally permissible means as determined by the management.

Under the 2015 share repurchase program, the Company repurchased 31,065,784 ADSs for US\$800,000 (RMB5,338,276) on the open market, at a weighted average price of US\$25.75 per ADS, and entered into structured repurchase agreements involving the use of capped call options for the purchase of shares during the year ended December 31, 2016. The Company paid an aggregate price of US\$300,000 (RMB2,007,100) for the structured repurchase agreements during the year ended December 31, 2016, and received US\$216,220 (RMB1,463,218) and US\$107,239 (RMB737,501) upon the settlement of these agreements during the years ended December 31, 2016 and 2017, respectively, as the outcome of these arrangements was based entirely on the Company's stock price and did not require the Company to deliver either shares or cash, other than the initial investment, the entire transaction was recorded in the shareholders' equity.

No repurchase activity was incurred in 2017.

Under the 2018 share repurchase program, as of December 31, 2019, the Company repurchased 2,332,048 ADSs. For the year ended December 31, 2018, the Company repurchased 1,396,200 ADSs for US\$29,999 (RMB205,886) on the open market, at a weighted average price of US\$21.48 per ADS. For the year ended December 31, 2019, the Company repurchased 935,848 ADSs for US\$19,101 (RMB131,010) on the open market, at a weighted average price of US\$20.41 per ADS.

The Company accounts for the repurchased ordinary shares under the cost method and includes such treasury stock as a component of the shareholders' equity.

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27. Other comprehensive income

Changes in the composition of accumulated other comprehensive income attributable to ordinary shareholders for the years ended December 31, 2017, 2018 and 2019 are as follows:

	Foreign currency translation adjustments	Net unrealized gains/(losses) on available-for-sale securities	Total
	RMB	RMB	RMB
Balances as of December 31, 2016	1,483,737	59,656	1,543,393
Other comprehensive income/(loss)	(822,052)	1,120,740	298,688
Balances as of December 31, 2017	661,685	1,180,396	1,842,081
Cumulative effect of changes in accounting principles related to financial instruments	—	(1,156,642)	(1,156,642)
Other comprehensive income/(loss)	2,696,784	(23,127)	2,673,657
Balances as of December 31, 2018	3,358,469	627	3,359,096
Other comprehensive income	749,865	54,186	804,051
Balances as of December 31, 2019	4,108,334	54,813	4,163,147

The income tax effects related to the accumulated other comprehensive income were insignificant for all periods presented.

28. Share-based compensation

For the years ended December 31, 2017, 2018 and 2019, total share-based compensation expenses recognized were RMB2,780,062, RMB3,659,989 and RMB3,694,955, respectively. The following table sets forth the allocation of share-based compensation expenses:

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Cost of revenues	27,513	71,983	82,243
Fulfillment	425,706	418,895	440,167
Marketing	135,749	190,499	258,860
Research and development	670,612	1,162,579	1,340,317
General and administrative	1,520,482	1,816,033	1,573,368
Total	2,780,062	3,659,989	3,694,955

Share incentive plan

The Company granted share-based awards to eligible employees and non-employees pursuant to a share incentive plan entitled “Share Incentive Plan”, which was adopted on November 13, 2014 and governed the terms of the awards.

As of December 31, 2019, the Group had reserved 141,383,893 ordinary shares available to be granted as share-based awards under the Share Incentive Plan.

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28. Share-based compensation (Continued)

(1) Employee and non-employee awards

The RSUs and share options are generally scheduled to be vested over two to ten years. One-second, one-third, one-fourth, one-fifth, one-sixth, or one-tenth of the awards, depending on different vesting schedules of the Plans, shall be vested upon the end of the calendar year in which the awards were granted or the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight line basis at the end of the remaining calendar or the anniversary years. Starting from the year ended December 31, 2016, certain awards had multiple tranches with tiered vesting commencement dates from 2016 to 2025, and each of the tranches is subject to a six-year vesting schedule.

Upon the reorganization of JD Digits, the employees' status of JD Digits changed from the employees of the Company's subsidiary to non-employees of the Company. Share-based awards granted by the Company to employees of JD Digits and share-based awards granted by JD Digits to employees of the Company were insignificant for all periods presented.

RSUs

a) Service-based RSUs

A summary of activities of the service-based RSUs for the years ended December 31, 2017, 2018 and 2019 is presented as follows:

	<u>Number of RSUs</u>	<u>Weighted-Average Grant-Date Fair Value US\$</u>
Unvested as of January 1, 2017	82,847,816	11.97
Granted	41,450,212	16.27
Vested	(12,005,700)	10.14
Forfeited or cancelled	(6,246,436)	13.42
Unvested as of December 31, 2017	<u>106,045,892</u>	<u>13.77</u>
Granted	40,383,436	18.95
Vested	(16,137,554)	12.47
Forfeited or cancelled	(11,795,682)	15.16
Unvested as of December 31, 2018	<u>118,496,092</u>	<u>15.58</u>
Granted	33,202,744	14.29
Vested	(20,423,568)	14.96
Forfeited or cancelled	(30,444,064)	15.36
Unvested as of December 31, 2019	<u><u>100,831,204</u></u>	<u>15.35</u>

As of December 31, 2017, 2018 and 2019, 5,719,884, 5,798,970 and 4,478,140 outstanding service-based RSUs were held by non-employees including employees of JD Digits, respectively.

For the years ended December 31, 2017, 2018 and 2019, total share-based compensation expenses recognized by the Group for the service-based RSUs granted were RMB2,462,881, RMB2,968,468 and RMB2,958,847, respectively.

As of December 31, 2019, there were RMB6,000,108 of unrecognized share-based compensation expenses related to the service-based RSUs granted. The expenses are expected to be recognized over a weighted-average period of 4.7 years.

The total fair value and intrinsic value of service-based RSUs vested was US\$213,155 (RMB1,438,012), US\$295,632 (RMB1,892,221) and US\$312,962 (RMB2,125,609) during the years ended December 31, 2017, 2018 and 2019, respectively.

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28. Share-based compensation (Continued)**(1) Employee and non-employee awards (Continued)***b) Performance-based RSUs*

A summary of activities of the performance-based RSUs for the years ended December 31, 2017, 2018 and 2019 is presented as follows:

	<u>Number of RSUs</u>	<u>Weighted-Average Grant-Date Fair Value US\$</u>
Unvested as of January 1, 2017	310,002	6.33
Granted	—	—
Vested	(96,516)	6.33
Forfeited or cancelled	—	—
Unvested as of December 31, 2017	<u>213,486</u>	6.33
Granted	—	—
Vested	(103,788)	6.33
Forfeited or cancelled	(30,152)	6.33
Unvested as of December 31, 2018	<u>79,546</u>	6.33
Granted	—	—
Vested	(39,772)	6.33
Forfeited or cancelled	(19,888)	6.33
Unvested as of December 31, 2019	<u>19,886</u>	6.33

For the years ended December 31, 2017, 2018 and 2019, total share-based compensation expenses recognized by the Group for the performance-based RSUs granted were insignificant for all the periods presented.

As of December 31, 2019, there were RMB76 of unrecognized share-based compensation expenses related to the performance-based RSUs granted. The expenses are expected to be recognized over a weighted-average period of 1.1 years.

The total fair value and intrinsic value of the performance-based RSUs vested was US\$1,371 (RMB9,400), US\$2,555 (RMB16,181) and US\$494 (RMB3,312) during the years ended December 31, 2017, 2018 and 2019, respectively.

Share options

A summary of activities of the service-based share options for the years ended December 31, 2017, 2018 and 2019 is presented as follows:

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28. Share-based compensation (Continued)

(1) Employee and non-employee awards (Continued)

	Number of Share Options	Weighted Average Exercise Price US\$	Weighted Average Remaining Contractual Term Year	Aggregate Intrinsic Value US\$
Outstanding as of January 1, 2017	21,659,016	6.23	7.3	142,433
Exercised	(4,116,816)	5.20		
Forfeited or cancelled	(432,092)	5.92		
Expired	—			
Outstanding as of December 31, 2017	<u>17,110,108</u>	6.49	6.2	243,327
Exercised	(1,077,036)	5.23		
Forfeited or cancelled	(285,336)	7.68		
Expired	—			
Outstanding as of December 31, 2018	<u>15,747,736</u>	6.55	5.3	72,658
Exercised	(3,299,962)	5.72		
Forfeited or cancelled	(2,223,650)	8.52		
Expired	—			
Outstanding as of December 31, 2019	<u>10,224,124</u>	6.39	4.3	114,720
Vested and expected to vest as of December 31, 2019	10,038,113	6.29	4.2	113,679
Exercisable as of December 31, 2019	9,129,940	5.72	4.1	108,594

As of December 31, 2017, 2018 and 2019, 1,379,780, 1,211,214 and 1,072,212 outstanding share options were held by non-employees mainly including employees of JD Digits, respectively.

There was no option granted during the years ended December 31, 2017, 2018 and 2019.

The total intrinsic value of options exercised during the years ended December 31, 2017, 2018 and 2019 was US\$55,278 (RMB377,062), US\$15,326 (RMB99,267) and US\$31,762 (RMB219,918), respectively. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the share options. Cash received from the exercises of share options of the Company during the years ended December 31, 2017, 2018 and 2019 was US\$19,942 (RMB135,745), US\$7,382 (RMB48,555) and US\$16,201 (RMB112,153), respectively. Cash receivable from the exercises of share options of the Company as of December 31, 2017, 2018 and 2019 was US\$2,201 (RMB14,380), US\$449 (RMB3,084) and US\$3,127 (RMB21,813), respectively.

For the years ended December 31, 2017, 2018 and 2019, total share-based compensation expenses recognized by the Group for the share options granted were RMB60,739, RMB32,558 and RMB3,837, respectively. As of December 31, 2019, there were RMB15,777 of unrecognized share-based compensation expenses related to the share options granted. The expenses are expected to be recognized over a weighted-average period of 2.4 years.

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28. Share-based compensation (Continued)

(2) Founder awards

In May 2015, the board of directors of the Company approved a 10-year compensation plan for Mr. Richard Qiangdong Liu (Mr. Liu), the Founder. Under this plan, Mr. Liu will receive RMB0.001 per year in cash salary and zero cash bonus during the 10-year period. Mr. Liu was granted an option to acquire a total of 26,000,000 Class A ordinary shares of the Company with an exercise price of US\$16.70 per share (or US\$33.40 per ADS) under the Company's Share Incentive Plan, subject to a 10-year vesting schedule with 10% of the awards vesting on each anniversary of the grant date. The Company will not grant any additional equity incentive to Mr. Liu during the 10-year period.

For the years ended December 31, 2017, 2018 and 2019, total share-based compensation expenses recognized for the Founder's share options granted were RMB227,326, RMB167,184 and RMB134,367, respectively.

As of December 31, 2019, there were RMB302,380 of unrecognized share-based compensation expenses related to the Founder's share options granted. The expenses are expected to be recognized over a weighted-average period of 5.4 years.

(3) Share-based compensation of subsidiaries

In April 2018, JD Logistics granted share-based awards ("JD Logistics Plan") to eligible employees to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of JD Logistics. The JD Logistics Plan consists of share options, RSU and other types of awards. JD Logistics granted 187,844,000 and 83,476,500 share options of Jingdong Express to its employees for the years ended December 31, 2018 and 2019, respectively. The weighted average grant date fair value of options granted for the years ended December 31, 2018 and 2019 was US\$1.39 and US\$1.67 per share, respectively. For the years ended December 31, 2018 and 2019, total share-based compensation expenses for the share options granted under JD Logistics Plan were RMB400,968 and RMB572,109, respectively. As of December 31, 2019, there were RMB1,228,262 of unrecognized share-based compensation expenses related to the share options granted. The expenses were expected to be recognized over a weighted-average period of 5.6 years.

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29. Net income/(loss) per share

Basic and diluted net income/(loss) per share for each of the periods presented are calculated as follows:

	For the year ended December 31,		
	2017 RMB	2018 RMB	2019 RMB
Numerator:			
Net income/(loss) from continuing operations attributable to ordinary shareholders	116,819	(2,491,633)	12,184,155
Net loss from discontinued operations attributable to ordinary shareholders	(269,076)	—	—
Net income/(loss) attributable to ordinary shareholders	(152,257)	(2,491,633)	12,184,155
Denominator:			
Weighted average number of shares – basic	2,844,826,014	2,877,902,678	2,912,637,241
Adjustments for dilutive options and RSUs	66,635,803	—	54,684,562
Weighted average number of shares – diluted	2,911,461,817	2,877,902,678	2,967,321,803
Basic net income/(loss) per share from continuing operations attributable to ordinary shareholders	0.04	(0.87)	4.18
Basic net loss per share from discontinued operations attributable to ordinary shareholders	(0.09)	—	—
Basic net income/(loss) per share attributable to ordinary shareholders	(0.05)	(0.87)	4.18
Diluted net income/(loss) per share from continuing operations attributable to ordinary shareholders	0.04	(0.87)	4.11
Diluted net loss per share from discontinued operations attributable to ordinary shareholders	(0.09)	—	—
Diluted net income/(loss) per share attributable to ordinary shareholders	(0.05)	(0.87)	4.11

Generally, basic net income/(loss) per share is computed using the weighted average number of ordinary shares outstanding during the respective year. Diluted net income/(loss) per share is computed using the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the respective year. The potentially dilutive ordinary shares that were not included in the calculation of diluted net income/(loss) per share in the periods presented where their inclusion would be anti-dilutive include RSUs and options to purchase ordinary shares of 146,268,314, 160,431,097 and 149,343,638 for the years ended December 31, 2017, 2018 and 2019 on a weighted average basis, respectively. For the years ended December 31, 2018 and 2019, as JD Logistics was in a loss position, the effect of redemption feature of Jingdong Express Series A Preferred Shares was anti-dilutive and excluded from the calculation of diluted net income/(loss) per share.

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30. Related party transactions

The table below sets forth the major related parties and their relationships with the Group as of December 31, 2019:

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Tencent and its subsidiaries (“Tencent Group”)	A shareholder of the Group
Lexin and its subsidiaries (“Lexin Group”) (*)	An investee of the Group
Bitauto and its subsidiaries (“Bitauto Group”)	An investee of the Group
Tuniu and its subsidiaries (“Tuniu Group”)	An investee of the Group
Dada and its subsidiaries (“Dada Group”)	An investee of the Group
JD Digits	An entity and its subsidiaries controlled by the Founder
Yixin and its subsidiaries (“Yixin Group”)	An investee of the Group
Core Fund	An investee of the Group
AiHuiShou and its subsidiaries (“AiHuiShou Group”)	An investee of the Group

(*) As the Group was no longer the major vendor of Lexin Group and the Group had no significant influence on it, Lexin Group was not recognized as the Group’s related party in the years of 2018 and 2019.

(a) The Group entered into the following transactions with the major related parties:

<u>Transactions</u>	<u>For the year ended December 31,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Revenues:			
Services provided and products sold to Lexin Group	543,304	—	—
Commission from cooperation on advertising business with Tencent Group (**)	260,572	345,186	287,926
Services provided and products sold to Tencent Group(**)	31,505	276,728	398,700
Services provided and products sold to Dada Group	100,360	122,326	132,585
Services provided and products sold to AiHuiShou Group	—	8,781	349,257
Traffic support, marketing and promotion services provided to Bitauto Group	609,055	608,844	606,593
Traffic support, marketing and promotion services provided to Tuniu Group	132,042	132,008	131,621
Services provided and products sold to JD Digits	271,813	449,093	342,270
Operating expenses:			
Services received and purchases from Tencent Group(**)	674,727	1,175,849	2,222,196
Services received from Dada Group	694,207	938,627	1,565,470
Payment processing and other services received from JD Digits	2,936,416	3,930,847	4,980,748
Lease and property management services received from Core Fund	—	—	476,001
Services received from AiHuiShou Group	—	—	10,467
Other income:			
Income from non-compete agreement with Dada Group	80,447	78,771	82,123
Interest income from loans provided to JD Digits	871,014	179,556	40,632
Interest income from loans provided to Core Fund	—	—	75,496

(**) In March 2014, the Group entered into a series of agreements with Tencent and its affiliates pursuant to which the Group acquired 100% interests in Tencent’s Paipai and QQ Wanggou online marketplace businesses, a 9.9% stake in Shanghai Icsen, logistics personnel and certain other assets. The Group also entered into a five-year strategic cooperation agreement and an eight-year non-compete agreement with Tencent. In April 2016, the Group acquired the remaining equity interest in Shanghai Icsen by exercising the rights previously granted to the Group in March 2014.

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30. Related party transactions (Continued)

On May 10, 2019, the Company renewed the strategic cooperation agreement with Tencent, for a period of three years starting from May 27, 2019. Tencent continued to offer the Group prominent level 1 and level 2 access points on its Weixin platform to provide traffic support, and the two parties also intend to continue to cooperate in a number of areas including communications, advertising and membership services, among others. As part of the total consideration, the Company agreed to issue to Tencent a certain number of the Company's Class A ordinary shares for a consideration of approximately US\$250 million at prevailing market prices at certain pre-determined dates during the three-year period, of which 8,127,302 Class A ordinary shares were issued in May 2019.

Revenues from related parties, excluding those from the major related parties as stated above, represented approximately 0.01%, 0.06% and 0.13% of total net revenues of the Group for the years ended December 31, 2017, 2018, and 2019, respectively. Transactions with related parties included in operating expenses, excluding those with the major related parties as stated above, represented 0.07%, 0.14% and 0.20% of total operating expenses of the Group for the years ended December 31, 2017, 2018, and 2019, respectively.

(b) The Group had the following balances with the major related parties:

	As of December 31,		
	2017 RMB	2018 RMB	2019 RMB
Due from Tencent Group	595,105	862,781	1,128,102
Due from JD Digits			
Loans provided to JD Digits (***)	11,747,066	4,427,907	365,089
Other receivables from/(payables to) JD Digits	328,969	(525,669)	1,363,479
Due from Core Fund			
Loans provided to Core Fund (***)	—	—	579,118
Other receivables from Core Fund	—	—	569,832
Due from AiHuiShou Group	—	2,025	—
Total	12,671,140	4,767,044	4,005,620
Due to Lexin Group	(1,367)	—	—
Due to Tuniu Group	(5,451)	(585)	(2,133)
Due to Dada Group	(7,378)	(118,135)	(208,123)
Due to AiHuiShou Group	—	—	(17,504)
Total	(14,196)	(118,720)	(227,760)
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to Bitauto Group	(1,379,965)	(771,121)	(164,528)
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to Tuniu Group	(346,568)	(214,560)	(82,939)
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to Dada Group	(331,354)	(269,225)	(207,096)
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to AiHuiShou Group	—	—	(1,899,099)
Total	(2,057,887)	(1,254,906)	(2,353,662)
Other liabilities in relation to non-compete obligation to Dada Group	(415,082)	(354,236)	(276,976)
Total	(415,082)	(354,236)	(276,976)

(***) In relation to the loans provided to JD Digits and Core Fund, the Group charged JD Digits and Core Fund based on fair market interest rate, and cash flows resulted from the loans were presented within investing activities in the consolidated statements of cash flows.

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30. Related party transactions (Continued)

As of December 31, 2017, 2018 and 2019, the Group recorded amount due from related parties other than the major related parties as stated above of RMB21,621, RMB265,421 and RMB228,447, which represented approximately 0.12%, 1.77% and 2.22% of the Group's total accounts receivable, net and prepayments and other current assets, respectively. As of December 31, 2017, 2018 and 2019, the Group recorded amount due to related parties other than the major related parties and deferred revenues in relation to traffic support, marketing and promotion services to be provided to related parties other than the major related parties as stated above of RMB69,329, RMB168,621 and RMB279,769, which represented approximately 0.07%, 0.15% and 0.20% of the Group's total accounts payable, advance from customers, accrued expenses and other current liabilities, deferred revenues and other non-current liabilities, respectively.

(c) Other information related to related party transactions:

On October 27, 2017, to provide a temporary bridging finance to Yixin Group, the Group entered into an entrusted loan agreement with Yixin Group and an independent third-party PRC commercial bank whereby the Group lent a total of RMB1,000,000 to Yixin Group. The bridge loan was on normal commercial terms and Yixin Group repaid the loan and associated interest before December 31, 2017.

Based on a series of agreements signed on January 1, 2016, JD Digits will perform the credit risk assessment and other related services in relation to consumer financing business and obtain the rewards from such services, thus JD Digits will purchase the consumer financing receivables past due over certain agreed period of time from the Group at carrying values without recourse and also agree to bear other cost in direct relation to the consumer financing business to absorb the risks. In connection with the agreements, the total amount of over-due consumer financing receivable related to the consumer financing business transferred from the Group to JD Digits were RMB497,239, RMB242,473 and RMB189,007 for the years ended December 31, 2017, 2018 and 2019, respectively. In connection with the consumer financing business, JD Digits charged the Group RMB793,218, RMB1,055,239, and RMB1,284,955, for the years ended December 31, 2017, 2018 and 2019 for payment processing services provided to the Group, respectively, which are included in "payment processing and other services from JD Digits" stated above.

The Group also transferred certain financial assets to JD Digits with or without recourse at fair value. The accounts receivable transferred with recourse were RMB167,897, RMB1,387,774, and nil for the years ended December 31, 2017, 2018 and 2019, respectively, which were not derecognized. The accounts receivable transferred without recourse were RMB1,583,968, RMB9,854,493, and RMB24,585,577 for the years ended December 31, 2017, 2018 and 2019, respectively, and were derecognized.

Mr. Richard Qiangdong Liu, the Group's Chairman of the board and the Chief Executive Officer, has purchased his own aircraft for both business and personal use. The use of the aircraft in connection with the performance of his duty as employee is free of charge to the Group, and the Group has agreed to assume the cost of maintenance, crew and operations of the aircraft relating to the use of the aircraft. Such maintenance and incidental costs were insignificant for all periods presented.

The terms of the agreements with the related parties are determined based on contracted prices negotiated with other parties in normal commercial terms.

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31. Segment reporting

The Group derives the results of the segments directly from its internal management reporting system. The CODM measures the performance of each segment based on metrics of revenues and earnings from operations and uses these results to evaluate the performance of, and to allocate resources to, each of the segments. The Group currently does not allocate assets, share-based compensation expenses and certain operating expenses to its segments, as the CODM does not use such information to allocate resources to or evaluate the performance of the operating segments. As most of the Group's long-lived assets are located in the PRC and most of the Group's revenues are derived from the PRC, no geographical information is presented.

The table below provides a summary of the Group's operating segment results for the years ended December 31, 2017, 2018 and 2019.

	For the year ended December 31,		
	2017 RMB	2018 RMB	2019 RMB
Net revenues:			
JD Retail	356,020,374	447,502,173	552,245,141
New Businesses	6,021,508	14,665,281	23,932,278
Inter-segment(*)	(546,667)	(1,103,943)	(435,364)
Total segment net revenues	361,495,215	461,063,511	575,742,055
Unallocated items	836,539	956,248	1,146,429
Total consolidated net revenues	362,331,754	462,019,759	576,888,484
Operating income/(loss):			
JD Retail	4,956,264	7,049,222	13,775,339
New Businesses	(2,070,668)	(5,136,657)	(1,022,281)
Including: gain on sale of development properties (note 19)	—	—	3,884,709
Total segment operating income	2,885,596	1,912,565	12,753,058
Unallocated items(**)	(3,721,072)	(4,531,696)	(3,758,178)
Total consolidated operating income/(loss)	(835,476)	(2,619,131)	8,994,880
Total other income	956,436	245,453	4,697,652
Income/(loss) before tax	120,960	(2,373,678)	13,692,532

(*) The inter-segment eliminations mainly consist of services provided by JD Retail to overseas business, and certain services provided by JD Logistics to the vendors of JD Retail, which the Group records as a deduction of cost of revenues at the consolidated level.

(**) A summary of unallocated items for the years presented is as follows:

	For the year ended December 31,		
	2017 RMB	2018 RMB	2019 RMB
Share-based compensation	(2,780,062)	(3,659,989)	(3,694,955)
Amortization of intangible assets resulting from assets and business acquisitions	(1,777,549)	(1,805,638)	(885,385)
Effects of business cooperation arrangements	836,539	956,248	822,162
Impairment of goodwill and intangible assets	—	(22,317)	—
Total	(3,721,072)	(4,531,696)	(3,758,178)

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32. Employee benefit

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries and consolidated VIEs of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefit expenses, which were expensed as incurred, were approximately RMB3,546,241, RMB5,290,925 and RMB5,694,240 for the years ended December 31, 2017, 2018 and 2019, respectively.

33. Lines of credit and loan facilities

As of December 31, 2019, the Group had agreements with China commercial banks for unsecured revolving lines of credit, and increased its revolving lines of credit to RMB75,337,037. The Group was in compliance with the financial covenants, if any, under those lines of credit as of December 31, 2019. As of December 31, 2019, under the lines of credit, the Group had RMB23,297,902 reserved for the issuance of bank acceptance and RMB995,014 reserved for the bank guarantee.

In December 2017, the Group entered into a 5-year US\$1,000,000 term and revolving credit facilities agreement with a group of 24 arrangers. The facilities were priced at 115 basis points over London Interbank Offered Rate. The use of proceeds of the facilities was intended for general corporate purposes. In June 2018, the Group drew down US\$450,000 under the facility commitment, and the borrowings will be due in 2022, which were recorded in long-term borrowings in the consolidated balance sheets. As of December 31, 2019, the Group had an undrawn balance of US\$550,000 under the credit facilities agreement, with a commitment fee of 0.2% per annum on the undrawn portion, which will expire one month prior to the final maturity date, which is sixty months after the date of this credit facilities agreement. As of December 31, 2019, the aggregate amounts repayable within a period of more than two years but not exceeding five years was US\$450,000.

34. Commitments and contingencies

Operating lease commitments for offices and fulfillment infrastructures

The Group leases offices and fulfillment infrastructures under non-cancelable operating lease agreements. Future minimum lease payments under these non-cancelable operating lease agreements with initial terms longer than twelve months are disclosed as maturity of lease liabilities in Note 18.

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34. Commitments and contingencies (Continued)*Commitments for internet data center (IDC) service fee*

The Group entered into non-cancelable IDC service agreements. The related expenses were RMB805,656, RMB1,498,935 and RMB2,493,830 for the years ended December 31, 2017, 2018 and 2019, respectively, and were charged to the consolidated statements of operations and comprehensive income/(loss) when incurred.

Future minimum payments under these non-cancelable agreements with initial terms of one year or more consist of the following:

	<u>As of December 31, 2019</u>
	RMB
2020	1,495,899
2021	1,248,228
2022	1,137,632
2023	753,652
2024	637,341
2025 and thereafter	749,163
	<u>6,021,915</u>

Capital commitments

The Group's capital commitments primarily relate to commitments on construction and purchase of office building and warehouses. Total capital commitments contracted but not yet reflected in the consolidated financial statements amounted to RMB7,093,075 as of December 31, 2019. All of these capital commitments will be fulfilled in the following years according to the construction progress.

Long-term debt obligations

The Group's long-term debt obligations include unsecured senior notes and long-term borrowings. The amounts exclude the corresponding interest payable. The expected repayment schedule of the unsecured senior notes and long-term borrowings have been disclosed in Note 17 and Note 33, respectively.

Legal proceedings

From time to time, the Group is subject to legal proceedings and claims in the ordinary course of business. Third parties assert patent infringement claims against the Group from time to time in the form of letters, lawsuits and other forms of communication. In addition, from time to time, the Group receives notification from customers claiming that they are entitled to indemnification or other obligations from the Group related to infringement claims made against them by third parties. Litigation, even if the Group is ultimately successful, can be costly and divert management's attention away from the day-to-day operations of the Group.

The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Group reviews the need for any such liability on a regular basis. The Group has not recorded any material liabilities in this regard as of December 31, 2017, 2018 and 2019.

35. Restricted net assets

The Group's ability to pay dividends is primarily dependent on the Group receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Group's subsidiaries and consolidated VIEs incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with the PRC accounting standards and regulations. The results of operations reflected in the financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Group's subsidiaries.

In accordance with the PRC Regulations on Enterprises with Foreign Investment, a foreign invested enterprise established in the PRC is required to provide certain statutory reserve funds, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profits as reported in the enterprise's PRC statutory financial statements. A foreign invested enterprise is required to allocate at least 10% of its annual after-tax profits to the general reserve fund until such reserve fund has reached 50% of its registered capital based on the enterprise's PRC statutory financial statements. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors for all foreign invested enterprises. The aforementioned reserved funds can only be used for specific purposes and are not distributable as cash dividends.

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35. Restricted net assets (Continued)

Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide statutory surplus fund at least 10% of its annual after-tax profits until such statutory surplus fund has reached 50% of its registered capital based on the enterprise's PRC statutory financial statements. A domestic enterprise is also required to provide discretionary surplus fund, at the discretion of the board of directors, from the net profits reported in the enterprise's PRC statutory financial statements. The aforementioned reserve funds can only be used for specific purposes and are not distributable as cash dividends.

As a result of these PRC laws and regulations that require annual appropriations of 10% of net after-tax profits to be set aside prior to payment of dividends as general reserve fund or statutory surplus fund, the Group's PRC subsidiaries and consolidated VIEs are restricted in their ability to transfer a portion of their net assets to the Company.

Amounts restricted include paid-in capital and statutory reserve funds, as determined pursuant to the PRC GAAP, totaling approximately RMB24,189,454 as of December 31, 2019; therefore in accordance with Rules 4-08 (e) (3) of Regulation S-X, the condensed parent company only financial statements as of December 31, 2017, 2018 and 2019 and for the years ended December 31, 2017, 2018 and 2019 are disclosed in Note 37.

36. Subsequent events

Public offering of unsecured senior notes

In January 2020, the Company issued fixed rate unsecured senior notes with two maturity dates for an aggregate principal amount of US\$1,000,000. The public offering consists of US\$700,000 of 3.375% notes due 2030 and US\$300,000 of 4.125% notes due 2050. The notes are listed on the Singapore Stock Exchange. The Company received net proceeds from the offering of US\$988,266, after deducting underwriting discounts and commissions and offering expenses. The Company intends to use the net proceeds from the offering for general corporate purposes and refinancing.

Share repurchase program

In March 2020, the Company's Board of Directors authorized a share repurchase program ("2020 share repurchase program") under which the Company may repurchase up to US\$2,000,000 worth of its ADSs over the following 24 months. The share repurchases may be made in accordance with applicable laws and regulations through open market transactions, privately negotiated transactions or other legally permissible means as determined by the management. Under 2020 share repurchase program, as of the date of this report, the Company had repurchased approximately 1,191,370 ADSs for approximately US\$44,132.

Drew down of Syndicated loan

As disclosed in Note 33, the Group entered into a 5-year US\$1,000,000 term and revolving credit facilities agreement with a group of 24 arrangers in December 2017. In April 2020, the Group drew down US\$550,000 under the facility commitment. The use of proceeds of the facilities was intended for general corporate purposes.

Private placement of notes

In February and March 2020, Jingdong Century, a subsidiary of the Company, issued fixed rate private placement notes with two maturity dates for an aggregate principal amount of RMB5,000,000. The private placement consists of RMB3,000,000 of 2.65% notes due April 27, 2020 and RMB2,000,000 of 2.75% notes due October 30, 2020. The notes are listed on the inter-bank bond market of China. The Group intends to use the proceeds from the private placement for general corporate purposes.

Potential impact of coronavirus ("COVID-19")

From late January 2020, the COVID-19 was rapidly evolving in China and globally. Since then, the business and transportation disruptions in China have caused adverse impacts to the Group's operations and led to incremental costs, in particular, relating to the Group's retail and logistics business. Demands for large-ticket items, durable goods and discretionary products have also been negatively affected by the COVID-19 outbreak. The Group's results of operation and consolidated financial position of 2020 will be adversely affected to a certain extent, which will depend on the future developments of the outbreak, including new development concerning the global severity of and actions taken to contain the outbreak, which are highly uncertain and unpredictable.

37. Parent company only condensed financial information

The Company performed a test on the restricted net assets of the consolidated subsidiaries and VIEs in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that it was applicable for the Company to disclose the financial information for the parent company only.

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37. Parent company only condensed financial information (Continued)

The subsidiaries did not pay any dividend to the Company for the periods presented. Certain information and footnote disclosures generally included in the financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company.

As of December 31, 2019, the Company did not have significant capital commitments and other significant commitments, or guarantees, except for those which have been separately disclosed in the consolidated financial statements.

Condensed Balance Sheets

	As of December 31,			
	2017 RMB	2018 RMB	2019 RMB	US\$ Note 2(g)
ASSETS				
Current assets:				
Cash and cash equivalents	8,964,809	2,196,796	6,575,639	944,531
Short term investments	—	755	767	110
Prepayments and other current assets	63,853	121,822	2,408	346
Amount due from related parties	715,671	1,555,288	3,186,818	457,758
Total current assets	9,744,333	3,874,661	9,765,632	1,402,745
Non-current assets:				
Investment in equity investees	7,514	—	—	—
Investments in subsidiaries and consolidated VIEs	45,675,625	64,127,171	81,301,020	11,678,161
Investment securities	35,893	12,978	13,192	1,895
Intangible assets, net	3,092,549	1,569,483	965,165	138,637
Other non-current assets	—	121,453	106,030	15,230
Total non-current assets	48,811,581	65,831,085	82,385,407	11,833,923
Total assets	58,555,914	69,705,746	92,151,039	13,236,668
LIABILITIES				
Current liabilities:				
Accounts payable	—	—	140	20
Taxes payable	—	—	4,497	646
Accrued expenses and other liabilities	67,743	60,190	238,650	34,279
Total current liabilities	67,743	60,190	243,287	34,945
Non-current liabilities:				
Long-term borrowings	—	3,088,440	3,139,290	450,931
Unsecured senior notes	6,447,357	6,786,143	6,912,492	992,917
Total non-current liabilities	6,447,357	9,874,583	10,051,782	1,443,848
Total liabilities	6,515,100	9,934,773	10,295,069	1,478,793
SHAREHOLDERS' EQUITY:				
Ordinary shares (US\$0.00002 par value; 100,000,000,000 shares authorized; 2,477,346,590 Class A ordinary shares issued and 2,406,652,132 outstanding, 461,362,309 Class B ordinary shares issued and 446,011,297 outstanding as of December 31, 2017; 2,507,473,330 Class A ordinary shares issued and 2,447,926,638 outstanding, 458,342,517 Class B ordinary shares issued and 446,369,717 outstanding as of December 31, 2018; 2,520,271,138 Class A ordinary shares issued and 2,480,575,334 outstanding, 453,672,011 Class B ordinary shares issued and 443,739,929 outstanding as of December 31, 2019)	377	380	381	55
Additional paid-in capital	76,254,607	82,832,895	90,676,122	13,024,810
Statutory reserves	635,966	1,400,412	1,459,165	209,596
Treasury stock	(4,457,608)	(3,783,729)	(2,530,166)	(363,436)
Accumulated deficit	(22,234,609)	(24,038,081)	(11,912,679)	(1,711,149)
Accumulated other comprehensive income	1,842,081	3,359,096	4,163,147	597,999
Total shareholders' equity	52,040,814	59,770,973	81,855,970	11,757,875
Total liabilities and shareholders' equity	58,555,914	69,705,746	92,151,039	13,236,668

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37. Parent company only condensed financial information (Continued)

Condensed Statements of Operations and Comprehensive Income

	For the year ended December 31,			
	2017 RMB	2018 RMB	2019 RMB	US\$ Note 2(g)
Operating expenses				
Marketing	(1,215,222)	(1,218,920)	(301,495)	(43,307)
General and administrative	(556,534)	(495,835)	(469,688)	(67,466)
Loss from operations	<u>(1,771,756)</u>	<u>(1,714,755)</u>	<u>(771,183)</u>	<u>(110,773)</u>
Share of income/(loss) of subsidiaries and consolidated VIEs	1,717,151	(653,408)	12,575,644	1,806,378
Interest income	66,848	220,186	163,974	23,553
Interest expense	(260,756)	(315,683)	(376,152)	(54,031)
Others, net	96,256	(27,973)	591,872	85,017
Net income/(loss)	<u>(152,257)</u>	<u>(2,491,633)</u>	<u>12,184,155</u>	<u>1,750,144</u>
Net income/(loss) attributable to ordinary shareholders	<u>(152,257)</u>	<u>(2,491,633)</u>	<u>12,184,155</u>	<u>1,750,144</u>
Net income/(loss)	<u>(152,257)</u>	<u>(2,491,633)</u>	<u>12,184,155</u>	<u>1,750,144</u>
Other comprehensive income:				
Foreign currency translation adjustments	(822,052)	2,696,784	749,865	107,711
Net change in unrealized gains/(losses) on available-for-sale securities:				
Unrealized gains, net of tax	1,473,014	237,585	312,723	44,920
Reclassification adjustment for gains recorded in net income, net of tax	(352,274)	(260,712)	(258,537)	(37,137)
Net unrealized gains/(losses) on available-for-sale securities	<u>1,120,740</u>	<u>(23,127)</u>	<u>54,186</u>	<u>7,783</u>
Total other comprehensive income	298,688	2,673,657	804,051	115,494
Total comprehensive income	<u>146,431</u>	<u>182,024</u>	<u>12,988,206</u>	<u>1,865,638</u>

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37. Parent company only condensed financial information (Continued)

Condensed Statements of Cash Flows

	For the year ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
				Note 2(g)
Net cash provided by/(used in) operating activities	(105,219)	(233,195)	697,927	100,251
Cash flows from investing activities:				
Purchases of investment securities	—	(755)	—	—
Cash received from disposal of investment securities	—	7,893	—	—
Cash received from/(prepayments and investments in) subsidiaries and consolidated VIEs	2,359,092	(12,425,233)	5,202,711	747,323
Prepayments and investments in equity investees	(7,646)	—	—	—
Loans provided to JD Digits	(31,161)	(839,617)	(1,631,530)	(234,355)
Net cash provided by/(used in) investing activities	<u>2,320,285</u>	<u>(13,257,712)</u>	<u>3,571,181</u>	<u>512,968</u>
Cash flows from financing activities:				
Proceeds from issuance of ordinary shares	—	3,531,870	—	—
Repurchase of ordinary shares	—	(205,886)	(131,010)	(18,818)
Proceeds from long-term borrowings	—	2,890,575	—	—
Proceeds from settlement of capped call options	737,501	—	—	—
Proceeds from issuance of ordinary shares pursuant to share-based awards	135,745	48,555	112,153	16,110
Upfront fee payment for long-term borrowings	—	(81,581)	—	—
Net cash provided by/(used in) financing activities	<u>873,246</u>	<u>6,183,533</u>	<u>(18,857)</u>	<u>(2,708)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	<u>(240,077)</u>	<u>539,361</u>	<u>128,592</u>	<u>18,470</u>
Net increase/(decrease) in cash, cash equivalents, and restricted cash	2,848,235	(6,768,013)	4,378,843	628,981
Cash, cash equivalents, and restricted cash at beginning of the year	<u>6,116,574</u>	<u>8,964,809</u>	<u>2,196,796</u>	<u>315,550</u>
Cash, cash equivalents, and restricted cash at end of the year	<u><u>8,964,809</u></u>	<u><u>2,196,796</u></u>	<u><u>6,575,639</u></u>	<u><u>944,531</u></u>

Basis of presentation

The Company's accounting policies are the same as the Group's accounting policies with the exception of the accounting for the investments in subsidiaries and consolidated VIEs.

For the Company only condensed financial information, the Company records its investments in subsidiaries and consolidated VIEs under the equity method of accounting as prescribed in ASC 323, Investments-Equity Method and Joint Ventures. Such investments are presented in the condensed balance sheets as "Investments in subsidiaries and consolidated VIEs" and shares in the subsidiaries and consolidated VIEs' financial results are presented as "Share of income/(loss) of subsidiaries and consolidated VIEs" in the condensed statements of operations and comprehensive income/(loss). The parent company only condensed financial information should be read in conjunction with the Group' consolidated financial statements.

Description of American Depositary Shares

Deutsche Bank Trust Company Americas, as depositary issues the ADSs. Each ADS represents an ownership interest in two Class A ordinary shares which we deposit with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and yourself as an ADR holder. Each ADS also represents any securities, cash or other property deposited with the depositary but which they have not distributed directly to you. Unless specifically requested by you, all ADSs are issued on the books of our depositary in book-entry form and periodic statements are mailed to you which reflect your ownership interest in such ADSs. In our description, references to American depositary receipts or ADRs shall include the statements you will receive which reflect your ownership of ADSs.

The depositary's principal executive office is located at 60 Wall Street, New York, New York 10005, United States of America.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder, we do not treat you as a shareholder of ours and you do not have any shareholder rights. Cayman Islands law governs shareholder rights. Because the depositary or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADR holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all registered holders from time to time of ADSs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee is actually the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to the registration statement on Form S-8 (File No. 333-198578) for our company. You may also obtain a copy of the deposit agreement at the SEC's Public Reference Room which is located at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. You may also find the registration statement and the attached deposit agreement on the SEC's website at <http://www.sec.gov>.

Share Dividends and Other Distributions

How will I receive dividends and other distributions on the shares underlying my ADSs?

We may make various types of distributions with respect to our securities. The depositary has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after converting any cash received into U.S. dollars and, in all cases, making any necessary deductions provided for in the deposit agreement. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depositary will deliver such distributions to ADR holders in proportion to their interests in the following manner:

- *Cash.* The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADR holders, and (iii) deduction of the depositary's expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. The depositary will hold any cash amounts it is unable to distribute in a non-interest-bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States. If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.
- *Shares.* In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.
- *Rights to Receive Additional Shares.* In the case of a distribution of rights to subscribe for additional shares or other rights, if we provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not furnish such evidence, the depositary may:
 - sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or

- if it is not practicable to sell such rights, do nothing and allow such rights to lapse, in which case ADR holders will receive nothing.

We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADR holders.

- *Other Distributions.* In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable or (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable for such ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders.

We cannot assure you that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

Deposit, Withdrawal and Cancellation

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation and shall, at the time of such deposit, be registered in the name of Deutsche Bank Trust Company Americas, as depositary for the benefit of holders of ADRs or in such other name as the depositary shall direct.

The custodian will hold all deposited shares for the account of the depositary. ADR holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as "deposited securities".

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary's direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder's name. An ADR holder can request that the ADSs not be held through the depositary's direct registration system and that a certificated ADR be issued.

How do ADR holders cancel an ADS and obtain deposited securities?

When you turn in your ADR certificate at the depositary's office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying shares to you or upon your written order. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Record Dates

The depositary may, after consultation with us if practicable, fix record dates for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of shares,
- to give instructions for the exercise of voting rights at a meeting of holders of shares,
- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR, or
- to receive any notice or to act in respect of other matters.

all subject to the provisions of the deposit agreement.

Voting Rights

How do I vote?

If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receiving notice of any meeting or solicitation of consents or proxies from us, the depositary will distribute to the registered ADR holders a notice stating such information as is contained in the voting materials received by the depositary and describing how you may instruct the depositary to exercise the voting rights for the shares which underlie your ADSs. For instructions to be valid, the depositary must receive them in the manner and on or before the date specified. The depositary will try, as far as is practical, subject to the provisions of and governing the underlying shares or other deposited securities, to vote or to have its agents vote the shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. If we timely requested the depositary to solicit your instructions but no instructions are received by the depositary from a holder with respect to any of the deposited securities represented by the ADSs of that holder on or before the date established by the depositary for such purpose, the depositary shall deem that holder to have instructed the depositary to give a discretionary proxy to a person designated by us with respect to such deposited securities, and the depositary shall give a discretionary proxy to a person designated by us to vote such deposited securities. However, no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter if we inform the depositary we do not wish such proxy given, substantial opposition exists or the matter materially and adversely affects the rights of holders of the ordinary shares. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote. Notwithstanding anything contained in the deposit agreement or any ADR, the depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of deposited securities, distribute to the registered holders of ADRs a notice that provides such holders with, or otherwise publicizes to such holders, instructions on how to retrieve such materials or receive such materials upon request (i.e., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

Under our constituent documents the depositary would be able to provide us with voting instructions without having to personally attend meetings in person or by proxy. Such voting instructions may be provided to us via facsimile, email, mail, courier or other recognized form of delivery and we agree to accept any such delivery so long as it is timely received prior to the meeting. We will endeavor to provide the depositary with written notice of each meeting of shareholders promptly after determining the date of such meeting so as to enable it to solicit and receive voting instructions. In general, the depositary will require that voting instructions be received by the depositary no less than five business days prior to the date of each meeting of shareholders. Under our current memorandum and articles of association, the minimum notice period required to convene a general meeting is seven days. The depositary may not have sufficient time to solicit voting instructions, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Notwithstanding the above, we have advised the depositary that under the Cayman Islands law and our constituent documents, each as in effect as of the date of the deposit agreement, voting at any meeting of shareholders is by show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded. In the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with our constituent documents, the depositary will refrain from voting and the voting instructions (or the deemed voting instructions, as set out above) received by the depositary from holders shall lapse. The depositary will not demand a poll or join in demanding a poll, whether or not requested to do so by holders of ADSs.

Reports and Other Communicatinos

Will ADR holders be able to view our reports?

The depositary will make available for inspection by ADR holders at the offices of the depositary and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADR holders.

Fees and Expenses

What fees and expenses will I be responsible for paying?

As an ADS holder, you will be required to pay the following service fees to the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs):

<u>Service</u>	<u>Fees</u>
<ul style="list-style-type: none">to any person to whom ADSs are issued or to any person to whom a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)	Up to US\$0.05 per ADS issued
<ul style="list-style-type: none">Surrendering ADSs for cancellation and withdrawal of deposited securities	Up to US\$0.05 per ADS surrendered
<ul style="list-style-type: none">Distribution of cash dividends	Up to US\$0.05 per ADS held

- Distribution of cash entitlements (other than cash dividends) and/or cash proceeds, including proceeds from the sale of rights, securities and other entitlements Up to US\$0.05 per ADS held
- Distribution of ADSs pursuant to exercise of rights. Up to US\$0.05 per ADS held
- Operation and maintenance costs Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary bank

As an ADS holder, you will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs) such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex, fax and electronic transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery of ordinary shares on deposit or the servicing of ordinary shares, deposited securities and/or ADSs.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, deposited securities, ADSs and ADRs.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Deutsche Bank Trust Company Americas, as depositary, has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. Further, the depositary has agreed to reimburse us certain fees payable to the depositary by holders of ADSs. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this time.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any net proceeds, or send to you any property, remaining after it has paid the taxes. You agree to indemnify us, the depositary, the custodian and each of our and their respective agents, directors, employees and affiliates for, and hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any refund of taxes, reduced rate of withholding or other tax benefit obtained for you. Your obligations under this paragraph shall survive any transfer of any ADRs, any surrender of ADRs and withdrawal of deposited securities or the termination of the deposit agreement.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

- distribute additional or amended ADRs;

- distribute cash, securities or other property it has received in connection with such actions;
- sell any securities or property received and distribute the proceeds as cash; or
- none of the above.

Any of the cash, securities or other property the depositary receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders must be given at least 30 days, notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or otherwise prejudices any substantial existing right of ADR holders. Such notice need not describe in detail the specific amendments effectuated thereby, but must give ADR holders a means to access the text of such amendment. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

How may the deposit agreement be terminated?

The depositary shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least 60 days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within 30 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADRs unless a successor depositary shall not be operating under the deposit agreement on the 90th day after our notice of removal was first provided to the depositary. After termination, the depositary's only responsibility will be (i) to deliver deposited securities to ADR holders who surrender their ADRs, and (ii) to hold or sell distributions received on deposited securities. Six months or more after the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of such sales (as long as it may lawfully do so), without liability for interest, in trust for the ADR holders who have not yet surrendered their ADRs. After making such sale, the depositary shall have no obligations except to account for such proceeds and other cash. After termination, our only obligations will be ongoing indemnity and any fee obligations to the depositary.

Limitations on Obligations and Liability to ADS Holders

Limits on our obligations and the obligations of the depositary; limits on liability to ADR holders and holders of ADSs

Prior to the issue, registration, registration of transfer, split-up, combination, or cancellation of any ADRs, or the delivery of any distribution in respect thereof, and from time to time, we or the depositary or its custodian may require:

- payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;
- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and
- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADRs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADR register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdrawal shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depositary or our transfer books or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents. Neither we nor the depositary nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, the People's Republic of China or any other country, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism or other circumstance beyond our, the depositary's or our respective agents' control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depositary or our respective agents (including, without limitation, voting);

- it exercises or fails to exercise discretion under the deposit agreement or the ADR;
- it performs its obligations under the deposit agreement and ADRs without gross negligence or bad faith;
- it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depositary shall not be liable for the acts or omissions made by any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of deposited securities or otherwise. Furthermore, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of the depositary. The depositary and the custodian(s) may use third-party delivery services and providers of information regarding matters such as pricing, proxy voting, corporate actions, class action litigation and other services in connection with the ADRs and the deposit agreement, and use local agents to provide extraordinary services such as attendance at annual meetings of issuers of securities. Although the depositary and the custodian will use reasonable care (and cause their agents to use reasonable care) in the selection and retention of such third-party providers and local agents, they will not be responsible for any errors or omissions made by them in providing the relevant information or services.

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder of ADRs or beneficial owner therein to obtain the benefits of credits on the basis of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. Neither the depositary nor any of its agents shall be liable to registered holders of ADRs or beneficial owners of interests in ADSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each holder and beneficial owner and/or holder of interests in ADRs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or the company directly or indirectly arising out of or relating to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory).

The depositary may own and deal in any class of our securities and in ADSs.

Disclosure of Interest in ADSs

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct you to deliver your ADSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with you directly as a holder of shares and, by holding an ADS or an interest therein, you will be agreeing to comply with such instructions.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depositary's direct registration system. Registered holders of ADRs may inspect such records at the depositary's office at all reasonable times, but solely for the purpose of communicating with other holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed from time to time, when deemed expedient by the depositary.

The depositary will maintain facilities for the delivery and receipt of ADRs.

Appointment

In the deposit agreement, each registered holder of ADRs and each person holding an interest in ADSs, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs, and
- appoint the depository its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depository in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR and ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

Governing Law

The deposit agreement and the ADSs shall be governed by and construed in accordance with the laws of the State of New York. In the deposit agreement, we have submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf. Notwithstanding anything contained in the deposit agreement, any ADR or any present or future provisions of the laws of the State of New York, the rights of holders of Shares and of any other deposited securities, as such, shall be governed by the laws of the Cayman Islands (or, if applicable, such other laws as may govern the deposited securities).

By holding an ADS or an interest therein, registered holders of ADSs and beneficial owners of ADSs each irrevocably agree that any legal suit, action or proceeding against or involving us or the depository, arising out of or based upon the deposit agreement or the transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York, and each irrevocably waives any objection which it may have to the laying of venue of any such proceeding, and irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

Description of Class A Ordinary Shares

General. All of our issued and outstanding ordinary shares are fully paid and non-assessable. Our ordinary shares are issued in registered form, and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Our company will issue only non-negotiable shares, and will not issue bearer or negotiable shares.

Ordinary Shares. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon (i) any transfer of Class B ordinary shares or the voting power attached to Class B ordinary shares by a holder thereof to any person or entity that is not an Affiliate (as defined in our memorandum and articles of association) of such holder, or (ii) the transfer of a majority of the issued and outstanding voting securities or the voting power attached to such voting securities or the sale of all or substantially all of the assets of a holder of Class B ordinary shares that is an entity to any person or entity that is not an Affiliate of such holder, such Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary shares. All Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary shares when Mr. Richard Qiangdong Liu ceases to be a director and the chief executive officer of our company, or in some other specified situations.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our share premium account, and provided further that a dividend may not be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Dividends received by each Class B ordinary share and Class A ordinary share in any dividend distribution shall be the same.

Voting Rights. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law or provided for in our memorandum and articles of association. In respect of matters requiring shareholders' vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to twenty votes. Voting at any shareholders' meeting is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any shareholder holding not less than 10% of the votes of the outstanding voting shares in our company present in person or by proxy.

A quorum required for a meeting of shareholders consists of one or more shareholders present and holding shares which represent, in aggregate, not less than one-third of the votes attaching to the issued and outstanding voting shares in our company entitled to vote at general meeting. Shareholders may be present in person or by proxy or, if the shareholder is a legal entity, by its duly authorized representative. Shareholders' meetings may be convened by our board of directors on its own initiative or by our chairman or upon a request to the directors by one or more shareholders holding shares which represent, in aggregate, no less than one-third of the votes attaching to our voting share capital. Advance notice of at least seven days is required for the convening of our annual general shareholders' meeting and any other general shareholders' meeting.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution. A special resolution requires the affirmative vote of no less than two-thirds of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Law and our memorandum and articles of association.

Under our memorandum and articles of association, so long as the total issued and outstanding Class B ordinary shares constitute a majority of our aggregate voting rights and a majority of the total issued and outstanding Class A ordinary shares are held by the persons (exclusive of Max Smart Limited, Fortune Rising Holdings Limited, Mr. Richard Qiangdong Liu and their Affiliates) that were our shareholders immediately prior to the completion of our initial public offering, any amendments to our memorandum and articles of association and certain related party transactions between Mr. Richard Qiangdong Liu or any of his immediate family members or Affiliates, on one hand, and us on the other hand, require approval by both (i) holders of a majority of the total issued and outstanding Class A ordinary shares (exclusive of Max Smart Limited, Fortune Rising Holdings Limited, Mr. Richard Qiangdong Liu and their Affiliates) and (ii) holders of a majority of our aggregate voting rights.

Liquidation. On a winding up of our company, if the assets available for distribution among our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus will be distributed among our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. The rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not our company is being wound-up, may only be varied with the consent in writing of the holders of a majority of the issued shares of that class or series or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class or series.

Anti-Takeover Provisions. Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

General Meetings of Shareholders and Shareholder Proposals. Our shareholders' general meetings may be held in such place within or outside the Cayman Islands as our board of directors considers appropriate.

As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting.

Shareholders' annual general meetings and any other general meetings of our shareholders may be convened by a majority of our board of directors or our chairman. Our board of directors shall give not less than seven days' written notice of a shareholders' meeting to those persons whose names appear as members in our register of members on the date the notice is given (or on any other date determined by our directors to be the record date for such meeting) and who are entitled to vote at the meeting.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association allow one or more of our shareholders holding shares representing in aggregate not less than one-third of the votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings, to requisition an extraordinary general meeting of our shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Limitations on the Right to Own Shares. There are no limitations on the right to own our shares.

Transfer of Shares. Any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

However, our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which our company has a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- the ordinary shares transferred are free of any lien in favor of us;
- any fee related to the transfer has been paid to us; or
- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

If our directors refuse to register a transfer they are required, within three months after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

Directors' Power to Issue Shares. Our memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our memorandum and articles of association also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent of available authorized but unissued shares. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Exempted Company. We are an exempted company with limited liability under the Companies Law. The Companies Law in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not required to be open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value, negotiable or bearer shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder’s shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil). We are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. Except as otherwise disclosed in this annual report, we currently intend to comply with the NASDAQ rules in lieu of following home country practice.

Register of Members. Under the Companies Law, we must keep a register of members and there should be entered therein:

- the names and addresses of our members, together with a statement of the shares held by each member, and such statement shall confirm (i) the amount paid or agreed to be considered as paid, on the shares of each member, (ii) the number and category of shares held by each member, and (iii) whether each relevant category of shares held by a member carries voting rights under the articles of association of the company, and if so, whether such voting rights are conditional;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members is deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

Equity Pledge Agreement

This EQUITY PLEDGE AGREEMENT, (this “**Agreement**”), dated August 25, 2016, is made in Beijing, the People’s Republic of China (“**PRC**”) by and among:

Party A: Beijing Jingdong Century Trade Co., Ltd.

Registered address: Room B168, Building 2, No. 99, Kechuang 14 Street, Beijing
Economic and Technological Development Zone, Beijing

Party B: Richard Qiangdong Liu;

Pang Zhang;

Yayun Li

Party C: Beijing Jiasheng Investment Management Co., Ltd.

Registered address: Floor 20, Block A, Building 1, 19 Ronghua Middle Street, Beijing
Economic and Technological Development Zone, Beijing

(Party B is referred to as “Pledgors” collectively or “Pledgor” separately hereinafter; Party A is referred to as “Pledgee” hereinafter; and either the Pledgors or the Pledgee is individually referred to as a “Party” and collectively referred to as the “Parties”.)

Whereas,

- (1) Beijing Jiasheng Investment Management Co., Ltd. (“Beijing Company”) is a limited liability company duly incorporated and validly existing under the PRC laws.
- (2) The Pledgors hold 100% equity interests of Beijing Company in total, of which 45%, 30% and 25% equity interests are owned by Richard Qiangdong Liu, Yayun Li and Pang Zhang, respectively.
- (3) The Pledgee is a wholly foreign owned company duly incorporated and existing under the laws of the PRC.
- (4) The Pledgee and Beijing Company entered into an Exclusive Technology Consulting and Service Agreement on August 25, 2016 (“Services Agreement”).
- (5) The Pledgors and the Pledgee entered into a Loan Agreement on August 25, 2016 (“Loan Agreement”), and entered into an Exclusive Purchase Option Agreement on August 25, 2016 (“Exclusive Purchase Option Agreement”). In addition, the Pledgors delivered the Power of Attorney to the Pledgee on August 25, 2016 (“Power of Attorney”, together with the Services Agreement, Loan Agreement and Exclusive Purchase Option Agreement, collectively referred as “Master Agreement”).

- (6) In order to secure the Pledgors' performance of their obligations under this Agreement, the Loan Agreement, the Exclusive Purchase Option Agreement and the Power of Attorney, and in order to ensure Beijing Company to be able to perform its obligations under the Services Agreement, the Pledgors hereby pledge all the equity interests held by them in Beijing Company as the guaranty for their and/or Beijing Company's performance of obligations under the Master Agreement.

NOW, THEREFORE, the Parties hereby agree as follows through friendly negotiations:

1. Definition

Unless otherwise specified herein, the following words shall have the meanings as follows:

- 1.1 Pledge Right: means the priority right the Pledgee owns, with respect to the proceedings arising from selling at a discount, auction of, or selling off the equity interests pledged by the Pledgors to the Pledgee.
- 1.2 Pledged Equity Interests: means all the equity interests duly held by the Pledgors in Beijing Company, i.e. 100% equity interests of Beijing Company, as well as all the other rights created over it.
- 1.3 Term of Pledge: means the period of term specified in Article 3 hereof.
- 1.4 Event of Default: means any of the circumstances listed in Article 7 hereof.
- 1.5 Notice of Default: means any notice issued by the Pledgee to the Pledgors in accordance with this Agreement specifying an Event of Default.

2. Pledge Right and Scope of Guaranty

- 2.1 The Pledgors agree to pledge all the Pledged Equity Interests to the Pledgee as the guaranty for their and/or Beijing Company's performance of all the obligations under the Master Agreement and all the liabilities of indemnification to the Pledgee which may arise due to the invalidity or cancellation of the Master Agreement. Beijing Company agrees with such equity pledge arrangement.
- 2.2 The effect of guaranty under the Master Agreement will not be prejudiced by any amendment or change of the Master Agreement. The invalidity or cancellation of the Master Agreement does not impair the validity of this Agreement. In the event that the Master Agreement is deemed as invalid, or cancelled or revoked for any reason, the Pledgee is entitled to realized its pledge right in accordance with Article 8 hereof.

3. Creation and Term of Pledge

- 3.1 The Pledge Right hereunder shall be reflected on the register of shareholders and the capital contribution certificate of Beijing Company in accordance with the form as attached to this Agreement.
- 3.2 The term of the Pledge Right is two (2) years effective from the registration of pledge of equity interests with the Administration for Industry and Commerce of the place where Beijing Company is registered, till the day on which all the obligations under the Master Agreement are fully performed (“Term of Pledge”).
- 3.3 During the Term of Pledge, if the Pledgors and/or Beijing Company fails to perform any obligation under or arising from the Master Agreement, the Pledgee has the right to dispose of the Pledge Right in accordance with Article 8 hereof.

4. Possession of Pledge Certificates

- 4.1 The Pledgors shall deliver the register of shareholders and capital contribution certificate of Beijing Company which reflects the pledge of equity interests as mentioned in above Article 3 within three (3) business days upon the pledge is recorded on such documents, to the Pledgee for its possession , and the Pledgee is obligated to keep the received pledge documents.
- 4.2 The Pledgee is entitled to all the proceeds in cash including the dividends and all the other non-cash proceeds arising from the Pledge Equity Interests since August 25, 2016.

5. Representations and Warranties of the Pledgors

- 5.1 The Pledgors are the legal owners of Pledged Equity Interests.
- 5.2 Once the Pledgee intends to exercise the rights of the Pledgee under this Agreement anytime, it shall be protected from any interference from any other party.
- 5.3 The Pledgee has the right to dispose of or transfer the Pledge Right in the way as described hereunder.
- 5.4 Neither of the Pledgors has ever created any other pledge right or any other third party right over the equity interests except towards the Pledgee.

6. Covenants from the Pledgor

- 6.1 During the term of this Agreement, the Pledgors covenant to the Pledgee as follows:
 - 6.1.1 Without prior written consent of the Pledgee, the Pledgors should not transfer the Pledged Equity Interests, or create or allow creation of any new pledge or any other security upon the Pledged Equity Interests which may impair the rights and/or interest of the Pledgee, except for the transfer of equity interests to the Pledgee or the person designated by the Pledgee in accordance with the Exclusive Purchase Option Agreement.

- 6.1.2 The Pledgors shall abide by and exercise all the provisions of laws and regulations in relation to the pledge of rights, and shall present the Pledgee any and all notices, directions or suggestions issued by related competent authorities within two (2) days upon the receipt of such notices, directions or suggestions, and shall comply with such notices, directions or suggestions, or present its opposite opinions and representations regarding the above mentioned issues according to the reasonable request of the Pledgee or with the consent from the Pledgee;
- 6.1.3 The Pledgors shall give prompt notice to the Pledgee regarding any occurrence or received notice which may influence the equity interests or any part of the equity interests held by the Pledgee, or may change any warranties or obligations of the Pledgors under this Agreement or may influence the performance of obligations by the Pledgors hereunder.
- 6.2 The Pledgors agree that, the right of the Pledgee to exercise of Pledge Right hereunder in accordance with this Agreement, shall not be interfered or impaired by any legal proceedings taken by the Pledgors, or the successor or designated person of the Pledgors or any other person.
- 6.3 The Pledgors warrant to the Pledgee that, in order to protect or consummate the guaranty provided by this Agreement regarding the performance of the Master Agreement, the Pledgors will faithfully sign, or cause any other party which is materially related to the Pledge Right to sign, any and all right certificates and deeds, and/or take, or cause any other party which is materially related to the Pledge Right to take, any and all actions, reasonably required by the Pledgee, and will facilitate the exercise of the rights and authorizations granted to the Pledgee under this Agreement, enter into any change to related equity certificate with the Pledgee or the Pledgee's designated person (individual/legal person), and provide to the Pledgee any and all notices, orders and decisions as deemed necessary by the Pledgee.
- 6.4 The Pledgors undertake to the Pledgee they will abide by and perform all representations, warranties and undertakings to protect the interests of the Pledgee. The Pledgors shall indemnify the Pledgee any and all losses suffered by the Pledgee due to the Pledgors' failure or partial failure in performance of their representations, warranties or undertakings.
- 6.5 The Pledgors covenant to the Pledgee they assume several and joint liabilities with respect to the obligations hereunder.

- 6.6 The Pledgors irrevocably agree to waive the preemptive right with respect to the Pledged Equity Interests pledged by other shareholders of Beijing Company to the Pledgee, as well as the transfer of equity interests due to the exercise of Pledge Right by the Pledgee.

7. Event of Default

- 7.1 Any of the following is deemed as an Event of Default:
- 7.1.1 Beijing Company fails to perform its obligations under the Master Agreement;
 - 7.1.2 Any representation or warranty of the Pledgors under this Agreement is substantially misleading or untrue, and/or any of the Pledgors breaches any of his representations and warranties under this Agreement;
 - 7.1.3 Any of the Pledgors breaches its covenants hereunder;
 - 7.1.4 Any of the Pledgors breaches any provision hereof;
 - 7.1.5 Except that any of the Pledgors transfers the equity interests to the Pledgee or the Pledgee's designated person in accordance with the Exclusive Purchase Option Agreement, any of the Pledgors waives the Pledged Equity Interests or transfers the Pledged Equity Interests without the written consent from the Pledgee;
 - 7.1.6 Any external borrowings, guaranty, indemnification, undertakings or any other liabilities of the Pledgors (1) is required to be repaid or exercised early due to its default; or (2) is not repaid or exercised when due, which makes the Pledgee reasonably believes that the ability of the Pledgors to perform their obligations under this Agreement has been impaired.
 - 7.1.7 Any of the Pledgors fails to repay general debts or other liabilities;
 - 7.1.8 This Agreement is deemed to be illegal with promulgation of related laws, or any of the Pledgors is unable to continue to perform his obligations hereunder;
 - 7.1.9 The consent, permit, approval or authorization from the competent authorities for making this Agreement enforceable, legal or valid is revoked, suspended, invalidated or materially amended;
 - 7.1.10 Adverse change occur with respect to the assets of the Pledgors, which makes the Pledgee reasonably believes that the ability of the Pledgors to perform their obligations under this Agreement has been impaired.
 - 7.1.11 Successor of the Pledgors or Beijing Company can only perform part of, or refuses to perform, its obligations under this Agreement.

7.1.12 Other circumstances occur which make the Pledgee unable to exercise or dispose of the Pledge Right in accordance with related laws.

7.2 In the event that is aware of or discover that any issue described in the above Article 7.1 or any other issue which may cause the occurrence of such mentioned issues has occurred, the Pledgors shall give a prompt written notice to the Pledgee.

7.3 Unless that the Event of Default specified in above Article 7.1 has been resolved to the satisfaction of the Pledgee, otherwise the Pledgee is entitled to (not obligated to) serve a Notice of Default to the Pledgors immediately following or any time after the occurrence of the Event of Default, to require the Pledgors and Beijing Company to immediately perform its obligations under the Master Agreement (including without limitation to payment of the due and unpaid debts and other amounts payable under the Services Agreements) or dispose of the Pledge Right in accordance with Article 8 hereof.

8. Exercise of Pledge Right

8.1 Prior to the fulfillment of performance of the obligations under the Master Agreement, neither of the Pledgors may transfer the Pledged Equity Interests without the written consent of the Pledgee.

8.2 In the event of occurrence of the Event of Default described in above Article 7, the Pledgee shall give a Notice of Default to the Pledgors when exercising the Pledge Right. The Pledgee may exercise the right to dispose of the Pledge Right at the same time of or any time after the service of the Notice of Default.

8.3 The Pledgee has the right to sell in accordance with legal procedure or dispose of in the other way allowed by law the Pledged Equity Interests hereunder. If the Pledgee decides to exercise the Pledge Right, the Pledgors both undertake to transfer all of their shareholder rights to the Pledgee for exercise. In addition, the Pledgee has the priority to receive the proceedings arising from selling at a discount, auction of, or selling off the equity interests pledged by the Pledgors to the Pledgee according to the legal proceedings.

8.4 When the Pledgee is disposing of the Pledge Right in accordance with this Agreement, neither of the Pledgors may create any obstacle, and shall provide any necessary assistance to help the Pledgee to realize the Pledge Right.

9. Transfer of Agreement

9.1 Unless with the prior consent from the Pledgee, the Pledgors have no right to grant or transfer any of their rights and obligations hereunder.

9.2 This Agreement is binding upon the Pledgors and their successor, as well as the Pledgee, and its successors and assignees permitted by the Pledgee.

- 9.3 The Pledgee is entitled to transfer any or all rights and obligations under the Master Agreement to any person (individual/legal person) designated by it at anytime. Under this circumstance, the assignee have the same rights and obligations as the Pledgee under this Agreement, as if such rights and obligations are granted to it as a party to this Agreement. When transferring the rights and obligations under the Services Agreements, this Agreement, the Loan Agreement, the Exclusive Purchase Option Agreement and/or Power of Attorney, the Pledgors shall sign any and all related agreement and/or documents as required by the Pledgee.
- 9.4 With the change of pledgee due to the transfer, all the parties to the new pledge shall enter into a new pledge contract, which shall be substantially same to this Agreement in the content and to the satisfaction of the Pledgee.

10. Effectiveness and Termination

- 10.1 This Agreement becomes effective on the date hereof. All Parties agree and confirm that the terms and conditions hereof become effective since August 25, 2016.
- 10.2 The Parties confirm that whether the pledge hereunder has been registered and recorded or not will not impair the effectiveness and validity of this Agreement.
- 10.3 This Agreement will terminate two (2) years after the Pledgors and /or Beijing Company no longer assume any liability under or arising from the Master Agreement.
- 10.4 Release of pledge shall be recorded accordingly on the register of shareholders of Beijing Company and related deregistration formalities shall be proceeded with at the Administration for Industry and Commerce of the place where Beijing Company is registered.

11. Processing Fee and Other Costs

All fees and actual costs related to this Agreement, including not limited to legal fees, processing fee, duty stamp and all the other related taxes and expenses shall be borne by the Pledgors. If related taxes is borne by the Pledgee in accordance with laws, then the Pledgor shall fully indemnify the Pledgee all the taxes withheld by the Pledgee.

12. Force Majeure

- 12.1 "Force Majeure Event" shall mean any event beyond the reasonable controls of the Party so affected, which are unpredictable, unavoidable, irresistible even if the affected Party takes a reasonable care, including but not limited to governmental acts, Act of God, fires, explosion, geographical variations, storms, floods, earthquakes, morning and evening tides, lightning or wars, riot, strike, and any other such events that all Parties have reached a consensus upon. However, any shortage of credits, funding or financing shall not be deemed as the events beyond reasonable controls of the affected Party.

12.2 In the event that the performance of this Agreement is delayed or interrupted due to the said Force Majeure Event, the affected Party shall be excused from any liability to the extent of the delayed or interrupted performance. The affected Party which intends to seek exemption from its obligations of performance under this Agreement or any provision of this Agreement shall immediately inform the other Party of such a Force Majeure Event and the measures it needs to take in order to complete its performance.

13. Dispute Resolution

13.1 The formation, validity, performance and interpretation of this Agreement and the disputes resolution under this Agreement shall be governed by the PRC laws.

13.2 The Parties shall strive to settle any dispute arising from or in connection with this Agreement through friendly consultation. In case no settlement can be reached through consultation within thirty (30) days after the request for consultation is made by any Party, any Party can submit such matter to Beijing Arbitration Commission for arbitration in accordance with its then effective rules. The arbitration shall take place in Beijing. The arbitration award shall be final and binding upon all the Parties.

14. Notices

Notices or other communications required to be given by any Party pursuant to this Agreement shall be made in writing and delivered personally or sent by mail or facsimile transmission to the addresses of the other Parties set forth below or other designated addresses notified by such other Parties to such Party from time to time. The date when the notice is deemed to be duly served shall be determined as the follows: (a) a notice delivered personally is deemed duly served upon the delivery; (b) a notice sent by mail is deemed duly served on the seventh (7th) day after the date when the air registered mail with postage prepaid has been sent out (as is shown on the postmark), or the fourth (4th) day after the delivery date to the internationally recognized courier service agency; and (c) a notice sent by facsimile transmission is deemed duly served upon the receipt time as is shown on the transmission confirmation of relevant documents.

If to the Pledgee: Beijing Jingdong Century Trade Co., Ltd.

Address: ***

Phone: ***
Facsimile: ***
Attention: ***

If to the Pledgors: Richard Qiangdong Liu

Address: ***

Phone: ***
Facsimile: ***

Pang Zhang

Address: ***

Phone: ***
Facsimile: ***

Yayun Li

Address: ***

Phone: ***
Facsimile: ***

15. Miscellaneous

- 15.1 The headings contained in this Agreement are for the convenience of reference only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.
- 15.2 The Parties agree to promptly execute any document and take any other action reasonably necessary or advisable to perform provisions and purpose of this Agreement.
- 15.3 The Parties confirm that this Agreement shall, upon its effectiveness, constitute the entire agreement and common understanding of the Parties with respect to the subject matters herein and fully supersede all prior verbal and/or written agreements and understandings with respect to the subject matters herein.
- 15.4 The Parties may amend and supplement this Agreement in writing. Any amendment and/or supplement to this Agreement duly signed by the Parties is an integral part of and has the same effect with this Agreement.
- 15.5 Any Party's failure to exercise the rights under this Agreement in time shall not be deemed as its waiver of such rights and would not affect its future exercise of such rights.

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- 15.6 If any provision of this Agreement is held void, invalid or unenforceable by a court of competent jurisdiction, governmental agency or arbitration authority, the validity, legality and enforceability of the other provisions hereof shall not be affected or impaired in any way. The Parties shall cease performing such void, invalid or unenforceable provisions and revise such void, invalid or unenforceable provisions only to the extent closest to the original intention thereof to recover its validity or enforceability for such specific facts and circumstances.
- 15.7 Any schedule hereto is an integral part of and has the same effect with this Agreement.
- 15.8 This Agreement is made in five (5) originals with each Party holding one (1) original. And other originals are submitted to the AIC for proceeding with the formalities of registration of pledge of equity interests.

[No text below]

(Signature Page)

IN WITNESS THEREOF, each Party has signed or caused its legal representative to sign this Agreement as of the date first written above.

Party A: Beijing Jingdong Century Trade Co., Ltd.

Signature of authorized
representative: /s/ Richard Qiangdong Liu

Party B: Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

Yayun Li

By: /s/ Yayun Li

Pang Zhang

By: /s/ Pang Zhang

**Party C: Beijing Jiasheng Investment Management
Co., Ltd.**

Signature of authorized
representative: /s/ Pang Zhang

Signature page for the Amended and Restated Equity Pledge Agreement

Schedule 1:

Register of Shareholders of Beijing Jiasheng Investment Management Co., Ltd.

<u>Name of Shareholder</u>	<u>Capital Contribution Amount/Shareholding Percentage</u>	<u>Registration of Pledge</u>
Richard Qiangdong Liu	RMB 450,000 45%	In accordance with the Equity Pledge Agreement by and among Richard Qiangdong Liu, Yayun Li, Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016, Richard Qiangdong Liu has pledged all the equity interests held by him to Beijing Jingdong Century Trade Co., Ltd.
Yayun Li	RMB 300,000 30%	In accordance with the Equity Pledge Agreement by and among Richard Qiangdong Liu, Yayun Li, Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016, Yayun Li has pledged all the equity interests held by her to Beijing Jingdong Century Trade Co., Ltd.
Pang Zhang	RMB 250,000 25%	In accordance with the Equity Pledge Agreement by and among Richard Qiangdong Liu, Yayun Li, Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016, Pang Zhang has pledged all the equity interests held by him to Beijing Jingdong Century Trade Co., Ltd.

Beijing Jiasheng Investment Management Co., Ltd.

Signature of authorized representative: /s/ Pang Zhang

Schedule 2:

**Beijing Jiasheng Investment Management Co., Ltd.
Capital Contribution Certificate
(No.: 001)**

Company: Beijing Jiasheng Investment Management Co., Ltd.
Date of Incorporation: November 18, 2014
Registered Capital: RMB 1,000,000
Shareholder: Richard Qiangdong Liu
Capital Contributed by Shareholder: RMB 450,000

In accordance with the Equity Pledge Agreement by and among Richard Qiangdong Liu, Yayun Li, Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016, Richard Qiangdong Liu has pledged all the equity interests held by him to Beijing Jingdong Century Trade Co., Ltd.

Beijing Jiasheng Investment Management Co., Ltd. (seal)

Signature: /s/ Pang Zhang
Name: Pang Zhang
Title: Legal representative
Date: August 25, 2016

Beijing Jiasheng Investment Management Co., Ltd.
Capital Contribution Certificate
(No.: 002)

Company: Beijing Jiasheng Investment Management Co., Ltd.
Date of Incorporation: November 18, 2014
Registered Capital: RMB 1,000,000
Shareholder: Yayun Li
Capital Contributed by Shareholder: RMB 300,000

In accordance with the Equity Pledge Agreement by and among Richard Qiangdong Liu, Yayun Li, Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016, Yayun Li has pledged all the equity interests held by her to Beijing Jingdong Century Trade Co., Ltd.

Beijing Jiasheng Investment Management Co., Ltd. (seal)

Signature: /s/ Pang Zhang
Name: Pang Zhang
Title: Legal representative
Date: August 25, 2016

Beijing Jiasheng Investment Management Co., Ltd.
Capital Contribution Certificate
(No.: 003)

Company: Beijing Jiasheng Investment Management Co., Ltd.
Date of Incorporation: November 18, 2014
Registered Capital: RMB 1,000,000
Shareholder: Pang Zhang
Capital Contributed by Shareholder: RMB 250,000

In accordance with the Equity Pledge Agreement by and among Richard Qiangdong Liu, Yayun Li, Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016, Pang Zhang has pledged all the equity interests held by him to Beijing Jingdong Century Trade Co., Ltd.

Beijing Jiasheng Investment Management Co., Ltd. (seal)

Signature: /s/ Pang Zhang

Name: Pang Zhang

Title: Legal representative

Date: August 25, 2016

Schedule A

The following schedule sets forth all other similar agreements the registrant entered into with the relevant Chinese variable interest entity of the registrant. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

<u>VIE</u>	<u>Executing Parties</u>	<u>Capital Contribution</u>	<u>Date of Entitlement to all Proceeds for Pledgee</u>	<u>Effective Date</u>	<u>Execution Date</u>
Beijing Yuanyi Freight Forwarding Co., Ltd.	Party A: Beijing Jingbangda Trade Co., Ltd.	The registered capital of Beijing Yuanyi Freight Forwarding Co., Ltd. is RMB 3,000,000.00.	January 5, 2017	January 5, 2017	January 5, 2017
	Party B: Richard Qiangdong Liu, Pang Zhang and Yayun Li	The capital contribution amount and shareholding percentage of the shareholders are as follows:			
	Party C: Beijing Yuanyi Freight Forwarding Co., Ltd.	Richard Qiangdong Liu: RMB 1,350,000.00 (45%) Yayun Li: RMB 900,000.00 (30%) Pang Zhang: RMB 750,000.00 (25%)			
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd.	The registered capital of Jiangsu Jingdong Bangneng Investment Management Co., Ltd. is RMB 80,000,000.00.	June 15, 2016	September 8, 2016	September 8, 2016
	Party B: Richard Qiangdong Liu, Pang Zhang and Yayun Li	The capital contribution amount and shareholding percentage of the shareholders are as follows:			
	Party C: Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Richard Qiangdong Liu: RMB 36,000,000.00 (45%) Yayun Li: RMB 24,000,000.00 (30%) Pang Zhang: RMB 20,000,000.00 (25%)			
Suqian Limao Donghong Investment Management Co., Ltd.	Party A: Suqian Yitong Information Technology Co., Ltd.	The registered capital of Suqian Limao Donghong Investment Management Co., Ltd. is RMB 1,000,000.00.	December 28, 2016	December 8, 2015	December 28, 2016
	Party B: Richard Qiangdong Liu, Pang Zhang and Yayun Li	The capital contribution amount and shareholding percentage of the shareholders are as follows:			
	Party C: Suqian Limao Donghong Investment Management Co., Ltd.	Richard Qiangdong Liu: RMB 620,000.00 (62%) Yayun Li: RMB 380,000.00 (38%)			
Beijing Andist Technology Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd.	The registered capital of Beijing Andist Technology Co., Ltd. is RMB 2,000,000.00.	December 1, 2016	December 1, 2016	December 1, 2016
	Party B: Richard Qiangdong Liu, Pang Zhang and Yayun Li	The capital contribution amount and shareholding percentage of the shareholders are as follows:			
	Party C: Beijing Andist Technology Co., Ltd.	Richard Qiangdong Liu: RMB 900,000.00 (45%) Yayun Li: RMB 600,000.00 (30%) Pang Zhang: RMB 500,000.00 (25%)			

Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd.	The registered capital of Shanghai Jingdong Cai'ao E-commercial Co., Ltd. is RMB 10,000,000.00.	December 20, 2016	December 20, 2016	December 20, 2016
	Party B: Richard Qiangdong Liu, Pang Zhang and Yayun Li	The capital contribution amount and shareholding percentage of the shareholders are as follows:			
	Party C: Shanghai Jingdong Cai'ao E-commercial Co., Ltd.,	Richard Qiangdong Liu: RMB 4,500,000.00 (45%) Yayun Li: RMB 3,000,000.00 (30%) Pang Zhang: RMB 2,500,000.00 (25%)			
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Party A: Xi'an Jingxundi Supply Chain Technology Co., Ltd.	The registered capital of Xi'an Jingdong Xincheng Information Technology Co., Ltd. is RMB 1,000,000.00.	June 23, 2017	June 23, 2017	June 23, 2017
	Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang	The capital contribution amount and shareholding percentage of the shareholders are as follows:			
	Party C: Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Richard Qiangdong Liu: RMB 450,000.00 (45%) Yayun Li: RMB 300,000.00 (30%) Pang Zhang: RMB 250,000.00 (25%)			
Suzhou Guanyinghou Media Technology Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd.	The registered capital of Suzhou Guanyinghou Media Technology Co., Ltd. is RMB 10,000,000.00.	December 11, 2017	December 11, 2017	December 11, 2017
	Party B: Qian Yang	The capital contribution amount and shareholding percentage of the shareholders are as follows:			
	Party C: Suzhou Guanyinghou Media Technology Co., Ltd.	Qian Yang: RMB 10,000,000.00 (100%)			
Beijing JPT E-Commerce Co., Ltd.	Party A: Beijing QGX Information Technology Co., Ltd.	The registered capital of Beijing JPT E-Commerce Co., Ltd is RMB10,000,000	March 28, 2018	March 28, 2018	March 28, 2018
	Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang	The capital contribution amount and shareholding percentage are as follows: Richard Qiangdong Liu: RMB4,500,000 (45%) Yayun Li: RMB3,000,000 (30%) Pang Zhang: RMB2,500,000 (25%)			
	Party C: Beijing JPT E-Commerce Co., Ltd.				
Jingdong Cloud Computing Co., Ltd.	Party A: Jingdong Longyun Technology Co., Ltd.	The registered capital of Jingdong Cloud Computing Co., Ltd. is RMB50,000,000	November 29, 2018	November 29, 2018	November 29, 2018
	Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang	The capital contribution amount and shareholding percentage are as follows: Richard Qiangdong Liu: RMB22,500,000 (45%) Yayun Li: RMB15,000,000 (30%) Pang Zhang: RMB12,500,000 (25%)			
	Party C: Jingdong Cloud Computing Co., Ltd.				
Suqian Jiantong Enterprise Management Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd.	The registered capital of Suqian Jiantong Enterprise Management Co., Ltd. is RMB10,010,000.	April 18, 2019	April 18, 2019	April 18, 2019
	Party B: Suzhou Guanyinghou Media Technology Co., Ltd.	The capital contribution amount and shareholding percentage are as follows: Suzhou Guanyinghou Media Technology Co., Ltd.: RMB10,000,000 (99.99%), Xinshi Wang: RMB10,000 (0.1%)			
	Party C: Suqian Jiantong Enterprise Management Co., Ltd.				
Suqian Jingdong Tianning Health Technology Co., Ltd.	Party A: Beijing Jingdong Health Co., Ltd.	The registered capital of Suqian Jingdong Tianning Health Technology Co., Ltd. is RMB1,000,000	April 3, 2020	April 3, 2020	April 3, 2020
	Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang	The capital contribution amount and shareholding percentage are as follows: Richard Qiangdong Liu: RMB450,000 (45%), Yayun Li: RMB300,000 (30%), Pang Zhang: RMB250,000 (25%)			
	Party C: Suqian Jingdong Tianning Health Technology Co., Ltd.				

Power of Attorney

The undersigned, Richard Qiangdong Liu, a citizen of the People's Republic of China (the "PRC") and a holder of 45% of the equity interests of Beijing Jiasheng Investment Management Co., Ltd. (the "Beijing Company") (the "Shareholding"), hereby irrevocably authorizes any natural person appointed by Beijing Jingdong Century Trading Co., Ltd. (the "WFOE") to exercise the following rights during the term of this Power of Attorney:

Any natural person appointed by the WFOE is hereby authorized to exercise on behalf of the undersigned as his sole and exclusive agent the rights in respect of the Shareholding including without limitation: (1) attend shareholders' meeting of the Beijing Company and sign resolutions thereof on behalf of the undersigned; (2) exercise all rights of the undersigned as a shareholder of the Beijing Company according to laws and the articles of association of the Beijing Company, including without limitation the rights to vote and to sell, transfer, pledge or dispose all or any part of the Shareholding; and (3) designate and appoint on behalf of the undersigned the legal representative, chairperson, director, supervisor, chief executive officer and any other senior management of the Beijing Company.

Subject to the powers and authorities provided under this Power of Attorney, any natural person appointed by the WFOE will have the right to sign on behalf of the undersigned any transfer agreement contemplated under the Exclusive Purchase Option Agreement to which the undersigned will be a party, and to perform the Equity Pledge Agreement and the Exclusive Purchase Option Agreement, each of which is dated the date hereof and to which the undersigned is a party. Exercise of such right will not have any restriction upon this Power of Attorney.

Unless otherwise provided under this Power of Attorney, any natural person appointed by the WFOE has the right to transfer, apply or otherwise dispose any cash dividend, bonus and any other non-cash gain arising from the Shareholding on reliance of any oral or written instruction from the undersigned.

Unless otherwise provided under this Power of Attorney, any natural person appointed by the WFOE has the right to take any action regarding the Shareholding according to his/her own judgment without any oral or written instruction from the undersigned.

Any and all the actions associated with the Shareholding made by any natural person appointed by the WFOE will be deemed as the action of the undersigned, and any and all documents relating to the Shareholding executed by any natural person appointed by the WFOE shall be deemed to be executed and acknowledged by the undersigned.

Any natural person appointed by the WFOE may delegate this power of attorney by assigning his/her rights relating to the conduct of the aforesaid matter and exercise of the Shareholding to any other person or entity at his/her own discretion without prior notice to or consent from the undersigned.

This Power of Attorney is irrevocable and effective as of the date hereof as long as the undersigned is a shareholder of the Beijing Company. This Power of Attorney supersedes any other power of attorney previously signed by the undersigned.

During the term of this Power of Attorney, the undersigned hereby waives all of the rights associated with the Shareholding which have been authorized to any natural person appointed by the WFOE and will not exercise any such right by himself.

By: /s/ Richard Qiangdong Liu

Dated: August 25, 2016

Power of Attorney

The undersigned, Yayun Li, a citizen of the People's Republic of China (the "PRC") and a holder of 30% of the equity interests of Beijing Jiasheng Investment Management Co., Ltd. (the "Beijing Company") (the "Shareholding"), hereby irrevocably authorizes any natural person appointed by Beijing Jingdong Century Trading Co., Ltd. (the "WFOE") to exercise the following rights during the term of this Power of Attorney:

Any natural person appointed by the WFOE is hereby authorized to exercise on behalf of the undersigned as his sole and exclusive agent the rights in respect of the Shareholding including without limitation: (1) attend shareholders' meeting of the Beijing Company and sign resolutions thereof on behalf of the undersigned; (2) exercise all rights of the undersigned as a shareholder of the Beijing Company according to laws and the articles of association of the Beijing Company, including without limitation the rights to vote and to sell, transfer, pledge or dispose all or any part of the Shareholding; and (3) designate and appoint on behalf of the undersigned the legal representative, chairperson, director, supervisor, chief executive officer and any other senior management of the Beijing Company.

Subject to the powers and authorities provided under this Power of Attorney, any natural person appointed by the WFOE will have the right to sign on behalf of the undersigned any transfer agreement contemplated under the Exclusive Purchase Option Agreement to which the undersigned will be a party, and to perform the Equity Pledge Agreement and the Exclusive Purchase Option Agreement, each of which is dated the date hereof and to which the undersigned is a party. Exercise of such right will not have any restriction upon this Power of Attorney.

Unless otherwise provided under this Power of Attorney, any natural person appointed by the WFOE has the right to transfer, apply or otherwise dispose any cash dividend, bonus and any other non-cash gain arising from the Shareholding on reliance of any oral or written instruction from the undersigned.

Unless otherwise provided under this Power of Attorney, any natural person appointed by the WFOE has the right to take any action regarding the Shareholding according to his/her own judgment without any oral or written instruction from the undersigned.

Any and all the actions associated with the Shareholding made by any natural person appointed by the WFOE will be deemed as the action of the undersigned, and any and all documents relating to the Shareholding executed by any natural person appointed by the WFOE shall be deemed to be executed and acknowledged by the undersigned.

Any natural person appointed by the WFOE may delegate this power of attorney by assigning his/her rights relating to the conduct of the aforesaid matter and exercise of the Shareholding to any other person or entity at his/her own discretion without prior notice to or consent from the undersigned.

This Power of Attorney is irrevocable and effective as of the date hereof as long as the undersigned is a shareholder of the Beijing Company. This Power of Attorney supersedes any other power of attorney previously signed by the undersigned.

During the term of this Power of Attorney, the undersigned hereby waives all of the rights associated with the Shareholding which have been authorized to any natural person appointed by the WFOE and will not exercise any such right by himself.

By: /s/ Yayun Li

Dated: August 25, 2016

Power of Attorney

The undersigned, Pang Zhang, a citizen of the People's Republic of China (the "PRC") and a holder of 25% of the equity interests of Beijing Jiasheng Investment Management Co., Ltd. (the "Beijing Company") (the "Shareholding"), hereby irrevocably authorizes any natural person appointed by Beijing Jingdong Century Trading Co., Ltd. (the "WFOE") to exercise the following rights during the term of this Power of Attorney:

Any natural person appointed by the WFOE is hereby authorized to exercise on behalf of the undersigned as his sole and exclusive agent the rights in respect of the Shareholding including without limitation: (1) attend shareholders' meeting of the Beijing Company and sign resolutions thereof on behalf of the undersigned; (2) exercise all rights of the undersigned as a shareholder of the Beijing Company according to laws and the articles of association of the Beijing Company, including without limitation the rights to vote and to sell, transfer, pledge or dispose all or any part of the Shareholding; and (3) designate and appoint on behalf of the undersigned the legal representative, chairperson, director, supervisor, chief executive officer and any other senior management of the Beijing Company.

Subject to the powers and authorities provided under this Power of Attorney, any natural person appointed by the WFOE will have the right to sign on behalf of the undersigned any transfer agreement contemplated under the Exclusive Purchase Option Agreement to which the undersigned will be a party, and to perform the Equity Pledge Agreement and the Exclusive Purchase Option Agreement, each of which is dated the date hereof and to which the undersigned is a party. Exercise of such right will not have any restriction upon this Power of Attorney.

Unless otherwise provided under this Power of Attorney, any natural person appointed by the WFOE has the right to transfer, apply or otherwise dispose any cash dividend, bonus and any other non-cash gain arising from the Shareholding on reliance of any oral or written instruction from the undersigned.

Unless otherwise provided under this Power of Attorney, any natural person appointed by the WFOE has the right to take any action regarding the Shareholding according to his/her own judgment without any oral or written instruction from the undersigned.

Any and all the actions associated with the Shareholding made by any natural person appointed by the WFOE will be deemed as the action of the undersigned, and any and all documents relating to the Shareholding executed by any natural person appointed by the WFOE shall be deemed to be executed and acknowledged by the undersigned.

Any natural person appointed by the WFOE may delegate this power of attorney by assigning his/her rights relating to the conduct of the aforesaid matter and exercise of the Shareholding to any other person or entity at his/her own discretion without prior notice to or consent from the undersigned.

This Power of Attorney is irrevocable and effective as of the date hereof as long as the undersigned is a shareholder of the Beijing Company. This Power of Attorney supersedes any other power of attorney previously signed by the undersigned.

During the term of this Power of Attorney, the undersigned hereby waives all of the rights associated with the Shareholding which have been authorized to any natural person appointed by the WFOE and will not exercise any such right by himself.

By: /s/ Pang Zhang

Dated: August 25, 2016

Schedule A

The following schedule sets forth all other similar agreements the registrant entered into with the relevant Chinese variable interest entity. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

<u>VIE</u>	<u>Executing Parties</u>	<u>Execution Date</u>
Beijing Yuanyi Freight Forwarding Co., Ltd.	Richard Qiangdong Liu	January 5, 2017
	Yayun Li	January 5, 2017
	Pang Zhang	January 5, 2017
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Richard Qiangdong Liu	September 8, 2016
	Yayun Li	September 8, 2016
	Pang Zhang	September 8, 2016
Suqian Limao Donghong Investment Management Co., Ltd.	Richard Qiangdong Liu	December 28, 2016
	Yayun Li	December 28, 2016
Beijing Andist Technology Co., Ltd.	Richard Qiangdong Liu	December 1, 2016
	Yayun Li	December 1, 2016
	Pang Zhang	December 1, 2016
Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	Richard Qiangdong Liu	December 20, 2016
	Yayun Li	December 20, 2016
	Pang Zhang	December 20, 2016
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Richard Qiangdong Liu	June 23, 2017
	Yayun Li	
	Pang Zhang	
Suzhou Guanyinghou Media Technology Co., Ltd.	Qian Yang	December 11, 2017
Beijing JPT E-Commerce Co., Ltd.	Richard Qiangdong Liu	March 28, 2018
	Yayun Li	March 28, 2018
	Pang Zhang	March 28, 2018
Jingdong Cloud Computing Co., Ltd.	Richard Qiangdong Liu	November 29, 2018
	Yayun Li	November 29, 2018
	Pang Zhang	November 29, 2018
Suqian Jiantong Enterprise Management Co., Ltd.	Xinshi Wang	April 18, 2019
	Suzhou Guanyinghou Media Technology Co., Ltd.	April 18, 2019
Suqian Jingdong Tianning Health Technology Co., Ltd.	Richard Qiangdong Liu	April 3, 2020
	Yayun Li	April 3, 2020
	Pang Zhang	April 3, 2020

EXCLUSIVE TECHNOLOGY CONSULTING AND SERVICE AGREEMENT

This EXCLUSIVE TECHNOLOGY CONSULTING AND SERVICE AGREEMENT (this “**Agreement**”), dated December 5, 2014, is made in Beijing, the People’s Republic of China (the “**PRC**”) by and among:

Party A: **Beijing Jingdong Century Trade Co., Ltd.**, with registered address at Room B168, Building 2, No. 99, Kechuang 14 Street, Beijing Economic and Technological Development Zone, Beijing; and

Party B: **Beijing Jiasheng Investment Management Co., Ltd.**, a limited liability company incorporated and existing under the laws of the PRC, with registered address at Floor 20, Block A, Building 1, 19 Ronghua Middle Street, Beijing Economic and Technological Development Zone, Beijing.

(Party A and Party B individually, a “**Party**”; collectively, the “**Parties**”)

Whereas,

1. Party A is a wholly foreign-owned enterprise duly incorporated and validly existing under the PRC laws, having the resources and qualifications to provide Party B with technology consulting and services;
2. Party B is a limited liability company duly incorporated and validly existing under the PRC laws;

NOW, THEREFORE, the Parties hereby agree as follows through negotiations:

1. Technology Consulting and Services; Sole and Exclusive Rights and Interests

- 1.1 During the term of this Agreement, Party A agrees to provide Party B with technology consulting and services set forth in Exhibit I attached hereto subject to the terms and conditions of this Agreement.
- 1.2 Party B agrees to accept the technology consulting and services provided by Party A. Party B further agrees that during the term hereof, it will not accept the same or similar technology consulting and services with respect to the foregoing business operations from any third party, unless with prior written consent from Party A.
- 1.3 Any and all rights and interests arising from performance of this Agreement, including without limitation ownership, copyright, patent and other intellectual properties, technical and business secrets, which is developed by Party A or by Party B based on the intellectual property owned by Party A, will be solely and exclusively owned by Party A.

2. Calculation and Payment of Technology Consulting and Services Fee

- 2.1 Party B agrees to pay technology consulting and services fee set forth under this Agreement to Party A for the technology consulting and services provided by Party A under this Agreement (the “**Consulting Services Fee**”).
- 2.2 The Parties agree to determine and pay the Consulting Services Fee according to Exhibit II attached hereto.

3. Representations and Warranties

- 3.1 Party A hereby represents and warrants that:
 - 3.1.1 It is a wholly foreign-owned enterprise duly incorporated and validly existing under the laws of the PRC;
 - 3.1.2 Its execution and performance of this Agreement are within the scope of its corporate power and business; it has taken necessary corporate actions and obtained appropriate authorization and necessary consent and approvals from third parties and government agency, and execution of this Agreement will not constitute a breach of any law or contract which has binding or other effect upon it; and
 - 3.1.3 This Agreement, once executed, constitutes legal, valid and binding obligations of Party A, and is enforceable upon Party A pursuant to its terms.
- 3.2 Party B hereby represents and warrants that:
 - 3.2.1 It is a limited liability company duly incorporated and validly existing under the laws of the PRC;
 - 3.2.2 Its execution and performance of this Agreement are within the scope of its corporate power and business; it has taken necessary corporate actions and obtained appropriate authorization and necessary consent and approvals from third parties and government agency, and execution of this Agreement will not constitute a breach of any law or contract which has binding or other effect upon it; and
 - 3.2.3 This Agreement, once executed, constitutes legal, valid and binding obligations of Party B, and is enforceable upon Party B pursuant to its terms.

4. Confidentiality

- 4.1 Party B agrees to take reasonably best efforts to keep in confidence Party A’s confidential information and materials (“**Confidential Information**”) that it may be aware of or have access to in connection with its acceptance of Party A’s exclusive consulting and services. Without prior written consent from Party A, Party B shall not disclose, offer or transfer any Confidential Information to any third party. If this Agreement terminates and upon Party A’s request, Party B shall return to Party A or destroy all of the documents, materials or software containing Confidential Information, and shall delete any Confidential Information from all relevant memory devices and cease to use any Confidential Information.

4.2 This Article 4 will survive any change, termination or expiration of this Agreement.

5. Breach of Contract

If either party (the “**Defaulting Party**”) breaches any provision of this Agreement, which causes damage to the other Party (the “**Non-defaulting Party**”), the Non-defaulting Party may notify the Defaulting Party in writing and request it to rectify and correct such breach of contract; if the Defaulting Party fails to take any action satisfactory to the Non-defaulting Party to rectify and correct such breach within fifteen (15) working days upon the issuance of the written notice by the Non-defaulting Party, the Non-defaulting Party may take the actions pursuant to this Agreement or pursue other remedies in accordance with laws.

6. Effectiveness and Term

6.1 This Agreement shall take effect as of the date first written above. The term of this Agreement is ten (10) years unless early termination occurs in accordance with relevant provisions herein or any other agreement reached by the Parties.

6.2 This Agreement may be extended upon Party A’s written confirmation prior to the expiration of this Agreement and the extended term shall be ten (10) years or the term agreed by both Parties.

7. Termination

7.1 This Agreement shall be terminated on the expiring date unless it is renewed in accordance with the relevant provisions herein.

7.2 During the term hereof, Party B may not make early termination of this Agreement unless Party A commits gross negligence, fraud or other illegal action, or goes bankrupt. Notwithstanding the foregoing, Party A shall always have the right to terminate this Agreement by issuing a thirty (30) days’ prior written notice to Party B.

7.3 The rights and obligations of the Parties under Articles 4 and 5 will survive termination of this Agreement.

8. Governing Law and Dispute Resolution

- 8.1 The execution, interpretation, performance of this Agreement and the disputes resolution under this Agreement shall be governed by the PRC laws.
- 8.2 The parties hereto shall strive to settle any dispute arising from the interpretation or performance of the terms under this Agreement through friendly consultation in good faith. In case no settlement can be reached through consultation within thirty (30) days after the request for consultation is made by either Party, any Party can submit such matter to Beijing Arbitration Commission for arbitration in accordance with its then effective rules. The arbitration shall take place in Beijing. The arbitration award shall be final and binding upon both Parties.

9. Force Majeure

- 9.1 "Force Majeure Event" shall mean any event beyond the reasonable controls of the Party so affected, which are unpredictable, unavoidable, irresistible even if the affected Party takes a reasonable care, including but not limited to governmental acts, Act of God, fires, explosion, geographical variations, storms, floods, earthquakes, morning and evening tides, lightning or wars, riot, strike, and any other such events that all Parties have reached a consensus upon. However, any shortage of credits, funding or financing shall not be deemed as the events beyond reasonable controls of the affected Party.
- 9.2 In the event that the performance of this Agreement is delayed or interrupted due to the said Force Majeure Event, the affected Party shall be excused from any liability to the extent of the delayed or interrupted performance. The affected Party which intends to seek exemption from its obligations of performance under this Agreement or any provision of this Agreement shall immediately inform the other Party of such a Force Majeure Event and the measures it needs to take in order to complete its performance.

10. Notices

All notices or other correspondences given by either Party pursuant to this Agreement shall be made in writing and may be delivered in person, or by registered mail, postage prepaid mail, generally accepted courier service or facsimile to the following addresses of the relevant Party or both Parties, or any other address notified by the other Party from time to time, or another person's address designated by it. The date when the notice is deemed to be duly served shall be determined as the follows: (a) a notice delivered personally is deemed duly served upon the delivery; (b) a notice sent by mail is deemed duly served on the seventh (7th) day after the air registered mail with postage prepaid has been sent out (as is shown on the postmark), or the fourth (4th) day after delivery to the internationally recognized courier service agency; and (c) a notice sent by facsimile transmission is deemed duly served upon the receipt time as is shown on the transmission confirmation of relevant documents.

If to **Party A: Beijing Jingdong Century Trade Co., Ltd.**

Address: ***

Telephone: ***

Fax: ***

Attention: ***

If to **Party B: Beijing Jiasheng Investment Management Co., Ltd.**

Address: ***

Telephone: ***

Fax: ***

Attention: ***

11. Assignment

Party B shall not assign its rights and obligations under this Agreement to any third party without the prior written consent of Party A.

12. Severability

If any provision of this Agreement is held void, invalid or unenforceable by a court of competent jurisdiction or arbitration authority, the validity, legality and enforceability of the other provisions hereof shall not be affected or impaired. The Parties shall cease performing such void, invalid or unenforceable provisions and revise such void, invalid or unenforceable provisions only to the extent closest to the original intention thereof to recover its validity or enforceability for such specific facts and circumstances.

13. Amendment and Supplement to Agreement

Any amendment and supplement to this Agreement shall be made in writing by the Parties. Any agreements on such amendment and supplement duly executed by both Parties shall be deemed as a part of this Agreement and shall have the same legal effect as this Agreement.

14. Miscellaneous

14.1 The headings contained in this Agreement are for the convenience of reference only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.

14.2 The Parties agree to promptly execute any document and take any other action reasonably necessary or advisable to perform provisions and purpose of this Agreement.

14.3 The Parties confirm that this Agreement shall, upon its effectiveness, constitute the entire agreement and common understanding of the Parties with respect to the subject matters herein and fully supersede all prior verbal and/or written agreements and understandings with respect to the subject matters herein.

-
- 14.4 This Agreement shall be binding upon and for the benefit of all the Parties hereto and their respective inheritors, successors and the permitted assigns.
- 14.5 Any Party's failure to exercise the rights under this Agreement in time shall not be deemed as its waiver of such rights and would not affect its future exercise of such rights.
- 14.6 Any attachment hereto is an integral part of and has the same effect with this Agreement.
- 14.7 This Agreement is made in two originals with each Party holding one and both originals are equally authentic.

(No text below)

(Signature Page of Exclusive Technology Consulting and Service Agreement)

IN WITNESS THEREOF, each Party hereto has caused this Agreement duly executed by their respective legal representative or duly authorized representative on its behalf as of the date first written above.

Party A: Beijing Jingdong Century Trade Co., Ltd.

/s/ Beijing Jingdong Century Trade Co., Ltd.

(Seal of Beijing Jingdong Century Trade Co., Ltd.)

By: /s/ Richard Qiangdong Liu

Party B: Beijing Jiasheng Investment Management Co., Ltd.

/s/ Beijing Jiasheng Investment Management Co., Ltd.

(Seal of Beijing Jiasheng Investment Management Co., Ltd.)

By: /s/ Richard Qiangdong Liu

Exhibit 1: List of Technology Consulting and Services

Party A will provide the following technology consulting and services to Party B:

- (1) technology research and development required in connection Party B's business operations, including development, design and production of database software for information storage and other related technologies as well as granting license of such technology to Party B;
- (2) technology application and implementation for Party B's business operations, including without limitation master design, installation, commissioning and trial operation of technical systems;
- (3) routine maintenance, supervision, commissioning and trouble shooting for Party B's computer network equipment, including prompt customer information input to database, or promptly update database and customer interface, as well as other related technical services;
- (4) consulting services for procurement of equipment, software and hardware systems necessary for web-based business operations by Party B, including without limitation consulting and advising on selection, installation and commissioning of tool software, application software and technical platform, as well as the selection, type and function of complementary hardware facilities and equipment;
- (5) appropriate training and technical support for Party B's employees, including without limitation providing raining on customer services or technologies, sharing knowledge and experience on installation and operation of systems and equipment, assisting to resolve any problem in connection with system and equipment installation and operation, consulting and advising on operation of any other web edition platform and software, and assisting to collect and compile information and contents;
- (6) technology consulting and response to enquiries raised by Party B relating to network equipment, technical products and software; and
- (7) any other technical services and consulting required by Party B for business operations.

Exhibit II: Calculation and Payment of Technology Consulting and Services Fee

The amount of the service fee will be determined on the basis of:

- (1) difficulty of the technology and complexity of the consulting and management services;
- (2) time required by Party A to provide technology consulting and management services; and
- (3) contents and commercial value of the technology consulting and management services.

Party A will issue a fee statement based on the workload and commercial value of the technical services provided by Party B as well as the prices agreed by the Parties to Party B on quarterly basis. Party B will pay the consulting and services fee according to the time and amount set forth in the statement, provided that Party B will pay no less than RMB 10,000 as consulting and services fee (the "Quarterly Minimum Service Fee") to Party A on quarterly basis. Party A may revise at any time the standards of consulting and services fee based on the amount and composition of the consulting and services fee payable by Party B.

The Quarterly Minimum Service Fee is subject to approval from Party A's board of directors, and will be reviewed and revised no less than once yearly. Any revision and change of Quarterly Minimum Service Fee is subject to approval from Party A's board of directors.

Schedule A

The following schedule sets forth all other similar agreements the registrant entered into with the relevant Chinese variable interest entity. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

<u>VIE</u>	<u>Executing Parties</u>	<u>Calculation and Payment of Technology Consulting and Services Fee</u>	<u>Execution Date</u>
Beijing Yuanyi Freight Forwarding Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Beijing Yuanyi Freight Forwarding Co., Ltd.	Party A will issue a fee statement based on the workload and commercial value of the technical services provided by Party B as well as the prices agreed by the Parties to Party B on quarterly basis. Party B will pay the consulting and services fee according to the time and amount set forth in the statement to Party A on quarterly basis. Party A may revise at any time the standards of consulting and services fee based on the amount and composition of the consulting and services fee payable by Party B.	December 8, 2014
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Party A will issue a fee statement based on the workload and commercial value of the technical services provided by Party B as well as the prices agreed by the Parties to Party B on quarterly basis. Party B will pay the consulting and services fee according to the time and amount set forth in the statement to Party A on quarterly basis. Party A may revise at any time the standards of consulting and services fee based on the amount and composition of the consulting and services fee payable by Party B.	August 7, 2015
Suqian Limao Donghong Investment Management Co., Ltd.	Party A: Suqian Yitong Information Technology Co., Ltd. Party B: Suqian Limao Donghong Investment Management Co., Ltd.	Same as this exhibit.	December 28, 2016

Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Party A: Xi'an Jingxundi Supply Chain Technology Co., Ltd. Party B: Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Same as this exhibit	June 23, 2017
Suzhou Guanyinghou Media Technology Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd. Party B: Suzhou Guanyinghou Media Technology Co., Ltd.	Same as this exhibit	December 11, 2017
Jingdong Cloud Computing Co., Ltd.	Party A: Jingdong Longyun Technology Co., Ltd. Party B: Jingdong Cloud Computing Co., Ltd.	Same as this exhibit	November 29, 2018
Beijing JPT E-Commerce Co., Ltd.	Party A: Beijing QGX Information Technology Co., Ltd. Party B: Beijing JPT E-Commerce Co., Ltd.	Same as this exhibit	March 28, 2018
Suqian Jiantong Enterprise Management Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd. Party B: Suqian Jiantong Enterprise Management Co., Ltd.	Same as this exhibit	April 18, 2019
Suqian Jingdong Tianning Health Technology Co., Ltd.	Party A: Beijing Jingdong Health Co., Ltd. Party B: Suqian Jingdong Tianning Health Technology Co., Ltd.	Same as this exhibit	June 11, 2019

Business Operations Agreement

This Business Operations Agreement (this “**Agreement**”) is made as of August 25, 2016, in Beijing, the People’s Republic of China (the “**PRC**”) by and among:

Beijing Jingdong Century Trade Co., Ltd. , with registered address at Room B168, Building 2, 99 Kechuang 14 Street, Beijing Economic and Technological Development Zone, Beijing (“**Party A**”)

Beijing Jiasheng Investment Management Co., Ltd. , with registered address at Floor 20, Block A, Building 1, 19 Ronghua Middle Street, Beijing Economic and Technological Development Zone, Beijing (“**Party B**”)

And

Richard Qiangdong Liu , with PRC identification number of ***;

Yayun Li , with PRC identification number of ***; and

Pang Zhang , with PRC identification number of ***

(Richard Qiangdong Liu, Yayun Li and Pang Zhang collectively, “**Party C**”)

(Party A, Party B and Party C Individually a “**Party**”, and collectively the “**Parties**”)

WHEREAS :

- A Party A is a wholly foreign-owned enterprise duly incorporated and validly existing under the PRC laws;
- B Party B is a limited liability company duly incorporated and validly existing under the PRC laws;
- C A business relationship has been established between Party A and Party B by entering into an Exclusive Consulting and Services Agreement, whereby Party B is required to make all payments to Party A thereunder. Therefore, the daily operations of Party B will have a material impact on its ability to pay the payables to Party A; and
- D Party C is shareholders of Party B whose 45%, 30% and 25% equity interests are respectively owned by Richard Qiangdong Liu, Yayun Li and Pang Zhang.

NOW, THEREFORE, the Parties hereby agree and intend to be legally bound as follows through friendly negotiations and in the principles of equity and mutual benefit:

1. Negative Undertakings

In order to ensure Party B's performance of the agreements between Party A and Party B and all its obligations owed to Party A, Party B and Party C hereby confirm and agree that unless with prior written consent from Party A or a third party appointed by Party A, Party B shall not conduct any transaction which may materially affect any of its assets, businesses, employees, duties, rights or operations, including but not limited to the following:

- 1.1 to conduct any business that is beyond the normal business scope or in a manner inconsistent with past practices;
- 1.2 to borrow money or incur any debt from any third party;
- 1.3 to change or dismiss any director or to dismiss and replace any senior management member;
- 1.4 to sell to or acquire from any third party, or otherwise dispose any of its material assets or rights, including but not limited to any intellectual property rights;
- 1.5 to provide guarantee in favor of any third party or impose any encumbrance upon any of its assets (including intellectual property rights);
- 1.6 to amend its articles of association or change its scope of business;
- 1.7 to change its ordinary course of business or modify any material internal bylaws or systems;
- 1.8 to assign any of the rights or obligations under this Agreement to any third party;
- 1.9 to make significant adjustment to any of its business operations, marketing strategies, operation policies or client relations; and
- 1.10 to make any form of distribution of dividend or bonus.

2. Operational and Human Resource Management

- 2.1 Party B and Party C hereby agree to accept and strictly perform the comments and instructions from Party A from time to time regarding employment and dismissal of its employees, the daily business management and financial management.
- 2.2 Party B and Party C hereby jointly and severally agree that Party C shall appoint the person elected in accordance with the procedures required by applicable laws and regulations and the articles of association of Party B or designated by Party A as director (or managing director) or supervisor of Party B, and cause such director to elect the person recommended by Party A as the chairman of the board (if any), and appoint the persons designated by Party A as Party B's General Manager, Chief Financial Officer, and other officers.

- 2.3 If any of the above directors or officers resigns or is dismissed by Party A, he or she will lose the qualification to hold any position in Party B and, under such circumstance, Party C shall remove such person from his or her position in Party B and immediately elect or appoint any other candidate designated by Party A to assume such position.
- 2.4 For the purpose of Section 2.3, Party C shall effect all internal or external procedures necessary to accomplish the dismissal and appointment in accordance with relevant laws and regulations, the articles of association of Party B and this Agreement.
- 2.5 Party C hereby agree to, upon execution of this Agreement, simultaneously sign a Power of Attorney whereby Party C shall authorize irrevocably any individual appointed by Party A to exercise shareholders' rights, including the full voting right of a shareholder at Party B's shareholders' meetings. Party C further agrees to replace the authorized person appointed according to the above mentioned power of attorney (the " **Trustee** ") at any time pursuant to the requirements of Party A by revoking its authorization to the Trustee and granting the same authorization to such other person designated by Party A by execution of a power of attorney in the form and substance similar to that contemplated in the preceding sentence with immediate effect.

3. **Right of Information**

The Trustee may be provided with any information regarding operations, clients, financial conditions and employees of Party B and have access to relevant materials of Party B in connection with exercising any of the rights authorized to it. The right of information provided in this Section 3 shall be the same with the right to access Party B's information by any of its shareholders, and will be exercised with sufficient facility from Party B without any interference.

4. **Waiver**

It is agreed by the Parties that unless caused by the material neglect or willful misconduct of Party A, Party A will not be held liable for any indemnity by any other Party or any third Party due to the Trustee's exercise of any of its rights.

5. **Representations and Warranties by Party C**

- 5.1 Party C, in the capacity of natural person, is Chinese citizens having full civil capabilities to execute, deliver and perform this Agreement and perform its obligations hereunder or, in the capacity of legal person, is a limited liability company duly incorporated and validly existing under the PRC laws, has full and independent capabilities to execute, deliver and perform this Agreement.
- 5.2 Party C has the right to execute, deliver and perform this Agreement without any approval or authorization.

- 5.3 None of Party C's execution and performance of this Agreement is in violation of any of its articles of association, or any laws, regulations, governmental approvals, authorizations, notices or other documents binding upon or having effect upon Party C, or any contracts with or any covenants to any third party by Party C.
- 5.4 Once executed, this Agreement will constitute legal and valid obligations enforceable against Party C.
- 5.5 Unless otherwise provided under this Agreement or the Equity Pledge Agreement, there is no mortgage, pledge or any other security interest, or restrictive agreement with any third party, or offer to transfer to any third party, or covenant in response to any offer to buy from any third party, or any agreement with any third party to transfer, in each case regarding any of Party B's equity interests by Party C.
- 5.6 Party C will be in strict compliance with this Agreement and actively perform its obligations hereunder. Party C will also cause Party B to be in strict compliance with this Agreement and refrain from any action or omission which may affect validity or enforceability of this Agreement.

6. Representations and Warranties by Party B

- 6.1 Party B is a limited liability company duly incorporated and validly existing under the PRC laws.
- 6.2 Party B has received all consents and authorizations necessary and desirable to execute, deliver and perform this Agreement.
- 6.3 Party C will be in strict compliance with this Agreement, actively perform its obligations hereunder, and refrain from any action or omission which may affect validity or enforceability of this Agreement.

7. Breach Liability

- 7.1 Subject to provisions under Section 4 of this Agreement, Party B and Party C shall jointly and severally indemnify and hold harmless Party A and any of its shareholders, directors, employees, affiliates, agents, successors and trustees from any claim, harm, expenses, indemnities, liabilities, fines or any other loss or damages arising from:
 - 7.1.1 any breach or failure to perform this Agreement by Party C and/or Party B; or
 - 7.1.2 any material neglect or willful misconduct, or any breach of applicable laws or regulations by Party C and/or Party B.
- 7.2 Without prejudice to the indemnity liability provided under Section 7.1, Party A may require Party C and Party B to stop or prevent any breach of this Agreement, and/or require Party C and Party B to perform its obligations under this Agreement.

8. Confidentiality

Each of the Parties acknowledges and confirms that the existence and terms of this Agreement, as well as any oral or written information exchanged among the Parties in connection with preparation or performance of this Agreement, will be confidential information. Each of Party C and party B will keep all confidential information in confidence and, without prior written consent from Party A, may not disclose any confidential information to any third party, unless such information (a) is in the public domain (not due to unauthorized disclosure by the receiving Party); (b) is required for disclosure by any applicable laws or regulations, rules of any exchange, or requirements or orders from any government authority or court having jurisdiction; or (c) is disclosed by Party C or Party B to any of its legal or financial advisors on as-needed basis, provided that such legal or financial advisor shall comply with the confidentiality obligations similar to this Section 8. Disclosure of any confidential information by any person or entity engaged by Party C or Party B shall be deemed as disclosure of such information by Party C and/or Party B, and consequently Party C and/or Party B shall be held liable for breach of this Agreement.

9. Other Agreements

- 9.1 This Agreement shall be binding on and inure to the benefit of each of the Parties and their respective successors, heirs and permitted assigns. Without prior written consent from Party A, Party C may not transfer any of its rights, interests or obligations under this Agreement.
- 9.2 Party C hereby agrees that Party A may transfer any of its rights and obligations under this Agreement to any third party at its discretion with notice to Party C in writing but without consent from Party C.
- 9.3 If any agreement between Party A and Party B terminates or expires, Party A will have the right to terminate all of the agreements between Party A and Party B including, among others, the Exclusive Consulting and Services Agreement.
- 9.4 Considering the business relationship between Party A and Party B has been established through execution of the Exclusive Consulting and Services Agreement, and daily business activities of Party B will have a material impact on Party B's ability to pay the payables to Party A, Party C agrees that subject to Section 1 of this Agreement, any dividend, distribution or other gain or interest received by it as shareholder of Party B will be immediately, unconditionally and freely paid or transferred to Party A, and provide any document or take any action necessary to accomplish such payment or transfer at the request of Party A.
- 9.5 Party C will provide assistance sufficient for the Trustee to exercise any right authorized to it, including without limitation prompt signing any resolution of the shareholders or any other relevant legal document when it is necessary to do so (including required in connection with any approval, registration and filing from or with any government authority). Party C hereby confirms that its covenants under Section 9.5 of this Agreement will not restrict its authorization of any right to the Trustee.

10. Entire Agreements and Amendments

- 10.1 This Agreement and all agreements and/or documents referred to or expressly included herein represent all agreements among the Parties regarding the subject matter hereof, and supersede all previous agreements, contracts, understandings and communications among all the Parties, oral or written, with respect to the subject matters of this Agreement.
- 10.2 Any amendment of this Agreement will not be effective without agreement of the Parties in writing. Any amendment and supplement duly executed by the Parties shall be an integral part of and have the same effect with this Agreement.

11. Governing Law

This Agreement shall be governed by and construed in accordance with the PRC laws.

12. Dispute Resolution

- 12.1 Any dispute arising from or in connection with this Agreement will be settled through negotiations and, if the negotiations fail, be submitted to Beijing Arbitration Commission (“**BAC**”) for arbitration in accordance with its rules then effect. The arbitration shall take place in Beijing. The language of arbitration shall be in Chinese. The arbitrary award shall be final and binding upon each of the Parties. This Section 12.1 will survive termination or expiration of this Agreement.
- 12.2 each of the Parties shall continue to perform its obligations under this Agreement in good faith other than the matter under dispute.

13. Notice

Any and all notices given by any of the Parties regarding any of its rights or obligations under this Agreement shall be made in writing and delivered in person, by registered mail, postage prepaid mail, recognized courier service or facsimile to the following addresses.

If to Party A: **Beijing Jingdong Century Trade Co., Ltd.**

Address: ***

Phone: ***
Fax: ***

Attention: ***

If to Party B: **Beijing Jiasheng Investment Management Co., Ltd.** with registered address at

Address: ***

Phone: ***

Fax: ***

Attention: ***

If to Party C:

Richard Qiangdong Liu

Address: ***

Phone: ***

Fax: ***

Yayun Li

Address: ***

Phone: ***

Fax: ***

Pang Zhang

Address: ***

Phone: ***

Fax: ***

14. Effect, Term and Others

- 14.1 Any written consent, proposal, appointment relating to Party A under this Agreement and any other decision having material effect upon daily business operations of Party B will be made by the board of directors/managing director of Party A.
- 14.2 The term of this Agreement will commence as of the date hereof and, unless early terminated by Party A, expire upon dissolution of Party B under the PRC laws. At the request of Party A, the Parties may extend the term of this Agreement prior to its expiration, and enter into separate business operation agreement or continue to perform this Agreement, in each case at the request of Party A.
- 14.3 Neither Party B nor Party C may terminate this Agreement during the term hereof. Party A shall have the right to terminate this Agreement at any time with written notice to Party B and Party C no less than thirty (30) days in advance.

- 14.4 It is confirmed by the Parties that this Agreement represent their fair and reasonable agreements made on the basis of equity and mutual benefits. If any clause hereof is held invalid or unenforceable under applicable laws, such clause shall be deemed to have been deleted from this Agreement and invalid, and the remainder of this Agreement will continue to have effect and be deemed to have excluded such clause. The Parties will negotiate to replace the deleted clause with legal, valid one acceptable to each of the Parties.
- 14.5 Any failure or delay on the part of any Party to exercise any rights, powers or privileges hereunder shall not operate as a waiver thereof. Any single or partial exercise of such rights, powers or privileges shall not preclude any further exercise of such rights, powers or privileges.
- 14.6 This Agreement is in four originals with each Party holding one thereof. Each of the originals has the same effect.

[Remaining intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on their behalf by a duly authorized representative as of the date first written above.

PARTY A: BEIJING JINGDONG CENTURY TRADE CO., LTD.

/s/ Beijing Jingdong Century Trade Co., Ltd.
(Seal of Beijing Jingdong Century Trade Co., Ltd.)

By: /s/ Richard Qiangdong Liu

PARTY B: BEIJING JIASHENG INVESTMENT MANAGEMENT CO., LTD.

/s/ Beijing Jiasheng Investment Management Co., Ltd.
(Seal of Beijing Jiasheng Investment Management Co., Ltd.)

By: /s/ Pang Zhang

PARTY C:

By: /s/ Richard Qiangdong Liu

By: /s/ Yayun Li

By: /s/ Pang Zhang

Schedule A

The following schedule sets forth all other similar agreements the registrant entered into with the relevant Chinese variable interest entity. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

<u>VIE</u>	<u>Executing Parties</u>	<u>Execution Date</u>
Beijing Yuanyi Freight Forwarding Co., Ltd.	Party A: Beijing Jingbangda Trade Co., Ltd.	January 5, 2017
	Party B: Beijing Yuanyi Freight Forwarding Co., Ltd.	
	Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd.	September 8, 2016
	Party B: Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	
	Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	
Suqian Limao Donghong Investment Management Co., Ltd.	Party A: Suqian Yitong Information Technology Co., Ltd.	December 28, 2016
	Party B: Suqian Limao Donghong Investment Management Co., Ltd.	
	Party C: Richard Qiangdong Liu and Yayun Li	
Beijing Andist Technology Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd.	December 1, 2016
	Party B: Beijing Andist Technology Co., Ltd.	
	Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	
Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd.	December 20, 2016
	Party B: Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	
	Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Party A: Xi'an Jingxundi Supply Chain Technology Co., Ltd.	June 23, 2017
	Party B: Xi'an Jingdong Xincheng Information Technology Co., Ltd.	
	Party C: Richard Qiangdong Liu, Pang Zhang and Yayun Li	
Suzhou Guanyinghou Media Technology Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd.	December 11, 2017
	Party B: Suzhou Guanyinghou Media Technology Co., Ltd.	
	Party C: Qian Yang	
Beijing JPT E-Commerce Co., Ltd.	Party A: Beijing QGX Information Technology Co., Ltd.	March 28, 2018
	Party B: Beijing JPT E-Commerce Co., Ltd.	
	Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	
Jingdong Cloud Computing Co., Ltd.	Party A: Jingdong Longyun Technology Co., Ltd.	November 29, 2018
	Party B: Jingdong Cloud Computing Co., Ltd.	
	Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	
Suqian Jiantong Enterprise Management Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd.	April 18, 2019
	Party B: Suqian Jiantong Enterprise Management Co., Ltd.	
	Party C: Xinshi Wang, Suzhou Guanyinghou Media Technology Co., Ltd.	
Suqian Jingdong Tianning Health Technology Co., Ltd.	Party A: Beijing Jingdong Health Co., Ltd.	April 3, 2020
	Party B: Suqian Jingdong Tianning Health Technology Co., Ltd.	
	Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	

EXCLUSIVE PURCHASE OPTION AGREEMENT

This EXCLUSIVE PURCHASE OPTION AGREEMENT (this “**Agreement**”), dated August 25, 2016, is made in Beijing, People’s Republic of China (the “**PRC**”) by and among:

Party A: Beijing Jingdong Century Trade Co., Ltd., a wholly foreign owned company incorporated in the PRC with registered address at Room B168, Building 2, No. 99, Kechuang 14 Street, Beijing Economic and Technological Development Zone, Beijing;

Party B: Richard Qiangdong Liu, with PRC identification number of ***;

Yayun Li, with PRC identification number of ***; and

Pang Zhang, with PRC identification number of ***

And

Party C: Beijing Jiasheng Investment Management Co., Ltd., a limited liability company incorporated and existing under the laws of the PRC, with registered address at Floor 20, Block A, Building 1, 19 Ronghua Middle Street, Beijing Economic and Technological Development Zone, Beijing.

(Party A, Party B and Party C individually being referred to as a “**Party**” and collectively the “**Parties**”)

Whereas,

1. Party C is a limited liability company duly incorporated and validly existing under the PRC laws. Party B has an aggregate holding of 100% equity interests in Party C, with Richard Qiangdong Liu, Yayun Li and Pang Zhang holding 45%, 30% and 25% thereof, respectively;
2. Party B and Party C have made a Loan Agreement (the “**Loan Agreement**”) and an Equity Pledge Agreement (the “**Equity Pledge Agreement**”) dated June 15, 2016; and

NOW, THEREFORE, the Parties hereby agree as follows through negotiations:

1. Purchase and Sale of Equity Interests

1.1 Grant of Right

Party B hereby exclusively and irrevocably grants Party A an exclusive option to purchase or designate one or several person(s) (the “**Designated Person**”) to purchase all or any part of the equity interests held by Party B in Party C (the “**Purchase Option**”) at any time from Party B at the price specified in Article 1.3 of this Agreement in accordance with the procedures determined by Party A at its own discretion and to the extent permitted by the PRC laws. No party other than Party A and the Designated Person may have the Purchase Option. Party C hereby agrees Party B to grant the Purchase Option to Party A. For purpose of this Section 1.1 and this Agreement, “person” means any individual, corporation, joint venture, partnership, enterprise, trust or non-corporation organization.

1.2 Procedures

Party A may exercise the Purchase Option subject to its compliance with the PRC laws and regulations. Upon exercising the Purchase Option, Party A will issue a written notice (the “**Equity Interest Purchase Notice**”) to Party B which notice will specify: (i) Party A’s decision to exercise the Purchase Option; (ii) the percentage of equity interest to be purchased from Party B (the “**Purchased Equity Interest**”); (iii) the date of purchase/equity interest transfer, and (iv) and the purchase price.

1.3 Purchase Price

1.3.1 When Party A exercises the Purchase Option, the purchase price of the Purchased Equity Interest (“**Purchase Price**”) shall be equal to the registered capital paid by Party B for the Purchased Equity Interest, unless applicable PRC laws and regulations require appraisal of the Purchased Equity Interest or any other restriction on the Purchase Price.

1.3.2 If applicable PRC laws require appraisal of the Purchased Equity Interest or any other restrictions on the Purchase Price in connection with exercise of the Purchase Option by Parties A, Party A and Party B agree that the Purchase Price of the Purchased Equity Interest shall be the lowest price permissible under applicable laws. If the lowest price permissible under applicable laws is higher than the registered capital corresponding to the Purchased Equity Interest, the amount of the exceeding balance shall be repaid to Party A by Party B according to the Loan Agreement.

1.4 Transfer of the Purchased Equity Interest

When Party A exercises the Purchase Option:

1.4.1 Party B shall cause Party C to promptly convene a shareholders’ meeting, during which a resolution shall be adopted to approve transfer of the equity interest to Party A and/or the Designated Person and waiver of its right of first refusal regarding the Purchased Equity Interest by Party B;

1.4.2 Party B shall enter into an equity interest transfer agreement with Party A and/ or the Designated Person pursuant to the terms and conditions of this Agreement and the Purchase Notice;

1.4.3 The Parties shall execute all other contracts, agreements or documents, obtain all governmental approvals and consents, and conduct all actions that are necessary to transfer the ownership of the Purchased Equity Interest to Party A and or the Designated Person free from any security interest and cause Party A and/or the Designated Person to be registered as the owner of the Purchased Equity Interest. For the purpose of this Section 1.4.3 and this Agreement, “**Security Interest**” includes guarantees, mortgages, pledges, third-party rights or interests, any purchase option, right of acquisition, right of first refusal, right of set-off, ownership detainment or other security arrangements, but excludes any security interest arising from this Agreement or the Equity Pledge Agreement.

- 1.4.4 Party B and Party C shall unconditionally use its best efforts to assist Party A in obtaining the governmental approvals, permits, registrations, filings and complete all formalities necessary for the transfer of the Purchased Equity Interest.

2. Covenants regarding the Equity Interest

- 2.1 Party C hereby covenants that:
- 2.1.1 Without prior written consent by Party A, it will not supplement, change or amend the Articles of Association, increase or decrease the registered capital, or otherwise change the registered capital structure of Party C;
 - 2.1.2 It will maintain due existence of Party C, prudently and effectively operate and handle its business in accordance with fair financial and business standards and customs;
 - 2.1.3 Without prior written consent of Party A and as of the date of this Agreement, it will not sell, transfer, pledge or otherwise dispose any legal or beneficial interest of any assets, businesses or income of Party C, or permit existence of such security interest;
 - 2.1.4 Without prior written consent by Party A, it will not incur, inherit, guarantee or allow the existence of any debt, except for (i) any debt incurred during its ordinary course of business rather than from borrowing; and (ii) any debt which has been disclosed to and obtained the written consent from Party A;
 - 2.1.5 It will continue all business operations normally to maintain its asset value, and refrain from any action/omission that may adversely affect its business operations and asset value;
 - 2.1.6 Without prior written consent by Party A, not to enter into any material agreement, other than those executed in the ordinary course of business;
 - 2.1.7 Without prior written consent by Party A, it will not provide any loan or guaranty to any person;

- 2.1.8 Upon Party A's request, it will provide Party A with information regarding its operations and financial conditions;
 - 2.1.9 It will buy and maintain requisite insurance policies from an insurer acceptable to Party A, the amount and type of which will be the same with such insurance policies maintained by the companies having similar operations, properties or assets in the same region;
 - 2.1.10 Without prior written consent by Party A, it will not combine, merge with, acquire or make investment to any person;
 - 2.1.11 It will immediately notify Party A of any actual or potential litigation, arbitration or administrative proceeding regarding its assets, business and income;
 - 2.1.12 In order to keep its ownership of the equity interest of Party C, it will execute all requisite or appropriate documents, conduct all requisite or appropriate actions, and make all requisite or appropriate claims, or make requisite or appropriate defense against all claims; and
 - 2.1.13 Without prior written consent by Party A, it will not distribute any dividend or bonus to any of its shareholders.
- 2.2 Party B hereby covenants that:
- 2.2.1 Without prior written consent by Party A, it will not supplement, change or amend the Articles of Association, increase or decrease the registered capital, or otherwise change the registered capital structure of Party C;
 - 2.2.2 Without the prior written consent by Party A, it will not sell, transfer, pledge or otherwise dispose any legal or beneficial interest of the equity interests of Party C held by it, or allow other security interests to be created on it, except for the pledge set upon Party C's equity interests held by Party B pursuant to the Equity Pledge Agreement;
 - 2.2.3 It will procure that without prior written consent by Party A, no resolution be made at any meeting of Party C's shareholders to approve Party C to sell, transfer, pledge or otherwise dispose any legal or beneficial interest of the equity interests of Party C held by it, or allow other security interests to be created on it, except for the pledge set upon Party C's equity interests held by Party B pursuant to the Equity Pledge Agreement;
 - 2.2.4 It will procure that without prior written consent by Party A, no resolution be made at any meeting of Party C's shareholders to approve merger, consolidation, purchase or investment with or any person by Party C;

- 2.2.5 It will immediately notify Party A of any actual or potential litigation, arbitration or administrative proceeding regarding its assets, business and income;
- 2.2.6 It will cause Party C's shareholders' meeting to vote for the transfer of the Purchased Equity Interest provided hereunder;
- 2.2.7 In order to keep its ownership of the equity interests of Party C, it will execute all requisite or appropriate documents, conduct all requisite or appropriate actions, and make all requisite or appropriate claims, or make requisite or appropriate defense against all claims;
- 2.2.8 At the request of Party A, it will appoint any person nominated by Party A to the board of Party C;
- 2.2.9 At the request of Party A at any time, it will transfer unconditionally and immediately the Purchased Equity Interest to Party A or any Designated Person and waive the right of first refusal regarding the Purchased Equity Interest. If the equity interest of Party C could be sold or transferred to any party other than Party A or the Designated Person, Party B may not waive its right of first refusal without Party A's consent;
- 2.2.10 It will strictly comply with the provisions of this Agreement and other agreements jointly or severally executed by any of the Parties, duly perform all obligations under such agreements, and will not make any act or omission which may affect the validity and enforceability of these agreements; and
- 2.2.11 It irrevocably undertakes to be severally and jointly liable for the obligations provided hereunder.

3. Representations and Warranties

Each of Party B and Party C represents and warrants, jointly and severally, to Party A that as of the date of this Agreement:

- 3.1 It has the rights and powers to execute and deliver this Agreement and any equity interest transfer agreement (the "**Transfer Agreement**") executed for each transfer of the Purchased Equity Interest contemplated hereunder to which it is a party, and perform its obligations under this Agreement and any Transfer Agreement. Once executed, this Agreement and the Transfer Agreement to which it is a party will be its legal, valid and binding obligations and enforceable against it according to the terms of this Agreement and the Transfer Agreement.
- 3.2 None of its execution, delivery and performance of this Agreement or any Transfer Agreement will: (i) breach any applicable PRC laws; (ii) conflict with its articles of association or any other organizational documents; (iii) breach any agreement or document to which it is a party or binding upon it, or constitute breach of any such agreement or document; (iv) breach any condition on which basis any of its permits or approvals is granted and/or will continue to be effective; or (v) cause any of its permits or approvals to be suspended, cancelled or imposed with additional conditions.

- 3.3 Party B has good and entire ownership of and creates no security interest or encumbrance upon any of its assets,
- 3.4 Party C has no outstanding debt, except for those (i) incurred during its ordinary course of business, and (ii) disclosed to and approved in writing by Party A.
- 3.5 Party C is in compliance with all applicable laws and regulations.

4. Effectiveness and Term

- 4.1 This Agreement shall be effective as of the date of its execution. The Parties agree and confirm that the effect of this Agreement shall retrospect to August 25, 2016. Once effective, this Agreement will replace the Original Exclusive Purchase Option Agreement.
- 4.2 The term of this Agreement is ten (10) years. This Agreement may be extended for another ten (10) years upon Party A's written confirmation prior to the expiration of this Agreement, and so forth thereafter.
- 4.3 During the term provided in Section 4.2, if Party A or Party C is terminated at expiration of their respective operation term (including any extension of such term) or by any other reason, this Agreement shall be terminated upon such termination.

5. Termination

- 5.1 At any time during the term of this Agreement and any extended term hereof, if Party A can not exercise the Purchase Option pursuant to Section 1 due to then applicable laws, Party A can, at its own discretion, unconditionally terminate this Agreement by issuing a written notice to Party B without any liability.
- 5.2 If Party C is terminated due to bankruptcy, dissolution or being ordered to close down by the laws during the term of this Agreement and its extension period,, the obligations of Party B hereunder shall be terminated upon the termination of Party C; notwithstanding anything to the contrary, Party B shall immediately repay the principal and any interest accrued thereupon under the Loan Agreement.
- 5.3 Except under circumstances indicated in Section 5.2, Party B may not unilaterally terminate this Agreement at any time during the term and extension periods of this Agreement without Party A's written consent.

6. Taxes and Expenses

Each Party shall bear any and all taxes, costs and expenses related to transfer and registration as required by the PRC laws incurred by or imposed on such Party arising from the preparation and execution of this Agreement and the consummation of the transaction contemplated hereunder.

7. Breach of Contract

7.1 If either Party ("**Defaulting Party**") breaches any provision of this Agreement, which causes damage to other Parties ("**Non-defaulting Party**"), the Non-defaulting Party could notify the Defaulting Party in writing and request it to rectify and correct such breach of contract; if the Defaulting Party fails to take any action satisfactory to the Non-defaulting Party to rectify and correct such breach within fifteen (15) days upon the issuance of the written notice by the Non-defaulting Party, the Non-defaulting Party may take the actions pursuant to this Agreement or take other remedies in accordance with the laws.

7.2 The following events shall constitute a default by Party B:

- (1) Party B breaches any provision of this Agreement, or any representation or warranty made Party B under this Agreement is untrue or proves inaccurate in any material aspect;
- (2) Party B assigns or otherwise transfers or disposes of any of its rights under this Agreement without the prior written consent by Party A; or
- (3) Any breaches by Party B which renders this Agreement, the Loan Agreement, and the Equity Pledge Agreement unenforceable.

7.3 Should a breach of contract by Party B or violation by Party B of the Loan Agreement and the Equity Pledge Agreement occur, Party A may:

- (1) request Party B to immediately transfer all or any part of the Purchased Equity Interests to Party A or the Designated Person pursuant to this Agreement; and
- (2) recover the principal and the interest accrued thereupon under the Loan Agreement.

8. Notices

Notices or other communications required to be given by any Party pursuant to this Agreement shall be made in writing and delivered personally or sent by mail or facsimile transmission to the addresses of the other Parties set forth below or other designated addresses notified by such other Parties to such Party from time to time. The date when the notice is deemed to be duly served shall be determined as the follows: (a) a notice delivered personally is deemed duly served upon the delivery; (b) a notice sent by mail is deemed duly served on the seventh (7th) day after the date when the air registered mail with postage prepaid has been sent out (as is shown on the postmark), or the fourth (4th) day after the delivery date to the internationally recognized courier service agency; and (c) a notice sent by facsimile transmission is deemed duly served upon the receipt time as is shown on the transmission confirmation of relevant documents.

If to Party A: Beijing Jingdong Century Trade Co., Ltd.

Address: ***

Phone: ***
Fax: ***
Attention: ***

If to Party B:

Richard Qiangdong Liu

Address: ***

Phone: ***
Fax: ***

Pang Zhang

Address: ***

Phone: ***
Fax: ***

Yayun Li

Address: ***

Phone: ***
Fax: ***

If to Party C: Beijing Jiasheng Investment Management Co., Ltd.

Address: ***

Phone: ***
Fax: ***
Attention: ***

9. Applicable Law and Dispute Resolution

- 9.1 The formation, validity, performance and interpretation of this Agreement and the disputes resolution under this Agreement shall be governed by the PRC laws.
- 9.2 The Parties shall strive to settle any dispute arising from or in connection with this Agreement through friendly consultation. In case no settlement can be reached through consultation within thirty (30) days after the request for consultation is made by any Party, any Party can submit such matter to Beijing Arbitration Commission for arbitration in accordance with its then effective rules. The arbitration shall take place in Beijing. The arbitration award shall be final and binding upon all the Parties.

10. Confidentiality

All Parties acknowledge and confirm that any oral or written materials exchanged by and between the Parties in connection with this Agreement are confidential. All Parties shall keep in confidence all such information and not disclose it to any third party without prior written consent from other Parties unless (a) such information is known or will be known by the public (except by disclosure of the receiving party without authorization); (b) such information is required to be disclosed in accordance with applicable laws or rules or regulations; or (c) if any information is required to be disclosed by any party to its legal or financial advisor for the purpose of the transaction of this Agreement, such legal or financial advisor shall also comply with the confidentiality obligation similar to that stated hereof. Any disclosure by any employee or agency engaged by any Party shall be deemed the disclosure of such Party and such Party shall assume the liabilities for its breach of contract pursuant to this Agreement. This Article shall survive expiration or termination of this Agreement.

11. Miscellaneous

- 11.1 The headings contained in this Agreement are for the convenience of reference only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.
- 11.2 The Parties agree to promptly execute any document and take any other action reasonably necessary or advisable to perform provisions and purpose of this Agreement.
- 11.3 The Parties confirm that this Agreement shall, upon its effectiveness, constitute the entire agreement and common understanding of the Parties with respect to the subject matters herein and fully supersede all prior verbal and/or written agreements and understandings with respect to the subject matters herein.
- 11.4 The Parties may amend and supplement this Agreement in writing. Any amendment and/or supplement to this Agreement by the Parties is an integral part of and has the same effect with this Agreement

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- 11.5 This Agreement shall be binding upon and for the benefit of all the Parties hereto and their respective inheritors, successors and the permitted assigns.
- 11.6 Any Party's failure to exercise the rights under this Agreement in time shall not be deemed as its waiver of such rights and would not affect its future exercise of such rights.
- 11.7 If any provision of this Agreement is held void, invalid or unenforceable by a court of competent jurisdiction, governmental agency or arbitration authority, the validity, legality and enforceability of the other provisions hereof shall not be affected or impaired in any way. The Parties shall cease performing such void, invalid or unenforceable provisions and revise such void, invalid or unenforceable provisions only to the extent closest to the original intention thereof to recover its validity or enforceability for such specific facts and circumstances.
- 11.8 Unless with prior written consent from Party A, none of Party B or Party C may assign any of its rights and obligations under this Agreement to any third party.
- 11.9 This Agreement is made in five (5) originals with each Party holding one (1) original. Each original has the same effect.

[No text below]

(Signature Page)

IN WITNESS THEREOF, each Party has signed or caused its legal representative to sign this Agreement as of the date first written above.

Party A: Beijing Jingdong Century Trade Co., Ltd.

/s/ Beijing Jingdong Century Trade Co., Ltd.

(Seal of Beijing Jingdong Century Trade Co., Ltd.)

By: /s/ Richard Qiangdong Liu

Party B: Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

Pang Zhang

By: /s/ Pang Zhang

Yayun Li

By: /s/ Yayun Li

Party C: Beijing Jiasheng Investment Management Co., Ltd.

/s/ Beijing Jiasheng Investment Management Co., Ltd.

(Seal of Beijing Jiasheng Investment Management Co., Ltd.)

By: /s/ Pang Zhang

Schedule A

The following schedule sets forth all other similar agreements the registrant entered into with the relevant Chinese variable interest entity. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

VIE	Executing Parties	Effective Date	Execution Date
Beijing Yuanyi Freight Forwarding Co., Ltd.	Party A: Beijing Jingbangda Trade Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Beijing Yuanyi Freight Forwarding Co., Ltd.	January 5, 2017	January 5, 2017
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	September 8, 2016	September 8, 2016
Suqian Limao Donghong Investment Management Co., Ltd.	Party A: Suqian Yitong Information Technology Co., Ltd. Party B: Richard Qiangdong Liu and Yayun Li Party C: Suqian Limao Donghong Investment Management Co., Ltd.	December 8, 2015	December 28, 2016
Beijing Andist Technology Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Beijing Andist Technology Co., Ltd.	December 1, 2016	December 1, 2016
Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	December 20, 2016	December 20, 2016
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Party A: Xi'an Jingxundi Supply Chain Technology Co., Ltd. Party B: Richard Qiangdong Liu, Pang Zhang and Yayun Li Party C: Xi'an Jingdong Xincheng Information Technology Co., Ltd.	June 23, 2017	June 23, 2017
Suzhou Guanyinghou Media Technology Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd. Party B: Qian Yang Party C: Suzhou Guanyinghou Media Technology Co., Ltd.	December 11, 2017	December 11, 2017
Beijing JPT E-Commerce Co., Ltd.	Party A: Beijing QGX Information Technology Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Beijing JPT E-Commerce Co., Ltd.	March 28, 2018	March 28, 2018
Jingdong Cloud Computing Co., Ltd.	Party A: Jingdong Longyun Technology Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Jingdong Cloud Computing Co., Ltd.	November 29, 2018	November 29, 2018

<u>VIE</u>	<u>Executing Parties</u>	<u>Effective Date</u>	<u>Execution Date</u>
Suqian Jiantong Enterprise Management Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd. Party B: Xinshi Wang, Suzhou Guanyinghou Media Technology Co., Ltd. Part C: Suqian Jiantong Enterprise Management Co., Ltd.	April 18, 2019	April 18, 2019
Suqian Jingdong Tianning Health Technology Co., Ltd.	Party A: Beijing Jingdong Health Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Suqian Jingdong Tianning Health Technology Co., Ltd.	April 3, 2020	April 3, 2020

LOAN AGREEMENT

This LOAN AGREEMENT (this “**Agreement**”), dated August 25, 2016, is made in Beijing, the People’s Republic of China (“**PRC**”) by and among:

Lender: Beijing Jingdong Century Trade Co., Ltd., with registered address at Room B168, Building 2, No. 99, Kechuang 14 Street, Beijing Economic and Technological Development Zone, Beijing;

And

Borrowers:

Richard Qiangdong Liu;

Pang Zhang;

Yayun Li

(In this Agreement, the Lender and the Borrowers are individually referred to as a “**Party**”, collectively the “**Parties**”)

NOW, THEREFORE, the Parties hereby agree as follows through friendly negotiations:

1. Loan

- 1.1 Subject to the terms and conditions of this Agreement, the Lender agrees to provide a loan at an aggregate amount of one million (¥1,000,000.00) (the “**Loan**”) to the Borrowers, which Loan will be provided by Richard Qiangdong Liu, Pang Zhang and Yayun Li at the amount of RMB four hundred and fifty thousand (¥450,000.00), RMB two hundred and fifty thousand (¥250,000.00) and RMB three hundred thousand (¥300,000.00), respectively.
- 1.2 It is confirmed that the Lender has provided, and the Borrowers have received, the full amount of the Loan upon execution of this Agreement.
- 1.3 The Borrowers agree to use the Loan to pay for their investment in the registered capital of Beijing Jiasheng Investment Management Co., Ltd. or the Borrower Company and, unless with prior written consent of the Lender, will not use the Loan for any other purpose, or transfer or pledge its shares or other interests in the Borrower Company to any third party.
- 1.4 The Borrowers confirm that they have received the Loan upon execution of this Agreement and used the Loan to pay for their investment in the Registered Capital of the Borrower Company.

1.5 It is confirmed that the Lender will not charge any interest upon the Loan, unless otherwise provided herein.

2. Term of Loan

2.1 The term of the Loan hereunder shall be ten (10) years from the date when the Borrowers actually receive all or any part of the Loan. Unless otherwise indicated by the Lender prior to its expiration, the term of the Loan will be automatically extended for another ten (10) years, and so forth thereafter.

2.2 During the term or any extended term of the Loan, the Loan will become immediately due and payable by the Borrowers pursuant to the terms of this Agreement if:

- (1) The Borrowers die or become a person incapacitated or with limited capacity for civil acts;
- (2) The Borrowers resign or are dismissed by the Lender, the Borrower Company or any affiliate of the Lender;
- (3) The Borrowers commit a crime or are involved in a crime;
- (4) Any third party pursue any claim of more than RMB 100,000 against any of the Borrowers and the Lender has reasonable ground to believe that the Borrowers will not be capable to pay for such claim;
- (5) The Lender decides to perform the Exclusive Purchase Option Agreement (as defined below) when foreign enterprises are allowed to control or wholly own the Borrower Company under applicable PRC laws;
- (6) The Borrowers fail to comply with or perform any of their commitments or obligations under this Agreement (or any other agreement between them and the Lender), and further fails to remedy such breach within 30 business days upon its occurrence; and
- (7) This Agreement, the Equity Pledge Agreement, or the Exclusive Purchase Option Agreement is terminated or held invalid by any court for any reason other than the Lender's.

3. Repayment of Loan

3.1 The Lender and the Borrowers agree and confirm that the Loan will be repaid in the following manner only: the Borrowers will transfer all of their equity interests in the Borrower Company to the Lender or any legal or natural person designated by the Lender pursuant to requirements from the Lender.

3.2 The Lender and the Borrowers agree and confirm that to the extent permitted by the laws, the Lender has the right but no obligation to purchase or designate any legal or natural person designated by it to purchase all or any part of the equity interests in the Borrower Company from the Borrowers at the price set forth under the Exclusive Purchase Option Agreement.

- 3.3 It is agreed and confirmed by the Parties that the Borrowers shall be deemed to have fulfilled their repayment obligations hereunder only after both of the following conditions have been satisfied.
- (1) The Borrowers have transferred all of their equity interests in the Borrower Company to the Lender and/or their designated person; and
 - (2) The Borrowers have repaid to the Lender all of the transfer proceeds or an amount equivalent to the maximum amount permitted by the laws.
- 3.4 The Loan will be deemed as a zero interest loan if the price to transfer the equity interests in the Borrower Company to the Lender from the Borrowers concluded by the Parties under this Agreement any other related agreements is equal or less than the amount of the Loan. Under such circumstance, the Borrowers are not required to repay any remaining amount of and/or any interest upon the Loan; provided, however, that if the equity interest transfer price exceeds the amount of the Loan, the exceeding amount will be deemed as the interest upon the Loan (calculated by the highest interest permitted by the PRC laws) and financing cost thereof.
- 3.5 Notwithstanding anything to the contrary, if the Borrower Company goes bankruptcy, dissolution or is ordered for closure during the term or extended term of this Agreement, and Borrowers will liquidate the Borrower Company according to laws and all of the proceeds from such liquidation will be used to repay the principal, interest (calculated by the highest interest permitted by the PRC laws) and financing cost of the Loan.

4. **Obligations of the Borrowers**

- 4.1 The Borrowers will repay the Loan according to the provisions of this Agreement and requirements from the Lender.
- 4.2 The Borrowers will enter into an Equity Pledge Agreement (the “**Equity Pledge Agreement**”) with the Lender and the Borrower Company, whereby the Borrowers agree to pledge all of their equity interests in the Borrower Company to the Lender.
- 4.3 The Borrowers will enter into an Exclusive Purchase Option Agreement (the “**Exclusive Purchase Option Agreement**”) with the Lender and the Borrower Company, whereby the Borrowers will to the extent permitted by the PRC laws grant an irrevocable and exclusive purchase option for the Lender to purchase all or any part of the equity interest in the Borrower Company from the Borrowers.

- 4.4 The Borrowers will perform their obligations under this Agreement, the Equity Pledge Agreement and the Exclusive Purchase Option Agreement, and provide support for the Lender to complete all filings, approvals, authorizations, registration and other government procedures necessary to perform such agreements.
- 4.5 The Borrowers will sign an irrevocable power of attorney authorizing a person designated by the Lender to exercise on its behalf all of its rights as the shareholder of the Borrower Company.

5. Representations and Warranties

- 5.1 The Lender represents and warrants to the Borrowers that from the date of this Agreement until termination hereof:
- (1) It is a wholly foreign-owned company duly incorporated and validly existing under the laws of the PRC;
 - (2) It has the power and receives all approvals and authorities necessary and appropriate to execute and perform this Agreement. Its execution and performance of this Agreement are in compliance with its articles of association or other organizational documents;
 - (3) None of its execution or performance of this Agreement is in breach of any law, regulation, government approval, authorization, notice or any other government document, or any agreement between it and any third party or any covenant issued to any third party; and
 - (4) This Agreement, once executed, becomes legal, valid and enforceable obligations upon the Lender.
- 5.2 The Borrowers represent and warrant that from the date of this Agreement until termination hereof:
- (1) They are fully capable to conduct civil acts;
 - (2) The Borrower Company is a limited liability company incorporated and validly existing under the PRC laws, and the Borrowers are the legal owners of the Borrower Equity;
 - (3) None of their execution or performance of this Agreement is in breach of any law, regulation, government approval, authorization, notice or any other government document, or any agreement between them and any third party or any covenant issued to any third party;
 - (4) This Agreement, once executed, becomes legal, valid and enforceable obligations upon the Borrowers;

- (5) They have paid the full investment relating to the Borrower Equity according to law, and received a verification report for such payment from a qualified accounting firm;
- (6) Except for those provided under the Equity Pledge Agreement, they create no mortgage, pledge or any other security upon the Borrower Equity, provides no offer to any third party to transfer the Borrower Equity, make no covenant regarding any offer to purchase the Borrower Equity from any third party, or enter into any agreement with any third party to transfer the Borrower Equity;
- (7) There is no existing or potential dispute, suit, arbitration, administrative proceeding or any other legal proceeding in which the Borrowers and/or the Borrower Equity is involved; and
- (8) The Borrower Company has completed all government approvals, authorizations, licenses, registrations and filings necessary to conduct its businesses and own its assets.

6. Covenants from the Borrowers

- 6.1 The Borrowers covenant in their capacity of the shareholders of the Borrower Company that during the term of this Agreement they will procure the Borrower Company:
- (1) without prior written consent from the Lender, not to supplement, amend or modify its articles of association, or increase or decrease its registered capital, or change its capital structures of the Company;
 - (2) to maintain its existence, prudently and effectively operate its businesses and deal with its affairs in line with fair financial and business standards and customs;
 - (3) without prior written consent from the Lender, not to sell, transfer, pledge or otherwise dispose any legal or beneficial interest of any of its assets, businesses or income, or allow creation of any other security interests thereupon;
 - (4) without prior written consent from the Lender, not to incur, inherit, guarantee or allow the existence of any debt, except for (i) any debt incurred during its ordinary course of business rather than from borrowing; and (ii) any debt which has been disclosed to and obtained the written consent from The Lender;
 - (5) to always conduct its business operations in ordinary course to maintain the value of its assets;

- (6) without prior written consent from the Lender, not to enter into any material agreement other than those executed in its ordinary course of business;
- (7) not to provide any loan or credit to any party without prior written consent from the Lender;
- (8) to provide any and all information regarding its operations and financial conditions at the request from the Lender;
- (9) to buy and maintain requisite insurance policies from an insurer acceptable to the Lender, the amount and type of which will be the same with those maintained by the companies having similar operations, properties or assets in the same region;
- (10) without prior written consent from the Lender, not to combine, merge with, acquire or make investment to any person;
- (11) to immediately notify the Lender of any actual or potential litigation, arbitration or administrative proceeding regarding its assets, business and income;
- (12) to execute any document, conduct any action, and make any claim or defense necessary or appropriate to maintain its ownership of all of its assets;
- (13) without prior written consent from the Lender, not to distribute any dividend or bonus to any of its shareholders;
- (14) to appoint any person nominated by the Lender or the parent of the Lender to its board at the request of the Lender; and
- (15) to strictly comply with the provisions of the Exclusive Purchase Option Agreement, and not to make any act or omission which may affect its validity and enforceability.

6.2 The Borrowers covenant during the term of this Agreement:

- (1) except those provided under the Equity Pledge Agreement and without prior written consent from the Lender, not to sell, transfer, pledge or otherwise dispose any legal or beneficial interest of the Borrower Equity, or allow creation of any other security interests thereupon;
- (2) to procure the shareholders of the Borrower Company not to approve any sale, transfer, pledge or otherwise disposal of any legal or beneficial interest of the Borrower Equity, or creation of any other security interests thereupon without prior written consent from the Lender, except to the Lender or its designated person;

- (3) to procure the shareholders of the Borrower Company not to approve its merger or association with, or acquisition of or investment in any person without prior written consent from the Lender;
- (4) to immediately notify the Lender of any actual or potential litigation, arbitration or administrative proceeding regarding the Borrower Equity;
- (5) to execute any document, conduct any action, and make any claim or defense necessary or appropriate to maintain its ownership of the Borrower Equity;
- (6) not to make any act and/or omission which may affect any asset, business or liability of the Borrower Company without prior written consent from the Lender;
- (7) to appoint any person nominated by the Lender or the parent of the Lender to the board of the Borrower Company at the request of the Lender;
- (8) to the extent permitted under the PRC laws and at the request of the Lender at any time, to transfer unconditionally and immediately all of the equity interests owned by the Borrowers to the Lender or any person designated by it, and procure any other shareholder of the Borrower Company to waive the right of first refusal regarding such equity interests;
- (9) to the extent permitted under the PRC laws and at the request of the Lender at any time, to procure any other shareholder of the Borrower Company to transfer unconditionally and immediately all of the equity interests owned by such shareholder to the Lender or any person designated by it, and the Borrowers hereby waive their right of first refusal regarding such equity interests;
- (10) if the Lender purchases the Borrower Equity from the Borrowers pursuant to the Exclusive Purchase Option Agreement, to use the price of such purchase to repay the Loan to the Lender on priority; and
- (11) to strictly comply with the provisions of this Agreement, the Equity Pledge Agreement and the Exclusive Purchase Option Agreement, perform its obligations under each of such agreements, and not to make any act or omission which may affect the validity and enforceability of each of such agreements.

7. Liabilities for Breach of Contract

- 7.1 If any party (“**Defaulting Party**”) breaches any provision of this Agreement, which causes damage to the other party (“**Non-defaulting Party**”), the Non-defaulting Party could notify the Defaulting Party in writing and request it to rectify and correct such breach of contract; if the Defaulting Party fails to take any action satisfactory to the Non-defaulting Party to rectify and correct such breach within fifteen (15) working days upon the issuance of the written notice by the Non-defaulting Party, the Non-defaulting Party may immediately take the actions pursuant to this Agreement or take other remedies in accordance with laws.

7.2 If the Borrowers fail to repay the Loan pursuant to the terms under this Agreement, they will be liable for a penalty interest accrued upon the amount due and payable at a daily interest rate of 0.02% until the Loan as well as any penalty interest and any other amount accrued thereupon are fully repaid by the Borrowers.

8. Notices

Notices or other communications required to be given by any Party pursuant to this Agreement shall be made in writing and delivered personally or sent by mail or facsimile transmission to the addresses of the other Parties set forth below or other designated addresses notified by such other Parties to such Party from time to time. The date when the notice is deemed to be duly served shall be determined as the follows: (a) a notice delivered personally is deemed duly served upon the delivery; (b) a notice sent by mail is deemed duly served on the seventh (7th) day after the date when the air registered mail with postage prepaid has been sent out (as is shown on the postmark), or the fourth (4th) day after the delivery date to the internationally recognized courier service agency; and (c) a notice sent by facsimile transmission is deemed duly served upon the receipt time as is shown on the transmission confirmation of relevant documents.

If to the **Lender: Beijing Jingdong Century Trade Co., Ltd.**

Address: ***

Phone: ***
Fax: ***
Attention: ***

If to the **Borrowers:**

Richard Qiangdong Liu

Address: ***

Phone: ***
Fax: ***

Pang Zhang

Address: ***

Phone: ***
Fax: ***

Yayun Li

Address: ***

Phone: ***
Fax: ***

9. Confidentiality

All Parties acknowledge and confirm that any oral or written materials exchanged by and between the Parties in connection with this Agreement are confidential. All Parties shall keep in confidence all such information and not disclose it to any third party without prior written consent from other Parties unless: (a) such information is known or will be known by the public (except by disclosure of the receiving party without authorization); (b) such information is required to be disclosed in accordance with applicable laws or rules or regulations; or (c) if any information is required to be disclosed by any party to its legal or financial advisor for the purpose of the transaction of this Agreement, such legal or financial advisor shall also comply with the confidentiality obligation similar to that stated hereof. Any disclosure by any employee or agency engaged by any Party shall be deemed the disclosure of such Party and such Party shall assume the liabilities for its breach of contract pursuant to this Agreement. This Article shall survive expiration or termination of this Agreement.

10. Applicable Law and Dispute Resolution

10.1 The formation, validity, performance and interpretation of this Agreement and the disputes resolution under this Agreement shall be governed by the PRC laws.

10.2 The Parties shall strive to settle any dispute arising from or in connection with this Agreement through friendly consultation. In case no settlement can be reached through consultation within thirty (30) days after the request for consultation is made by any Party, any Party can submit such matter to China International Economic and Trade Arbitration Commission for arbitration in accordance with its then effective rules. The arbitration shall take place in Beijing. The arbitration award shall be final and binding upon all the Parties.

11. Miscellaneous

11.1 The headings contained in this Agreement are for the convenience of reference only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.

11.2 This Agreement shall be effective as of the date of its execution. The Parties agree and confirm that the effect of this Agreement shall retrospect to August 25, 2016. Once effective, this Agreement will replace the Original Loan Agreement and expire until the Parties have performed their respective obligations under this Agreement.

- 11.3 The Parties agree to promptly execute any document and take any other action reasonably necessary or advisable to perform provisions and purpose of this Agreement.
- 11.4 The Parties confirm that this Agreement shall, upon its effectiveness, constitute the entire agreement and common understanding of the Parties with respect to the subject matters herein and fully supersede all prior verbal and/or written agreements and understandings with respect to the subject matters herein.
- 11.5 The Parties may amend and supplement this Agreement in writing. Any amendment and/or supplement to this Agreement by the Parties is an integral part of and has the same effect with this Agreement.
- 11.6 This Agreement shall be binding upon and for the benefit of all the Parties hereto and their respective inheritors, successors and the permitted assigns.
- 11.7 Any Party's failure to exercise the rights under this Agreement in time shall not be deemed as its waiver of such rights and would not affect its future exercise of such rights.
- 11.8 If any provision of this Agreement is held void, invalid or unenforceable by a court of competent jurisdiction, governmental agency or arbitration authority, the validity, legality and enforceability of the other provisions hereof shall not be affected or impaired in any way. The Parties shall cease performing such void, invalid or unenforceable provisions and revise such void, invalid or unenforceable provisions only to the extent closest to the original intention thereof to recover its validity or enforceability for such specific facts and circumstances.
- 11.9 Unless with prior written consent from the Lender, the Borrowers may not assign any of their rights and obligations under this Agreement to any third party.
- 11.10 This Agreement is made in three (3) originals with each Party holding one (1) original. Each original has the same effect.

(No text below)

(Signature Page)

IN WITNESS THEREOF, each Party has signed or caused its legal representative to sign this Agreement as of the date first written above.

Party A: Beijing Jingdong Century Trade Co., Ltd.

/s/ Beijing Jingdong Century Trade Co., Ltd.

(Seal of Beijing Jingdong Century Trade Co., Ltd.)

By: /s/ Richard Qiangdong Liu

Party B:

Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

Pang Zhang

By: /s/ Pang Zhang

Yayun Li

By: /s/ Pang Zhang

Schedule A

The following schedule sets forth all other similar agreements the registrant entered into with the relevant Chinese variable interest entity. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

<u>VIE</u>	<u>Executing Parties</u>	<u>Loan Amount</u>	<u>Effective Date</u>	<u>Execution Date</u>
Beijing Yuanyi Freight Forwarding Co., Ltd.	Lender: Beijing Jingdong Century Trade Co., Ltd. Borrowers: Richard Qiangdong Liu, Yayun Li and Pang Zhang	Amount: an aggregate of RMB3,000,000.00 lent to the Borrowers, of which RMB 1,350,000.00 will be provided to Richard Qiangdong Liu, RMB 900,000.00 will be provided to Yayun Li and RMB 750,000 will be provided to Pang Zhang	January 5, 2017	January 5, 2017
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Lender: Beijing Jingdong Century Trade Co., Ltd. Borrowers: Richard Qiangdong Liu, Yayun Li and Pang Zhang	Amount: an aggregate of RMB80,000,000.00 lent to the Borrowers, of which RMB 36,000,000.00 will be provided to Richard Qiangdong Liu, RMB 20,000,000.00 will be provided to Pang Zhang and RMB 24,000,000 will be provided to Yayun Li.	September 8, 2016	September 8, 2016
Suqian Limao Donghong Investment Management Co., Ltd.	Lender: Suqian Yitong Information Technology Co., Ltd. Borrowers: Richard Qiangdong Liu and Yayun Li	Amount: an aggregate of RMB1,000,000.00 lent to the Borrowers, of which RMB 620,000.00 will be provided to Richard Qiangdong Liu and RMB 380,000.00 will be provided to Yayun Li.	December 28, 2016	December 28, 2016
Beijing Andist Technology Co., Ltd.	Lender: Beijing Jingdong Century Trade Co., Ltd. Borrowers: Richard Qiangdong Liu, Yayun Li and Pang Zhang	Amount: an aggregate of RMB2,000,000.00 lent to the Borrowers, of which RMB 900,000.00 will be provided to Richard Qiangdong Liu, RMB 500,000.00 will be provided to Pang Zhang and RMB 600,000 will be provided to Yayun Li.	December 1, 2016	December 1, 2016
Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	Lender: Beijing Jingdong Century Trade Co., Ltd. Borrowers: Richard Qiangdong Liu, Yayun Li and Pang Zhang	Amount: an aggregate of RMB1,000,000.00 lent to the Borrowers, of which RMB 4,500,000.00 will be provided to Richard Qiangdong Liu, RMB 2,500,000.00 will be provided to Pang Zhang and RMB 3,000,000 will be provided to Yayun Li.	December 20, 2016	December 20, 2016
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Lender: Xi'an Jingxundi Supply Chain Technology Co., Ltd. Borrowers: Richard Qiangdong Liu, Pang Zhang and Yayun Li	Amount: an aggregate of RMB1,000,000.00 lent to the Borrowers, of which RMB450,000.00 will be provided to Richard Qiangdong Liu, RMB250,000.00 will be provided to Pang Zhang and RMB300,000.00 will be provided to Yayun Li.	June 23, 2017	June 23, 2017
Suzhou Guanyinghou Media Technology Co., Ltd.	Lender: Suqian Daxi Information Technology Co., Ltd. Borrower: Qian Yang	Amount: an aggregate of RMB10,000,000.00 lent to Qian Yang.	December 11, 2017	December 11, 2017
Beijing JPT E-Commerce Co., Ltd.	Lender: Beijing QGX Information Technology Co., Ltd. Borrowers: Richard Qiangdong Liu, Yayun Li and Pang Zhang	Amount: an aggregate RMB 10,000,000 lent to the Borrowers, of which RMB4,500,000 will be provided to Richard Qiangdong Liu, RMB3,000,000 will be provided to Yayun Li and RMB2,500,000 will be provided to Pang Zhang.	March 28, 2018	March 28, 2018
Jingdong Cloud Computing Co., Ltd.	Lender: Jingdong Longyun Technology Co., Ltd. Borrowers: Richard Qiangdong Liu, Yayun Li and Pang Zhang	Amount: an aggregate RMB 50,000,000 lent to the Borrowers, of which RMB22,500,000 will be provided to Richard Qiangdong Liu, RMB15,000,000 will be provided to Yayun Li and RMB12,500,000 will be provided to Pang Zhang.	November 29, 2018	November 29, 2018

<u>VIE</u>	<u>Executing Parties</u>	<u>Loan Amount</u>	<u>Effective Date</u>	<u>Execution Date</u>
Suqian Jiantong Enterprise Management Co., Ltd.	Lender: Suqian Daxi Information Technology Co., Ltd. Borrowers: Xinshi Wang, Suzhou Guanyinghou Media Technology Co., Ltd.	Amount: an aggregate amount of RMB10,010,000, of which RMB10,000,000 will be provided Suzhou Guanyinghou Media Technology Co., Ltd. and RMB10,000 will be provided to Xinshi Wang	April 18, 2019	April 18, 2019
Suqian Jingdong Tianning Health Technology Co., Ltd.	Lender: Beijing Jingdong Health Co., Ltd. Borrowers: Richard Qiangdong Liu, Yayun Li and Pang Zhang	Amount: an aggregate amount of RMB1,000,000, of which RMB450,000 will be provided to Richard Qiangdong Liu, RMB300,000 will be provided to Yayun Li and RMB250,000 will be provided to Pang Zhang	April 3, 2020	April 3, 2020

FRAMEWORK AGREEMENT

by and among

JD.COM, INC.,

JD.COM INTERNATIONAL LIMITED,

□□□□□□□□□□

(SUQIAN YITONG INFORMATION TECHNOLOGY CO., LTD.),

□□□□□□□□□□

(SUQIAN LIMAO DONGHONG INVESTMENT MANAGEMENT CO., LTD.),

□□□□□□□□□□

(BEIJING JINGDONG FINANCIAL TECHNOLOGY HOLDING CO., LTD.),

□□□□□□□□□□

(SUQIAN DONGHUI ZHAOXU CONSULTING CO., LTD.),

□□□□□□□□□□

(SUQIAN LINGHANG FANGYUAN EQUITY INVESTMENT CENTER),

and

□□□□□□□□□□

(SUQIAN DONGTAI JINRONG INVESTMENT MANAGEMENT CENTER)

Dated as of March 1, 2017

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FRAMEWORK AGREEMENT

THIS FRAMEWORK AGREEMENT (this “Agreement”), dated as of March 1, 2017, is entered into by and among:

- (1) JD.com, Inc., an exempted company with limited liability organized under the Laws of the Cayman Islands (“JD Group”);
- (2) JD.com International Limited, a limited liability company organized under the Laws of Hong Kong (“JD HK Company”);
- (3) 京东集团（Suqian Yitong Information Technology Co., Ltd.），a limited liability company organized under the Laws of the PRC and a wholly owned Subsidiary of JD HK Company (“Suqian Yitong” and collectively with JD Group and JD HK Company, the “JD Group Parties”);
- (4) 京东集团（Suqian Limao Donghong Investment Management Co., Ltd.），a limited liability company organized under the Laws of the PRC (“Suqian Limao”);
- (5) 京东集团（Beijing Jingdong Financial Technology Holding Co., Ltd.），a limited liability company organized under the Laws of the PRC (“JD Finance”);
- (6) 京东集团（Suqian Donghui Zhaoxu Consulting Co., Ltd.），a limited liability company organized under the laws of the PRC that is wholly owned by JD Finance (“JD Finance Sub”);
- (7) 京东集团（Suqian Linghang Fangyuan Equity Investment Center），a limited partnership organized under the laws of the PRC and controlled by Qiangdong Liu (the “Founder” and such partnership, “Founder Holding Entity”); and
- (8) 京东集团（Suqian Dongtai Jinrong Investment Management Center），a limited partnership organized under the Laws of the PRC and controlled by the Founder (“Founder ESOP Partnership” and, together with Founder Holding Entity, “Founder Holdcos” and each, a “Founder Holdco”).

The parties hereto are referred to collectively as the “Parties .”

RECITALS

WHEREAS, this Agreement contemplates the termination of the VIE Structure of Suqian Limao and the transfer of all Equity Securities of Suqian Yitong to JD Finance Sub at the Closing, as a result of which JD Group will deconsolidate Suqian Limao and JD Finance;

WHEREAS, this Agreement contemplates certain payments, as specified herein, to be made by JD Finance Sub and Suqian Limao, which payments serve as consideration in part for the restructuring of JD Finance resulting in the deconsolidation of JD Finance by JD Group;

WHEREAS, concurrently herewith and as a condition and inducement to the willingness of JD Group and JD Finance to enter into this Agreement, JD Group and JD Finance have entered into an Intellectual Property License and Software Technology Services Agreement (the “IPLA”), effective as of the Closing, pursuant to which JD Group will license certain Intellectual Property (as defined below) provide certain services to JD Finance and receive the right to certain payments from JD Finance as specified therein;

WHEREAS, concurrently herewith, JD Finance, Suqian Limao and other existing holders of JD Finance Equity have entered into a framework agreement entitled “JD Finance Reorganization and Subscription Framework Agreement” in Chinese (the “JD Finance Reorganization and Subscription Framework Agreement”) with Founder Holdcos and other investor parties thereto (collectively with Founder Holdcos, the “JD Finance New Investors”), pursuant to which, among others, (i) the parties thereto have reached agreement on the reorganization of JD Finance, including the funds flow and other aspects of the reorganization of JD Finance, (ii) JD Finance has agreed to issue and sell to certain JD Finance New Investors, and such JD Finance New Investors have agreed to subscribe for and purchase from JD Finance, certain Equity Securities of JD Finance on the terms set forth therein, (iii) Suqian Limao has agreed to transfer and sell to a JD Finance New Investor and Founder Holding Entity, and each of such JD Finance New Investor and Founder Holding Entity has agreed to purchase from Suqian Limao, certain Equity Securities of JD Finance on the terms set forth therein, and (iv) the parties thereto have agreed to certain amendments (the “Amendment to Series A Capital Increase Agreement”) to the Capital Increase Agreement relating to JD Finance, dated as of January 8, 2016 (the “Series A Capital Increase Agreement”), pursuant to which the Series A Capital Increase Agreement will be amended, and that certain Letter of Undertaking executed and delivered by JD Group on January 25, 2016 in connection with the closing under the Series A Capital Increase Agreement will be terminated on the terms set forth therein;

WHEREAS, concurrently herewith, Suqian Limao and other existing holders of JD Finance Equity have adopted unanimous written resolutions (the “JD Finance Shareholder Resolutions”), whereby the holders of JD Finance Equity approved that, among others, (i) the capital reserve fund of JD Finance shall be used to increase the registered capital of JD Finance held by all the existing holders of JD Finance Equity, while Suqian Limao has waived its right to receive such increased registered capital, such that immediately after such increase of the registered capital, Suqian Limao and the other existing holders of JD Finance Equity of JD Finance (other than Suqian Limao and Founder ESOP Partnership) hold 9.54% and 29.44% of JD Finance Equity on a fully diluted basis, and in the event that the closing contemplated under the JD Finance Reorganization and Subscription Framework Agreement does not occur, JD Finance shall use its capital reserve fund to increase the registered capital of JD Finance held by Suqian Limao such that Suqian Limao shall hold 68.6% of JD Finance on a fully diluted basis, and (ii) JD Finance will issue and sell to the JD Finance New Investors certain Equity Securities of JD Finance at the closing contemplated under and pursuant to the terms of the JD Finance Reorganization and Subscription Framework Agreement;

WHEREAS, the Parties desire to provide for the affairs of the Parties and the rights and obligations of the Parties on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements contained herein and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS AND TERMS

Section 1.1 General . As used herein, the following terms shall have the following meanings:

“ Affiliate ” means, with respect to any specified Person, any other Person who, directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specified Person. For the avoidance of doubt, the Affiliates of a Person shall include the Subsidiaries of such Person.

“ Beneficial Owner ” of any security means any Person who, directly or indirectly, through any Contract, arrangement, understanding, relationship or otherwise has or shares (i) voting power, which includes the power to vote, or to direct the voting of, such security; and/or (ii) investment power which includes the power to dispose, or to direct the disposition of, such security. “ Beneficially Own ” and “ Beneficial Ownership ” shall have correlative meanings.

“ Business Day ” means each day that is not a Saturday, Sunday or other day on which banking institutions located in Beijing, Hong Kong or New York are authorized or obligated by Laws to close.

“ Business Scope Period ” means the period commencing on the date of the Closing and terminating upon the first date upon which JD Group and JD Finance cease to be under common Control of the Founder.

“ Confidential Information ” means information delivered by or on behalf of a Party to another Party or its Representatives pursuant to, in connection with, or related to this Agreement or any of the transactions, rights or obligations contemplated by this Agreement; provided , that such term does not include information that (a) was publicly known prior to the time of such disclosure; (b) was otherwise known to such receiving Party and not subject to a duty to keep such information confidential prior to the time of such disclosure; (c) subsequently becomes publicly known through no act or omission by such receiving Party or any of its Representatives in breach of this Agreement; or (d) otherwise becomes known to such receiving Party other than through disclosure by the delivering Party or any Person that such receiving Party knows to have a duty to keep such information confidential.

“ Contingent Consideration ” means the aggregate value of any purchase price adjustment, earnout or other contingent consideration in respect of a Liquidity Event paid to JD Finance or any Beneficial Owner of Equity Securities of JD Finance, when paid.

“Contract” means any loan or credit agreement, bond, debenture, note, mortgage, indenture, lease, supply agreement, license agreement, development agreement or other contract, agreement, obligation, commitment or instrument, including all amendments thereto.

“Control” (including with correlative meanings, the terms “Controlled by” and “under common Control with”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise.

“Encumbrance” means any charge, claim, mortgage, lien, option, pledge, title defect, security interest or other restriction or limitation of any kind (other than those created under applicable securities Laws).

“Equity Securities” means, with respect to any entity, any equity interests of such entity, however described or whether voting or nonvoting, and any securities convertible or exchangeable into, and options, warrants or other rights to acquire, any equity interests or equity-linked interests of such entity, including, for the avoidance of doubt, JD Finance Equity where the subject entity is JD Finance.

“Escrow Accounts” means the one or more bank accounts of JD Finance Sub maintained by the Escrow Agents in accordance with the Escrow Agreements.

“Escrow Agents” means one or more banks mutually agreed to by JD Group and JD Finance.

“Family Member” means, with respect to any Person, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a person, and shall include adoptive relationships of the same type.

“GAAP” means U.S. GAAP, IFRS or PRC GAAP, in each case, applied on a consistent basis.

“Governmental Approval” means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, certificate, exemption, Order, registration, declaration, filing, report or notice of any Governmental Authority.

“Governmental Authority” means any instrumentality, subdivision, court, administrative agency, commission, official or other authority of any country, state, province, prefect, municipality, locality or other government or political subdivision thereof, or any stock or securities exchange, or any multi-national, quasi-governmental or self-regulatory or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority.

“Highly Sensitive Information” means any competitively sensitive business, marketing, technical and other information that JD Finance does not otherwise intend to publicly disclose other than information as to which JD Group certifies, through a certificate duly executed by an authorized executive officer of JD Group that it requires such information in order to comply with public reporting requirements under the applicable securities Laws and rules of the NASDAQ Global Select Market or any other stock exchange on which the Equity Securities of JD Group are admitted to trading or for the purpose of complying with applicable Law.

“IFRS” means International Financial Reporting Standards.

“Income Share Buyout Amount” means the Income Share Buyout Amount payable by JD Finance to JD Group or a Subsidiary of JD Group as may be designated by JD Group under Section 5.6 of the IPLA in the relevant circumstance, net of any Taxes arising therefrom.

“Intellectual Property.” means:

(a) patents, patent applications and patent disclosures, including all provisionals, reissues, continuations, continuations-in-part, divisions, revisions, extensions, reexaminations and counterparts thereof, inventions (whether patentable or unpatentable and whether or not reduced to practice) and all improvements thereto;

(b) trademarks, service marks, trade dress, logos, brand names, trade names, domain names and corporate names, and all goodwill associated therewith and all applications, registrations and renewals in connection therewith;

(c) copyrights, works of authorship and copyrightable works, including software, data and databases, website and other content and documentation, and all applications, registrations and renewals in connection therewith; and

(d) trade secrets, know-how, information and/or technology of any kind (including processes, procedures, research and development, ideas, concepts, formulas, algorithms, compositions, production processes and techniques, technical data, designs, drawings, specifications, research records and records of inventions).

“Interest Rate” means (i) if the payments to be made to JD Group pursuant to Section 2.3 are made in U.S. Dollars, two percent (2%) plus the two (2)-year U.S. Treasury rate as published in The Wall Street Journal New York edition on the date in the United States that the Initial Liquidity Event Payment is made or if such rate ceases to be available or is not published, the most closely comparable rate, or (ii) if the payments to be made to JD Group pursuant to Section 2.3 are made in Renminbi, one percent (1%) plus the People’s Bank of China’s benchmark two (2)-year lending rate applicable on the date that the Initial Liquidity Event Payment is made or if such rate ceases to be available or is not published, the most closely comparable rate.

“IPO” means an initial public offering.

“Issuance” means each issuance of Ownership Interests in JD Finance pursuant to Section 2.2, each of which (i) shall be made to JD Group or a Subsidiary of JD Group designated by JD Group, (ii) shall be of an Ownership Interest in JD Finance representing, on a fully-diluted basis, as of immediately following such issuance together with all prior Issuances, a percentage of the aggregate Ownership Interests in JD Finance equal to the Maximum Issuance Interest (or such lesser percentage as is permitted by the Issuance Approvals), and (iii) shall be free and clear of any Encumbrances whatsoever.

“ Issuance Percentage ” means the ratio, expressed as a percentage, of the Ownership Interests in JD Finance issued with respect to all Issuances to the Maximum Issuance Interest; provided that the Issuance Percentage shall not exceed 100%.

“ JD Finance Business ” means financial, financial derivative and other finance-related businesses operated by JD Finance and its Subsidiaries from time to time, including consumer finance, supply chain finance, third-party payment, factoring, insurance brokerage and agency, crowd funding (including product and equity crowd funding), wealth management, securities brokerage, banking, financial leasing, asset management and credit reference businesses.

“ JD Finance Equity ” means (a) if JD Finance is in the form of a limited liability company, registered capital of JD Finance; or (b) if JD Finance is in a form of a company limited by shares, shares of JD Finance.

“ JD Group Audit Committee ” means the audit committee of the board of directors of JD Group.

“ JD Group Business ” means the e-commerce business operated by JD Group and its Subsidiaries from time to time (together with any and all logical extensions of the e-commerce business of JD Group and its Subsidiaries).

“ Law ” means (a) any federal, state, territorial, foreign or local law, common law, statute, ordinance, rule, regulation, code, measure, notice, circular, opinion or Order of any Governmental Authority, including any rules promulgated by a stock exchange or regulatory body or (b) any applicable widely adopted industry standard rules and regulations (such as the Payment Card Industry Data Security Standard or PCIDSS).

“ Liabilities ” means any and all liabilities and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured or determined or determinable.

“ Liens ” means any mortgage, deed of trust, pledge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement or rights of preemption of any kind of nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

“ Liquidity Event ” means the earliest to occur of:

(a) a Qualified IPO;

(b) a merger, amalgamation, arrangement, consolidation or scheme of arrangement with or into another Person, or acquisition by any Person or related group of Persons of beneficial ownership of Equity Securities of JD Finance, or other reorganization or transaction, whether in a single transaction or in a series of transactions (whether related or unrelated), following which the Founder, JD Group and their controlled Affiliates do not continue to hold more than fifty percent (50%) of the combined voting power or economic interest of the Equity Securities of JD Finance or the surviving entity, as applicable;

(c) an issuance or sale of the Securities of JD Finance to a Person or a group of Persons (other than the Founder (or his successor in the case of death or incapacity), JD Group and their controlled Affiliates, directly or indirectly), pursuant to one or more *bona fide* arms-length negotiated agreements, pursuant to which such Person or group of Persons acquires forty percent (40%) or more of the Securities of JD Finance, with such percentage determined on a fully-diluted basis, using the treasury stock method, with respect to either voting or economic rights, whether in a single transaction or in a series of transactions (whether related or unrelated);

(d) a *bona fide* sale and exit from the JD Finance Business through a sale of all or substantially all of the assets of JD Finance (including, for the avoidance of doubt, shares or assets of JD Finance's Subsidiaries), to a Person or a group of Persons (other than the Founder (or his successor in the case of death or incapacity), JD Group and their controlled Affiliates, directly or indirectly), whether in a single transaction or in a series of transactions (whether related or unrelated), pursuant to one or more *bona fide* arms-length negotiated agreements; and

(e) any liquidation, dissolution or winding up of JD Finance, whether voluntary or involuntary.

“Maximum Issuance Interest” means (x) prior to a Qualified IPO, forty percent (40%), (y) following a Qualified IPO, the product of forty percent (40%) multiplied by the ratio of outstanding Ownership Interests of JD Finance immediately prior to the Qualified IPO to the outstanding Ownership Interests of JD Finance immediately following the Qualified IPO, or (z) following any Third-Party Issuance or Non-Pro Rata Share Repurchase either prior to or subsequent to a Qualified IPO, the product of the percentage that would have been calculated as the Maximum Issuance Interest immediately prior to such Third-Party Issuance or Non-Pro Rata Share Repurchase, multiplied by the ratio of outstanding Ownership Interests of JD Finance immediately prior to the Third-Party Issuance or Non-Pro Rata Share Repurchase to the outstanding Ownership Interests of JD Finance immediately following the Third-Party Issuance or Non-Pro Rata Share Repurchase; provided, however, that at no time shall the Maximum Issuance Interest exceed forty percent (40%).

“MOFCOM” means the Ministry of Commerce of the PRC and any duly authorized provincial or local office of the Ministry of Commerce of the PRC.

“Non-Pro Rata Share Repurchase” means any acquisition or redemption by JD Finance of then outstanding Ownership Interests of JD Finance other than an acquisition or redemption by JD Finance of its Ownership Interests pro rata from all holders of such Ownership Interests.

“Order” means any judgment, order, writ, preliminary or permanent injunction, instruction or decree of any Governmental Authority or any arbitration award.

“Ownership Interest” of any Person in any entity organized under the laws of the PRC means, as of any time: (a) if such entity is in the form of a limited liability company, the quotient of the amount of the registered capital of such entity directly or indirectly owned by such Person divided by the total amount of the registered capital of such entity at such time; (b) if such entity is in a form of a company limited by shares, the quotient of the amount of the total shares of such entity directly or indirectly owned by such Person divided by the total amount of the shares of such entity issued and outstanding at such time; or (c) if such entity is in any other form, the quotient of the amount of the capital investment of such entity directly or indirectly owned by such person divided by the total amount of the capital investment contributed by all the shareholders of such entity, or the quotient of the total capital investment amount of such entity otherwise agreed in writing by all the shareholders of such entity.

“PBOC” means the headquarters of the People’s Bank of China located in Beijing and any duly authorized provincial or local office of the People’s Bank of China.

“Person” means an individual, a partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization, a group, a Governmental Authority or any other type of legal entity.

“PRC” means the People’s Republic of China (for the purpose of this Agreement, not including Hong Kong Special Administrative Region, Macao Special Administrative Region or Taiwan).

“PRC Person” means (a) an individual with PRC nationality pursuant to the Nationality Law of the PRC, (b) a company organized under the Laws of the PRC that (i) is not a WFOE, (ii) is not otherwise foreign owned or foreign invested under the Laws of the PRC, and (iii) is not controlled or (in whole or in part) Beneficially Owned by any WFOE, VIE Structure, foreign invested enterprise under the Laws of the PRC, individual without PRC nationality, or Person organized under the Laws of a territory other than the PRC, or (c) a PRC Governmental Authority.

“Proceeding” means any action, suit, claim, hearing, proceeding, arbitration, mediation, audit, inquiry or investigation (whether civil, criminal, administrative or otherwise) by any Person or Governmental Authority.

“Qualified IPO” means “合格IPO” as defined under the JD Finance Reorganization and Subscription Framework Agreement.

“Recognized Stock Exchange” means any recognized stock exchange inside and outside China, including the New York Stock Exchange, NASDAQ, London Stock Exchange, Hong Kong Stock Exchange, Shenzhen Stock Exchange or Shanghai Stock Exchange, consented to by the board of directors of JD Finance.

“Related Party” means:

(a) any Person who, individually or as part of a group, Beneficially Owns more than five percent (5%) of the Securities of such Person, determined on a fully-diluted basis, using the treasury stock method;

- (b) any officer or director, or individual performing an equivalent function, of such Person or any Person named in clause (a);
- (c) any Family Member of any such Person or any Person named in clause (a) or (b); or
- (d) any other Person in which any Person named in clauses (a), (b) or (c) Beneficially Owns more than twenty percent (20%) of the Securities of such Person, determined on a fully-diluted basis, using the treasury stock method.

“ Renminbi ” or “ RMB ” means lawful money of the PRC.

“ Representatives ” means a Person’s Affiliates, directors, managers, officers, employees, agents, attorneys, consultants, advisors or other representatives.

“ SAIC ” means the State Administration for Industry and Commerce of the PRC and any duly authorized provincial or local office of the State Administration for Industry and Commerce of the PRC.

“ Subsidiary ” means, with respect to any Person, each other Person in which the first Person (a) Beneficially Owns, directly or indirectly, share capital or other equity interests representing more than fifty percent (50%) of the outstanding voting stock or other equity interests; (b) holds the rights to more than fifty percent (50%) of the economic interest of such other Person, including interests held through a VIE Structure or other contractual arrangements; or (c) has a relationship such that the financial statements of the other Person may be consolidated into the financial statements of the first Person under applicable accounting conventions. For the avoidance of doubt, following the Closing, none of JD Finance or its Subsidiaries shall be deemed to be Subsidiaries of JD Group or any of its Subsidiaries.

“ Suqian Limao Control Agreements ” means a series of agreements by and among Suqian Yitong, Suqian Limao and the shareholders of Suqian Limao, pursuant to which Suqian Yitong has effective control over Suqian Limao, including an equity pledge agreement, powers of attorney, spousal consents, an exclusive technology consulting and service agreement, a business operations agreement and an exclusive purchase option agreement.

“ Tax ” or “ Taxes ” means any federal, state, county, national, provincial, local or foreign tax (including transfer taxes), charge, fee, levy, impost, duty or other assessment, including income, gross receipts, excise, employment, sales, use, transfer, recording, license, payroll, franchise, severance, documentary, stamp, occupation, windfall profits, environmental, highway use, commercial rent, customs duty, capital stock, paid-up capital, profits, withholding, social security, single business, unemployment, disability, real property, personal property, registration, ad valorem, value added, alternative or add-on minimum, estimated or other tax or governmental fee of any kind whatsoever, imposed or required to be withheld by any Governmental Authority, including any estimated payments relating thereto, any interest, penalties and additions imposed thereon or with respect thereto.

“ Third-Party Issuance ” means (i) any bona fide sale for cash by JD Finance of any of its Equity Securities to a third party (other than JD Group or any of its Subsidiaries or any Subsidiary of JD Finance) in a new equity financing, or (ii) any issuance by JD Finance of any of its Equity Securities to Founder ESOP Partnership or other entity established by JD Finance to increase its pool of Equity Securities reserved for the purpose of its employee benefits plan.

“ Transactions ” means the transactions contemplated by the Transaction Documents.

“ Transaction Documents ” means this Agreement, the IPLA, the Escrow Agreements, the JD Finance Reorganization and Subscription Framework Agreement, the JD Finance Shareholders Resolutions, the Suqian Limao VIE Termination Agreement, and the Suqian Yitong Equity Transfer Agreement, and other agreements or documents required to be executed and/or delivered by any party in connection with the consummation of the transactions by the foregoing agreements and documents.

“ Transfer ” means and includes any direct or indirect sale, assignment, Encumbrance, hypothecation, pledge, conveyance in trust, gift, transfer by bequest, devise or descent, or other transfer or disposition of any kind, including transfers to receivers, levying creditors, trustees or receivers in bankruptcy Proceedings or general assignees for the benefit of creditors, whether voluntary or by operation of Law, or by forward or reverse merger.

“ United States ” means the United States of America.

“ U.S. Dollars ” and “ US\$ ” shall each mean lawful money of the United States.

“ VIE Structure ” means the investment structure in which a PRC-domiciled operating entity and its PRC shareholders enter into a number of Contracts with a non-PRC investor (or a foreign-invested enterprise incorporated in the PRC invested by the non-PRC investor) pursuant to which the non-PRC investor achieves control of the PRC-domiciled operating entity and also consolidates the financials of the PRC-domiciled entity with those of the non-PRC investor.

“ WFOE ” means a wholly foreign-owned enterprise formed under the Laws of the PRC.

Section 1.2 Cross-Reference of Other Definitions . Each capitalized term listed below is defined in the corresponding Section of this Agreement:

<u>Term</u>	<u>Section</u>
Additional Securities	Section 10.3(a)(i)
Additional Securities Purchase Price	Section 10.3(b)
Agreement	Preamble
Amount of Suqian Limao Debt	Section 2.1(c)
Amendment to Series A Capital Increase Agreement	Recitals
Claimant	Section 13.9(b)
Closing	Section 3.1
Closing Transferred Equity	Section 8.8
Disclosure Schedules	Article VII
Escrow Agreements	Section 8.6
Founder	Preamble
Founder ESOP Partnership	Preamble
Founder Holdco	Preamble
Founder Holdco Disclosure Schedules	Article VII
Founder Holdcos	Preamble

Founder Holding Entity	Preamble
HKIAC	Section 13.9(a)
Indemnified Party	Section 12.5(a)
Indemnifying Party	Section 12.5(a)
Initial Liquidity Event Payment	Section 2.3(c)(ii)
IPLA	Recitals
Issuance Approvals	Section 2.2(a)
Issuance Event	Section 2.2(b)
JD Finance	Preamble
JD Finance Disclosure Schedules	Article V
JD Finance Equity Transferor	Section 10.5(a)
JD Finance Equityholder	Section 10.5(a)
JD Finance New Investors	Recitals
JD Finance Reorganization and Subscription Framework Agreement	Recitals
JD Finance Shareholder Resolutions	Recitals
JD Finance Sub	Preamble
JD Finance Subject Equities	Section 10.5(b)(i)
JD Group	Preamble
JD Group Audit Committee	Section 10.8
JD Group Disclosure Schedules	Article IV
JD Group Parties	Preamble
JD HK Company	Preamble
JD HK Company Bank Accounts	Section 2.1(b)
Jointly Appointed Director	Section 10.1(a)(i)
Jointly Appointed Director Ownership Period	Section 10.1(a)(i)
Liquidity Event Payment	Section 2.3(a)
Liquidity Event Taxes	Section 2.3(e)
Losses	Section 12.1
Offer Notice	Section 10.5(b)(i)
Offer Price	Section 10.5(b)(i)
Offeree	Section 10.5(b)(i)
Parties	Preamble
Post-QIPO Issuance Event	Section 2.2(b)
PRC Closing Opinion	Section 9.1(c)
Preemptive Amount of Securities	Section 10.3(a)(iii)
Preemptive Rights	Section 10.3(a)(i)
Pre-QIPO Issuance Event	Section 2.2(a)
Proposed Transferee	Section 10.5(b)(i)
Regulatory Approvals	Section 4.3(a)
Request	Section 13.9(b)
Respondent	Section 13.9(b)
Series A Capital Increase Agreement	Recitals
Settlement of Suqian Limao Debt	Section 2.1(c)
Suqian Limao	Preamble

Suqian Limao Disclosure Schedules	Article VI
Suqian Limao VIE Termination Agreement	Section 2.1(a)
Suqian Yitong	Preamble
Suqian Yitong Equity Transfer	Section 2.1(b)
Suqian Yitong Equity Transfer Agreement	Section 8.8
Suqian Yitong Equity Transfer Consideration	Section 2.1(b)
Suqian Yitong Equity Transfer Tax	Section 2.1(b)
Termination of Suqian Limao VIE	Section 2.1(a)
Third-Party Claim	Section 12.5(a)
Transaction Expenses	Section 2.4(c)(i)

Section 1.3 Construction . In this Agreement, unless the context otherwise requires:

- (a) references in this Agreement to “writing” or comparable expressions includes a reference to facsimile transmission or comparable means of communication (but excluding email communications);
- (b) words expressed in the singular number shall include the plural and vice versa, and words expressed in the masculine shall include the feminine and neutral genders and vice versa;
- (c) references to Articles, Sections, Exhibits, Schedules and Recitals are references to articles, sections, exhibits, schedules and recitals of this Agreement;
- (d) references to “day” or “days” are to calendar days;
- (e) references to this Agreement or any other agreement or document shall be construed as references to this Agreement or such other agreement or document, as the case may be, as the same may have been, or may from time to time be, amended, varied, novated or supplemented from time to time;
- (f) a reference to a subsection without further reference to a Section is a reference to such subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions;
- (g) the table of contents to this Agreement and all section titles or captions contained in this Agreement or in any Schedule or Exhibit annexed hereto or referred to herein are for convenience only and shall not be deemed a part of this Agreement and shall not affect the meaning or interpretation of this Agreement;
- (h) “include,” “includes” and “including” are deemed to be followed by “without limitation” whether or not they are in fact followed by such words or words of similar import;
- (i) the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular provision; and

(j) references to a Person are also to its permitted successors and assigns and, in the case of an individual, to his or her heirs and estate, as applicable.

Section 1.4 Schedules, Annexes and Exhibits . The Schedules, Annexes and Exhibits to this Agreement are incorporated into and form an integral part of this Agreement. If an Annex or Exhibit is a form of agreement, such agreement, when executed and delivered by the parties thereto, shall constitute a document independent of this Agreement.

ARTICLE II

TRANSACTION

Section 2.1 Transactions .

(a) Termination of Suqian Limao VIE . At the Closing, subject to the Closing conditions and other terms and conditions set forth in this Agreement, Suqian Yitong and Suqian Limao shall cause all parties to the Suqian Limao Control Agreements to execute and deliver a termination agreement (the “Suqian Limao VIE Termination Agreement”), pursuant to which the Suqian Limao Control Agreements will be terminated in their entirety (the “Termination of Suqian Limao VIE”).

(b) Payment of Consideration for Suqian Yitong Equity Transfer . At the Closing, subject to the Closing conditions and other terms and conditions set forth in this Agreement, JD Finance Sub shall instruct each of the Escrow Agents in accordance with the relevant Escrow Agreement to release to JD HK Company (or another Person designated by JD HK Company) an aggregate amount equal to RMB12,134,941,558 (the “Suqian Yitong Equity Transfer Consideration”) minus the amount of Tax that is applicable to the Suqian Yitong Equity Transfer and that is payable by JD HK Company and required to be withheld by JD Finance Sub (the “Suqian Yitong Equity Transfer Tax”), by wire transfer of immediately available funds to one or more bank accounts of JD HK Company (or another Person designated by JD HK Company) designated by JD Group, information of which bank accounts shall have been provided to JD Finance Sub by JD Group at least five (5) Business Days prior to the Closing (the “JD HK Company Bank Accounts”).

(c) Settlement of Suqian Limao Debt . At the Closing, subject to the Closing conditions and other terms and conditions set forth in this Agreement, Suqian Limao shall, and Founder Holding Entity shall cause Suqian Limao to, immediately pay to JD Group (or another Person designated by JD Group) RMB2,163,022,000 (the “Amount of Suqian Limao Debt”) by wire transfer of immediately available funds in Renminbi to a bank account designated by JD Group, to satisfy certain debt obligations that Suqian Limao previously owed to JD Group or the applicable Subsidiary of JD Group (such payment, the “Settlement of Suqian Limao Debt”).

(a) Pre-QIPO Issuance . At any time and from time to time following the Closing and before the consummation of any Qualified IPO, if JD Finance, in its sole discretion, and not pursuant to any obligation hereunder, has elected to apply for and has received the Governmental Approvals that are required for such Issuance under applicable Law (the “ Issuance Approvals ”) and necessary internal approvals, and no Liquidity Event Payment shall be payable or have been paid pursuant to Section 2.3 (a “ Pre-QIPO Issuance Event ”), then JD Finance shall promptly (and, in any event, within two (2) Business Days) notify JD Group of its receipt of the Issuance Approvals and, within five (5) Business Days following such notice, JD Finance shall effect an Issuance in consideration of an amount in cash to be equal to the Income Share Buyout Amount.

(b) Post-QIPO Issuance . If at any time and from time to time following the consummation of any Qualified IPO, the Liquidity Event Payment is not payable and has not been paid pursuant to Section 2.3 , and all of the Issuance Approvals are obtained under applicable Law (a “ Post-QIPO Issuance Event ” and either of a Pre-QIPO Issuance Event and Post-QIPO Issuance Event, an “ Issuance Event ”), then JD Finance shall promptly (and, in any event, within two (2) Business Days) notify JD Group of its receipt of the Issuance Approvals and, as soon as possible but in no event later than the deadline stipulated by the applicable Issuance Approval, JD Finance shall effect an Issuance in consideration of an amount in cash to be equal to the Income Share Buyout Amount.

(c) Subsequent Issuances . For the avoidance of doubt, Sections 2.2(a) and (b) contemplate and shall apply to additional Issuances in the event that the Issuance Percentage is less than 100%.

(d) Valid Issuance . None of the JD Finance Equity to be issued in any Issuance will be subject to any outstanding option, warrant, call or similar right of any other Person to acquire the same, to any equityholders, voting or similar agreement other than this Agreement and the other Transaction Documents, or to any restriction on transfer thereof except for restrictions imposed by applicable Laws or by the express terms of this Agreement or the other Transaction Documents. All of the JD Finance Equity to be issued in any Issuance will be fully paid in compliance with the requirements of applicable Laws.

(e) Issuance Closing Deliveries of JD Finance . Upon the completion of any Issuance Event pursuant to this Section 2.2 , JD Finance shall deliver to JD Group:

- (i) an investment certificate or share certificate, as applicable, given the corporate form of JD Finance, issued by JD Finance, certifying that JD Group is the holder of the Ownership Interest issued to JD Group in the Issuance Event;
- (ii) a copy of the shareholder registry of JD Finance certifying that JD Group is a shareholder of JD Finance holding the Ownership Interest transferred to JD Group in the Issuance;
- (iii) certified copies of the Issuance Approvals;
- (iv) if the Person that acquires Ownership Interests in JD Finance is not a PRC-domiciled entity, a counterpart to a shareholder’s agreement or a joint venture contract (as the case may be) of JD Finance incorporating the matters set forth in Article X hereof, duly executed by JD Finance;

(v) if JD Finance is a limited liability company at the time of the Issuance Event, consents of the shareholders of JD Finance waiving their preemptive rights with respect to the Issuance;

(vi) a certified copy of the amended articles of association of JD Finance, incorporating the matters set forth in Sections 10.1 through 10.4 and 10.10 ;

(vii) a PRC legal opinion to the effect that all approvals by Governmental Authorities of the PRC that are required in connection with, and for the consummation of, the Issuance have been obtained, which opinion shall be in form and substance to the satisfaction of JD Group; and

(viii) counterparts to such other agreements as may be required or appropriate under applicable Laws of the PRC in order to effect the Issuance, in each case duly executed by JD Finance.

(f) Issuance Closing Deliveries of JD Group . Upon the completion of any Issuance Event pursuant to this Section 2.2 , JD Group shall deliver to JD Finance:

(i) if the Person that acquires Ownership Interests in JD Finance is not a PRC-domiciled entity, a counterpart to a shareholder's agreement or a joint venture contract (as the case may be) of JD Finance incorporating the matters set forth in Article X hereof, duly executed by such Person; and

(ii) counterparts to such other agreements as may be required or appropriate under applicable Laws of the PRC in order to effect the Issuance, in each case duly executed by JD Group or the appropriate Subsidiary of JD Group.

(g) Certain Efforts .. If, following the date of this Agreement but prior to the initial Issuance, applicable Law permits foreign equity investment in the JD Finance Business, then JD Finance shall exercise reasonable best efforts to obtain the Issuance Approvals as promptly as reasonably practicable, and shall keep JD Group reasonably apprised of such efforts.

(h) Payment by Transfer of IP . JD Group and JD Finance agree that JD Group has the right to elect to transfer certain Intellectual Property to JD Finance as a portion or all of the consideration for any Issuance upon an Issuance Event in lieu of cash payment contemplated under Section 2.2(a) or Section 2.2(b) , and upon such election by JD Group, JD Group and JD Finance will discuss in good faith the Intellectual Property to be transferred to JD Finance and make necessary adjustment to the Income Share Buyout Amount and other related mechanism contemplated by this Agreement and under the IPLA.

(a)

(i) In connection with a Qualified IPO (a Liquidity Event described by clause (a) of the definition thereof), at the election of JD Group, JD Finance will use its reasonable best efforts (with JD Group's reasonable cooperation) to obtain any required consents or approvals of Governmental Authorities, make any required filings or notifications, and cause any waiting periods to expire, in each case, as may be required under applicable Laws in connection with the payment of the Income Share (as defined in the IPLA) pursuant to the IPLA following the Qualified IPO. If JD Group does not so elect, or if despite such efforts, the payment of the Income Share is not permitted following the Qualified IPO under applicable Laws, then upon the occurrence of a Qualified IPO, if Issuances have not then occurred such that the Issuance Percentage is 100%, JD Finance shall immediately become obligated, at the times and in the manner provided for herein, to pay to JD Group an amount (as adjusted herein, the "Liquidity Event Payment") equal to the product of (x) the Maximum Issuance Interest applicable immediately prior to the Qualified IPO multiplied by the equity value of JD Finance as determined immediately prior to the Qualified IPO, and (y) 100% minus the Issuance Percentage.

(ii) Upon the occurrence of a Liquidity Event other than that described by clause (a) or (e) of the definition thereof, if Issuances have not then occurred such that the Issuance Percentage is 100%, at the election of JD Group, JD Group shall continue to receive the payment of the Income Share (as defined in the IPLA) pursuant to the IPLA following such Liquidity Event. If JD Group does not so elect, then upon the occurrence of such Liquidity Event, if Issuances have not then occurred such that the Issuance Percentage is 100%, JD Finance shall immediately become obligated, at the times and in the manner provided for herein, to pay to JD Group the Liquidity Event Payment equal to the product of (x) the Maximum Issuance Interest applicable immediately prior to the Liquidity Event, and (y) 100% minus the Issuance Percentage. Notwithstanding the foregoing sentences under this paragraph, upon the occurrence of a Liquidity Event described by clause (b) of the definition thereof and triggered pursuant to Section 10.2 of the JD Finance Reorganization and Subscription Framework Agreement, and if Issuances have not then occurred such that the Issuance Percentage is 100%, JD Finance shall immediately become obligated, at the times and in the manner provided for herein, to pay to JD Group the Liquidity Event Payment in the amount referenced in the immediately preceding sentence, and JD Group agrees that only upon such occurrence, (a) JD Group shall participate in the distribution of the proceeds from such Liquidity Event with respect to the Liquidity Event Payment payable to it and the JD Finance Equity held by it at the time, only after the other shareholders of JD Finance (other than the Founder ESOP Partnership) have received their distribution in full pursuant to Section 10.2 of the JD Finance Reorganization and Subscription Framework Agreement, and (b) if there are any remaining assets after the other shareholders of JD Finance (other than the Founder ESOP Partnership) have received their distribution in full pursuant to Section 10.2 of the JD Finance Reorganization and Subscription Framework Agreement, such remaining assets shall be distributed to JD Group before the Founder ESOP Partnership until JD Group receives the full amount of Liquidity Event Payment, and (c) if there are any remaining assets after JD Group has received the full amount of Liquidity Event pursuant to the preceding sub-clause (b), such remaining assets shall be distributed to JD Group and the Founder ESOP Partnership based on the relative proportion of the JD Finance Equity held by JD Group (if any) and the Founder ESOP partnership.

(iii) Upon the occurrence of a Liquidity Event described by clause (e) of the definition thereof, if Issuances have not then occurred such that the Issuance Percentage is 100%, JD Finance shall immediately become obligated, at the times and in the manner provided for herein and consistent with applicable Law, to pay to JD Group the Liquidity Event Payment equal to the product of (x) the Maximum Issuance Interest applicable immediately prior to the Liquidity Event multiplied by the equity value of JD Finance as determined immediately prior to the Liquidity Event, and (y) 100% minus the Issuance Percentage, provided, however, upon the occurrence of a Liquidity Event triggered pursuant to Section 10.2 of the JD Finance Reorganization and Subscription Framework Agreement and only upon such occurrence, (a) JD Group agrees that JD Group shall participate in the distribution of JD Finance's assets with respect to the Liquidity Event Payment payable to it and the JD Finance Equity held by it at the time, only after the other shareholders of JD Finance (other than the Founder ESOP Partnership) have received their distribution in full pursuant to Section 10.2 of the JD Finance Reorganization and Subscription Framework Agreement, and (b) if there are any remaining assets after the other shareholders of JD Finance (other than the Founder ESOP Partnership) have received their distribution in full pursuant to Section 10.2 of the JD Finance Reorganization and Subscription Framework Agreement, such remaining assets shall be distributed to JD Group before the Founder ESOP Partnership until JD Group receives the full amount of Liquidity Event Payment, and (c) if there are any remaining assets after JD Group has received the full amount of Liquidity Event pursuant to the preceding sub-clause (b), such remaining assets shall be distributed to JD Group and the Founder ESOP Partnership based on the relative proportion of the JD Finance Equity held by JD Group (if any) and the Founder ESOP partnership.

(iv) For the avoidance of doubt, JD Finance shall not be required to pay the Liquidity Event Payment more than once.

(b)

(i) In the event of a Liquidity Event the proceeds of which (net of all expenses incurred in connection with the Liquidity Event, including underwriting fees as applicable, provided that such expenses are customary and within a reasonable range (“Transaction Expenses”) and applicable taxes payable by JD Finance) are in excess of or equal to the Liquidity Event Payment amount, JD Finance will pay the Liquidity Event Payment to JD Group as soon as reasonably practicable and in any event within ninety (90) days following the consummation of such Liquidity Event; provided, that any portion of the Liquidity Event Payment arising due to any Contingent Consideration shall be paid by JD Finance to JD Group as soon as reasonably practicable following the payment of such Contingent Consideration and in any event within ninety (90) days of the payment of such Contingent Consideration.

(ii) In the event of a Liquidity Event the proceeds of which (net of Transaction Expenses and applicable taxes payable by JD Finance) are less than the Liquidity Event Payment amount, JD Finance will pay all of the proceeds of the Liquidity Event (net of Transaction Expenses and applicable taxes payable by JD Finance) to JD Group (the “ Initial Liquidity Event Payment ”) as soon as reasonably practicable and in any event within ninety (90) days following the consummation of such Liquidity Event, with the remainder of the Liquidity Event Payment, after giving effect to the Initial Liquidity Event Payment to be paid in three (3) equal installments due twelve (12), eighteen (18) and twenty-four (24) months after the date of such Liquidity Event; provided, that any portion of the Initial Liquidity Event Payment and the remainder of the Liquidity Event Payment arising in each case due to any Contingent Consideration shall be paid by JD Finance to JD Group as soon as reasonably practicable following the payment of such Contingent Consideration and in any event within ninety (90) days of the payment of such Contingent Consideration.

(iii) Following a Liquidity Event, interest shall (A) accrue daily at an annual rate equal to the Interest Rate on the aggregate unpaid amount of the Liquidity Event Payment, (B) compound monthly (provided, that the monthly rate will be calculated so that the effective annual rate remains the rate set forth in clause (A)), (C) be paid by JD Finance in arrears on each date on which payment is made, and (D) be computed on the basis of a three hundred sixty (360)-day year comprised of twelve (12) thirty (30)-day months.

(c) All payments to be made to JD Group pursuant to this Section 2.3, shall be made (x) to JD Group or, if permitted by Law, one or more of JD Group’s designated Subsidiaries, at JD Group’s direction, in U.S. Dollars, or (y) as otherwise mutually agreed upon in writing by JD Group and JD Finance.

(d) If the total Taxes required by any Laws to be deducted, withheld, paid, or incurred by any Person, in connection with any payment to be made to JD Group or any of its Subsidiaries pursuant to this Section 2.3 (“ Liquidity Event Taxes ”) exceed the Taxes under PRC Law that would have been imposed if such payment had been paid by JD Finance directly to JD Group and subject to Tax at the then-applicable withholding, income or similar Tax rate on capital gains with respect to sales of equity in PRC companies by foreign investors, then the payment shall be increased so that JD Group receives (and is entitled to retain), after deduction, withholding or payment for or on account of such Liquidity Event Taxes as the case may be (including deduction, withholding or payment applicable to additional sums payable under this sentence), the full amount of the payment that would have been received if such payment had been paid by JD Finance directly to JD Group and subject to Tax under PRC Law at the then-applicable withholding, income, or similar Tax rate on capital gains with respect to sales of equity in PRC companies by foreign investors.

Section 2.4 Timing and Method of Payments .

(a) All payments to be made by a payor Party to a payee Party pursuant to Article II, Section 10.3 or the IPLA may be made by wire transfer of immediately available funds to the account specified by the payee at least three (3) Business Days prior to such payment (which account, once specified, will be used for all future payments to such payee Party unless notice of a new account is given by the payee at least three (3) Business Days prior to any payment to be made to such new account), and/or may be set off against any other payment then due and payable by such payee Party to such payor Party pursuant to Article II, Section 10.3 or the IPLA, to the extent permitted by applicable Laws.

ARTICLE III

CLOSING

Section 3.1 Closing . The closing of the Transactions (the “Closing”) shall take place at 10:00 a.m. (New York time) on the fifth (5th) Business Day following satisfaction or waiver of the conditions set forth in Article IX (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions at such time). The Closing shall be held at the offices of Skadden, Arps, Slate, Meagher & Flom located at 42/F Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong. Notwithstanding the foregoing, the Closing may take place at such other date, time or place as the Parties may agree to in writing.

Section 3.2 Closing Deliverables .

- (a) JD Group Deliverables . At the Closing, JD Group shall deliver, or cause to be delivered, to JD Finance:
- (i) counterparts to the Suqian Limao VIE Termination Agreement with respect to the Termination of Suqian Limao VIE, duly executed by Suqian Yitong; and
 - (ii) counterparts to such other agreements as may be required or appropriate under applicable Laws of the PRC in order to effect the Transactions, in each case duly executed by JD Group or the applicable Subsidiary of JD Group.
- (b) Suqian Limao Deliverables . At the Closing, Suqian Limao shall deliver, or cause to be delivered, to JD Group:
- (i) the Amount of Suqian Limao Debt by wire transfer of immediately available funds pursuant to Section 2.1(c) ;
 - (ii) counterparts to the Suqian Limao VIE Termination Agreement with respect to the Termination of Suqian Limao VIE, duly executed by Suqian Limao, and each of the shareholders of Suqian Limao immediately prior to the Closing; and
 - (iii) counterparts to and such other agreements as may be required or appropriate under applicable Laws of the PRC in order to effect the Transactions, in each case duly executed by Suqian Limao.
- (c) JD Finance Deliverables . At the Closing, JD Finance shall deliver, or cause to be delivered, to JD Group:
- (i) the PRC Closing Opinion;
 - (ii) counterparts to such other agreements as may be required or appropriate under applicable Laws of the PRC in order to effect the Transactions, in each case duly executed by JD Finance or the applicable Subsidiary of JD Finance; and

(iii) any and all company chop(s) and other things of JD Finance Sub, the specimen of which have been filed with each of the Escrow Agents on record and which are required to instruct such Escrow Agent to release any fund from the relevant Escrow Account in accordance with relevant Escrow Agreement and/or other requirements of such Escrow Agent.

Section 3.3 Withholding Rights . Except as may be otherwise expressly provided in the Transaction Documents, each Party shall be entitled to deduct and withhold from any payments to be made pursuant to this Agreement such amounts as may be required to be deducted and withheld with respect to the making of such payment under applicable Laws relating to taxes, customs, tariffs, imposts, levies, duties, fees or other like assessments or charges of any kind imposed by a Governmental Authority (or interest, penalties and additions imposed with respect thereto). Amounts so withheld and paid over to the appropriate taxing Governmental Authority shall be treated for all purposes of this Agreement as having been paid to the applicable recipient of the payment in respect of which such deduction or withholding was made.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF JD GROUP

Except as set forth in the disclosure schedules of JD Group attached hereto (the “JD Group Disclosure Schedules”), JD Group hereby, on behalf of JD Group Parties, makes the representations and warranties set forth in this Article IV to JD Finance.

Section 4.1 Organization and Qualification; Subsidiaries . Each of the JD Group Parties (a) is a corporation or legal entity duly organized or formed and validly existing under the Laws of its jurisdiction of organization or formation, (b) has the requisite corporate or similar entity power and authority to conduct and carry on its business as it is now being conducted and to own, lease and operate its properties and assets, and (c) is duly qualified to do business in each jurisdiction where the character of the property owned, leased or operated by it or the nature of its activities makes such qualification necessary.

Section 4.2 Authority; Binding Effect . Each of the JD Group Parties has all requisite corporate or entity power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is party and to perform its obligations hereunder and thereunder. The execution and delivery by each of the JD Group Parties of this Agreement and the other Transaction Documents to which it is party, and the performance of its obligations hereunder and thereunder, have been duly authorized by all requisite corporate, entity or other action. This Agreement has been duly and validly executed and delivered by each of the JD Group Parties and, assuming the due authorization, execution and delivery by each of the other Parties hereto, this Agreement constitutes a legal, valid and binding obligation of each of the JD Group Parties, enforceable against each of the JD Group Parties in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws of general applicability relating to or affecting creditor’s rights, and to general equitable principles). The Transaction Documents, when executed and delivered by each of the JD Group Parties that is party to the Transaction Documents, assuming due execution and delivery hereof by each of the other parties hereto and thereto, shall constitute valid and binding obligations of each of the JD Group Parties party to the Transaction Documents and are enforceable against each of the JD Group Parties party to the Transaction Documents in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency or reorganization Laws.

(a) The execution and delivery by each of the JD Group Parties of this Agreement does not, and the other Transaction Documents and any other instrument required hereby or thereby to be executed and delivered at the Closing will not, and the performance by any of the JD Group Parties of its obligations under this Agreement and the other Transaction Documents will not, require any consent, approval, Order, license, authorization, registration, declaration or permit of, or filing with or notification to, any Governmental Authority, except (i) for compliance with applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (including the furnishing of a Form 6-K), (ii) for compliance with the rules and regulations of the NASDAQ Global Select Market or any other relevant securities exchange; (iii) such approvals, filings and notifications as may be required under applicable Law with respect to Suqian Yitong Equity Transfer, including such approvals, filings and notifications as may be required under applicable regulations of MOFCOM and the SAIC; (iv) the Tax filings and procedures as may be required to be made with the appropriate PRC taxing Governmental Authority in connection with the Suqian Yitong Equity Transfer Tax and any transfer of Equity Securities of JD Finance; (v) such approvals, filings and notifications as may be required under applicable regulations of the SAIC with respect to any change in shareholders, registered capital or equity pledge of PRC domestic companies; (vi) such filings and notifications as may be required under applicable regulations by the State Administration on Foreign Exchange with respect to foreign currency payment obligations or obligations to pay Renminbi offshore; and (vii) such filings and notifications as may be required under applicable Intellectual Property-related Laws and regulations and the requirements thereunder with respect to registration, filing and approval by the PRC State Intellectual Property Office, the China Trademark Office and the National Copyright Administration and any other Laws (collectively, to the extent required, the “Regulatory Approvals”).

(b) The execution and delivery by each of the JD Group Parties of this Agreement does not, and the other Transaction Documents and any other instrument required hereby or thereby to be executed and delivered by each of the JD Group Parties at the Closing will not, and the performance by each of the JD Group Parties of its obligations under this Agreement and the other Transaction Documents will not, (i) conflict with or result in any breach of any provision of its articles of incorporation or by-laws (or any similar organizational documents), (ii) violate, conflict with, require consent pursuant to, result in a breach of, constitute a default (with or without due notice or lapse of time or both) under, or give rise to a right of, or result in, the termination, cancellation, modification, acceleration or the loss of a benefit under, or result in the creation of any Encumbrance upon the Closing Transferred Equity or any of the terms, conditions or provisions of any Contract to which any of the Parties is a party or by which any of the Parties is bound or to which the Closing Transferred Equity is subject, or (iii) violate any Order or Law applicable to any of the JD Group Parties or any of their properties or assets.

Section 4.4 Exclusivity of Representations . The representations and warranties made by JD Group in this Article IV are the exclusive representations and warranties made by JD Group with respect to this Agreement and the transactions contemplated hereby. Notwithstanding anything to the contrary in this Agreement, JD Group is not, directly or indirectly, making any representations or warranties regarding any financial information, financial projections or other forward-looking statements with respect to JD Group or the Closing Transferred Equity.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF JD FINANCE

Except as set forth in the disclosure schedules of JD Finance attached hereto (the “JD Finance Disclosure Schedules”), JD Finance hereby makes the representations and warranties set forth in this Article V to JD Group.

Section 5.1 Organization and Qualification . JD Finance (a) is a limited liability company duly organized and is validly existing under the Laws of the PRC, (b) has all necessary entity power and authority to own, lease and operate its properties and assets and to conduct and carry on its business as currently conducted and (c) is duly qualified to do business in each jurisdiction where the character of the property owned, leased or operated by it or the nature of its activities makes such qualification necessary.

Section 5.2 Authority; Binding Effect . JD Finance has all requisite power and authority to execute and deliver this Agreement and the other Transaction Documents and to perform its obligations hereunder and thereunder. The execution and delivery by JD Finance of this Agreement and the other Transaction Documents, and the performance by JD Finance of its respective obligations hereunder and thereunder, have been duly authorized by all requisite action on the part of JD Finance. JD Finance has duly executed this Agreement and each of the other Transaction Documents to which it is a party. This Agreement has been duly and validly executed and delivered by JD Finance and, assuming the due authorization, execution and delivery by each of the other Parties hereto, this Agreement constitutes a legal, valid and binding obligation of JD Finance, enforceable against JD Finance in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws of general applicability relating to or affecting creditor’s rights, and to general equitable principles). The Transaction Documents, when executed and delivered by JD Finance, assuming due execution and delivery hereof by each of the other parties hereto and thereto, shall constitute valid and binding obligations of JD Finance enforceable against JD Finance in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency or reorganization Laws.

Section 5.3 No Conflicts; Required Filings and Consents .

(a) The execution and delivery by JD Finance of this Agreement does not, and the other Transaction Documents and any other instrument required hereby or thereby to be executed and delivered at the Closing will not, and the performance by JD Finance of its obligations under this Agreement and the other Transaction Documents will not, require any consent, approval, Order, license, authorization, registration, declaration or permit of, or filing with or notification to, any Governmental Authority, except the Regulatory Approvals.

(b) The execution and delivery by JD Finance of this Agreement does not, and the other Transaction Documents and any other instrument required hereby or thereby to be executed and delivered by JD Finance at the Closing will not, and the performance by JD Finance of its obligations under this Agreement and the other Transaction Documents will not, (i) conflict with or result in any breach of any provision of the organizational or charter documents of JD Finance, (ii) violate, conflict with, require consent pursuant to, result in a breach of, constitute a default (with or without due notice or lapse of time or both) under, or give rise to a right of, or result in, the termination, cancellation, modification, acceleration or the loss of a benefit under, or result in the creation of any Encumbrance upon JD Finance's Equity Securities or any of the terms, conditions or provisions of any Contract to which JD Finance is a party or by which JD Finance is bound or to which any of JD Finance's Equity Securities are subject or (iii) violate any Order or Law applicable to JD Finance or any of its properties or assets.

Section 5.4 Capitalization . Schedule 5.4 of the JD Finance Disclosure Schedules sets forth a true and complete schedule of the outstanding Equity Securities of JD Finance as of the date hereof, including the total amount of registered capital or the number of shares or other Equity Securities, as applicable, and the names of the owners of record of such Equity Securities. JD Finance has no issued and outstanding Equity Securities other than as shown on such Schedule, and there are no Contracts, commitments, understandings or arrangements by which JD Finance is bound to issue additional JD Finance Equity or other Equity Securities, and the JD Finance Equity is not subject to any outstanding option, warrant, call or similar right of any other Person to acquire the same. No direct or indirect Ownership Interest in JD Finance is currently owned by any Person other than a PRC Person.

Section 5.5 Exclusivity of Representations . The representations and warranties made by JD Finance in this Article V are the exclusive representations and warranties made by JD Finance with respect to this Agreement and the transactions contemplated hereby. Notwithstanding anything to the contrary in this Agreement, JD Finance is not, directly or indirectly, making any representations or warranties regarding any financial information, financial projections or other forward-looking statements with respect to JD Finance.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF SUQIAN LIMAO

Except as set forth in the disclosure schedules of Suqian Limao attached hereto (the "Suqian Limao Disclosure Schedules"), Suqian Limao hereby makes the representations and warranties set forth in this Article VI to JD Group:

Section 6.1 Organization and Qualification . Suqian Limao (a) is a limited liability company duly organized and is validly existing under the Laws of the PRC, (b) has all necessary entity power and authority to own, lease and operate its properties and assets and to conduct and carry on its business as currently conducted and (c) is duly qualified to do business in each jurisdiction where the character of the property owned, leased or operated by it or the nature of its activities makes such qualification necessary.

Section 6.2 Authority; Binding Effect . Suqian Limao has all requisite power and authority to execute and deliver this Agreement and the other Transaction Documents and to perform its obligations hereunder and thereunder. The execution and delivery by Suqian Limao of this Agreement and the other Transaction Documents, and the performance by Suqian Limao of its respective obligations hereunder and thereunder, have been duly authorized by all requisite action on the part of Suqian Limao. Suqian Limao has duly executed this Agreement and each of the other Transaction Documents to which it is a party. This Agreement has been duly and validly executed and delivered by Suqian Limao and, assuming the due authorization, execution and delivery by each of the other Parties hereto, this Agreement constitutes a legal, valid and binding obligation of Suqian Limao, enforceable against Suqian Limao in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws of general applicability relating to or affecting creditor's rights, and to general equitable principles). The Transaction Documents, when executed and delivered by Suqian Limao, assuming due execution and delivery hereof by each of the other parties hereto and thereto, shall constitute valid and binding obligations of Suqian Limao enforceable against Suqian Limao in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency or reorganization Laws.

Section 6.3 No Conflicts; Required Filings and Consents .

(a) The execution and delivery by Suqian Limao of this Agreement does not, and the other Transaction Documents and any other instrument required hereby or thereby to be executed and delivered at the Closing will not, and the performance by Suqian Limao of its obligations under this Agreement and the other Transaction Documents will not, require any consent, approval, Order, license, authorization, registration, declaration or permit of, or filing with or notification to, any Governmental Authority, except the Regulatory Approvals.

(b) The execution and delivery by Suqian Limao of this Agreement does not, and the other Transaction Documents and any other instrument required hereby or thereby to be executed and delivered by Suqian Limao at the Closing will not, and the performance by Suqian Limao of its obligations under this Agreement and the other Transaction Documents will not, (i) conflict with or result in any breach of any provision of the organizational or charter documents of Suqian Limao, (ii) violate, conflict with, require consent pursuant to, result in a breach of, constitute a default (with or without due notice or lapse of time or both) under, or give rise to a right of, or result in, the termination, cancellation, modification, acceleration or the loss of a benefit under, or result in the creation of any Encumbrance upon Suqian Limao's Equity Securities or any of the terms, conditions or provisions of any Contract to which JD Finance is a party or by which Suqian Limao is bound or to which any of Suqian Limao's Equity Securities are subject or (iii) violate any Order or Law applicable to Suqian Limao or any of its properties or assets.

Section 6.4 Exclusivity of Representations . The representations and warranties made by Suqian Limao in this Article VI are the exclusive representations and warranties made by Suqian Limao with respect to this Agreement and the transactions contemplated hereby. Notwithstanding anything to the contrary in this Agreement, Suqian Limao is not, directly or indirectly, making any representations or warranties regarding any financial information, financial projections or other forward-looking statements with respect to Suqian Limao.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF FOUNDER HOLDCOS

Except as set forth in the disclosure schedules of Founder Holdcos attached hereto (the “Founder Holdco Disclosure Schedules,” and together with the JD Group Disclosure Schedules, the JD Finance Disclosure Schedules and the Suqian Limao Disclosure Schedules, the “Disclosure Schedules”), each Founder Holdco, severally and not jointly, hereby makes the representations and warranties set forth in this Article VII to JD Group.

Section 7.1 Organization and Qualification . Such Founder Holdco (a) is a limited partnership duly organized and is validly existing under the Laws of the PRC, (b) has all necessary power and authority to own, lease and operate its properties and assets and to conduct and carry on its business as currently conducted and (c) is duly qualified to do business in each jurisdiction where the character of the property owned, leased or operated by it or the nature of its activities makes such qualification necessary.

Section 7.2 Authority; Binding Effect . Such Founder Holdco has all requisite power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder. The execution and delivery by such Founder Holdco of this Agreement and the other Transaction Documents to which it is a party, and the performance by such Founder Holdco of its obligations hereunder and thereunder, have been duly authorized by all requisite action on the part of such Founder Holdco. Such Founder Holdco has duly executed this Agreement and each of the other Transaction Documents to which it is a party. This Agreement has been duly and validly executed and delivered by such Founder Holdco and, assuming the due authorization, execution and delivery by each of the other Parties hereto, this Agreement constitutes a legal, valid and binding obligation of such Founder Holdco, enforceable against such Founder Holdco in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws of general applicability relating to or affecting creditor’s rights, and to general equitable principles). The Transaction Documents to which such Founder Holdco is a party, when executed and delivered by such Founder Holdco, assuming due execution and delivery hereof by each of the other parties hereto and thereto, shall constitute valid and binding obligations of such Founder Holdco enforceable against such Founder Holdco in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency or reorganization Laws.

Section 7.3 No Conflicts; Required Filings and Consents .

(a) The execution and delivery by such Founder Holdco of this Agreement does not, and the other Transaction Documents to which it is a party and any other instrument required hereby or thereby to be executed and delivered at the Closing will not, and the performance by such Founder Holdco of its obligations under this Agreement and the other Transaction Documents to which it is a party will not, require any consent, approval, Order, license, authorization, registration, declaration or permit of, or filing with or notification to, any Governmental Authority, except the Regulatory Approvals.

(b) The execution and delivery by such Founder Holdco of this Agreement does not, and the other Transaction Documents to which it is a party and any other instrument required hereby or thereby to be executed and delivered by such Founder Holdco at the Closing will not, and the performance by such Founder Holdco of its obligations under this Agreement and the other Transaction Documents to which it is a party will not, (i) conflict with or result in any breach of any provision of the organizational or charter documents of such Founder Holdco, (ii) violate, conflict with, require consent pursuant to, result in a breach of, constitute a default (with or without due notice or lapse of time or both) under, or give rise to a right of, or result in, the termination, cancellation, modification, acceleration or the loss of a benefit under, any of the terms, conditions or provisions of any Contract to which such Founder Holdco is a party or by which Founder Holdco is bound or (iii) violate any Order or Law applicable to such Founder Holdco or any of its properties or assets.

Section 7.4 Exclusivity of Representations . The representations and warranties made by each Founder Holdco in this Article VII are the exclusive representations and warranties made by such Founder Holdco with respect to this Agreement and the transactions contemplated hereby.

ARTICLE VIII

COVENANTS

Section 8.1 Confidentiality . Each Party, and each Party's Representatives who receive Confidential Information as permitted hereunder, shall maintain the confidentiality of Confidential Information in accordance with the procedures adopted by such Party in good faith to protect confidential information of third parties generally delivered to such Party; provided , that such Party may deliver or disclose Confidential Information to:

- (a) such Party's Representatives, and Persons related thereto who are informed of the confidentiality obligations of this Section 8.1 ; provided , that such Party shall be responsible for any violation of such Party's applicable procedures made by any such Person;
- (b) any Governmental Authority having jurisdiction over such Party to the extent required by applicable Laws;
- (c) any other Person to which such delivery or disclosure may be required (i) to effect compliance with any Law applicable to such Party, or (ii) in response to any subpoena or other legal process; or

(d) as permitted under Section 8.4 ;

provided , that, in the cases of clauses (b) and (c) of this Section 8.1 , the disclosing Party shall provide each other Party with prompt written notice thereof so that the appropriate Party may seek (with the cooperation and reasonable efforts of the disclosing party) a protective Order, confidential treatment or other appropriate remedy, and in any event shall furnish only that portion of the information which is reasonably necessary for the purpose at hand and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information to the extent reasonably requested by any other Party.

Section 8.2 Appropriate Action; Consents; Filings .

(a) Upon the terms and subject to the conditions set forth in this Agreement, each of the Parties hereto shall use its reasonable best efforts to take, or cause to be taken, all actions, and use its reasonable best efforts to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things consistent with applicable Laws and reasonably necessary, proper or advisable to consummate, as promptly as practicable, the Transactions, and none of the Parties shall take any action or omit to take any action that would or would reasonably be expected to prevent, impair, make illegal or materially delay the Closing unless such action or omission is required by applicable Laws. Without limiting the foregoing, each of the Parties agrees to use its respective reasonable best efforts to:

(i) cause the Closing conditions set forth in Article IX to be satisfied as promptly as practicable,

(ii) obtain all necessary Regulatory Approvals,

(iii) obtain all necessary licenses, consents, approvals, registrations, qualifications, Orders, waivers, finding of suitability and authorizations of, actions or nonactions by, any Governmental Authority or any third party necessary in connection with the consummation of the transactions contemplated by this Agreement,

(iv) make all necessary applications, registrations, declarations and filings with, and notices to, any Governmental Authorities and take all reasonable steps as may be necessary to obtain all approvals from, or to avoid any suit, action, Proceeding or investigation by, any Governmental Authority or other Persons necessary in connection with the consummation of the transactions contemplated by this Agreement,

(v) to the extent named as a defendant, defend any lawsuits or other legal Proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated by this Agreement,

(vi) in the case of JD Group, JD Finance, Suqian Limao and their respective Subsidiaries only, have vacated, lifted, reversed or overturned any Order, decree, ruling, judgment, injunction or other action (whether temporary, preliminary or permanent) that is then in effect and that enjoins, restrains, conditions, makes illegal or otherwise restricts or prohibits the consummation of the transactions contemplated by this Agreement; provided , that in no event shall JD Group, JD Finance, Suqian Limao or any of their Subsidiaries be required to pay or to commit to, prior to the Closing, any fee, penalty or other consideration to obtain any consent, approval, Order, waiver or authorization in connection with the transactions contemplated by this Agreement under any Contract other than filing fees required and *de minimis* amounts and customary filing fees payable to Governmental Authorities; and

(vii) execute and deliver any additional instruments and/or separate agreements necessary to consummate the Transactions to be performed or consummated by such Party in accordance with the terms of this Agreement and to carry out fully the purposes of this Agreement.

(b) Subject to applicable Laws, each of the Parties hereto shall furnish to each other such necessary information and reasonable assistance as the other may request in connection with the preparation of any required filings or submissions with any Governmental Authority and will reasonably cooperate in responding to any inquiry from a Governmental Authority, including promptly informing the other party of such inquiry, consulting in advance before making any presentations or submissions to a Governmental Authority, and supplying each other with copies of all material correspondence, filings or communications with any Governmental Authority with respect to this Agreement (other than private or personal information pertaining to any individual applicants which may remain confidential). No Party shall have any material communication or meeting (telephonic or in-person) regarding the Transactions with a Governmental Authority without giving JD Finance and JD Group a reasonable opportunity to attend in person or by phone (unless the Governmental Authority prohibits such participation or attendance in the communication or meeting).

Section 8.3 Notification of Certain Matters . JD Group shall give prompt notice to JD Finance and Suqian Limao, and each of JD Finance and Suqian Limao shall give prompt notice to JD Group, upon receiving knowledge of (a) any notice, complaint, investigation or hearing (or communications indicating that the same may be contemplated) from (i) any Governmental Authority in connection with this Agreement or the Transactions or the other actions contemplated hereby, or (ii) any other Person, in each case alleging that the consent of such Person is or may be required in connection with the Transactions or the other actions contemplated hereby and (b) any actions, suits, claims, investigations or Proceedings commenced or, to such Party's knowledge, threatened in writing against, relating to or involving or otherwise affecting such Party or any of its Subsidiaries which relate to this Agreement, the Transactions or the other actions contemplated hereby.

Section 8.4 Public Announcement and Filings . The initial press release(s) announcing the execution of this Agreement shall be in a form mutually agreed upon by JD Group and JD Finance. JD Group shall require consent by JD Finance, and each of JD Finance and Suqian Limao shall require consent by JD Group, before issuing, and, to the extent practicable, give each other a reasonable opportunity to review and comment on, any other press release or other public announcement with respect to this Agreement, the Transactions or the other actions contemplated hereby. None of JD Group, JD Finance and Suqian Limao shall issue any such press release or make any such public announcement prior to obtaining such consent required under the immediately preceding sentence, except as may be required by applicable Laws, court process or the rules and regulations of any national securities exchange or national securities quotation system.

Section 8.5 Conduct of Business Pending the Closing . Until the earlier of the Closing and the date, if any, on which this Agreement is terminated pursuant to Section 11.1 , JD Group shall and shall cause its Subsidiaries to operate Suqian Yitong and Suqian Limao in the ordinary course of business consistent with past practice.

Section 8.6 Escrow Agreements . As soon as possible after the date of this Agreement and in any event prior to the Closing, JD Finance Sub shall, and JD Finance shall cause JD Finance Sub to, enter into an escrow agreement with JD HK Company (or another Person designated by JD HK Company) and each of the Escrow Agents, with terms and conditions mutually agreed to by the parties thereto (the “ Escrow Agreements ”). The Parties agree that JD Finance shall be entitled to receive any and all interest that shall have accrued on the amount deposited in each of the Escrow Accounts prior to the date of Closing, and JD Group shall be entitled to receive any and all interest that shall have accrued on the amount deposited in each of the Escrow Accounts on and from the date of Closing to the date on which the deposited amount is released to a JD HK Company Bank Account pursuant to Section 10.11(b) .

Section 8.7 Capital Injection into JD Finance Sub . As soon as possible after JD Finance receives payments by the JD Finance New Investors in an aggregate amount of the Suqian Yitong Equity Transfer Consideration in immediately available funds pursuant to the closing under the JD Finance Reorganization and Subscription Framework Agreement, JD Finance shall inject such amount into JD Finance Sub as the registered capital.

Section 8.8 Suqian Yitong Equity Transfer and Payment into Escrow Accounts. (i) As soon as possible after the completion of actions set forth under Section 8.6 and Section 8.7 above, JD Finance Sub shall pay an aggregate amount equal to the difference between the Suqian Yitong Equity Transfer Consideration and the Suqian Yitong Equity Transfer Tax in immediately available funds to the Escrow Accounts, with the allocation between the Escrow Accounts and the specific amount to be deposited to each of the Escrow Accounts determined by JD Group in its sole direction, and (ii) concurrent with the completion of the action set forth in the foregoing sub-clause (i), (a) JD HK Company and JD Finance Sub shall enter into an equity transfer agreement, substantially in the form attached as Exhibit A hereto (the “ Suqian Yitong Equity Transfer Agreement ”), pursuant to which JD HK Company shall convey, assign and transfer registered capital of Suqian Yitong, constituting a one hundred percent (100%) Ownership Interest in Suqian Yitong (the “ Closing Transferred Equity ”), free and clear of any Encumbrances whatsoever, to JD Finance Sub, and JD Finance Sub shall acquire and accept such Closing Transferred Equity (such transfer, the “ Suqian Yitong Equity Transfer ”), (b) JD HK Company, Suqian Yitong and JD Finance Sub shall prepare and execute documents that are required to effect such approvals, filings and notifications as may be required under applicable Law with respect to the Suqian Yitong Equity Transfer.

Section 8.9 Regulatory Approvals . As soon as possible after the completion of actions set forth under Section 8.8 , (i) each of the Parties shall cooperate and use their respective reasonable best efforts to (i) obtain all necessary Regulatory Approvals required for Suqian Yitong Equity Transfer, including such approvals, filings and notifications as may be required under applicable regulations of MOFCOM and the SAIC, and (ii) JD Finance Sub shall complete all necessary Tax filings and procedures with the appropriate PRC taxing Governmental Authority in connection with the Suqian Yitong Equity Transfer Tax, and shall use funds in its accounts other than the Escrow Accounts to pay the Suqian Yitong Equity Transfer Tax to the appropriate PRC taxing Governmental Authority, and shall provide JD HK Company with a tax payment receipt issued by the appropriate PRC taxing Governmental Authority evidencing that any and all Suqian Yitong Equity Transfer Tax required to be paid has been paid in full.

ARTICLE IX

CONDITIONS TO CLOSING

Section 9.1 **General Conditions** . The respective obligations of the Parties to consummate the Transactions shall be subject to the fulfillment, at or prior to the Closing, of the following conditions, which may, to the extent permitted by applicable Laws, be waived in a writing signed by all Parties, in the sole discretion of each Party:

(a) **No Injunction or Prohibition** . No Governmental Authority shall have, after the date hereof, enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is then in effect and that enjoins, restrains, makes illegal or otherwise prohibits the consummation of the Transactions.

(b) **Regulatory Approvals** . All such approvals, filings and notifications as may be required under applicable Law with respect to Suqian Yitong Equity Transfer, including such approvals, filings and notifications as may be required under applicable regulations of MOFCOM and the SAIC, shall have been completed or obtained.

(c) **Legal Opinion** .. JD Finance and JD Group shall have received from Jingtian & Gongcheng an enforceability opinion substantially in the form attached as **Exhibit B** (the “ **PRC Closing Opinion** ”); **provided** that the PRC Closing Opinion may differ from the form attached as **Exhibit B** solely to the extent that such differences (x) result from changes in Law between the date of this Agreement and the Closing or (y) have been approved in writing by both JD Finance and JD Group.

Section 9.2 **Conditions to Obligations of the JD Group Parties** . The obligations of the JD Group Parties to consummate the Transactions shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which, to the extent permitted by applicable Laws, may be waived in writing by JD Group (with the prior written approval of the JD Group Audit Committee) in its sole discretion:

(a) **Representations and Warranties** . The representations and warranties of JD Finance, Suqian Limao and Founder Holdcos contained in this Agreement shall be true and correct as of the date hereof and as of the date of the Closing as if made on such date (unless made as of a specified date, in which case, as of such date);

(b) **Pre-Closing Covenants** . Each of the Parties other than the JD Group Parties shall have performed and complied with, in all material respects, all obligations and agreements required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) Transaction Documents . Each Transaction Document shall have been validly executed and delivered by the applicable parties thereto (other than the JD Group Parties) and shall be in full force and effect;

(d) Receipt of Payments by JD Finance . JD Finance (i) shall have received prior to the Closing payments by the JD Finance New Investors in an aggregate amount equal to the Suqian Yitong Equity Transfer Consideration in immediately available funds pursuant to the closing under the JD Finance Reorganization and Subscription Framework Agreement, and (ii) JD Finance shall have prior to the Closing completed the capital injection of the Suqian Yitong Equity Transfer Consideration into JD Finance Sub as registered capital;

(e) Receipt of Payments by Suqian Limao . Suqian Limao shall have received at or prior to the Closing payments by Founder Holding Entity and one of the JD Finance New Investors in an aggregate amount of the Amount of Suqian Limao Debt in immediately available funds, in consideration for Founder Holding Entity's and such JD Finance New Investor's purchases of certain Equity Securities of JD Finance held by Suqian Limao;

(f) Payment into Escrow Accounts . JD Finance Sub shall have prior to the Closing deposit an aggregate amount equal to the difference between the Suqian Yitong Equity Transfer Consideration and the Suqian Yitong Equity Transfer Tax into the Escrow Accounts in accordance with Section 8.8 ; and

(g) Payment of Suqian Yitong Equity Transfer Tax . At or prior to the Closing, JD Finance Sub shall have paid the Suqian Yitong Equity Transfer Tax to the appropriate PRC taxing Governmental Authority using funds in its accounts other than the Escrow Accounts, and shall have provided JD HK Company with a tax payment receipt issued by the appropriate PRC taxing Governmental Authority evidencing that any and all Suqian Yitong Equity Transfer Tax required to be paid has been paid in full.

Section 9.3 Conditions to Obligations of JD Finance . The obligations of JD Finance to consummate the Transactions shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which, to the extent permitted by applicable Laws, may be waived in writing by JD Finance in its sole discretion:

(a) Representations and Warranties . The representations and warranties of JD Group contained in this Agreement shall be true and correct as of the date hereof and as of the date of the Closing as if made as of such date (unless made as of a specified date, in which case, as of such date);

(b) Pre-Closing Covenants . Each of the Parties other than JD Finance and JD Finance Sub shall have performed and complied with, in all material respects, all obligations and agreements required by this Agreement to be performed or complied with by it prior to or at the Closing; and

(c) Transaction Documents . Each Transaction Document shall have been validly executed and delivered by the applicable parties thereto (other than JD Finance and JD Finance Sub) and shall be in full force and effect.

ARTICLE X

ADDITIONAL COVENANTS

Section 10.1 Board Representation of JD Group .

(a) Jointly Appointed Director .

(i) During the Jointly Appointed Director Ownership Period, JD Group and JD Finance shall mutually agree to recommend one person to JD Finance, who JD Finance shall nominate for election as a director of JD Finance board of directors (the “Jointly Appointed Director ”); provided , that neither any Person that is an officer or employee of JD Finance nor the Founder may be designated as the Jointly Appointed Director. The Parties shall agree on the initial Jointly Appointed Director as promptly as practicable, and in any event prior to the date of the Closing. The “Jointly Appointed Director Ownership Period ” shall commence on the date of the Closing and shall terminate upon the first date following the first occurrence of any Issuance on which JD Group and its Subsidiaries do not collectively own at least fifty percent (50%) of the aggregate Ownership Interests in JD Finance issued, on or prior to such date, to JD Group and its Subsidiaries collectively pursuant to this Agreement; provided , that if JD Group and/or any of its Subsidiaries is required by Law to sell or otherwise transfer or dispose of JD Finance Equity or equivalent equity interests of JD Finance, such sale shall not terminate the Jointly Appointed Director Ownership Period unless JD Group and/or any of its Subsidiaries subsequently voluntarily sells any JD Finance Equity or equivalent equity interests of JD Finance and immediately following such sale JD Group and its Subsidiaries collectively own less than fifty percent (50%) of the aggregate Ownership Interests in JD Finance issued, on or prior to the date of such sale, to JD Finance and its Subsidiaries collectively pursuant to this Agreement.

(ii) During the Jointly Appointed Director Ownership Period, JD Finance shall use reasonable best efforts, and JD Group and other Parties shall cooperate with JD Finance, to elect or cause the election of such Jointly Appointed Director to the board of directors of JD Finance and otherwise effect the provisions of this Section 10.1 and any determination or resolution of the board of directors of JD Finance under this Section 10.1 , including (prior to any initial public offering) amending the organizational documents to increase or decrease the numbers of directors on the board of directors of JD Finance and electing or removing directors and (following any initial public offering), nominating the Jointly Appointed Director for election to the board of directors of JD Finance and recommending and soliciting proxies for the Jointly Appointed Director to the same extent as JD Finance does for any of its other nominees to its board of directors. Without limiting the foregoing, at all times during the Jointly Appointed Director Ownership Period, JD Finance shall use its reasonable best efforts to cause the holders of JD Finance Equity entitled to elect the directors on the board of directors of JD Finance to vote, and each Founder Holdco shall vote, their respective JD Finance Equity in favor of the election of the duly designated Jointly Appointed Director to JD Finance board of directors.

(b) Committee Representation . During the Jointly Appointed Director Ownership Period, the audit committee of the board of directors of JD Finance shall include the Jointly Appointed Director and JD Finance shall cause the Jointly Appointed Director to be elected or appointed to such committee, in each case subject to applicable Laws.

(c) Jointly Appointed Director Vacancy . Subject to Section 10.1(a) , upon the death, disability, resignation, retirement, disqualification, removal or other expiration or termination of service of the Jointly Appointed Director during the Jointly Appointed Director Ownership Period, to the extent permitted by applicable Laws, upon the approval of the JD Group Audit Committee, JD Group shall have the right to designate any replacement for the Jointly Appointed Director, which replacement shall satisfy all requirements under Section 10.1(a) and Section 10.1(b) . JD Finance shall use its reasonable best efforts to take all action required to fill the vacancy on its board of directors and its audit committee resulting therefrom with such person. For the avoidance of doubt, removal and replacement of the Jointly Appointed Director (and the failure to re-appoint such director at the end of any term) shall require the same approvals as appointment of the Jointly Appointed Director and the last sentence of Section 10.1(a)(ii) shall apply to any replacement Jointly Appointed Director designated pursuant to this Section 10.1(c) .

Section 10.2 Information Rights .

(a) JD Finance shall, and shall cause each Subsidiary to, maintain true books and records of account in which full and correct entries shall be made of all its business transactions pursuant to a system of accounting established and administered in accordance with GAAP, and shall set aside on its books all such proper accruals and reserves as shall be required under GAAP. During the period commencing on the date of the Closing and ending upon payment in full of the Liquidity Event Payment and for so long as the Maximum Issuance Interest is no less than 1.614%, JD Finance shall deliver to JD Group the following financial information:

(i) Not later than twenty (20) days after the end of each of the quarterly accounting periods or, after the Qualified IPO, not later than the date on which JD Finance publicly discloses them, the unaudited consolidated balance sheets of JD Finance and its Subsidiaries as of the end of each such period, the related unaudited consolidated statements of operations, equity and cash flows of JD Finance and its Subsidiaries for such quarterly period and for the period from the beginning of such fiscal year to the end of such quarterly period. All such financial statements shall be prepared in accordance with GAAP applied on a consistent basis and be certified by JD Finance's Chief Financial Officer (and Chief Accounting Officer after such Chief Accounting Officer is appointed). For the avoidance of doubt, if such financial statements are prepared in accordance with IFRS or PRC GAAP, JD Finance shall provide a reconciliation of such financial statements to U.S. GAAP, and shall cause such reconciliation to be reviewed by the firm serving as JD Finance's independent public accountants at such time.

(ii) As soon as available but in any event not later than thirty (30) days after the end of each fiscal year of JD Finance, the unaudited consolidated balance sheets of JD Finance and its Subsidiaries as of the end of fiscal year and the related consolidated statements of operations, equity and cash flows of JD Finance and its Subsidiaries for the fourth quarterly period of such fiscal year. All such financial statements shall be prepared in accordance with GAAP applied on a consistent basis and be certified by JD Finance's Chief Financial Officer (and Chief Accounting Officer after such Chief Accounting Officer is appointed). For the avoidance of doubt, if such financial statements are prepared in accordance with IFRS or PRC GAAP, JD Finance shall provide a reconciliation of such financial statements to U.S. GAAP, and shall cause such reconciliation to be reviewed by the firm serving as JD Finance's independent public accountants at such time.

(iii) As soon as available, but in any event no later than ninety (90) days after the end of each fiscal year of JD Finance, a copy of the audited consolidated balance sheets of JD Finance and its Subsidiaries as of the end of such fiscal year and the related consolidated statements of operations, equity and cash flows of JD Finance and its Subsidiaries stating in comparative form the figures as of the end of and for the previous fiscal year certified by one of the "big four" accounting firms selected by JD Finance and approved by the JD Finance's equityholders. All such financial statements shall be prepared in accordance with GAAP applied on a consistent basis and be certified by JD Finance's Chief Financial Officer (and Chief Accounting Officer after such Chief Accounting Officer is appointed). For the avoidance of doubt, if such financial statements are prepared in accordance with IFRS or PRC GAAP, JD Finance shall provide a reconciliation of such financial statements to U.S. GAAP, and shall cause such reconciliation to be reviewed by the firm serving as JD Finance's independent public accountants at such time.

(iv) Upon JD Group's request and as soon as available but in any event not later than sixty (60) days after the end of each quarterly accounting period, (A) explanations for any significant movements from the prior quarter in each of the unaudited consolidated balance sheets and statements of income, equity and cash flows in conjunction with this Section 10.2, and (B) operating metrics relevant to JD Finance's businesses and used by JD Finance's management for decision-making purposes (excluding any Highly Sensitive Information).

(b) All access to information provided for in this Section 10.2 shall be during normal business hours following reasonable advance notice to JD Finance, and in a manner that does not unreasonably interfere with JD Finance's business operations. Nothing in this Section 10.2 shall require JD Finance to disclose to JD Group or the JD Group Audit Committee, or to permit any auditor to disclose to JD Group or the JD Group Audit Committee, (i) any Highly Sensitive Information; (ii) any information to the extent such disclosure of such information would violate applicable Laws; (iii) any information to the extent that disclosure thereof would constitute a breach of an agreement with a third party; or (iv) any information whose disclosure would result in a waiver of any attorney-client privilege.

(a) Preemptive Rights .

(i) Following any Issuance arising from a Pre-QIPO Issuance Event and until, but not including, the time of the Qualified IPO, if JD Finance proposes to sell any Equity Securities of JD Finance (the “ Additional Securities ”), JD Finance shall, no later than thirty (30) days prior to issuing such Additional Securities (or in the case of any marketed offering prior to the Qualified IPO, no later than the earlier of thirty (30) days prior to issuing such Additional Securities and ten (10) days prior to the printing of the preliminary prospectus in connection with such offering), notify JD Group in writing of such proposed issuance (which notice shall specify, to the extent practicable, the purchase price or a range for the purchase price, if any, for, and the terms and conditions of, such Additional Securities) and shall offer to sell such Additional Securities to JD Group in the amounts set forth in Section 10.3(a)(iii) or Section 10.3(a)(iv) , as applicable, and subject to Section 10.3(c) , upon the terms and conditions set forth in the notice and at the Additional Securities Purchase Price as provided in Section 10.3(b) (the “ Preemptive Rights ”).

(ii) If JD Group wishes to subscribe for a number of Additional Securities equal to or less than the number to which they are entitled under this Section 10.3(a) , JD Group may do so (by itself or by causing such Person(s) to which it would be permitted to Transfer Equity Securities pursuant to Section 10.5 to subscribe for all or a portion of such Additional Securities) and shall, in the written notice of exercise of the offer, specify the number of Additional Securities that it (or each of such Person(s)) wishes to purchase.

(iii) With respect to Additional Securities that are JD Finance Equity or equivalent equity interests of JD Finance, JD Finance shall offer to JD Group a number of such Additional Securities, such that, after giving effect to the proposed issuance (including the issuance to JD Group pursuant to the Preemptive Rights), JD Group’s Ownership Interest in JD Finance after such issuance would equal JD Group’s Ownership Interest in JD Finance immediately prior to such issuance, such number of Additional Securities set forth in this Section 10.3(a)(iii) to constitute the “ Preemptive Amount of Securities ” for JD Group for purposes of any exercise of its Preemptive Rights. If, at the time of the determination of any Preemptive Amount of Securities under this Section 10.3(a)(iii) , any other Person has preemptive or other equity purchase rights similar to the Preemptive Rights, such Preemptive Amount of Securities shall be recalculated to take into account the amount in RMB or the number of equivalent equity interests reflecting the Ownership Interest in JD Finance of such Persons that such Persons have committed to purchase, rounding down such Preemptive Amount of Securities to the nearest whole such security of JD Finance that is proposed for sale.

(iv) With respect to Additional Securities that are Equity Securities and not JD Finance Equity nor equivalent equity interests of JD Finance, JD Finance shall offer to JD Group, all or any portion specified by JD Group, of a number of such securities equal to the total number of such Additional Securities proposed to be sold, multiplied by JD Group's Ownership Interest in JD Finance at such time (which number shall constitute the Preemptive Amount of Securities for purposes of any exercise of Preemptive Rights to which this Section 10.3(a)(iv) applies). If, at the time of the determination of any Preemptive Amount of Securities under this Section 10.3(a)(iv), any other Person has preemptive or other equity purchase rights similar to the Preemptive Rights, such Preemptive Amount of Securities shall be recalculated to take into account the number of such securities such Persons have committed to purchase, rounding down such Preemptive Amount of Securities to the nearest whole such security of JD Finance that is proposed for sale.

(b) Purchase Price . The “ Additional Securities Purchase Price ” for the Additional Securities to be issued pursuant to the exercise of the Preemptive Rights shall be payable only in cash (unless otherwise unanimously agreed by JD Group and JD Finance), and shall equal per Additional Security the per security issuance price for the Additional Securities giving rise to such Preemptive Right.

(c) Exercise Period . The Preemptive Rights set forth in this Section 10.3 must be exercised by acceptance in writing of any offer referred to in Section 10.3(a)(i), (i) within thirty (30) days following the receipt of the notice from JD Finance of its intention to sell Equity Securities, and (ii) in connection with any marketed offering (prior to the Qualified IPO), at least five (5) Business Days prior to the printing of the preliminary prospectus in connection with such offering; provided, that, in the case of clauses (i) and (ii), such acceptance shall indicate a willingness to purchase at the same per equity interest price at which such securities are sold to the public (less underwriting fees and discounts, which difference shall be shared equally by JD Group and JD Finance) and may specify a maximum and/or minimum per equity interest price that such offeree is willing to pay for such Equity Securities. The closing of any purchase of Additional Securities pursuant to the exercise by JD Group of its Preemptive Rights hereunder shall occur within sixty (60) days after delivery of the notice by JD Finance as provided in Section 10.3(a)(i), subject to the receipt of any necessary Governmental Approvals to which the issuance of the Additional Securities is subject; provided, that such sixty (60)-day period shall be extended automatically as necessary to apply for and obtain any Governmental Approvals that are required to consummate such purchase, so long as JD Group is making good faith efforts to obtain such Governmental Approvals as soon as practicable in accordance with applicable Laws. If there is any such extension, the relevant period will end on the fifth (5th) Business Day following the receipt of such Governmental Approvals.

(d) Termination of Rights . The Preemptive Rights shall not be exercisable with respect to the Qualified IPO, and shall terminate (if not already terminated pursuant to the following sentence) upon, and be of no force and effect from and after, the completion of the Qualified IPO.

Section 10.4 Certain Transactions .

(a) Prior to the occurrence of Issuances resulting, in the aggregate, in an Issuance Percentage of 100%, without the prior consent of the JD Group Audit Committee:

(i) JD Finance will not issue any Equity Securities other than in a Qualified IPO, unless the pre-money valuation of JD Finance on a consolidated basis implied by such issuance of Equity Securities is not less than the valuation of JD Finance on a consolidated basis implied by the issuance of Equity Securities contemplated by the JD Finance Reorganization and Subscription Framework Agreement;

(ii) JD Finance will not undertake or consummate, and each Founder Holdco will not otherwise permit, any IPO of JD Finance other than a Qualified IPO;

(iii) JD Finance will not undertake or consummate, and each Founder Holdco will not otherwise permit, any Liquidity Event involving a Related Party as a counter-party; and

(b) Following the earliest occurrence of any Issuance, without the prior consent of the JD Group Audit Committee, JD Group shall not, and shall not permit any of its Subsidiaries (which, for the avoidance of doubt, shall not include JD Finance or any of its Subsidiaries) to:

(i) elect not to exercise, or fail to exercise, wholly or in part, its Preemptive Rights pursuant to Section 10.3 ;

(ii) voluntarily Transfer any Equity Securities of JD Finance directly or indirectly held by JD Group.

Section 10.5 Transfer Restrictions .. Following the Closing, neither of JD Group nor any Founder Holdco shall Transfer any Equity Securities of JD Finance Beneficially Owned by it except pursuant to one of the following provisions:

(a) Transfers to Subsidiaries . At any time, JD Group (or its Subsidiaries) and Founder Holdcos (or their Subsidiaries) (each, to the extent that it owns Equity Securities of JD Finance, a “ JD Finance Equityholder ” and “ JD Finance Equity Transferor ”) may transfer their Equity Securities of JD Finance to any wholly-owned Subsidiary of such JD Finance Equityholder; provided , however , that such transferee shall at all times continue to be a wholly-owned Subsidiary and that such transferee becomes a party to this Agreement pursuant to an instrument satisfactory to JD Group’s and each Founder Holdco’s Representative; and provided , further , that if, at any time, such transferee ceases to be a wholly-owned Subsidiary of such JD Finance Equityholder, it shall immediately return all of the Equity Securities of JD Finance received under this Section 10.5(a) to such JD Finance Equityholder. For the avoidance of doubt, no transfer of Equity Securities of JD Group shall be deemed to be a Transfer of Equity Securities of JD Finance.

(b) Right of First Refusal .

(i) If, from time to time, a JD Finance Equityholder proposes to Transfer any Equity Securities owned by that JD Finance Equityholder to a specific Person other than the other JD Finance Equityholder (a “ Proposed Transferee ”), then prior to consummating such Transfer, the JD Finance Equity Transferor shall deliver a written notice (the “ Offer Notice ”) to the other JD Finance Equityholder (the “ Offeree ”), setting forth the identity of the Proposed Transferee, its *bona fide* intention to Transfer Equity Securities of JD Finance to such Proposed Transferee, the number and type of Equity Securities of JD Finance to be Transferred (the “ JD Finance Subject Equities ”), the total consideration (including the amount and form thereof) for which such Proposed Transferee has offered to acquire, or such JD Finance Equityholder has offered to sell to such Proposed Transferee the JD Finance Subject Equities (the “ Offer Price ”), and any other terms of the proposed Transfer.

(ii) The Offer Notice shall constitute, for a period of fifteen (15) days from the date on which it shall have been deemed given, an irrevocable and exclusive offer to sell to the Offeree (or any direct or indirect wholly-owned Subsidiary designated by the Offeree), at the Offer Price, all or a portion of the JD Finance Subject Equities.

(iii) The Offeree (or a designated direct or indirect wholly-owned Subsidiary thereof) may accept the offer set forth in an Offer Notice by giving notice to the JD Finance Equity Transferor, prior to the expiration of such offer, specifying the number of the JD Finance Subject Equities that the Offeree wishes to purchase. The Offeree may exercise the right to purchase all or a portion of the JD Finance Subject Equities pursuant to this Section 10.5(b) by causing such Person(s) to which the Offeree would be permitted to Transfer Equity Securities of JD Finance pursuant to Section 10.5(a) to purchase all or portion of the JD Finance Subject Equities directly from the JD Finance Equity Transferor, if so specified in the notice given to the JD Finance Equity Transferor pursuant to this Section 10.5(b)(iii) .

(iv) If the Offeree agrees to purchase any or all of the JD Finance Subject Equities pursuant to this Section 10.5(b) , it shall pay in cash or immediately available funds for, and the JD Finance Equity Transferor shall deliver valid title, free and clear of any Encumbrance, to, such JD Finance Subject Equities, subject to receipt of any necessary or advisable third-party approvals or any Governmental Approvals, within fifteen (15) days following completion of the procedures set forth in Section 10.5(b)(ii) or such longer period as is required to obtain any necessary or advisable third-party approvals or Governmental Approvals.

(v) If the offers made by the JD Finance Equity Transferor to the Offeree pursuant to Section 10.5(b)(ii) expire without an agreement by the Offeree to purchase all of the JD Finance Subject Equities, the JD Finance Equity Transferor shall have thirty (30) days following such expiry to enter into a definitive agreement with the Proposed Transferee with respect to such Transfer and, if such agreement is timely entered into, sixty (60) days following the date of that agreement to effect the Transfer of the balance of the JD Finance Subject Equities to the Proposed Transferee, for cash, at a price not less than the Offer Price, and upon terms not otherwise more favorable to the transferee or transferees than those specified in the Offer Notice, subject to the execution and delivery by such third party of an assignment and assumption agreement, in form and substance satisfactory to the other JD Finance Equityholders, pursuant to which such third party shall assume all of the obligations of a party pursuant to or under this Agreement. In the event that the JD Finance Equity Transferor has not entered into a definitive agreement with the Proposed Transferee within such thirty (30)-day period or such Transfer is not consummated within such sixty (60)-day period, the JD Finance Equity Transferor shall not be permitted to sell its JD Finance Equity Securities pursuant to this Section 10.5(b) without again complying with each of the requirements of this Section 10.5(b) ; provided , that such sixty (60)-day period should be extended automatically as necessary to apply for and obtain any Governmental Approvals that are required to consummate such Transfer, so long as the JD Finance Equity Transferor is making good faith efforts to obtain such Governmental Approvals as soon as practicable in accordance with applicable Laws. If there is such extension, the relevant period will end on the fifth (5th) Business Day following the receipt of such Governmental Approvals.

(vi) The right of first refusal held by JD Group pursuant to this Section 10.5(b) shall be freely assignable, in connection with any specific Transfer, to the extent that JD Group could not exercise such right without exceeding any applicable regulatory threshold. The right of first refusal held by such Founder Holdco shall be freely assignable to any Person that is controlled by the Founder.

(vii) The provisions of this Section 10.5(b) shall not be exercisable with respect to, and shall terminate upon, and be of no force and effect from and after, the completion of the Qualified IPO.

(c) Transfers to Non-PRC Persons . Prior to the occurrence of Issuances resulting, in the aggregate, in an Issuance Percentage of 100%, neither any Founder Holdco nor JD Finance shall, and JD Finance shall cause each holder of Equity Securities of JD Finance not to, enter into, effect or give effect to any Transfer of Equity Securities of JD Finance or other transaction if, to his or its knowledge after due inquiry, immediately following such transaction, any Person other than a PRC Person would acquire Beneficial Ownership of Equity Securities of JD Finance, it being understood that the applicable proposed Transferor party shall have satisfied his or its obligation of due inquiry if each Transferee party in such transaction has given an enforceable representation and warranty to each Transferor party to the effect that it is a PRC Person. Actions taken and agreements made by JD Finance, Founder Holdcos or any holder of Equity Securities of JD Finance not consistent with this Section 10.5 shall be null and void *ab initio* .

Section 10.6 IPO .

(a) Restructuring .. Following the earliest occurrence of any Issuance, if, for any reason, a restructuring of JD Finance's Equity Securities, including any stock split or reverse stock split, share exchange, merger or share or equity interest conversion, or of JD Finance and its Subsidiaries is required in order to effect the Qualified IPO, such restructuring shall be conducted in a manner that results in JD Group and its Subsidiaries holding equity interests of the entity that is to issue equity interests in the Qualified IPO (and equity interests of any other entity that is not a Subsidiary of such entity succeeding to or acquiring any material assets or operations of JD Finance in such restructuring) having equivalent value and voting power as the Equity Securities of JD Finance held by JD Group and its Subsidiaries immediately prior to such restructuring.

(b) Participation Right .. Following the earliest occurrence of any Issuance, if JD Finance proposes to effect the Qualified IPO, JD Finance shall give JD Group written notice of its intent to do so as soon as reasonably practicable, at a time leaving JD Group a reasonable opportunity to comply with any applicable Laws in connection with its exercise of the right described in this Section 10.6(b) , and in any event not less than thirty (30) Business Days prior to the contemplated publication or public filing of the prospectus for such offering. Within fifteen (15) Business Days following the delivery of such notice and subject to applicable Law, JD Group may, at the sole discretion of the JD Group Audit Committee, by notice to JD Finance, irrevocably commit to sell a number of equity interests of JD Finance up to the number of equity interests JD Group and its Subsidiaries own directly in JD Finance, and JD Finance shall include in the Qualified IPO such number of equity interests as specified in such notice; provided , that if the managing underwriter of such Qualified IPO in good faith shall have advised JD Finance that, in its opinion, the inclusion in the offering of the number of equity interests committed to be sold by JD Group in accordance with this Section 10.6(b) would adversely affect the price or success of the offering, JD Finance shall include in the offering only such number of equity interests as JD Finance is advised can be sold in such offering without such an effect provided that any reduction in equity interests to be included in the offering shall be effected in the following order of priority: (i) first, equity interests that the JD Finance proposes to offer for its own account; (ii) second, equity interests that JD Group and its Subsidiaries have committed to sell in the offering; and (iii) third, any equity interests that other equityholders have requested to be sold in such offering.

(c) Cooperation .. If requested by the managing underwriter in a Qualified IPO, following the earliest occurrence of any Issuance, JD Group shall, and shall cause its Subsidiaries to, agree not to effect any transfer of Equity Securities of JD Finance other than as part of the Qualified IPO during a lock-up period for the longer of (i) any statutory lock-up period and (ii) a period that the managing underwriter reasonably determines to be customary for major stockholders in a large initial public offering after consultation with JD Group; provided , that in the case of clause (ii), such lock-up period is not longer than, and shall expire no later than the expiration of, any lock-up period required to be agreed to by any other seller of Equity Securities of JD Finance in the offering (including any management seller) that is expected to sell shares constituting more than 20% of the aggregate shares to be offered in the offering. If JD Group or any of its Subsidiaries is selling equity interests in the Qualified IPO, JD Group and such Subsidiaries shall enter into customary underwriting and other agreements and documentation in connection with such offering on terms substantially similar to those applicable to JD Finance, and furnish to JD Finance such information regarding JD Group and its intended method of distribution of the equity interests to be sold as JD Finance may from time to time reasonably request in order to comply with JD Finance's obligations under all applicable securities and other Laws and to ensure that the prospectus or other offering documents conform to applicable securities and other Laws. If JD Group or any of its Subsidiaries is selling equity interests in the Qualified IPO, JD Finance shall fully cooperate with the marketing of the equity interests to be sold in the offering, including the equity interests to be sold by JD Group and its Subsidiaries, including, at the recommendation or request of the managing underwriter, making its officers available to participate in "road show," "one on one" and other customary marketing activities in such locations as recommended by the managing underwriter.

(a) JD Finance .

(i) Competing Business Investments . During the Business Scope Period, JD Finance shall, and shall cause its Subsidiaries not to, without the prior written consent of JD Group, directly or indirectly engage in, enter into, or participate in the JD Group Business as an owner, partner or principal (including by means of any arrangements that function similarly to equity interests), or otherwise compete with JD Group in the JD Group Business; provided , that JD Finance and its Subsidiaries shall be permitted to make passive investment (including in Equity Securities and/or debt securities or instruments), from time to time, regardless of whether the invested company competes with the JD Group Business, provided, further that JD Finance and its Subsidiaries shall not Control the invested company.

(ii) No Exit Obligation .. If JD Finance first engages in, enters into, participates in, or invests in any of the businesses at a time when it is not prohibited from doing so pursuant to the other provisions of this Section 10.7(a) , JD Finance shall be permitted to continue to engage or participate in such businesses notwithstanding any such prohibition arising after such time, including as a result of subsequent changes to the scope of the JD Group Business.

(b) JD Group .. During the Business Scope Period, JD Group shall, and shall cause its Subsidiaries not to, without the prior written consent of JD Finance, directly or indirectly engage in, enter into, or participate in the JD Finance Business as an owner, partner or principal (including by means of any arrangements that function similarly to equity interests), or otherwise compete with JD Finance in the JD Finance Business; provided , that JD Group and its Subsidiaries shall be permitted to engage in activities and make investments as provided in clauses (i) through (iii) below.

(i) Shared Businesses .. JD Group and its Subsidiaries may, from time to time, directly or indirectly, engage in or participate in the businesses set forth on Section 10.7 of the JD Group Disclosure Schedules.

(ii) Competing Business Investments . JD Group and its Subsidiaries may, from time to time, make passive investment (including in Equity Securities and/or debt securities or instruments) regardless of whether the invested company competes with the JD Finance Business, provided , that JD Group and its Subsidiaries shall not Control the invested company, provided , further , that in the event that any applicable Law enjoins or prohibits JD Group and its Subsidiaries from making any of such passive investments, JD Group and JD Finance shall negotiate in good faith on the disposal or sale of the relevant investment to JD Finance or a third party.

(iii) Non-Exclusivity . JD Group and its Subsidiaries may, from time to time, enter into and perform contracts and agreements with third Persons for the provision or procurement of payment services and other financial services and products, including sharing of data and traffic support.

Section 10.8 JD Group Audit Committee . Any consents, determinations or decisions of the JD Group Audit Committee referred to herein shall be made in accordance with the charter of the JD Group Audit Committee, as effective from time to time, or, in the event that such charter does not provide for the manner in which such consents, determinations or decisions shall be made, by majority vote.

Section 10.9 Further Assurances .

(a) Following an Issuance, in the event that, as a result of any change in Law or any action taken by any Governmental Authority, JD Group or a Subsidiary thereof is required to divest, or is prohibited from owning, any or all of the Equity Securities of JD Finance acquired by it pursuant to this Agreement, then JD Finance and JD Group shall, as soon as practicable, negotiate in good faith and use their respective reasonable best efforts to agree on contractual or other alternative arrangements providing, to the extent permitted by applicable Laws, JD Group with economic rights and other rights and benefits equivalent to the rights and benefits of ownership of the Equity Securities of JD Finance that JD Group or its Subsidiary is required to divest or is prohibited from owning. Such contractual or alternative arrangements may include, to the extent agreed by JD Finance and JD Group in good faith, profit sharing, mandatory liquidity event payments and other arrangements similar to those provided for in this Agreement.

(b) If Issuances resulting, in the aggregate, in an Issuance Percentage of 100% do not occur prior to the Qualified IPO, but no Liquidity Event Payment is payable under Section 2.3(a) , then (i) JD Finance shall not permit in connection with any Post-QIPO Issuance Event any Issuance resulting, in the aggregate, in JD Group having Beneficial Ownership of 30% or more of the aggregate Ownership Interests in JD Finance absent the prior written consent of JD Group, (ii) if the foregoing clause (i) prevents the Issuance Percentage from reaching 100%, the Parties shall discuss in good faith a process for effecting Issuances resulting, in the aggregate, in an Issuance Percentage of 100% without triggering a mandatory tender offer under the Laws of the PRC and (iii) the Parties shall ensure that any Post-QIPO Issuance Event complies with applicable Laws.

Section 10.10 Dividends .. Prior to the earlier of (i) an Qualified IPO, and (ii) the time when JD Group receives from JD Finance the first payment of the JD Finance Royalty and Software Technology Services Fee (as defined under the IPLA) in accordance with Sections 5.1 and 5.2 of the IPLA, neither JD Finance nor any non-wholly owned Subsidiary of JD Finance shall declare or pay any dividends.

Section 10.11 Further Covenants .

(a) Maintenance of Existence; Compliance . Until the earlier of: (a) the date on which the Issuance Percentage is 100% and (b) all obligations and liabilities of JD Finance to pay any Liquidity Event Payment and interest and tax-related payments under this Agreement, and all obligations and liabilities of JD Finance to make payments under the IPLA are satisfied and discharged in full, JD Finance shall take all reasonable action to (i) preserve, renew and keep in full force and effect its organizational existence, (ii) maintain all rights, privileges, business licenses and franchises, and comply with all Contracts, in each case as is necessary or desirable in the normal conduct of its business, and (iii) comply in all material respects with all Laws and judgments, orders and decrees of any Governmental Authority.

(b) Release from Escrow Accounts . Each of the Parties hereto shall use its reasonable best efforts to take, or cause to be taken, all actions, and use its reasonable best efforts to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things consistent with applicable Laws and necessary, proper or advisable to release an aggregate amount equal to the difference between the Suqian Yitong Equity Transfer Consideration and the Suqian Yitong Equity Transfer Tax from the Escrow Accounts and pay such amount by wire transfer of immediately available funds to the JD HK Company Bank Accounts, as soon as practicable after the Closing, and none of the Parties shall take any action or omit to take any action that would or would reasonably be expected to prevent, impair, make illegal or materially delay such release.

ARTICLE XI

TERMINATION

Section 11.1 Termination of Transactions . The provisions of this Agreement relating to (and only to the extent relating to) the consummation of the Transactions may be terminated at any time prior to the Closing:

- (a) by mutual written consent of JD Group and JD Finance;
- (b) by either JD Group or JD Finance if any court of competent jurisdiction shall have issued an Order, decree or ruling or taken any other action restraining, enjoining, making illegal or otherwise prohibiting the consummation of any of the Transactions and such Order, decree, ruling or other action shall have become final and nonappealable; provided , that the Party so requesting termination shall have used its reasonable best efforts in accordance with Section 8.2(a) to have such Order, decree, ruling or other action vacated;
- (c) by JD Finance in the event of a failure of JD Group's representations, as set forth in Article IV , to be true and correct or a material breach by JD Group, JD HK Company or Suqian Yitong of its obligations or agreements hereunder, in each case that would cause a condition set forth in Section 9.1 or Section 9.3 not to be satisfied, which failure or breach remains uncured for sixty (60) days following written notice thereof by JD Finance to JD Group;
- (d) by JD Group in the event of a failure of JD Finance's representations, as set forth in Article V or Founder Holdco's representations, as set forth in Article VII (other than Section 7.4), to be true and correct or a material breach by JD Finance of its obligations or agreements hereunder, in each case that would cause a condition set forth in Section 9.1 or Section 9.2 not to be satisfied, which failure or breach remains uncured for sixty (60) days following written notice thereof by JD Group to JD Finance; or

(e) by either JD Group or JD Finance if the Closing has not occurred by the 180th day following the date hereof; provided, that the Party so requesting termination shall not have breached any provision of this Agreement in a manner that primarily caused the failure of the Closing to occur by such date.

The Party seeking to terminate such provisions of this Agreement pursuant to this Section 11.1 (other than Section 11.1(a)) shall give prompt written notice of such termination to each other Party.

Section 11.2 Effect of Termination .. In the event of termination of certain provisions of this Agreement as provided in Section 11.1, such provisions of this Agreement shall forthwith become void and there shall be no Liability on the part of any Party with respect thereto. The remaining provisions of this Agreement shall remain in full force and effect.

ARTICLE XII

INDEMNIFICATION

Section 12.1 Indemnification by JD Group . JD Group shall save, defend, indemnify and hold harmless JD Finance and its respective officers, directors, employees, agents, successors and assigns from and against any and all losses, damages, Liabilities, deficiencies, claims, interest, awards, judgments, penalties, costs and expenses (including reasonable attorneys' fees, costs and other out-of-pocket expenses incurred in investigating, preparing or defending the foregoing) (hereinafter, collectively, "Losses") to the extent arising out of or resulting from (i) any failure of any representation or warranty set forth in Article IV to be true and correct as of the date hereof and as of the date of the Closing as if made on such date (unless made as of a specified date, in which case, as of such date), or (ii) any breach of or failure to perform or comply with the covenants or agreements of the JD Group Parties contained in this Agreement.

Section 12.2 Indemnification by JD Finance . JD Finance shall save, defend, indemnify and hold harmless each of the JD Group Parties, their Affiliates (other than JD Finance and its Subsidiaries) and their respective officers, directors, employees, agents, successors and assigns from and against any and all Losses to the extent arising out of or resulting from (i) any failure of any representation or warranty set forth in Article V to be true and correct as of the date hereof and as of the date of the Closing as if made on such date (unless made as of a specified date, in which case, as of such date), or (ii) any breach of or failure to perform or comply with the covenants or agreements of JD Finance contained in this Agreement.

Section 12.3 Indemnification by Suqian Limao . Suqian Limao shall save, defend, indemnify and hold harmless each of the JD Group Parties, their Affiliates (other than JD Finance and its Subsidiaries) and their respective officers, directors, employees, agents, successors and assigns from and against any and all Losses to the extent arising out of or resulting from (i) any failure of any representation or warranty set forth in Article VI to be true and correct as of the date hereof and as of the date of the Closing as if made on such date (unless made as of a specified date, in which case, as of such date), or (ii) any breach of or failure to perform or comply with the covenants or agreements of Suqian Limao contained in this Agreement.

Section 12.4 Indemnification by Founder Holdcos . Founder Holdcos, jointly and severally, shall save, defend, indemnify and hold harmless each of the JD Group Parties, their Affiliates (other than JD Finance and its Subsidiaries) and their respective officers, directors, employees, agents, successors and assigns from and against any and all Losses to the extent arising out of or resulting from (i) any failure of any representation or warranty set forth in Article VII to be true and correct as of the date hereof and as of the date of the Closing as if made on such date (unless made as of a specified date, in which case, as of such date), or (ii) any breach of or failure to perform or comply with the covenants or agreements of Founder Holdcos contained in this Agreement.

Section 12.5 Procedures .

(a) In order for a JD Finance Indemnified Party or a JD Group Indemnified Party (each, an “ Indemnified Party .”) to be entitled to any indemnification provided for under this Agreement as a result of a Loss or a claim or demand made by any third Person against the Indemnified Party (a “ Third-Party Claim .”), such Indemnified Party shall deliver notice thereof to JD Group or JD Finance, as the case may be, (the “ Indemnifying Party .”), promptly after receipt by such Indemnified Party of written notice of the Third-Party Claim, describing in reasonable detail the facts giving rise to any claim for indemnification hereunder, the amount or method of computation of the amount of such claim (if known) and such other information with respect thereto as the Indemnifying Party may reasonably request. The failure to provide such notice, however, shall not release the Indemnifying Party from any of its obligations under this Article XII , except to the extent that the Indemnifying Party is actually prejudiced by such failure.

(b) An Indemnifying Party shall have the right, upon written notice to the Indemnified Party within thirty (30) days after receipt of notice from the Indemnified Party of the commencement of such Third-Party Claim, to assume the defense thereof at the expense of the Indemnifying Party with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnified Party. If the Indemnifying Party assumes the defense of such Third-Party Claim, the Indemnified Party shall have the right to employ separate counsel and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party; provided , that, if, in the reasonable opinion of counsel for the Indemnified Party, there is a conflict of interest between the Indemnified Party and the Indemnifying Party, the Indemnifying Party shall be responsible for the reasonable fees and expenses of one counsel to such Indemnified Party in connection with such defense. If the Indemnifying Party assumes the defense of any Third-Party Claim, the Indemnified Party shall reasonably cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party such witnesses, pertinent records, materials and information in the Indemnified Party’s possession or under the Indemnified Party’s control relating thereto as is reasonably required by the Indemnifying Party. If the Indemnifying Party assumes the defense of any Third-Party Claim, the Indemnifying Party shall not settle, compromise or discharge such Third-Party Claim without the prior written consent of the Indemnified Party, unless such settlement, compromise or discharge of such Third-Party Claim by its terms obligates the Indemnifying Party to pay the full amount of the Liability in connection with such Third-Party Claim, and releases the Indemnified Party completely in connection with such Third-Party Claim. Whether or not the Indemnifying Party assumes the defense of a Third-Party Claim, the Indemnified Party shall not admit any Liability with respect to, or settle, compromise or discharge, or offer to settle, compromise or discharge, such Third-Party Claim without the Indemnifying Party’s prior written consent.

(c) In the event any Indemnified Party should have a claim against an Indemnifying Party hereunder that does not involve a Third-Party Claim being asserted against or sought to be collected from such Indemnified Party, the Indemnified Party shall deliver notice of such claim promptly to the Indemnifying Party, describing in reasonable detail the facts giving rise to any claim for indemnification hereunder, the amount or method of computation of the amount of such claim (if known) and such other information with respect thereto as the Indemnifying Party may reasonably request. The failure to provide such notice, however, shall not release the Indemnifying Party from any of its obligations under this Article XII except to the extent that the Indemnifying Party is prejudiced by such failure. The Indemnified Party shall reasonably cooperate and assist the Indemnifying Party in determining the validity of any claim for indemnity by the Indemnified Party and in otherwise resolving such matters. Such assistance and cooperation shall include providing reasonable access to and copies of information, records and documents relating to such matters, furnishing employees to assist in the investigation, defense and resolution of such matters and providing legal and business assistance with respect to such matters, in each case, to the extent reasonably required by the Indemnifying Party.

ARTICLE XIII

MISCELLANEOUS

Section 13.1 Certain IPs . As soon as practicable after the payment of Liquidity Event Payment by JD Finance to JD Group in accordance with Section 2.3 hereof, JD Group shall transfer or license to JD Finance certain Intellectual Property as mutually agreed to by the Parties permanently and free of charge.

Section 13.2 Notices . All notices and other communications hereunder shall be in writing, shall be made by personal delivery, internationally recognized courier service, facsimile or electronic mail and shall be deemed received (i) on the date of delivery if delivered personally, (ii) on the date of confirmation of receipt if delivered by an internationally recognized courier service (or the first Business Day following such receipt if (a) the date is not a Business Day or (b) receipt occurs after 5:00 p.m., local time of the recipient) or (iii) on the date of receipt of transmission by facsimile or electronic mail (or the first Business Day following such receipt if (a) the date is not a Business Day or (b) receipt occurs after 5:00 p.m., local time of the recipient), to the Parties at the following addresses, facsimile numbers or email addresses (or at such other address, facsimile number or email address for a Party as shall be specified by like notice):

To JD Group, JD HK Company or Suqian Yitong:

JD.com, Inc.
20th Floor, Building A, No. 18 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District, Beijing 101111
People's Republic of China
Attention: Sidney Xuande Huang, Chief Financial Officer
E-mail: sidney.huang@jd.com

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
c/o 42/F Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong
Attention: Z. Julie Gao
Facsimile No.: +852 3910 4863
Email: julie.gao@skadden.com

To Suqian Limao:

21st Floor, Building A, No. 18 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District, Beijing 101111
People's Republic of China
Attention: Jiao JIAO
E-mail: jiaojiao@jd.com

To JD Finance and JD Finance Sub:

14th Floor, Building A, No. 18 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District, Beijing 101111
People's Republic of China
Attention: Zhijian LIU
E-mail: liuzhijian@jd.com

To Founder Holding Entity:

Room 416-429 Hengtong Building, No. 19 Hongze Lake East Road
Suyu District, Suqian, Jiangsu Province
People's Republic of China
Attention: Jie WU
E-mail: sqwujie@jd.com

To Founder ESOP Partnership:

12th Floor, Building A, No. 18 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District, Beijing 101111
People's Republic of China
Attention: Yan CHEN
E-mail: cwchenyan@jd.com

with a copy to:

21st Floor, Building A, No. 18 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District, Beijing 101111
People's Republic of China
Attention: Liying ZHANG
E-mail: zhangliyinghr@jd.com

Section 13.3 Amendment ; Waiver ; Etc.

(a) Any provision of this Agreement may be amended, waived or modified if, and only if, such amendment, waiver or modification is in writing and signed, (x) in the case of an amendment or waiver of any provision of Article II , Section 10.7 or this Section 13.3 of this Agreement or of any provision that by its terms requires or contemplates the approval of or otherwise refers to the JD Group Audit Committee, by JD Finance, and by JD Group after obtaining consent of the JD Group Audit Committee, (y) in the case of an amendment of any other provision of this Agreement, by (i) JD Group and JD Finance and (ii) any Party other than JD Finance and the JD Group Parties that is adversely and directly affected by such amendment, or (z) in the case of a waiver of any other provision of this Agreement, by the Party against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(b) JD Group and JD Finance agree to negotiate in good faith and reach agreement on the termination of any provision of Section 10.1(a) , Section 10.3 or Section 10.4 , which termination shall be subject to the condition that the Qualified IPO be completed within a certain period of time and other conditions mutually agreed to by the parties at the time, before JD Finance applies for a Qualified IPO, if JD Group's rights under such provision of Section 10.1(a) , Section 10.3 or Section 10.4 are not permitted by, and not capable of being preserved (through preferred stock or otherwise) under, applicable Laws or applicable listing rules; provided , that JD Finance shall have used its reasonable best efforts to cause such rights to be permitted and preserved, including by seeking an exemption under applicable stock exchange rules that would permit or otherwise allow such rights to be preserved.

(c) All material actions, consents, determinations, and approvals, including in connection with amendments and waivers under Section 13.3(a) and the agreement on termination under Section 13.3(b) , to be taken or made by JD Group or its controlled Affiliates under or in connection with any Transaction Document (other than any such matters that require the approval of the JD Group Audit Committee) shall be taken or made solely with prior approval of the JD Group Audit Committee or any person to whom the JD Group Audit Committee delegates such matters.

Section 13.4 Assignment . With the exception of the right of first refusal held by JD Group pursuant to Section 10.5(b) , no Party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of JD Finance and JD Group; provided that the assignor shall remain liable for its obligations under this Agreement. Any assignment without such prior written consent shall be null and void.

Section 13.5 Entire Agreement . This Agreement (including all Schedules and Exhibits), the Disclosure Letters and the other Transaction Documents contain the entire agreement among the Parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters. To the extent there is any inconsistency between (i) a provision of another Transaction Document and (ii) a provision of this Agreement that is more specific or detailed with respect to the subject matter of such other Transaction Document, then the provision of this Agreement shall govern and control. Otherwise, the provision of the other Transaction Document shall govern. In the case of any other inconsistency between this Agreement and any other Transaction Document, this Agreement shall govern.

Section 13.6 Parties in Interest .. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns in accordance with this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any Person other than the Parties, or their successors or permitted assigns, any rights or remedies under or by reason of this Agreement. Founder Holdco shall be party to this Agreement solely with respect to Article VII , this Article XIII , and Sections 8.1 , 8.2 , 9.2(a) , 10.1(a)(ii) , 10.5 , 11.1 , and 12.4 and 12.5 .

Section 13.7 Expenses . Except as otherwise expressly provided in this Agreement, all costs and expenses incurred by the Parties in connection with the negotiation and execution of the Transaction Documents shall be borne by the Person incurring such expenses.

Section 13.8 Governing Laws . THIS AGREEMENT IS MADE UNDER, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 13.9 Arbitration .

(a) Any dispute, controversy, difference or claim arising out of, relating to or in connection with this Agreement and/or the other Transaction Documents, or the transactions contemplated hereby or thereby, including the existence, validity, interpretation, performance, breach or termination hereof or thereof or any dispute regarding non-contractual obligations arising out of, relating to or in connection with this Agreement and/or the other Transaction Documents shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (the “HKIAC”) under the HKIAC Administered Arbitration Rules in force when the Notice of Arbitration is submitted, except as they may be modified by mutual agreement of the parties. The seat of arbitration shall be Hong Kong; provided , that the arbitrators may hold hearings in such other locations as the arbitrators determine to be most convenient and efficient for all of the parties to such arbitration under the circumstances. The arbitration shall be conducted in the English language.

(b) The arbitration shall be conducted by three (3) arbitrators. The Party (or the Parties, acting jointly, if there is more than one (1)) initiating arbitration (the “Claimant”) shall appoint an arbitrator in its request for arbitration (the “Request”). The other Party (or the other Parties, acting jointly, if there is more than one (1)) to the arbitration (the “Respondent”) shall appoint an arbitrator within thirty (30) days of receipt of the Request and shall notify the Claimant of such appointment in writing. If, within thirty (30) days of receipt of the Request by the Respondent, either Party has not appointed an arbitrator, then that arbitrator shall be appointed by the HKIAC. The first two (2) arbitrators appointed in accordance with this provision shall appoint a third arbitrator within thirty (30) days after the Respondent has notified Claimant of the appointment of the Respondent’s arbitrator or, in the event of a failure by a Party to appoint, within thirty (30) days after the HKIAC has notified the Parties and any arbitrator already appointed of the appointment of an arbitrator on behalf of the Party failing to appoint. When the third (3rd) arbitrator has accepted the appointment, the two (2) arbitrators making the appointment shall promptly notify the Parties of the appointment. If the first two arbitrators appointed fail to appoint a third arbitrator or so to notify the Parties within the time period prescribed above, then the HKIAC shall appoint the third (3rd) arbitrator and shall promptly notify the Parties of the appointment. The third (3rd) arbitrator shall act as chair of the tribunal.

(c) The arbitral award shall be in writing, state the reasons for the award, and be final and binding on the parties. The award may include an award of costs, including reasonable attorneys’ fees and disbursements. In addition to monetary damages, the arbitral tribunal shall be empowered to award equitable relief, including an injunction and specific performance of any obligation under this Agreement. The arbitral tribunal is not empowered to award damages in excess of compensatory damages, and each Party hereby irrevocably waives any right to recover punitive, exemplary or similar damages with respect to any dispute, except insofar as a claim is for indemnification for an award of punitive damages awarded against a Party in an action brought against it by an independent third party. The arbitral tribunal shall be authorized in its discretion to grant pre-award and post-award interest at commercial rates. Any costs, fees or Taxes incident to enforcing the award shall, to the maximum extent permitted by Laws, be charged against the Party resisting such enforcement. Judgment upon the award may be entered by any court having jurisdiction thereof or having jurisdiction over the relevant Party or its assets.

(d) In order to facilitate the comprehensive resolution of related disputes, and upon request of any Party to the arbitration Proceeding, the arbitration tribunal may, within ninety (90) days of its appointment, consolidate the arbitration Proceeding with any other arbitration Proceeding involving any of the Parties relating to the Transaction Documents. The arbitration tribunal shall not consolidate such arbitrations unless it determines that (i) there are issues of fact or law common to the Proceedings, so that a consolidated Proceeding would be more efficient than separate Proceedings, and (ii) no Party would be prejudiced as a result of such consolidation through undue delay or otherwise. In the event of different rulings on this question by the arbitration tribunal constituted hereunder and any tribunal constituted under these Transaction Documents, the ruling of the tribunal constituted under this Agreement shall govern, and that tribunal shall decide all disputes in the consolidated Proceeding.

(e) The Parties agree that the arbitration shall be kept confidential and that the existence of the Proceeding and any element of it (including any pleadings, briefs or other documents submitted or exchanged, any testimony or other oral submissions, and any awards) shall not be disclosed beyond the tribunal, the HKIAC, the parties, their counsel and any person necessary to the conduct of the Proceeding, except as may be lawfully required in judicial Proceedings relating to the arbitration or otherwise, or as required by NASDAQ rules or the rules of any other quotation system or exchange on which the disclosing Party’s Equity Securities are listed or applicable Laws.

(f) The costs of arbitration shall be borne by the losing Party unless otherwise determined by the arbitration award.

(g) All payments made pursuant to the arbitration decision or award and any judgment entered thereon shall be made in U.S. Dollars (or, if a payment in U.S. Dollars is not permitted by Law and if mutually agreed upon by the Parties, in Renminbi), free from any deduction, offset or withholding for Taxes.

(h) Notwithstanding this Section 13.9 or any other provision to the contrary in this Agreement, no Party shall be obligated to follow the foregoing arbitration procedures where such Party intends to apply to any court of competent jurisdiction for an interim injunction or similar equitable relief against any other Party; provided, that there is no unreasonable delay in the prosecution of that application. None of the Parties shall institute a proceeding in any court or administrative agency to resolve a dispute arising out of, relating to or in connection with this Agreement or the other Transaction Documents, except for a court proceeding to compel arbitration or otherwise enforce this agreement to arbitrate, to enforce an order or award of the arbitration tribunal or petition for the provisional or emergency remedies provided for herein. The Parties waive objection to venue and consent to the nonexclusive personal jurisdiction of the courts of Singapore in any action to enforce this arbitration agreement, any order or award of the arbitration tribunal or the provisional or emergency remedies provided for herein. In any such permitted court action, the Parties agree that delivery of the complaint or petition by international courier, with proof of delivery, shall constitute valid and sufficient service, and they individually and collectively waive any objection to such service.

Section 13.10 Severability. Each provision of this Agreement shall be deemed a material and integral part hereof. Except as otherwise provided in this paragraph, in the event of a final determination of invalidity, illegality or unenforceability of any provision of this Agreement, the Parties shall negotiate in good faith to amend this Agreement (and any other Transaction Documents, as applicable) or to enter into new agreements to replace such invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provisions providing the Parties with benefits, rights and obligations that are equivalent in all material respects as provided by this Agreement (and any other Transaction Documents, as applicable) as if the invalid, illegal or unenforceable provision(s) had been valid, legal and enforceable. In the event the Parties are not able to reach agreement on such amendments or new agreements, then the arbitrators (pursuant to the procedures set forth in Section 13.9) shall determine, as part of their arbitral award, such amendments or new agreements such to provide the Parties with benefits, rights and obligations that are equivalent in all material respect as provided by the Agreement as if the stricken provision(s) had been valid, legal and enforceable. No Party shall, or shall permit any of its Related Parties or Representatives to, directly or indirectly assert that any provision of any Transaction Document is invalid, illegal or unenforceable.

Section 13.11 Counterparts . This Agreement may be executed in two or more counterparts and such counterparts may be delivered in electronic format (including by email), all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties, it being understood that all Parties need not sign the same counterpart.

Section 13.12 Rules of Construction . Each Party represents and acknowledges that, in the negotiation and drafting of this Agreement and the other instruments and documents required or contemplated hereby, it has been represented by and has relied upon the advice of counsel of its choice. Each Party hereby affirms that its counsel has had a substantial role in the drafting and negotiation of this Agreement and such other instruments and documents. Therefore, each Party agrees that no rule of construction to the effect that any ambiguities are to be resolved against the drafter shall be employed in the interpretation of this Agreement and such other instruments and documents and in the event an ambiguity or question of intent or interpretation arises, the Agreement shall be construed as if drafted jointly by the Parties.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

JD.COM, INC.

/s/ JD.COM, INC.

(Seal of JD.COM, INC.)

By: _____ /s/ Sidney Xuande Huang
Name: Sidney Xuande Huang
Title: Chief Financial Officer

JD.COM INTERNATIONAL LIMITED

/s/ JD.COM INTERNATIONAL LIMITED

(Seal of JD.COM INTERNATIONAL LIMITED)

By: _____ /s/ Pang Zhang
Name: Pang Zhang
Title: Director

□□□□□□□□□□
(Suqian Yitong Information Technology Co., Ltd.)

/s/ Suqian Yitong Information Technology Co., Ltd.

(Seal of Suqian Yitong Information Technology Co., Ltd.)

By: _____ /s/ Pang Zhang
Name: Pang Zhang
Title: Legal Representative

[Signature Page to Framework Agreement]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

□□□□□□□□□□□□□□

(Suqian Limao Donghong Investment Management Co., Ltd.)

/s/ Suqian Limao Donghong Investment Management Co., Ltd.

(Seal of Suqian Limao Donghong Investment Management Co., Ltd.)

By: _____ /s/ Pang Zhang
Name: Pang Zhang
Title: Legal Representative

[Signature Page to Framework Agreement]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

□□□□□□□□□□

(Suqian Linghang Fangyuan Equity Investment Center)

/s/ Suqian Linghang Fangyuan Equity Investment Center

(Seal of Suqian Linghang Fangyuan Equity Investment Center)

By: /s/ Qiangdong Liu

Name: Qiangdong Liu

Title: Legal Representative

□□□□□□□□□□

(Suqian Dongtai Jinrong Investment Management Center)

/s/ Suqian Dongtai Jinrong Investment Management Center

(Seal of Suqian Dongtai Jinrong Investment Management Center)

By: /s/ Pang Zhang

Name: Pang Zhang

Title: Legal Representative

[Signature Page to Framework Agreement]

**SECOND AMENDMENT TO
FRAMEWORK AGREEMENT**

This **SECOND AMENDMENT** to the Framework Agreement (this "Amendment") is made and entered into as of August 19, 2019 between JD.com, Inc., an exempted company with limited liability organized under the Laws of the Cayman Islands ("JD Group"), and 京东数码科技有限公司 (Jingdong Digits Technology Holding Co., Ltd.) (formerly known as 北京京东金融科技有限公司 (Beijing Jingdong Financial Technology Holding Co., Ltd.)), a limited liability company organized under the Laws of the PRC ("JD Finance"). JD Group and JD Finance are referred to in this Amendment collectively as the "Parties" and individually as a "Party." Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Framework Agreement (as defined below).

WHEREAS, the Parties and certain other parties have entered into a Framework Agreement dated March 1, 2017 (the "Framework Agreement"), which provides for the divestiture of JD Finance from JD Group and governs the relationship between JD Group and JD Finance after the divestiture and their respective rights and obligations.

WHEREAS, pursuant to Section 13.3 of the Framework Agreement, any provision of Article II of the Framework Agreement may be amended, waived or modified if, and only if, such amendment, waiver or modification is in writing and signed by JD Finance and JD Group after obtaining consent of the JD Group Audit Committee.

WHEREAS, the Parties desire to amend the Framework Agreement upon the terms and subject to the conditions set forth herein, and have the amendments to the Framework Agreement take effect as of November 15, 2018 (the "Effective Date").

NOW, THEREFORE, for good and valuable consideration, the adequacy of which is hereby acknowledged, and intending to be legally bound, the Parties hereby amend the Framework Agreement, as follows:

ARTICLE I

AMENDMENTS TO THE FRAMEWORK AGREEMENT

1. **Amendment to Section 1.1.** (a) The following definitions shall be added to Section 1.1 of the Framework Agreement:

"JD Finance 2018 Financing Agreement" means the agreement entered into by JD Finance, the existing shareholders of JD Finance and certain new investors relating to the financing of JD Finance dated May 31, 2018.

“JD Finance Redemption Right Holders” means the “□□□□” provided for under Section 10.2 of the JD Finance 2018 Financing Agreement.

(b) The definition of “Liquidity Event” is hereby amended by replacing it with the following text:

“Liquidity Event” means the earliest to occur of:

(a) a Qualified IPO;

(b) a merger, amalgamation, arrangement, consolidation or scheme of arrangement with or into another Person, or acquisition by any Person or related group of Persons of beneficial ownership of Equity Securities of JD Finance, or other reorganization or transaction, whether in a single transaction or in a series of transactions (whether related or unrelated), following which the Founder, JD Group and their controlled Affiliates do not continue to hold more than fifty percent (50%) of the combined voting power or economic interest of the Equity Securities of JD Finance or the surviving entity, as applicable;

(c) an issuance or sale of the Securities of JD Finance to a Person or a group of Persons, pursuant to one or more bona fide arms-length negotiated agreements, pursuant to which such Person or group of Persons acquires forty percent (40%) or more of the Securities of JD Finance, with such percentage determined on a fully-diluted basis, using the treasury stock method, with respect to either voting or economic rights, whether in a single transaction or in a series of transactions (whether related or unrelated);

(d) an exit from the JD Finance Business through a bona fide sale, lease or otherwise disposal of all or substantially all of the assets of JD Finance (including, for the avoidance of doubt, shares or assets of JD Finance’s Subsidiaries), to a Person or a group of Persons, whether in a single transaction or in a series of transactions (whether related or unrelated), pursuant to one or more bona fide arms-length negotiated agreements; and

(e) any liquidation, dissolution or winding up of JD Finance, whether voluntary or involuntary.

2. **Amendment to Section 2.3(a).** The Parties agree that Section 2.3(a) of the Framework Agreement is hereby amended by deleting the section in its entirety and replacing it with the following text:

(i) In connection with a Qualified IPO (a Liquidity Event described by clause (a) of the definition thereof), at the election of JD Group, JD Finance will use its reasonable best efforts (with JD Group's reasonable cooperation) to obtain any required consents or approvals of Governmental Authorities, make any required filings or notifications, and cause any waiting periods to expire, in each case, as may be required under applicable Laws in connection with the payment of the Income Share (as defined in the IPLA) pursuant to the IPLA following the Qualified IPO. If JD Group does not so elect, or if despite such efforts, the payment of the Income Share is not permitted following the Qualified IPO under applicable Laws, then upon the occurrence of a Qualified IPO, if Issuances have not then occurred such that the Issuance Percentage is 100%, JD Finance shall immediately become obligated, at the times and in the manner provided for herein, to pay to JD Group an amount (as adjusted herein, the "Liquidity Event Payment") equal to the product of (x) the Maximum Issuance Interest applicable immediately prior to the Qualified IPO multiplied by the equity value of JD Finance as determined immediately prior to the Qualified IPO, and (y) 100% minus the Issuance Percentage.

(ii) Upon the occurrence of a Liquidity Event described by clause (b) or (c) of the definition thereof, if Issuances have not then occurred such that the Issuance Percentage is 100%, at the election of JD Group, JD Group shall continue to receive the payment of the Income Share (as defined in the IPLA) pursuant to the IPLA following such Liquidity Event. If JD Group does not so elect, then upon the occurrence of such Liquidity Event, if Issuances have not then occurred such that the Issuance Percentage is 100%, JD Finance shall immediately become obligated, at the times and in the manner provided for herein, to pay to JD Group the Liquidity Event Payment equal to the product of (x) the Maximum Issuance Interest applicable immediately prior to the Liquidity Event multiplied by the equity value of JD Finance as determined immediately prior to the Liquidity Event, and (y) 100% minus the Issuance Percentage, provided, however, upon the occurrence of a Liquidity Event described by clause (b) of the definition thereof and triggered pursuant to Section 10.2A(3) of the JD Finance 2018 Financing Agreement, JD Group agrees that only upon such occurrence, (a) JD Group shall participate in the distribution of the proceeds from such Liquidity Event with respect to the Liquidity Event Payment payable to it and the JD Finance Equity held by it at the time, only after the JD Finance Redemption Right Holders have received their distribution in full pursuant to Section 10.2A(3) of the JD Finance 2018 Financing Agreement, and (b) if there are any remaining assets after the JD Finance Redemption Right Holders have received their distribution in full pursuant to Section 10.2A(3) of the JD Finance 2018 Financing Agreement, such remaining assets shall be distributed to JD Group following the provisions of Section 10.2A(3) of the JD Finance 2018 Financing Agreement.

(iii) Upon the occurrence of a Liquidity Event described by clause (d) of the definition thereof, if Issuances have not then occurred such that the Issuance Percentage is 100%, JD Finance shall immediately become obligated, at the times and in the manner provided for herein, to pay to JD Group the Liquidity Event Payment equal to the product of (x) the Maximum Issuance Interest applicable immediately prior to the Liquidity Event multiplied by the equity value of JD Finance as determined immediately prior to the Liquidity Event, and (y) 100% minus the Issuance Percentage, provided, however, upon the occurrence of a Liquidity Event described by clause (d) of the definition thereof and triggered pursuant to Section 10.11(ii) of the JD Finance 2018 Financing Agreement, JD Group agrees that only upon such occurrence, JD Group shall participate in the distribution of the proceeds from such Liquidity Event with respect to the Liquidity Event Payment payable to it and the JD Finance Equity held by it at the time, following the provisions of Section 10.11 of the JD Finance 2018 Financing Agreement.

(iv) Upon the occurrence of a Liquidity Event described by clause (e) of the definition thereof, if Issuances have not then occurred such that the Issuance Percentage is 100%, JD Finance shall immediately become obligated, at the times and in the manner provided for herein and consistent with applicable Law, to pay to JD Group the Liquidity Event Payment equal to the product of (x) the Maximum Issuance Interest applicable immediately prior to the Liquidity Event multiplied by the equity value of JD Finance as determined immediately prior to the Liquidity Event, and (y) 100% minus the Issuance Percentage, provided, however, (A) upon the occurrence of a Liquidity Event described by clause (e) of the definition thereof and triggered pursuant to Section 10.2A(3) of the JD Finance 2018 Financing Agreement and only upon such occurrence, (a) JD Group agrees that JD Group shall participate in the distribution of JD Finance's assets with respect to the Liquidity Event Payment payable to it and the JD Finance Equity held by it at the time, only after the JD Finance Redemption Right Holders have received their distribution in full pursuant to Section 10.2A(3) of the JD Finance 2018 Financing Agreement, and (b) if there are any remaining assets after the JD Finance Redemption Right Holders have received their distribution in full pursuant to Section 10.2A(3) of the JD Finance 2018 Financing Agreement, such remaining assets shall be distributed to JD Group following the provisions of Section 10.2A(3) of the JD Finance 2018 Financing Agreement, or (B) upon the occurrence of a Liquidity Event described by clause (e) of the definition thereof and triggered pursuant to Section 10.11(i) of the JD Finance 2018 Financing Agreement, JD Group agrees that only upon such occurrence, JD Group agrees that JD Group shall participate in the distribution of JD Finance's assets with respect to the Liquidity Event Payment payable to it and the JD Finance Equity held by it at the time, following the provisions of Section 10.11 of the JD Finance 2018 Financing Agreement.

(v) *For the avoidance of doubt, JD Finance shall not be required to pay the Liquidity Event Payment more than once.*

ARTICLE II

MISCELLANEOUS

1. **Effectiveness.** This Amendment shall become effective as of the Effective Date.

2. **Binding Effect.** Except to the extent set forth and amended expressly herein, each of the Parties acknowledges and agrees that all terms and provisions, covenants and conditions of the Framework Agreement and all documents executed in conjunction therewith shall be and remain in full force and effect. Further, each of the Parties acknowledges and agrees that this Amendment shall be deemed to form an integral part of the Framework Agreement, and the Framework Agreement, as amended hereby, shall constitute its legal, valid and binding obligation, in each case, enforceable against it in accordance with its terms as of the date hereof, except, in each case, as may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws affecting the enforcement of creditors' rights generally and by general principals of equity regardless of whether the issue of enforceability is considered in a proceeding in equity or at law. In the event of any inconsistency or conflict between the provisions of the Framework Agreement and this Amendment, the provisions of this Amendment will prevail and govern. All references to the "Agreement" in the Framework Agreement shall hereinafter refer to the Framework Agreement as amended by this Amendment.

3. **Entire Agreement.** This Amendment, the Framework Agreement and the other documents referred to herein and therein constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof, and supersede all prior agreements and understandings, both oral and written, between the Parties and/or their Subsidiaries and Affiliates with respect to the subject matter hereof and thereof.

4. **Other Miscellaneous Terms.** The provisions of Article XIII (*Miscellaneous*) of the Framework Agreement shall apply *mutatis mutandis* to this Amendment, and to the Framework Agreement as modified by this Amendment, taken together as a single agreement, reflecting the terms therein as modified by this Amendment.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

JD.COM, INC.

By: /s/ Richard Qiangdong Liu

Name: Richard Qiangdong Liu

Title: Chief Executive Officer

[Signature Page to Second Amendment to Framework Agreement]

IN WITNESS WHEREOF, the Parties have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

Jingdong Digits Technology Holding Co., Ltd.

(Jingdong Digits Technology Holding Co., Ltd.)

By: /s/ Richard Qiangdong Liu

Name: Richard Qiangdong Liu

Title: Legal Representative

[Signature Page to Second Amendment to Framework Agreement]

List of Principal Subsidiaries and Consolidated Variable Interest Entities

Subsidiaries:	Place of Incorporation
Jingdong Technology Group Corporation	Cayman Islands
Jingdong Logistics Group Corporation	Cayman Islands
Jingdong Express Group Corporation	Cayman Islands
JD Logistics Holding Limited	Cayman Islands
JD Assets Holding Limited	Cayman Islands
JD.com Asia Investment Corporation	Cayman Islands
JD Health International Inc.	Cayman Islands
Jingdong Express International Limited	British Virgin Islands
JD.com Investment Limited	British Virgin Islands
JD Asia Development Limited	British Virgin Islands
JD Jiankang Limited	British Virgin Islands
Jingdong E-Commerce (Express) Hong Kong Co., Ltd.	Hong Kong
Jingdong E-Commerce (Trade) Hong Kong Co., Ltd.	Hong Kong
Jingdong E-Commerce (Logistics) Hong Kong Co., Ltd.	Hong Kong
JD.com International Limited	Hong Kong
JD.com E-Commerce (Technology) Hong Kong Co., Ltd.	Hong Kong
JD.com Overseas Innovation Limited	Hong Kong
JD.com E-Commerce (Investment) Hong Kong Co., Ltd.	Hong Kong
JD.com International (Singapore) Pte. Limited	Singapore
JD.com American Technologies Corporation	Delaware
Beijing Jingdong Century Trade Co., Ltd.	PRC
Jiangsu Jingdong Information Technology Co., Ltd.	PRC
Chongqing Jingdong Haijia E-commerce Co., Ltd.	PRC
Beijing Jingdong Shangke Information Technology Co., Ltd.	PRC
Xi'an Jingxundi Supply Chain Technology Co., Ltd.	PRC
Xi'an Jingdong Xuncheng Logistics Co., Ltd.	PRC
Beijing Jinghong Logistics Co., Ltd.	PRC
Shanghai Shengdayuan Information Technology Co., Ltd.	PRC
Suqian Hanbang Investment Management Co., Ltd.	PRC
Consolidated variable interest entities and their subsidiaries:	
Beijing Jingdong 360 Degree E-commerce Co., Ltd.	PRC
Jiangsu Yuanzhou E-commerce Co., Ltd.	PRC
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	PRC
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	PRC
Suqian Jingdong Jinyi Enterprise Management Co., Ltd.	PRC
Suqian Jingdong Sanhong Enterprise Management Center (L.P.)	PRC
Suqian Jingdong Mingfeng Enterprise Management Co., Ltd.	PRC
Hengqin Junze Management and Consulting Co., Ltd.	PRC
Beijing Jingbangda Trade Co., Ltd.	PRC

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Richard Qiangdong Liu, certify that:

1. I have reviewed this annual report on Form 20-F of JD.com, Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 15, 2020

By: /s/ Richard Qiangdong Liu
Name: Richard Qiangdong Liu
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Sidney Xuande Huang, certify that:

1. I have reviewed this annual report on Form 20-F of JD.com, Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 15, 2020

By: /s/ Sidney Xuande Huang
Name: Sidney Xuande Huang
Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of JD.com, Inc. (the "Company") on Form 20-F for the fiscal year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Qiangdong Liu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended;
and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 15, 2020

By: /s/ Richard Qiangdong Liu
Name: Richard Qiangdong Liu
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of JD.com, Inc. (the "Company") on Form 20-F for the fiscal year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sidney Xuande Huang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended;
and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 15, 2020

By: /s/ Sidney Xuande Huang
Name: Sidney Xuande Huang
Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-229957 and No. 333-198578) and Form F-3 (No. 333-235338), of our reports dated April 15, 2020, relating to the financial statements of JD.com, Inc. and the effectiveness of JD.com, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 20-F for the year ended December 31, 2019.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
April 15, 2020

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-229957 and No. 333-198578) and Form F-3 (No. 333-235338) of JD.com, Inc. of our report dated April 15, 2019 relating to the financial statements, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People's Republic of China
April 15, 2020

April 15, 2020
JD.com, Inc.
20th Floor, Building A, No. 18 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District, Beijing 101111
People's Republic of China

Dear Sir/Madam:

We hereby consent to the reference of our name under the headings “Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure” and “Item 4.C. Information on the Company—Organizational Structure” in JD.com, Inc.’s Annual Report on Form 20-F for the year ended December 31, 2019 (the “Annual Report”), which will be filed with the Securities and Exchange Commission (the “SEC”) on the date hereof, and further consent to the incorporation by reference into the Registration Statements on Form S-8 (File Nos. 333-229957 and 333-198578) pertaining to JD.com, Inc.’s Share Incentive Plan and the Registration Statement on Form F-3 (File No. 333-235338) of the summary of our opinion under the headings “Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure” and “Item 4.C. Information on the Company—Organizational Structure” in the Annual Report. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Very truly yours,

/s/ Zhong Lun Law Firm