
**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, 2020.

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)

20th Floor, Building A, No. 18 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District, Beijing 101111
People's Republic of China
(Address of Principal Executive Offices)

Sandy Ran Xu, Chief Financial Officer
Telephone: +86 10 8911-8888
Email: ir@jd.com

20th Floor, Building A, No. 18 Kechuang 11 Street
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(s)

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)
Class A ordinary shares, par value US\$0.00002 per share

JD

The Nasdaq Stock Market LLC
(The Nasdaq Global Select Market)

9618

The Stock Exchange of Hong Kong Limited

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:

2,668,894,636 Class A ordinary shares (excluding the 16,648,346 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 our Share Incentive Plan) and 444,250,851 Class B ordinary shares, par value US\$0.00002 per share, as of December 31, 2020.

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 whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

TABLE OF CONTENTS

INTRODUCTION	1
FORWARD-LOOKING INFORMATION	3
PART I	4
Item 1. Identity of Directors, Senior Management and Advisers	4
Item 2. Offer Statistics and Expected Timetable	4
Item 3. Key Information	4
Item 4. Information on the Company	64
Item 5. Operating and Financial Review and Prospects	112
Item 6. Directors, Senior Management and Employees	135
Item 7. Major Shareholders and Related Party Transactions	145
Item 8. Financial Information	149
Item 9. The Offer and Listing	151
Item 10. Additional Information	151
Item 11. Quantitative and Qualitative Disclosures about Market Risk	164
Item 12. Description of Securities Other than Equity Securities	165
PART II	171
Item 13. Defaults, Dividend Arrearages and Delinquencies	171
Item 14. Modifications to the Rights of Security Holders and Use of Proceeds	171
Item 15. Controls and Procedures	171
Item 16A. Audit Committee Financial Expert	172
Item 16B. Code of Ethics	172
Item 16C. Principal Accountant Fees and Services	172
Item 16D. Exemptions from the Listing Standards for Audit Committees	172
Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	172
Item 16F. Change in Registrant's Certifying Accountant	173
Item 16G. Corporate Governance	173
Item 16H. Mine Safety Disclosure	174
PART III	175
Item 17. Financial Statements	175
Item 18. Financial Statements	175
Item 19. Exhibits	175
SIGNATURES	182

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;
- “CCASS” are to the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited;
- “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;
- “Companies (WUMP) Ordinance” are to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time;
- “CSRC” are to the China Securities Regulatory Commission;
- “HK\$” or “Hong Kong dollars” or “HK dollars” are to Hong Kong dollars, the lawful currency of Hong Kong;
- “Hong Kong” or “HK” or “Hong Kong S.A.R.” are to the Hong Kong Special Administrative Region of the PRC;
- “Hong Kong Listing Rules” are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
- “Hong Kong Share Registrar” are to Computershare Hong Kong Investor Services Limited;
- “Hong Kong Stock Exchange” are to The Stock Exchange of Hong Kong Limited;
- “JD Health” are to JD Health International Inc., a consolidated subsidiary of our company and the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 6618), and, except where the context otherwise requires, its subsidiaries and its consolidated variable interest entities and their subsidiaries;
- “JD Logistics” are to JD Logistics Inc., a consolidated subsidiary of our company and, except where the context otherwise requires, its subsidiaries and its consolidated variable interest entities and their subsidiaries;
- “Main Board” are to the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange;
- “ordinary shares” are to our Class A and Class B ordinary shares, par value US\$0.00002 per share;
- “SFC” are to the Securities and Futures Commission of Hong Kong;
- “SFO” are to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time; and
- “we,” “us,” “our company” and “our” are to JD.com, Inc., its subsidiaries and its consolidated variable interest entities and their subsidiaries.

Summary of Risk Factors

An investment in our ADSs or Class A ordinary shares involves significant risks. Below is a summary of material risks we face, organized under relevant headings. These risks are discussed more fully in Item 3. Key Information—D. Risk Factors.

Risks Related to Our Business

Risks and uncertainties relating to our business include, but are not limited to, the following:

- If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected;
- We incurred net losses in the past and we may not be able to maintain profitability in the future;
- If we are unable to provide superior customer experience, our business and reputation may be materially and adversely affected;
- 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;
- Any harm to our JD brand or reputation may materially and adversely affect our business and results of operations;
- 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;

Table of Contents

- If we are unable to manage our nationwide fulfillment infrastructure efficiently and effectively, our business prospects and results of operations may be materially and adversely affected;
- We face intense competition. We may not be able to maintain or may lose market share and customers if we fail to compete effectively;
- Our expansion into new product categories and substantial increase in the number of products may expose us to new challenges and more risks;
- If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected; and
- Our ADSs may be delisted under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect auditors who are located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections deprives our investors with the benefits of such inspections.

Risks Related to Our Corporate Structure

Risks and uncertainties relating to our corporate structure include, but are not limited to, the following:

- 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;
- 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;
- 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; and
- 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.

Risks Related to Doing Business in China

We are also subject to risks and uncertainties relating to doing business in China in general, including, but are not limited to, the following:

- 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;
- Uncertainties with respect to the PRC legal system could adversely affect us;
- We are subject to consumer protection laws that could require us to modify our current business practices and incur increased costs; and
- We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related business and companies.

Risks Related to Our ADSs and Class A Ordinary Shares

In addition to the risks described above, we are subject to general risks relating to our ADSs and Class A ordinary shares, including, but not limited to, the following:

- The trading price of our ADSs has been and is likely to continue to be, and the trading price of our Class A ordinary shares can be, volatile, which could result in substantial losses to holders of our Class A ordinary shares and/or ADSs;
- We adopt different practices as to certain matters as compared with many other companies listed on the Hong Kong Stock Exchange;
- 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 Class A ordinary shares and/or ADSs and could diminish our cash reserves; and
- If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our Class A ordinary shares and/or ADSs and trading volume could decline.

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,” “future,” “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.

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 a rapidly 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 the Renminbi, or RMB. This annual report contains translations of RMB and Hong Kong dollar amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise stated, all translations of RMB and Hong Kong dollars into U.S. dollars and from U.S. dollars into RMB in this annual report were made at a rate of RMB6.5250 to US\$1.00 and HK\$7.7534 to US\$1.00, the respective exchange rates on December 31, 2020 set forth in the H.10 statistical release of the Federal Reserve Board. We make no representation that any RMB, Hong Kong dollar or U.S. dollar amounts referred to in this annual report could have been, or could be, converted into U.S. dollars, RMB or Hong Kong 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 Jingdong Digits Technology Holding 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, 2016 to June 30, 2017. 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, 2018, 2019 and 2020, selected consolidated balance sheets data as of December 31, 2019 and 2020 and selected consolidated cash flow data for the years ended December 31, 2018, 2019 and 2020 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, 2016 and 2017, selected consolidated balance sheets data as of December 31, 2016, 2017, and 2018 and selected consolidated cash flow data for the years ended December 31, 2016 and 2017 have been derived from our audited consolidated financial statements not included in this annual report. 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,					2020	US\$
	2016	2017	2018	2019	RMB		
	RMB	RMB	RMB	RMB	RMB		
(in millions, except for share, per share and per ADS data)							
Selected Consolidated Statements of Operations Data:							
Net revenues⁽¹⁾:							
Net product revenues	237,944	331,824	416,109	510,734	651,879		99,905
Net service revenues	20,346	30,508	45,911	66,154	93,923		14,394
Total net revenues	258,290	362,332	462,020	576,888	745,802		114,299
Cost of revenues	(222,935)	(311,517)	(396,066)	(492,467)	(636,694)		(97,578)
Fulfillment	(18,560)	(25,865)	(32,010)	(36,968)	(48,700)		(7,464)
Marketing	(10,159)	(14,918)	(19,237)	(22,234)	(27,156)		(4,162)
Research and development	(4,453)	(6,652)	(12,144)	(14,619)	(16,149)		(2,475)
General and administrative	(3,436)	(4,215)	(5,160)	(5,490)	(6,409)		(982)
Impairment of goodwill and intangible assets	—	—	(22)	—	—		—
Gain on sale of development properties	—	—	—	3,885	1,649		253
Income/(loss) from operations⁽²⁾⁽³⁾⁽⁴⁾	(1,253)	(835)	(2,619)	8,995	12,343		1,891
Other income/(expense):							

[Table of Contents](#)

	For the Year Ended December 31,					
	2016	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions, except for share, per share and per ADS data)					
Share of results of equity investees	(2,782)	(1,927)	(1,113)	(1,738)	4,291	658
Interest income	1,227	2,530	2,118	1,786	2,753	422
Interest expense	(619)	(964)	(855)	(725)	(1,125)	(172)
Others, net	1,544	1,317	95	5,375	32,557	4,989
Income/(loss) before tax	(1,883)	121	(2,374)	13,693	50,819	7,788
Income tax expenses	(166)	(140)	(427)	(1,803)	(1,482)	(227)
Net income/(loss) from continuing operations	(2,049)	(19)	(2,801)	11,890	49,337	7,561
Net income/(loss) from discontinued operations, net of tax	(1,365)	7	—	—	—	—
Net income/(loss)	(3,414)	(12)	(2,801)	11,890	49,337	7,561
Net loss from continuing operations attributable to non-controlling interests shareholders	(48)	(135)	(311)	(297)	(75)	(12)
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	7	1
Net income from discontinued operations attributable to mezzanine equity classified as non-controlling interests shareholders	445	281	—	—	—	—
Net income/(loss) attributable to ordinary shareholders	(3,807)	(153)	(2,492)	12,184	49,405	7,572
Including: Net loss from discontinued operations attributable to ordinary shareholders	(1,806)	(269)	—	—	—	—
Net income/(loss) from continuing operations attributable to ordinary shareholders	(2,001)	116	(2,492)	12,184	49,405	7,572
Net income/(loss) per share						
Basic						
Continuing operations	(0.71)	0.04	(0.87)	4.18	16.35	2.51
Discontinued operations	(0.64)	(0.09)	—	—	—	—
Net income/(loss) per share	(1.36)	(0.05)	(0.87)	4.18	16.35	2.51
Diluted						
Continuing operations	(0.71)	0.04	(0.87)	4.11	15.84	2.43
Discontinued operations	(0.64)	(0.09)	—	—	—	—
Net income/(loss) per share	(1.36)	(0.05)	(0.87)	4.11	15.84	2.43
Net income/(loss) per ADS ⁽⁵⁾						
Basic						
Continuing operations	(1.43)	0.08	(1.73)	8.37	32.70	5.01
Discontinued operations	(1.29)	(0.19)	—	—	—	—
Net income/(loss) per ADS	(2.71)	(0.11)	(1.73)	8.37	32.70	5.01
Diluted						

[Table of Contents](#)

	For the Year Ended December 31,					
	2016	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions, except for share, per share and per ADS data)					
Continuing operations	(1.43)	0.08	(1.73)	8.21	31.68	4.86
Discontinued operations	(1.29)	(0.18)	—	—	—	—
Net income/(loss) per ADS	(2.71)	(0.11)	(1.73)	8.21	31.68	4.86
Weighted average number of shares:						
Basic	2,804,767,889	2,844,826,014	2,877,902,678	2,912,637,241	3,021,808,985	3,021,808,985
Diluted	2,804,767,889	2,911,461,817	2,877,902,678	2,967,321,803	3,109,024,030	3,109,024,030

- (1) Our 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, automobile 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,										
	2016		2017		2018		2019		2020		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US\$	%
	(in millions, except for percentages)										
Electronics and home appliances revenues	179,822	69.6	236,269	65.2	280,059	60.6	328,703	57.0	400,927	61,445	53.8
General merchandise revenues	58,122	22.5	95,555	26.4	136,050	29.5	182,031	31.5	250,952	38,460	33.6
Net product revenues	237,944	92.1	331,824	91.6	416,109	90.1	510,734	88.5	651,879	99,905	87.4
Marketplace and marketing revenues	17,074	6.6	25,391	7.0	33,532	7.2	42,680	7.4	53,473	8,195	7.2
Logistics and other service revenues	3,272	1.3	5,117	1.4	12,379	2.7	23,474	4.1	40,450	6,199	5.4
Net service revenues	20,346	7.9	30,508	8.4	45,911	9.9	66,154	11.5	93,923	14,394	12.6
Total net revenues	258,290	100.0	362,332	100.0	462,020	100.0	576,888	100.0	745,802	114,299	100.0

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

	For the Year Ended December 31,					
	2016	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions)					
Cost of revenues	(17)	(28)	(72)	(82)	(98)	(15)
Fulfillment	(332)	(426)	(419)	(440)	(646)	(99)
Marketing	(87)	(136)	(190)	(259)	(347)	(53)
Research and development	(470)	(671)	(1,163)	(1,340)	(1,400)	(215)
General and administrative	(1,154)	(1,520)	(1,816)	(1,573)	(1,664)	(255)

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

	For the Year Ended December 31,					
	2016	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions)					
Fulfillment	(93)	(164)	(168)	(165)	(193)	(30)
Marketing	(1,222)	(1,222)	(1,232)	(637)	(692)	(106)
Research and development	(46)	(84)	(98)	(99)	(99)	(15)
General and administrative	(248)	(308)	(308)	(308)	(309)	(47)

Table of Contents

- (4) 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 other periods' presentation was RMB2,561 million for the year ended December 31, 2016.
- (5) Each ADS represents two Class A ordinary shares.

	As of December 31,					
	2016 RMB	2017 RMB	2018 RMB	2019 RMB	2020 RMB	US\$
(in millions, except for share data)						
Selected Consolidated Balance Sheets						
Data:						
Cash and cash equivalents	15,567	25,688	34,262	36,971	86,085	13,193
Restricted cash	2,294	4,110	3,240	2,941	4,434	680
Short-term investments	6,548	8,588	2,036	24,603	60,577	9,284
Accounts receivable, net	16,141	16,359	11,110	6,191	7,112	1,090
Inventories, net	28,909	41,700	44,030	57,932	58,933	9,032
Property, equipment and software, net	7,023	12,574	21,083	20,654	22,597	3,463
Land use rights, net	2,448	7,051	10,476	10,892	11,125	1,705
Operating lease right-of-use assets	—	—	—	8,644	15,484	2,373
Investment in equity investees	14,629	18,551	31,357	35,576	58,501	8,966
Investment securities	1,060	10,028	15,902	21,417	39,085	5,990
Total assets	160,374	184,055	209,165	259,724	422,288	64,718
Accounts payable	46,036	74,338	79,985	90,428	106,818	16,371
Accrued expenses and other current liabilities	10,513	15,118	20,293	24,656	30,035	4,603
Non-recourse securitization debt	11,549	17,160	4,398	—	—	—
Unsecured senior notes	6,831	6,447	6,786	6,912	12,854	1,970
Long-term borrowings	—	—	3,088	3,139	2,936	450
Operating lease liabilities	—	—	—	8,717	15,763	2,416
Total liabilities	119,154	131,666	132,337	159,099	200,669	30,754
Total mezzanine equity	7,057	—	15,961	15,964	17,133	2,626
Total JD.com, Inc. shareholders' equity	33,893	52,041	59,771	81,856	187,543	28,742
Number of outstanding ordinary shares	2,836,444,397	2,852,663,429	2,894,296,355	2,924,315,263	3,103,499,039	3,103,499,039

	For the Year Ended December 31,					
	2016 RMB	2017 RMB	2018 RMB	2019 RMB	2020 RMB	US\$
(in millions)						
Selected Consolidated Cash Flows Data:						
Net cash provided by continuing operating activities	9,467	29,342	20,881	24,781	42,544	6,520
Net cash used in discontinued operating activities	(1,227)	(2,486)	—	—	—	—
Net cash provided by operating activities ⁽⁶⁾	8,240	26,856	20,881	24,781	42,544	6,520
Net cash used in continuing investing activities	(17,069)	(21,944)	(26,079)	(25,349)	(57,811)	(8,860)
Net cash used in discontinued investing activities	(28,412)	(17,871)	—	—	—	—
Net cash used in investing activities ⁽⁶⁾	(45,481)	(39,815)	(26,079)	(25,349)	(57,811)	(8,860)
Net cash provided by continuing financing activities	8,649	5,180	11,220	2,572	71,072	10,892
Net cash provided by discontinued financing activities	32,050	14,055	—	—	—	—
Net cash provided by financing activities	40,699	19,235	11,220	2,572	71,072	10,892
Effect of exchange rate changes on cash, cash equivalents and restricted cash	727	(642)	1,682	406	(5,082)	(779)
Net increase in cash, cash equivalents and restricted cash	4,185	5,634	7,704	2,410	50,723	7,773
Cash, cash equivalents and restricted cash at beginning of year	19,979	24,164	29,798	37,502	39,912	6,117
Cash, cash equivalents and restricted cash at end of year, including cash and cash equivalents classified within assets held for sale	24,164	29,798	37,502	39,912	90,635	13,890
Less: cash, cash equivalents and restricted cash of discontinued operations at end of year	6,303	—	—	—	—	—
Less: cash, cash equivalents, and restricted cash classified within assets held for sale at end of year	—	—	—	—	116	17
Cash, cash equivalents and restricted cash of continuing operations at end of year	17,861	29,798	37,502	39,912	90,519	13,873

- (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, 2016 and 2017 was 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, 2016 and 2017 was 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 invest in technologies, expand our fulfillment infrastructure and increase our product and service offerings. For example, in 2020, 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 net losses in the past and we may not be able to maintain profitability in the future.

We had net losses of RMB2,801 million in 2018 and had net income of RMB11,890 million and RMB49,337 million (US\$7,561 million) in 2019 and 2020, respectively. We had an accumulated deficit of RMB24,038 million and RMB11,913 million, and retained earnings of RMB37,418 million (US\$5,735 million) as of December 31, 2018, 2019 and 2020, 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 third-party couriers, to deliver our products. Interruptions or failures in our delivery services or 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 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, Yangzhou and Chengdu, handling all kinds of customer queries and complaints regarding our products and services. As of December 31, 2020, we had over 12,000 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 business, prospects and results of operations.

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 consumers' trust and confidence level towards online retail in China, as well as changes in customer demographics and consumer tastes and preferences;

Table of Contents

- 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.

[Table of Contents](#)

Any actual or alleged illegal activities by our employees (including our senior management) could subject us to liability or negative publicity. These activities may also affect our employees' 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 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.

If we are unable to manage our nationwide fulfillment infrastructure efficiently and effectively, 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, 2020, our warehouse network covered almost all counties and districts across China, consisting of over 900 warehouses operated by us and over 1,400 cloud warehouses operated by third-party warehouse owner-operators under JD Logistics Open Warehouse Platform. As of December 31, 2020, our warehouse network had an aggregate GFA of approximately 21 million square meters, including the GFA of the cloud warehouses under JD Logistics Open Warehouse Platform.

Our comprehensive fulfillment facilities covered almost all the counties and districts across China, and we had 242,452 warehouse and delivery personnel as of December 31, 2020. 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 solutions 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 and distribution services, express and freight services and other value-added services. 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. JD Logistics raised a total amount of US\$2.5 billion by issuing series A preference shares to third-party investors, who owned an aggregate of approximately 19% stake in JD Logistics on a fully diluted basis. In August 2020, JD Logistics issued additional series A preference shares to third-party investors in exchange for US\$64.0 million. On February 16, 2021, JD Logistics, through its joint sponsors, submitted a listing application form (Form A1) to the Hong Kong Stock Exchange to apply for the listing of, and permission to deal in, the shares of JD Logistics on the Main Board of the Hong Kong Stock Exchange. There is no assurance as to whether or when the proposed listing may take place. We will remain the controlling shareholder of JD Logistics, assuming the completion of the proposed listing. 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's 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.

[Table of Contents](#)

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, watches, jewelry, household goods, cosmetics, personal care products, baby and maternity products, food and beverages, fresh produce, fitness equipment, autoparts, pharmaceutical products, nutritional supplements, healthcare equipment, industrial products, 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 RMB44,030 million as of December 31, 2018, to RMB57,932 million as of December 31, 2019 and further to RMB58,933 million (US\$9,032 million) as of December 31, 2020. Our annual inventory turnover days were 38.7 days in 2018, 35.8 days in 2019 and 33.3 days in 2020. 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 Class A ordinary shares and/or 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 RMB19,237 million, RMB22,234 million and RMB27,156 million (US\$4,162 million) of marketing expenses in 2018, 2019 and 2020, 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 31,000 suppliers as of December 31, 2020. 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 60.2 days in 2018, 54.5 days in 2019 and 47.1 days in 2020. 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 RMB25.5 billion (US\$3.9 billion) for the acquisition of land use rights, building of warehouses and purchase of warehousing equipment as of December 31, 2020. We sold certain of our development properties since 2019 and had received an aggregate of proceeds of RMB12.7 billion (US\$1.9 billion) as of December 31, 2020. We seek to realize development profits and recycle capital from development 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 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.

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 Yixin Group Limited, or Yixin, a HKEX-listed company that operates a leading online automobile retail transaction platform and Dada Nexus Limited, or Dada Group, a Nasdaq-listed company and 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, 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, AiHuiShou International Co. Ltd., or AiHuiShou, an online second-hand consumer electronics trading platform, Xingsheng Preference Electronic Business Limited, or Xingsheng, a leading community group buying e-commerce platform that serves community families with fresh foods and daily necessities, and our acquisition of 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 Kuayue-Express Group Co., LTD., or Kuayue Express, a renowned modern integrated express transportation enterprise specializing in “limited-time express service” in China. 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, 2020, we had net intangible assets of RMB6.5 billion (US\$1.0 billion) and goodwill of RMB10.9 billion (US\$1.7 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 2020, our share of results of equity investees was a gain of RMB4.3 billion (US\$0.7 billion), primarily consisting of the dilution gain of Dada Group’s public offerings, the disposal gain of Bitauto Holdings Limited, or Bitauto and partially offset by the picked up losses recognized from our equity method investments. We may not always be able to obtain gains from the 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, especially due to the significant uncertainties of COVID-19’s future impact, 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, a gain of RMB3.5 billion and a gain of RMB29.5 billion (US\$4.5 billion) resulting from the fair value change in long-term investments in 2018, 2019 and 2020, respectively.

[Table of Contents](#)

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 plus damages due to late payments as well as litigation related expenses. The plaintiffs in these two lawsuits are seeking damages in an aggregate amount of approximately RMB5 billion. 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 Class A ordinary shares and/or 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. Certain of our directors may be subject to alleged class actions due to their current or previous directorships in other listed companies. Our directors and executive officers may also face litigation or proceedings (including alleged or future 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.

[Table of Contents](#)

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 Class A ordinary shares and/or 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, 2020, we employed a total of 242,452 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 workforce, 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's 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 have conflicts of interest with our subsidiaries that are stand-alone public companies.

On December 8, 2020, shares of JD Health, our consolidated subsidiary, commenced trading on the Main Board of the Hong Kong Stock Exchange under the stock code “6618.” On February 16, 2021, JD Logistics, our consolidated subsidiary, through its joint sponsors, submitted a listing application form (Form A1) to the Hong Kong Stock Exchange to apply for the listing of, and permission to deal in, the shares of JD Logistics on the Main Board of the Hong Kong Stock Exchange.

We currently offer different types of support to JD Health and JD Logistics to facilitate the marketing and implementation of their services. We have entered into and may, in the future, enter into various transactions and agreements with JD Health and JD Logistics. JD Health has, and JD Logistics, after it becomes a stand-alone public company in Hong Kong, is expected to have, an audit committee, each consisting of independent non-executive directors, to review and approve all proposed connected transactions as defined in the listing rules of the Hong Kong Stock Exchange, including any transactions between us and JD Health or JD Logistics, as applicable. We have an audit committee, consisting of independent directors, to review and approve all material related party transactions, including any material transactions between us and JD Health or JD Logistics, as applicable. We believe that the transactions and agreements that we have entered into with JD Health and JD Logistics are on terms that are negotiated on an arm’s length basis. However, as we remain a controlling shareholder of JD Health and JD Logistics, we may from time to time make strategic decisions that we believe are in the best interests of our business and shareholders as a whole, which may create conflicts of interest with JD Health and Logistics, such as resolution of any dispute arising from the agreements between us and JD Health or JD Logistics, allocation of business opportunities between us and JD Health or JD Logistics, and employee recruiting and retention between us and JD Health or JD Logistics. We may not be able to resolve all potential misalignments in interests with JD Health and JD Logistics and the existence of such misalignments in interests may affect the results of operation of JD Health and JD Logistics, which may, in turn, affect our results of operations as a whole.

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 31,000 suppliers as of December 31, 2020. Third-party merchants on our online marketplace are separately responsible for sourcing the products they sell on our mobile apps and websites. 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.

[Table of Contents](#)

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.

[Table of Contents](#)

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 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 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 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 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 replaced the previous standard GB/T 35273-2017 and took effect from October 2020. Pursuant to this standard, 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. An example of such evolving regulatory requirements is the Draft Law of Personal Information Protection, which was published for public comments on October 21, 2020. When it is passed in the future, this law will function jointly with Cyber Security Law to regulate China's online spheres in relating to personal information 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. 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 third-party couriers during peak seasons to supplement our delivery force. Given some customers choose the cash-on-delivery option when they place their orders online, the delivery personnel of our third-party couriers collect payments on our behalf, and we require the 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 its 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.

In June 2020, we entered into agreements with JD Digits, pursuant to which we have, through a consolidated PRC domestic company, acquired an aggregate of 36.8% equity interest in JD Digits by converting our profit sharing right pursuant to the framework between us and JD Digits and investing additional RMB1.78 billion in cash in JD Digits. The framework agreement, including the profit-sharing arrangement between JD Digits and us, was terminated, and JD Digits has become our equity method investee. In connection with the acquisition of equity interests in JD Digits, we have entered into a series of agreements with JD Digits which set forth the rights of JD as a shareholder. On March 31, 2021, we entered into definitive agreements with JD Digits relating to the reorganization of our cloud computing and artificial intelligence business. Upon completion of this transactions on March 31, 2021, our equity interest in JD Digits has increased to approximately 42%.

[Table of Contents](#)

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, 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. 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.

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 Logistics, our subsidiary that is a technology-driven supply chain solutions and logistics services provider, is subject to risks associated with provision of integrated supply chain solutions and logistics services and operations.

JD Logistics, our subsidiary that is a technology-driven supply chain solutions and logistics services provider, is subject to risks associated with provision of integrated supply chain solutions and logistics services and operations, including, but not limited to, the following:

- potential disruptions to the operation of the warehousing and logistics facilities operated by us or other third-party transportation companies and couriers that facilitate our logistics services, or to the development of new warehousing and logistics facilities;

Table of Contents

- risk that our customers may reduce their expenditure on third-party supply chain solutions and logistics services or increase utilization of their internal solutions;
- tightening of the labor market, increases in labor costs or any labor unrest, as we operate in a labor-intensive industry;
- failure to maintain positive relationships with our third-party logistics service providers;
- risks associated with the items we deliver and the contents of shipments and inventories handled through our logistics networks, including real or perceived quality or health issues with the products that are handled through our logistics networks; and
- risks inherent in the logistics industry, including personal injury, product damage, and transportation-related incidents.

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

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, as well as provision of medical and related services, 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;
- potential medical liability claims in connection with our online healthcare services;
- potential penalties or disputes against us for failure to manage our in-house medical team and external doctors;
- failure of in-house medical team or external doctors to provide adequate and proper medical services on our platform;
- 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.

[Table of Contents](#)

JD Smart Property Development 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, 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 industrial park and logistics properties, slowdown in such business area may have a greater impact on its business than if JD Property had more diversified operation in the development of different types of properties; and
- *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.

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.

A small portion of the lessors of our leased warehouses, leased offices, and 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. Also, in the event that the actual use of our leased properties is inconsistent with the use registered on the land use right certificate or our leased properties are on allocated land, the competent authorities may require the lessors to return the land and impose fines on the lessors, or confiscate the proceeds from the leasing of the properties and impose fines on the lessor if such properties are leased without their consent or handing in such income, as applicable. Therefore, the relevant lease agreements may be deemed to be in breach of the law and therefore be void.

[Table of Contents](#)

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 or any failure to comply with applicable laws or regulations may have a material and adverse impact on our business, 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, or NDRC, 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, 2020, 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, 2020, Jingbangda and its 37 subsidiaries had obtained Courier Service Operation Permits. As of the same date, Xi'an Jingdong Xuncheng and its 10 branches and two subsidiaries, and Jingbangda and its 32 subsidiaries and two branches 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 the subsidiaries of Jingbangda. 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.

[Table of Contents](#)

In addition, we issue one type of prepaid cards which may be used to buy the products and services sold on our mobile apps and websites. Due to licensing requirements, currently such prepaid cards can only be used to purchase products and services 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. For example, the Price Law of the People's Republic of China prohibits a business operator from committing the specified unlawful pricing activities, such as dumping products at price below cost for the purpose of driving out rivals or monopolizing the market, using false or misleading prices to deceive consumers to transact, colluding with others to manipulate the market price, or conducting price discrimination against other business operators. 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. In addition, on March 15, 2021, the SAMR promulgated the Measures for the Supervision and Administration of Online Trading, which will take effect from May 1, 2021 and will be an important departmental regulation for the implementation of the E-commerce Law. 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 and our consolidated subsidiaries' share incentive plans, which may result in increased share-based compensation expenses.

We have adopted a share incentive plan, or our 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 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 incurred share-based compensation expenses of RMB167 million, RMB134 million and RMB104 million (US\$16 million) in connection with this grant of option to Mr. Liu in 2018, 2019 and 2020, respectively. In addition, in October 2020, with the approvals of our board of directors and the board of directors of JD Logistics and JD Health, the consolidated subsidiaries of the company, JD Logistics and JD Health each granted to Mr. Richard Qiangdong Liu options to acquire 99,186,705 ordinary shares of JD Logistics and options to acquire 53,042,516 ordinary shares of JD Health (collectively, the “Grants”) according to the existing share incentive plan of each of JD Logistics and JD Health. The Grants were awarded to Mr. Liu to motivate him to continue leading the future success of JD Logistics and JD Health. The Grants by JD Logistics and JD Health are each subject to a six-year vesting schedule and each account approximately 2% of the issued and outstanding shares of JD Logistics and JD Health as of the grant date, as applicable. 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, 83,476,500 and 224,511,105 share options for the years ended December 31, 2018, 2019 and 2020, respectively, including the share options granted to Mr. Liu mentioned above. JD Health adopted its own share incentive plan in 2020, which permits the granting of stock options, restricted share units and other types of awards of JD Health to its employees, directors and consultants, and granted 94,770,812 share options for the year ended December 31, 2020, including the share options granted to Mr. Liu mentioned above.

For the years ended December 31, 2018, 2019 and 2020, we recorded an aggregate of RMB3,660 million, RMB3,695 million, RMB4,156 million (US\$637 million), respectively, in share-based compensation expenses. As of December 31, 2020, the awards in our Share Incentive Plan that had been granted to our directors, officers, employees and consultants and remained outstanding included (i) restricted share units to receive an aggregate of 108,279,186 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 30,907,060 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 Class A ordinary shares and/or 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 recorded net current liabilities of RMB16.0 billion, RMB0.9 billion and net current assets of RMB60.8 billion (US\$9.3 billion) as of December 31, 2018, 2019 and 2020, respectively. Although 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 also 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. In addition, any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects. A large balance of indebtedness may require that we devote our financial resources to servicing such debt rather than funding our operating activities, which constrains our capital flexibility and may in turn adversely affect our results of operation. It may also be a challenge for us to service our interest and principal repayments in a timely manner or at all, which could trigger cross-defaults with other debt, as applicable, as well as limit our ability to obtain further debt financing.

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, 2020, we had long-term debt obligations, including the current portion, in an aggregate amount of RMB15.8 billion (US\$2.4 billion), including US\$2.0 billion in aggregate principal amount of unsecured senior notes and US\$0.45 billion we had drawn down and outstanding 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, US\$0.45 billion of the credit facilities had been drawn down and outstanding. 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.

Fluctuation of items that are non-recurring in nature and fluctuation of fair value change of the wealth management products we invested in have affected our results of operations during 2018, 2019 and 2020 and may continue to affect our results of operations in the future.

The fluctuation of items that are non-recurring in nature, primarily gains on sale of development properties and others, net, significantly affected our results of operations during 2019 and 2020. We recorded a gain of RMB3,885 million and RMB1,649 million (US\$253 million) in 2019 and 2020, respectively, for selling certain of our development properties, as compared with nil in 2018. 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. For others, net, we recorded an income of RMB95 million, RMB5.4 billion and RMB32.6 billion (US\$5.0 billion) in 2018, 2019 and 2020, respectively. We identify these items as non-recurring in nature as they are not indicative of our core operating results and business outlook. We cannot assure you that we will be able to continue to generate net profits and maintain profitability in the future after excluding the impact of such non-recurring items. The significant fluctuation of these non-recurring items may continue to affect our results of operations and result in fluctuation of net income/(loss) in the future.

During 2018, 2019 and 2020, we made investments in wealth management products and recorded a fair value of wealth management products of RMB1.9 billion, RMB23.2 billion and RMB24.3 billion (US\$3.7 billion) as of December 31, 2018, 2019 and 2020, respectively. For the year ended December 31, 2018, 2019 and 2020, gross unrealized gains of RMB0.6 million, RMB54.8 million and RMB0.01 million were recorded on wealth management products, respectively. No impairment charges were recorded for the years ended December 31, 2018, 2019 and 2020, respectively. Those wealth management products were certain deposits with variable interest rates or principal not-guaranteed with certain financial institutions, and usually have maturities of less than one year. We are exposed to credit risk in relation to our investments in wealth management products, which may adversely affect our net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our investments in wealth management products at fair value through profit or loss in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

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, such as the outbreak of COVID-19, 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 55 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 company is controlled through a dual class voting structure. 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 28, 2021, Mr. Liu beneficially owned 76.9% of the aggregate voting power of our company, including 3.9% 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 22,743,428 Class B ordinary shares, representing 3.9% 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 3.9% of the aggregate voting power of our company following our instruction. Mr. Liu, as the representative of Fortune Rising Holdings Limited, can exercise this 3.9% 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. Any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our products and services, might 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 Class A ordinary shares and/or 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 Class A ordinary shares and/or 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 connection with the 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.

[Table of Contents](#)

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 Class A ordinary shares and/or 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, 2020. 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 Class A ordinary shares and 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.

Our ADSs may be delisted under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect auditors who are located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections deprives our investors with the benefits of such inspections.

The Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted on December 18, 2020. The HFCA Act states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over the counter trading market in the U.S.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is currently not inspected by the PCAOB.

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCA Act. We will be required to comply with these rules if the SEC identifies us as having a "non-inspection" year under a process to be subsequently established by the SEC. The SEC is assessing how to implement other requirements of the HFCA Act, including the listing and trading prohibition requirements described above.

The SEC may propose additional rules or guidance that could impact us if our auditor is not subject to PCAOB inspection. For example, on August 6, 2020, the President's Working Group on Financial Markets, or the PWG, issued the Report on Protecting United States Investors from Significant Risks from Chinese Companies to the then President of the United States. This report recommended the SEC implement five recommendations to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfil its statutory mandate. Some of the concepts of these recommendations were implemented with the enactment of the HFCA Act. However, some of the recommendations were more stringent than the HFCA Act. For example, if a company was not subject to PCAOB inspection, the report recommended that the transition period before a company would be delisted would end on January 1, 2022.

[Table of Contents](#)

The SEC has announced that the SEC staff is preparing a consolidated proposal for the rules regarding the implementation of the HFCA Act and to address the recommendations in the PWG report. It is unclear when the SEC will complete its rulemaking and when such rules will become effective and what, if any, of the PWG recommendations will be adopted. The implications of this possible regulation in addition to the requirements of the HFCA Act are uncertain. Such uncertainty could cause the market price of our ADSs to be materially and adversely affected, and our securities could be delisted or prohibited from being traded “over-the-counter” earlier than would be required by the HFCA Act. Such a delisting would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with a potential delisting would have a negative impact on the price of our ADSs.

The PCAOB’s inability to conduct inspections in China prevents it from fully evaluating the audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our ordinary shares are 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 the PCAOB inspections, which could cause investors and potential investors in our stock to lose confidence in our auditor’s procedures and reported financial information and the quality of our financial statements.

In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with 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 in the PRC or by the CSRC or the PRC Ministry of Finance in the United States. 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.

Proceedings instituted by the SEC against certain PRC-based accounting firms, including auditors of our consolidated financial statements in our prior annual reports, 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 auditors of our consolidated financial statements in our annual reports, 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 auditors of consolidated financial statements in our annual reports, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

[Table of Contents](#)

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 auditors of our consolidated financial statements in our annual reports 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;

[Table of Contents](#)

- 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.

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.

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.

[Table of Contents](#)

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 Shihui Partners, 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.

[Table of Contents](#)

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, Courier Service Operation Permits and Practicing License for Medical Institutions, 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 principal variable interest entities, including Jingdong 360, Jiangsu Yuanzhou and Xi’an Jingdong Xincheng, among others. Mr. Richard Qiangdong Liu is our chairman of board of directors and chief executive officer, Ms. Yayun Li is chief executive officer of JD Digits, a significant investee of our company, and Ms. Pang Zhang is our chief human resources officer.

[Table of Contents](#)

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.

[Table of Contents](#)

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, the cross-border financing leverage ratio and the macro prudential coefficient (“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 January 7, 2021, the limit for the total amount of foreign debt under the Macro-prudential Management Mode is adjusted to 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. The Circular Regarding Further Optimizing the Cross-border RMB Policy to Support the Stabilization of Foreign Trade and Foreign Investment jointly promulgated by the People’s Bank of China, NDRC, MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the China Banking and Insurance Regulatory Commission and SAFE on December 31, 2020 and effective on February 4, 2021 allows the non-investment foreign-invested enterprises to make domestic reinvestment with RMB capital in accordance with the law on the premise that they comply with prevailing regulations and the invested projects in China are authentic and compliant. In addition, if a foreign-invested enterprise uses RMB income under capital accounts to conduct domestic reinvestment, the invested enterprise is not required to open a special deposit account for RMB capital.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we may not be able 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 may not be able 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 PRC Foreign Investment Law.

On March 15, 2019, the National People’s Congress promulgated the PRC 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 FIL came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the FIL. 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 such as e-commerce business and internet platforms.

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.

On February 7, 2021, the Anti-monopoly Commission of the State Council officially promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms, or the Anti-Monopoly Guidelines for Internet Platforms. Pursuant to an official interpretation from the Anti-monopoly Commission of the State Council, the Anti-Monopoly Guidelines for Internet Platforms mainly covers five aspects, including general provisions, monopoly agreements, abusing market dominance, concentration of undertakings, and abusing of administrative powers eliminating or restricting competition. The Anti-Monopoly Guidelines for Internet Platforms prohibit certain monopolistic acts of internet platforms to protect market competition and safeguard interests of users and undertakings participating in internet platform economy, including without limitation, prohibiting platforms with dominant position from abusing their market dominance. Notably, the Anti-Monopoly Guidelines for Internet Platforms provides that any concentration of undertakings involving variable interest entities (VIE) fall within the scope of anti-monopoly review. If a concentration of undertakings meets the criteria for declaration as stipulated by the State Council, an operator must report such concentration of undertakings to the anti-monopoly law enforcement agency under the State Council in advance. Therefore, acquisitions of other entities that we have made before or may make in the future (whether by ourselves, our subsidiaries or through our variable interest entities) and that meet the criteria for declaration, may be required to be reported to and approved by the anti-monopoly law enforcement agency, and we may be subject to penalty including, but not limited to, a fine of no more than RMB500,000 if we fail to comply with such requirement, and in extreme case may be ordered to terminate the contemplated concentration, to dispose of our equity or asset within a prescribed period, to transfer the business within a prescribed time or to take any other necessary measures to return to the pre-concentration status. In March 2021, SAMR imposed on us a fine of RMB500,000 for failing to file a prior notification of concentrations of undertaking for a prior acquisition we did. In addition, SAMR has been undergoing a survey of prior acquisitions by internet platforms that may involve failure to file prior notifications of concentrations of undertaking. We have been cooperating with SAMR on this front and we keep written and oral correspondence with SAMR. As the Anti-Monopoly Guidelines for Internet Platforms was newly promulgated, it would be difficult to estimate its specific impact on our business, financial condition, result of operations and prospects. We may receive more similar inquiries going forward and cannot assure you that our business operations comply with the regulations and authorities' requirements in all respects. If any non-compliance is raised by relevant authorities and determined against us, we may be subject to fines and other penalties. We may receive greater scrutiny and attention from regulators and more frequent and rigid investigation or review by regulators, which will increase our compliance costs and subject us to heightened risks and challenges. We may have to spend much more personnel cost and time evaluating and managing these risks and challenges in connection with our products and services as well as our investments in our ordinary business course to avoid any failure to comply with these regulations. Any failure or perceived failure by us to comply with the Anti-Monopoly Guidelines for Internet Platforms and other anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigations or claims against us and could have an adverse effect on our business, financial condition and results of operations.

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. The relevant government authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. 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 some operating offices 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, 2020, our comprehensive fulfillment facilities cover almost all the counties and districts across China. We may be required to register those operating offices outside of the residence addresses of our relevant PRC entities as branch offices under PRC law. As of the date of this annual report, we were able to register branch offices in all of the important locations where we had meaningful presence. 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 Class A ordinary shares and/or ADSs. 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 Class A ordinary shares and/or 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.

It may be difficult for overseas regulators to conduct investigation or collect evidence within China.

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

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.

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. These laws and regulations are continually evolving as newly enacted Foreign Investment Law took effect. On December 19, 2020, the Measures for the Security Review for Foreign Investment was jointly issued by NDRC and MOFCOM and took effect from January 18, 2021. The Measures for the Security Review for Foreign Investment specified provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. As these measures are recently promulgated, official guidance has not been issued by the designated office in charge of such security review yet. At this stage, the interpretation of those measures remains unclear in many aspects such as what would constitute “important information technology and internet services and products” and whether these measures may apply to foreign investment that is implemented or completed before the enactment of these new measures. 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 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, MOFCOM, NDRC 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 RMB615 million, RMB2,222 million and RMB2,545 million (US\$390 million) in financial incentives from local governments relating to our business operations in 2018, 2019 and 2020, 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 Taxation Administration, or the STA, 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 STA'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. 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 STA 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 STA 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 9, 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 STA 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 STA Circular 698, the Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises promulgated issued in March 2011, or STA 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 STA 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%. STA 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 STA 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 STA Circular 7, public market trading and tax treaty exemptions.

In October 2017, the STA released the Public Notice Regarding Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or STA Public Notice 37, effective from December 2017. STA Public Notice 37 replaced a series of important circulars, including but not limited to STA Circular 698, and revised the rules governing the administration of withholding tax on China-source income derived by a nonresident enterprise. STA Public Notice 37 provides for certain key changes to the previous withholding regime. For example, 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.

Under STA Circular 7 and STA 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 STA Circular 7 and STA 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 STA 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 and Class A Ordinary Shares

The trading price of our ADSs has been and is likely to continue to be, and the trading price of our Class A ordinary shares can be, volatile, which could result in substantial losses to holders of our Class A ordinary shares and/or ADSs.

The trading prices of our ADSs and Class A ordinary shares have been and is likely to continue to be volatile and could fluctuate widely in response to a variety of factors, many of which are beyond our control. For example, the highest and lowest closing prices of our ADSs on Nasdaq in 2020 were US\$92.77 and US\$32.70, respectively. Likewise, the highest and lowest closing prices of our Class A ordinary shares on the Hong Kong Stock Exchange in 2020 since our listing in June 2020 were HK\$368.20 and HK\$226.00, respectively. In addition, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong and/or the United States may affect the volatility in the prices of and trading volumes for our Class A ordinary shares and/or ADSs. 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 Hong Kong and/or the United States, which consequently may impact the trading performance of our Class A ordinary shares and/or 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. Furthermore, 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 Class A ordinary shares and/or ADSs.

In addition to the above factors, the price and trading volume of our Class A ordinary shares and/or 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;

Table of Contents

- political or market instability or disruptions, and actual or perceived social unrest in the United States, Hong Kong or other jurisdictions;
- fluctuations of exchange rates among RMB, the Hong Kong dollar and the U.S. dollar;
- release or expiry of lock-up or other transfer restrictions on our Class A ordinary shares or ADSs;
- sales or perceived potential sales of additional Class A 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 adopt different practices as to certain matters as compared with many other companies listed on the Hong Kong Stock Exchange.

We completed our public offering in Hong Kong in June 2020 and the trading of our Class A ordinary shares on the Hong Kong Stock Exchange commenced on June 18, 2020 under the stock code “9618.” As a company listed on the Hong Kong Stock Exchange pursuant to Chapter 19C of the Hong Kong Listing Rules, we are not subject to certain provisions of the Hong Kong Listing Rules pursuant to Rule 19C.11, including, among others, rules on notifiable transactions, connected transactions, share option schemes, content of financial statements as well as certain other continuing obligations. In addition, in connection with the listing of our Class A ordinary shares on the Hong Kong Stock Exchange, we have applied for a number of waivers and/or exemptions from strict compliance with the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Takeovers Codes and the SFO. As a result, we will adopt different practices as to those matters as compared with other companies listed on the Hong Kong Stock Exchange that do not enjoy those exemptions or waivers.

Our articles of association are specific to us and include certain provisions that may be different from the requirements under the Hong Kong Listing Rules and common practices in Hong Kong. For example, Rule 19C.07(7) of the Hong Kong Listing Rules provides that the minimum stake required to convene an extraordinary general meeting and add resolutions to a meeting agenda must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of a qualifying issuer, but our articles of association provide that at least one third of the aggregate voting power of our company is required to convene an extraordinary general meeting. We will put forth a resolution at or before our next annual general meeting to be held after the listing of our Class A ordinary shares on the Hong Kong Stock Exchange to revise our articles of association to comply with Rule 19C.07(7) of the Hong Kong Listing Rules. The next annual general meeting after the listing of our Class A ordinary shares on the Hong Kong Stock Exchange is expected to be held around mid-2021. Prior to the amendment to our articles of association, the minimum of one-third of the aggregate voting power of our company is still required to convene an extraordinary general meeting.

Furthermore, if 55% or more of the total worldwide trading volume, by dollar value, of our Class A ordinary shares and ADSs over our most recent fiscal year takes place on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange will regard us as having a dual primary listing in Hong Kong and we will no longer enjoy certain exemptions or waivers from strict compliance with the requirements under the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Takeovers Codes and the SFO, which could result in us having to amend our corporate structure and articles of association and our incurring of incremental compliance costs.

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 Class A ordinary shares and/or ADSs and could diminish our cash reserves.

On March 17, 2020, our board of directors authorized a share repurchase program, under which we may repurchase up to US\$2.0 billion worth of our ADSs over the next 24 months through March 17, 2022. From March 17, 2020 to the date of this annual report, we repurchased approximately 8.8 million ADSs at a weighted average price of US\$76.35 per ADS. Our share repurchase program could affect the price of our stock and increase volatility and may be suspended or terminated at any time.

[Table of Contents](#)

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

The trading market for our Class A ordinary shares and/or 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 Class A ordinary shares and/or ADSs or publishes inaccurate or unfavorable research about our business, the market price for our Class A ordinary shares and/or 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 of or trading volume for our Class A ordinary shares and/or ADSs to decline.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our Class A ordinary shares and/or 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 Class A ordinary shares and/or 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 current 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 Class A ordinary shares and/or ADSs will likely depend entirely upon any future price appreciation of our Class A ordinary shares and/or ADSs. There is no guarantee that our Class A ordinary shares and/or ADSs will appreciate in value or even maintain the price at which you purchased the Class A ordinary shares and/or ADSs. You may not realize a return on your investment in our Class A ordinary shares and/or ADSs and you may even lose your entire investment in our Class A ordinary shares and/or ADSs.

Substantial future sales or perceived potential sales of our Class A ordinary shares and/or ADSs in the public market could cause the price of our Class A ordinary shares and/or ADSs to decline.

Sales of our Class A ordinary shares and/or ADSs in the public market, or the perception that these sales could occur, could cause the market price of our Class A ordinary shares and/or ADSs to decline. As of February 28, 2021, we had 3,117,970,519 ordinary shares issued and outstanding, comprising of (i) 2,673,719,668 Class A ordinary shares (excluding the 11,823,314 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) 444,250,851 Class B ordinary shares. Among these shares, 2,031,456,120 Class A ordinary shares 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 Class A ordinary shares and/or ADSs to decline.

Holders of our 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 current memorandum and articles of association, the minimum notice period required to convene a general meeting is seven days. We undertake we will (i) provide 14 days' notice for any general meetings after the listing of Class A ordinary shares on the Hong Kong Stock Exchange and (ii) put forth a resolution at or before our next annual general meeting of the company which is expected to be held around mid-2021 after the listing of Class A ordinary shares on the Hong Kong Stock Exchange to revise our articles, so that the minimum notice period required to convene a general meeting will be 14 days. When a general meeting is convened, holders of ADSs may not receive sufficient notice of a shareholders' meeting to permit withdrawal of the underlying Class A ordinary shares represented by their ADSs to allow them to cast their votes with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to holders of ADSs 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 holders of ADSs in a timely manner, but we cannot assure that holders of ADSs will receive the voting materials in time to ensure that they can instruct the depositary to vote their 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, holders of ADSs may not be able to exercise their right to vote and may lack recourse if the underlying ordinary shares represented by their ADSs are not voted as they requested. In addition, holders of ADSs 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 the ADSs if holders of these ADSs do not vote at shareholders' meetings, which could adversely affect the interests of the holders of our Class A ordinary shares and/or ADSs.

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 holders of ADSs cannot prevent our underlying Class A ordinary shares represented by their 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.

The right of our ADS holders to participate in any future rights offerings may be limited, which may cause dilution to holdings of our ADS holders.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to holders of our ADSs 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 ADS holders 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, our ADS holders may be unable to participate in our rights offerings and may experience dilution in their holdings.

Holders of our ADSs may not receive cash dividends if the depositary decides it is impractical to make them available to them.

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 holders of our ADSs 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. ADS holders will receive these distributions in proportion to the number of Class A ordinary shares their 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 holders of our ADSs.

Holders of our ADSs may be subject to limitations on transfer of their ADSs.

Our 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 our experts 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 or Hong Kong upon us or these persons, or to bring an action against us or against these persons in the United States or Hong Kong in the event that you believe that your rights have been infringed under the U.S. federal securities laws, Hong Kong 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 Hong Kong courts or 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. or Hong Kong courts under civil liability provisions of the U.S. federal securities law or Hong Kong 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. or Hong Kong 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.

[Table of Contents](#)

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 or Hong Kong.

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 Hong Kong law or 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.

Furthermore, our articles of association are specific to us and include certain provisions that may be different from common practices in Hong Kong, such as the absence of requirements that the appointment, removal and remuneration of auditors must be approved by a majority of our shareholders.

Our current 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/or ADSs.

Our current 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 beneficially owned through a trust 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 28, 2021, Mr. Liu beneficially owned 76.9% of the aggregate voting power of our company, including 3.9% 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 current 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.

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;

[Table of Contents](#)

- 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 Act (As Revised) of the Cayman Islands nor our current 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 2020. We undertake we will (i) hold annual general meeting every year after the listing of our Class A ordinary shares on the Hong Kong Stock Exchange and (ii) put forth a resolution at or before our next annual general meeting to be held after the listing of our Class A ordinary shares on the Hong Kong Stock Exchange to revise our articles of association to comply with Rule 19C.07(4) of the Hong Kong Listing Rules. 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, 2020 and in future taxable years.

[Table of Contents](#)

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, 2020, 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 Class A ordinary shares and/or ADSs, 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. We will also incur additional costs as a result of the listing of our Class A ordinary shares on the Hong Kong Stock Exchange. 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.

The different characteristics of the capital markets in Hong Kong and the U.S. may negatively affect the trading prices of our ADSs and Class A ordinary shares.

As a dual-listed company, we are subject to Hong Kong and Nasdaq listing and regulatory requirements concurrently. The Hong Kong Stock Exchange and Nasdaq have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our ADSs and our Class A ordinary shares may not be the same, even allowing for currency differences. Fluctuations in the price of our ADSs due to circumstances peculiar to the U.S. capital markets could materially and adversely affect the price of our Class A ordinary shares, or vice versa. Certain events having significant negative impact specifically on the U.S. capital markets may result in a decline in the trading price of our Class A ordinary shares notwithstanding that such event may not impact the trading prices of securities listed in Hong Kong generally or to the same extent, or vice versa.

Exchange between our Class A ordinary shares and our ADSs may adversely affect the liquidity and/or trading price of each other.

Our ADSs are currently traded on Nasdaq. Subject to compliance with U.S. securities law and the terms of the deposit agreement, holders of our Class A ordinary shares may deposit Class A ordinary shares with the depository in exchange for the issuance of our ADSs. Any holder of ADSs may also withdraw the underlying Class A ordinary shares represented by the ADSs pursuant to the terms of the deposit agreement for trading on the Hong Kong Stock Exchange. In the event that a substantial number of Class A ordinary shares are deposited with the depository in exchange for ADSs or vice versa, the liquidity and trading price of our Class A ordinary shares on the Hong Kong Stock Exchange and our ADSs on Nasdaq may be adversely affected.

The time required for the exchange between Class A ordinary shares and ADSs might be longer than expected and investors might not be able to settle or effect any sale of their securities during this period, and the exchange of Class A ordinary shares into ADSs involves costs.

There is no direct trading or settlement between Nasdaq and the Hong Kong Stock Exchange on which our ADSs and our Class A ordinary shares are respectively traded. In addition, the time differences between Hong Kong and New York and unforeseen market circumstances or other factors may delay the deposit of Class A ordinary shares in exchange of ADSs or the withdrawal of Class A ordinary shares underlying the ADSs. Investors will be prevented from settling or effecting the sale of their securities during such periods of delay. In addition, there is no assurance that any exchange of Class A ordinary shares into ADSs (and vice versa) will be completed in accordance with the timelines investors may anticipate.

Furthermore, the depositary for the ADSs is entitled to charge holders fees for various services including for the issuance of ADSs upon deposit of Class A ordinary shares, cancellation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs and annual service fees. As a result, shareholders who exchange Class A ordinary shares into ADSs, and vice versa, may not achieve the level of economic return the shareholders may anticipate.

We are exposed to risks associated with the potential spin-off of one or more of our businesses.

We are exposed to risks associated with the potential spin-off of one or more of our businesses. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements in paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules such that we are able to spin-off a subsidiary entity and list it on the Hong Kong Stock Exchange within three years of the listing of our Class A ordinary shares on the Hong Kong Stock Exchange. On December 8, 2020, we completed the spin-off and listing of JD Health, a consolidated subsidiary of our company, on the Main Board of the Hong Kong Stock Exchange. On February 16, 2021, JD Logistics, through its joint sponsors, submitted a listing application form (Form A1) to the Hong Kong Stock Exchange to apply for the listing of, and permission to deal in, the shares of JD Logistics on the Main Board of the Hong Kong Stock Exchange. We may continue to explore the ongoing financing requirements for our various other businesses and may consider a spin-off listing on the Hong Kong Stock Exchange for one or more of those businesses within the three year period subsequent to the listing of our Class A ordinary shares on the Hong Kong Stock Exchange. The waiver granted by the Hong Kong Stock Exchange is conditional upon us confirming to the Hong Kong Stock Exchange in advance of any spin-off that it would not render our company, excluding the businesses to be spun off, incapable of fulfilling either the eligibility or suitability requirements under Rules 19C.02 and 19C.05 of the Hong Kong Listing Rules. We cannot assure you that any spin-off will ultimately be consummated, whether within the three-year period after the listing of our Class A ordinary shares on the Hong Kong Stock Exchange or otherwise, and any such spin-off will be subject to market conditions at the time and approval by the listing committee of the Hong Kong Stock Exchange. In the event that we proceed with a spin-off, the company's interest in the entity to be spun-off (and its corresponding contribution to the financial results of our company) will be reduced accordingly.

An active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange might not develop or be sustained and trading prices of our Class A ordinary shares might fluctuate significantly.

Since the listing of our Class A ordinary shares on the Hong Kong Stock Exchange, we have consistently been an actively-traded company on the Hong Kong Stock Exchange. However, we cannot assure you that an active trading market for our ordinary shares on the Hong Kong Stock Exchange will be sustained. The trading price or liquidity for our ADSs on Nasdaq might not be indicative of those of our Class A ordinary shares on the Hong Kong Stock Exchange. If an active trading market of our ordinary shares on the Hong Kong Stock Exchange is not sustained, the market price and liquidity of our ordinary shares could be materially and adversely affected.

[Table of Contents](#)

In 2014, the Hong Kong, Shanghai and Shenzhen Stock Exchanges collaborated to create an inter-exchange trading mechanism called Stock Connect that allows international and mainland Chinese investors to trade eligible equity securities listed in each other's markets through the trading and clearing facilities of their home exchange. Stock Connect currently covers over 2,000 equity securities trading in the Hong Kong, Shanghai and Shenzhen markets. Stock Connect allows mainland Chinese investors to trade directly in eligible equity securities listed on the Hong Kong Stock Exchange, known as Southbound Trading; without Stock Connect, mainland Chinese investors would not otherwise have a direct and established means of engaging in Southbound Trading. In October 2019, the Shanghai and Shenzhen Stock Exchanges separately announced their amended implementation rules in connection with Southbound Trading to include shares of companies of a dual-class voting structure to be traded through Stock Connect. However, since these rules are relatively new, there remains uncertainty as to the implementation details, especially with respect to shares of those companies with a secondary listing on the Hong Kong Stock Exchange. It is unclear whether and when the Class A ordinary shares of our company, which has a dual-class voting structure with a secondary listing in Hong Kong, will be eligible to be traded through Stock Connect, if at all. The ineligibility or any delay of our Class A ordinary shares for trading through Stock Connect will affect mainland Chinese investors' ability to trade our Class A ordinary shares and therefore may limit the liquidity of the trading of our Class A ordinary shares on the Hong Kong Stock Exchange.

There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs.

In connection with our initial public offering of Class A ordinary shares in Hong Kong, or the Hong Kong IPO, we have established a branch register of members in Hong Kong, or the Hong Kong share register. Our Class A ordinary shares that are traded on the Hong Kong Stock Exchange, including those to be issued in the Hong Kong IPO and those that may be converted from ADSs, are registered on the Hong Kong share register, and the trading of these Class A ordinary shares on the Hong Kong Stock Exchange will be subject to the Hong Kong stamp duty. To facilitate ADS-ordinary share conversion and trading between Nasdaq and the Hong Kong Stock Exchange, we also moved a portion of our issued Class A ordinary shares from our register of members maintained in the Cayman Islands to our Hong Kong share register.

Under the Hong Kong Stamp Duty Ordinance, any person who effects any sale or purchase of Hong Kong stock, defined as stock the transfer of which is required to be registered in Hong Kong, is required to pay Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.2% of the greater of the consideration for, or the value of, shares transferred, with 0.1% payable by each of the buyer and the seller.

To the best of our knowledge, Hong Kong stamp duty has not been levied in practice on the trading or conversion of ADSs of companies that are listed in both the United States and Hong Kong and that have maintained all or a portion of their ordinary shares, including ordinary shares underlying ADSs, in their Hong Kong share registers. However, it is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs of these dual-listed companies constitutes a sale or purchase of the underlying Hong Kong-registered ordinary shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. If Hong Kong stamp duty is determined by the competent authority to apply to the trading or conversion of our ADSs, the trading price and the value of your investment in our Class A ordinary shares and/or ADSs may be affected.

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.

[Table of Contents](#)

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, and Suqian Jingdong Tianning Jiankang Technology Co., Ltd., or Suqian Jingdong Tianning.

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, share issuance costs and the offering expenses. 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.

On June 18, 2020, our Class A ordinary shares commenced trading on the Main Board of the Hong Kong Stock Exchange under the stock code "9618." We raised from our global offering in connection with the listing in Hong Kong approximately RMB31.3 billion (US\$4.8 billion) in net proceeds after deducting underwriting commissions, share issuance costs and the offering expenses.

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 1,225 million on Tencent's mobile apps Weixin and WeChat as of December 31, 2020 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 Icsen E-Commerce Development Company Limited, or Shanghai Icsen. 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.

[Table of Contents](#)

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 Ictson E-Commerce Development Company Limited, or Shanghai Ictson, 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 Ictson by March 10, 2017 at the higher of the then fair value of Shanghai Ictson or RMB800 million. In April 2016, we exercised the right paying RMB800 million and acquired the remaining equity interest in Shanghai Ictson. Shanghai Ictson 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 and 2,938,584 of our Class A ordinary shares were issued in May 2019 and May 2020. The issuance of Class A ordinary shares of US\$250 million formed part of the total estimated amount of US\$800 million that will be paid or spent for the traffic support, advertising and other cooperation from Tencent under the strategic cooperation agreement. Huang River Investment Limited is currently one of our principal shareholders and held 16.9% of our total issued and outstanding shares as of February 28, 2021.

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, 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 28, 2021, Walmart held Class A ordinary shares representing approximately 9.3% 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 Flagship Store on JD.com, as well as Sam's Club Global Flagship Store, Walmart Global Flagship Store, ASDA Flagship Store and several category global stores to sell specific category products (for example Walmart Beauty and Personal Care Global Store) on JD Worldwide and a one-hour delivery service from Walmart Stores and Sam's Clubs in select cities through the JD Daojia app. 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. JD Logistics has been operating as an internal logistics department of us since 2007 and as a stand-alone business segment since April 2017. JD Logistics offers a full spectrum of supply chain solutions and high-quality logistics services enabled by technology, ranging from warehousing to distribution, spanning across manufacturing to end-customers, covering regular and specialized items. In February 2018, we entered into definitive agreements with third-party investors for the financing of JD Logistics, and JD Logistics raised a total amount of US\$2.5 billion by issuing series A preference shares to third-party investors, who owned an aggregate of approximately 19% stake in JD Logistics on a fully diluted basis at the time. On February 16, 2021, JD Logistics, through its joint sponsors, submitted a listing application form (Form A1) to the Hong Kong Stock Exchange to apply for the listing of, and permission to deal in, the shares of JD Logistics on the Main Board of the Hong Kong Stock Exchange. There is no assurance as to whether or when the proposed listing may take place. We will remain the controlling shareholder of JD Logistics, assuming the completion of the proposed listing.

JD Digits. Since 2017, JD Digits has made remarkable progress in the field of digital technology. Leveraging the latest and most cutting-edge technologies, including big data, artificial intelligence (AI), the Internet of Things (IoT), and blockchain, JD Digits is now well-equipped to help the financial and real sectors reduce costs, improve efficiencies, enhance user experience and optimize business models. In June 2020, we entered into agreements with JD Digits, pursuant to which we have, through a consolidated PRC domestic company, acquired an aggregate of 36.8% equity interest in JD Digits by converting our profit sharing right pursuant to the framework agreement between us and JD Digits and investing additional RMB1.78 billion in cash in JD Digits. The framework agreement, including the profit-sharing arrangement between JD Digits and us, was terminated, and JD Digits has become our equity method investee. In connection with the acquisition of equity interests in JD Digits, we have entered into a series of agreements with JD Digits which set forth the rights of JD as a shareholder. Pursuant to these agreements, we will continue to enjoy substantially all the rights that we had under the framework agreement; provided that certain rights such as the right to liquidity event payment had been terminated upon our conversion of the profit sharing right into equity interest in JD Digits. Pursuant to these agreements, certain of our rights under these agreements should be terminated immediately the day before JD Digits submits its application for an initial public offering in the PRC. These rights, however, will be restored in the event the initial public offering application is rejected by the relevant authorities or withdrawn by JD Digits.

In addition, on June 20, 2020, the shareholders of JD Digits passed a unanimous resolution to restructure JD Digits as a company limited by shares and adopt the dual class voting structure. The shares held by Mr. Richard Qiangdong Liu and Suqian Linghang Fangyuan Equity Investment Center (Limited Partnership), or Suqian Linghang Fangyuan, an entity controlled by Mr. Liu, were entitled to ten votes per share, while Mr. Liu and Suqian Linghang Fangyuan must abstain from voting on any related party transaction with JD Digits. As a result of this dual class voting structure, as of December 31, 2020, we held approximately 18.7% voting power, and Mr. Richard Qiangdong Liu and Suqian Linghang Fangyuan together held 54.7% of the total voting power of JD Digits.

On March 31, 2021, we entered into definitive agreements with JD Digits relating to the reorganization of our cloud computing and artificial intelligence business (“JD Cloud & AI”). Pursuant to the definitive agreements, we transferred JD Cloud & AI and certain assets together valued at approximately RMB15.7 billion to JD Digits, in exchange for newly issued ordinary shares of JD Digits. Upon completion of the transactions on March 31, 2021, JD Cloud & AI was deconsolidated from our consolidated financial statements, and our equity interest in JD Digits increased from 36.8% to approximately 42%. We believe that, through this transaction, we will continue to focus on our core competences and synergistic businesses to better serve customers, and JD Digits will be better positioned to deliver a suite of cutting-edge technology services to its business partners.

JD Property. In 2018, we established JD Property, our infrastructure asset management and integrated service platform, which owns, develops and manages our logistics facilities and other real estate properties to support JD Logistics and 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. JD Property serves 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 completed modern logistics facilities to Core Fund for a total gross asset value of approximately RMB11 billion, to unlock meaningful value from our balance sheet and recycle capital for our future growth initiatives.

[Table of Contents](#)

In January 2020, JD Property established its second logistics investment fund, JD Logistics Properties Core Fund II, L.P., or Core Fund II, together with GIC, to replicate the successful experience of Core Fund. JD Property serves as general partner and commit 10% of the total capital of Core Fund II as a limited partner, and GIC will commit the remaining 90%. Furthermore, in January 2020, we entered into definitive agreements with Core Fund II to sell certain of our completed modern logistics facilities for a total gross asset value of approximately RMB5 billion, and concurrently lease back some of these completed facilities for operational purposes.

In September 2020, JD Property entered into definitive agreements to establish another logistics investment fund with approximately RMB3 billion of assets under management, JD Logistics Properties Development Fund I, L.P., or Development Fund I, together with GIC and Mubadala Investment Company (“MIC”), to replicate the successful experience of Core Fund and Core Fund II (collectively, “Core Funds”). Development Fund I plans to acquire some of our modern logistics facilities. JD Property will serve as general partner and commit 40% of the total capital of Development Fund I as a limited partner, and GIC and MIC will commit the remaining 60% collectively. Furthermore, in December 2020, we entered into definitive agreements with Development Fund I to sell one of our uncompleted modern logistics facility, and will concurrently lease back some of such facility for operational purposes when completed.

For the logistics facilities under Core Funds and Development Fund I that met closing conditions, we recorded a disposal gain of RMB3.8 billion and RMB1.6 billion (US\$0.3 billion) in 2019 and 2020, respectively. We will derecognize remaining logistics facilities upon satisfaction of the closing condition. In addition, subsequent to the disposition, we have leased back certain completed facilities from Core Funds for operational purposes, and JD Property has started serving as the asset manager managing Core Funds’ assets. We will also lease back some of the facility that sale to Development Fund I for operational purposes when such facility has been completed.

On March 10, 2021, JD Property entered into definitive agreements for the non-redeemable series A preference share financing with co-lead investors Hillhouse Capital and Warburg Pincus, among others. The total amount expected to be raised is approximately US\$700 million. We will remain the majority shareholder of JD Property after the completion of this transaction. By leveraging Warburg Pincus and Hillhouse Capital’s industry expertise and resources, JD Property will further strengthen its infrastructure property management capabilities and its position as a leading player in high-quality infrastructure properties development and operations.

JD Health. In November 2019, our healthcare subsidiary, JD Health International, Inc., or JD Health, completed the non-redeemable series A preference 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 August 2020, JD Health completed the non-redeemable series B preference share financing with a group of third-party investors. The total amount of financing raised was US\$914 million, representing 4.5% of the ownership of JD Health on a fully diluted basis. 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. On December 8, 2020, shares of JD Health, our consolidated subsidiary, commenced trading on the Main Board of the Hong Kong Stock Exchange under the stock code “6618.” JD Health raised from the global offering in connection with the listing in Hong Kong approximately RMB25.7 billion (US\$3.9 billion) in net proceeds after deducting underwriting commissions, share issuance costs and the offering expenses.

JD MRO. In April and December 2020, JD Industrial Technology Inc. (“JD MRO”), our subsidiary specialized in industrial maintenance, repair and operations (“MRO”) products and services, entered into definitive agreements for non-redeemable series A and series A-1 preference share financing (“JD MRO Series A and A-1 Preference Shares”) with a group of third-party investors. The total amount of financing arising from JD MRO Series A and A-1 Preference Shares was approximately US\$335 million. Upon completion of such financing, we still hold more than 80% of the issued and outstanding shares of JD MRO.

Our Major Investments

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. In 2020, we made further investment of RMB1.0 billion (US\$154 million) to acquire additional ordinary shares from the existing shareholders of Yonghui. As of December 31, 2020, we held approximately 13% 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 Group. In April 2016, we completed the transaction with 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. We have formed an extensive cooperation relationship with Dada Group, as its local on-demand delivery and retail capabilities support our innovative projects and omni-channel strategy, together bringing consumers the most convenient and advanced shopping experience. In June 2020, the ADSs of Dada Group commenced trading on the Nasdaq Global Select Market under the symbol "DADA," and, as of December 31, 2020, we had invested US\$973 million to acquire the ADSs of Dada Group. As of December 31, 2020, we owned approximately 46% issued and outstanding of Dada Group.

On March 22, 2021, we, through a subsidiary, entered into a share purchase agreement with Dada Group, under which we have agreed to invest a total of US\$800 million in newly issued ordinary shares of Dada Group, at a per share purchase price equal to the closing trading price of Dada Group's ordinary shares on the Nasdaq Global Select Market, on March 19, 2021, the last trading day prior to the date of the share purchase agreement. Following the transaction, we will hold, taking into account our existing holding, approximately 51% of Dada Group's issued and outstanding shares. The closing of the transaction is subject to satisfaction of customary closing conditions and procedures, including applicable governmental filings. Upon the closing of the transaction, we expect to consolidate the financial results of Dada Group into our consolidated financial statements. Our increased investment in Dada Group will facilitate both sides to promote the expansion of on-demand retail and delivery, as well as omnichannel collaboration. This is expected to help our company to further diversify its retail services, enable its business partners to improve their operating efficiency, and deliver better services for its consumers.

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, 2020, we had accumulatively invested approximately US\$600 million in cash to purchase Class A ordinary shares and ADSs of Vipshop.

[Table of Contents](#)

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 RMB1.02 billion to the seller. We are also entitled to certain collateral and investor rights pursuant to the related definitive agreements. In the second quarter of 2020, we further acquired 54% equity interest and fully consolidated Jiangsu Five Star by converting the loan of RMB1.02 billion and assuming the seller's RMB428 million debt owed to Jiangsu Five Star.

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. In September and December 2020, we completed additional investments of RMB401 million in cash in AiHuiShou. In addition, we expect to make an additional investment of US\$20 million in AiHuiShou in April 2021.

Kuayue Express. In August 2020, we acquired a controlling interest in Kuayue-Express Group Co., LTD., or Kuayue Express, a renowned modern integrated express transportation enterprise specializing in "limited-time express service" in China, for a total consideration of approximately RMB3 billion through a combination of acquiring existing shares and subscribing for newly issued shares of Kuayue Express.

Xingsheng. In December 2020, we invested approximately US\$700 million to purchase newly issued preferred shares of Xingsheng Preference Electronic Business Limited, or Xingsheng. Xingsheng is a leading community group buying e-commerce platform that serves community families with fresh foods and daily necessities.

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 RMB462.0 billion, RMB576.9 billion and RMB745.8 billion (US\$114.3 billion) in 2018, 2019 and 2020, respectively. We incurred net losses of RMB2.8 billion in 2018, and generated net income of RMB11.9 billion and RMB49.3 billion (US\$7.6 billion) in 2019 and 2020, respectively.

Overview of Our E-commerce Business

We are the largest retailer in China in terms of total revenues in 2020, 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.

[Table of Contents](#)

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 305.3 million, 362.0 million and 471.9 million annual active customer accounts in 2018, 2019 and 2020, 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, 2020, we sourced products from over 31,000 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 2020, 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. Merchants on our online marketplace 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 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 with on-demand and last-mile 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 markets, 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, 2020, our nationwide fulfillment infrastructure covered almost all counties and districts across China, with a network of over 900 warehouses with an aggregate gross floor area of approximately 21 million square meters, including warehouse space managed under the JD Logistics Open Warehouse Platform. In addition, we had a team of 242,452 warehouse and delivery personnel as of December 31, 2020. 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

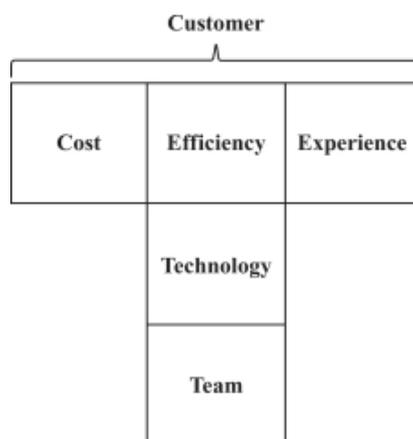
Capitalizing on our retail data, infrastructure and technology, we commercialize our retail capability into services we offer to brands and partners in the retail industry. Through such services, we believe we can create, together with our partners, a more advanced and comprehensive retail ecosystem 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 Weixin and provide one-stop services including 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.

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 procurement 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 and 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.

[Table of Contents](#)

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 7.1 billion product reviews generated by our customers as of December 31, 2020. 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, 2020, we sourced products from over 31,000 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.

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 (京东好店)," 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 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.

On March 22, 2021, we, through a subsidiary, entered into a share purchase agreement with Dada Group. Following the closing of this transaction, we will hold approximately 51% of Dada Group's issued and outstanding shares and expect to consolidate the financial results of Dada Group into our consolidated financial statements. Our increased investment in Dada Group will facilitate both sides to promote the expansion of on-demand retail and delivery, as well as omnichannel collaboration. This is expected to help our company to further diversify its retail services, enable its business partners to improve their operating efficiency, and deliver better services for its 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 several category global stores to sell specific category products (for example Walmart Beauty and Personal Care Global Store) on JD Worldwide, and a one-hour delivery service from Walmart Stores and Sam's Clubs in selected cities through the JD Daojia app. 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.

[Table of Contents](#)

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

JD Logistics is the leading technology-driven supply chain solutions and logistics services provider in China. JD Logistics offers a full spectrum of supply chain solutions and high-quality logistics services enabled by technology, ranging from warehousing to distribution, spanning across manufacturing to end-customers, covering regular and specialized items. According to the CIC Report, JD Logistics is the largest player in China's integrated supply chain logistics services market in terms of total revenue in 2020. JD Logistics's value proposition is to empower customers' supply chains and substantially improve their operational efficiencies, which in turn enhance their own customer experience and stickiness. JD Logistics helps customers reduce redundant distribution layers, improve the agility of their supply chains, and optimize inventory management. The solutions are powered by proprietary technology, industry know-how and insights of product merchandizing. In 2020, JD Logistics served more than 190,000 corporate customers across a wide array of industries, such as fast moving consumer goods (FMCG), apparel, home appliances, home furniture, 3C, automotive and fresh produce, among others.

As of December 31, 2020, JD Logistics operated over 900 warehouses, which covered an aggregate gross floor area of approximately 21 million square meters, including warehouse space managed under the JD Logistics Open Warehouse Platform. In the second quarter of 2020, JD Logistics launched a new Asia No.1 warehouse in Langfang, Hebei province, near Beijing, equipped with the first automated storage and retrieval system for bulky items in Asia's e-commerce industry, greatly improving efficiency in handling items including air conditioners, refrigerators and furniture. In 2020, approximately 90% of the total online retail orders processed through JD Logistics's network were delivered on the same day or the day after the order was placed, with over 60% of the total online retail orders covered by the 211 program.

JD Property

JD Property, our infrastructure asset management and integrated service platform, 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. As of December 31, 2020, JD Property manages properties with a total gross floor area of over 12 million square meters. On March 10, 2021, JD Property entered into definitive agreements for the non-redeemable series A preference share financing with co-lead investors Hillhouse Capital and Warburg Pincus, among others. The total amount expected to be raised is approximately US\$700 million. We will remain the majority shareholder of JD Property after the completion of this transaction. By leveraging Warburg Pincus and Hillhouse Capital's industry expertise and resources, JD Property will further strengthen its infrastructure property management capabilities and its position as a leading player in high-quality infrastructure properties development and operations.

Technology Initiatives

In November 2020, during our fourth annual tech summit "JD Discovery" in Beijing, we launched *JD Retail Cloud*, a technological ecosystem for the retail industry. *JD Retail Cloud* offers integrated data, technology, business, and user management industry solutions to support the digitization of enterprises and institutions. One solution provided by *JD Retail Cloud* is *Shangling SaaS Mall*, a comprehensive SaaS-based operational solution for manufacturers and offline retailers. Driven by our technology and services, *Shangling SaaS Mall* aims to help manufacturers and retailers to improve efficiency in omni-channel operation and marketing, as well as digitalization of offline store operation.

JD-Y, our supply chain R&D unit that focuses on supply chain innovation, launched its self-built industry-leading end-to-end replenishment model (E2E model), which provides an automatic and scalable inventory management solution and shortens the decision process in inventory management. Specifically, the model applies deep learning technology to enable our company to achieve automatic merchandise replenishment based on historical sales performance without the need for sales forecast. A paper on the model has been accepted and to be published soon by *Management Science*, a world-leading scholarly journal within INFORMS, an international association for professionals in operations research and analytics. We aim to build up and open our capabilities with industry partners. JD-Y also launched *Intelligent Supply Chain* initiative, which aims to increase automation of supply chain, improve logistics efficiency among industries, and promote environmentally friendly programs. At the same time, JD-Y also opened up its capabilities to the public and worked together with merchants in C2M customization.

On JD Logistics side, we have been strengthening our technological innovation and applications in various aspects of supply chain solutions and logistics services, including automation, digitalization and intelligentization. Our proprietary technologies include both hardware and software technologies that are seamlessly integrated. As of December 31, 2020, we were entitled to over 4,400 patents and computer software copyrights (including applications thereof), of which over 2,500 are related to our automation and unmanned technologies. We have also built a large team of over 3,700 research and development professionals. We apply technology to each key part of the supply chain, combining pre-planning, implementation, intelligent decision-making and post-operation management to deliver customer experience and overall efficiency. Equipped with these proprietary technologies, we have built a comprehensive smart logistics system capable of service automation, operation digitalization and intelligent decision-making. In January 2021, JD Logistics was selected by INFORMS as one of the seven finalists for the 50th annual Franz Edelman Award for Achievement in Advanced Analytics, Operations Research and Management Science, the world's most prestigious award for achievements in the practice of analytics and operations research. Along with other seven world-leading enterprises including Amazon, JD.com was recognized for its advanced research and self-developed "unmanned" warehouse scheduling system. JD.com is among the few Chinese companies that were selected as finalists in the history of the award.

In December 2019, we formed JD Cloud & AI platform. We have a large team consisting of research and development professionals primarily covering areas of AI, big data analytics and cloud computing. 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. On March 31, 2021, we entered into definitive agreements with JD Digits relating to the reorganization of our cloud computing and artificial intelligence business ("JD Cloud & AI"). Pursuant to the definitive agreements, we transferred JD Cloud & AI and certain assets together valued at approximately RMB15.7 billion to JD Digits, in exchange for newly issued ordinary shares of JD Digits. Upon completion of the transactions on March 31, 2021, JD Cloud & AI was deconsolidated from our consolidated financial statements, and our equity interest in JD Digits increased from 36.8% to approximately 42%. We believe that, through this transaction, we will continue to focus on our core competences and synergistic businesses to better serve customers, and JD Digits will be better positioned to deliver a suite of cutting-edge technology services to its business partners.

JD Health

In November 2019, our healthcare subsidiary, JD Health, completed the non-redeemable series A preference share financing with a group of third-party investors. In August 2020, JD Health completed the non-redeemable series B preference share financing with a group of third-party investors. On December 8, 2020, shares of JD Health commenced trading on the Main Board of the Hong Kong Stock Exchange under the stock code “6618.” JD Health raised from the global offering in connection with its listing in Hong Kong approximately RMB\$25.7 billion (US\$3.9 billion) in net proceeds after deducting underwriting commissions, share issuance costs and the offering expenses. In 2020, JD Health’s total revenue was RMB19.4 billion, representing a year-on-year growth of 78.8%. Annual active user accounts on JD Health’s platform reached 89.8 million in 2020, an increase of 33.7 million from 2019. The number of average daily consultations exceeded 100,000 in 2020, which is more than 5 times of that in 2019. As a leading online healthcare platform, JD Health’s mission is to become the go-to health management platform for everyone in China. Its strategic position is to create a technology-driven platform that centers on the supply chain of pharmaceutical and healthcare products and is strengthened by healthcare services, encompassing a user’s full life span for all healthcare needs. It is committed to offering users easily accessible, convenient, high-quality yet affordable pharmaceutical and healthcare products. To achieve this goal, JD Health has built a one-stop online health management platform to create greater value for all participants in the healthcare value chain, and will continue to expand its core businesses, retail pharmacy business and online healthcare services, through utilizing big data, AI, cloud computing and other advanced technology.

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, watches, jewelry and luxury goods;
- men’s shoes, sports gear and fitness equipment;
- automobiles and accessories;
- real estate;
- maternal and childcare products, toys and musical instruments;
- food, beverage and fresh produce;
- gifts, flowers and plants;
- pharmaceutical and healthcare products, including OCT pharmaceutical products, 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 RMB1,676.9 billion, RMB2,085.4 billion and RMB2,612.5 billion (US\$400.4 billion) in 2018, 2019 and 2020, 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. We believe that GMV provides a measure of the overall volume of transactions that flow through our platform in a given period. Therefore, it should not be used as a financial metric or industry and peer comparisons.

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 2020.

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 7.1 billion product reviews generated by our customers as of December 31, 2020, 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 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 2020, 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 2020, 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 three 24-7 customer service centers in Suqian, Yangzhou and Chengdu, 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, 2020, we had over 12,000 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. We continued to promote "JD Plus", a premium paid membership program. JD Plus offers benefits including extra rebates, coupons, exclusive prices on selected product offerings, free shipping and return services, VIP customer services, PLUS DAY promotion events, online medical consultation and JD E-book unlimited access 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. In addition to our JD Plus, we also have a customer value system, "Joy Score (京享值)", which takes into account various indicators, such as consumer behavior, interaction, credit ratings, among others, to determine a comprehensive and dynamic score for each consumer. The customers with different level of "Joy Score" can enjoy free loyalty programs. For instance, customer with "Joy Score" beyond certain threshold could enjoy a rebate for the plus membership fee. We also provide a variety of free premium services, such as local service, fast refund channel and VIP after-sale service, to enhance customer experience and engagement. We believe JD Plus membership program and "Joy Score" value system can effectively cultivate customer loyalty and enhance the shopping experience and consumer engagement.

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.

[Table of Contents](#)

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 98.5% of the time in 2020.

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 31,000 suppliers as of December 31, 2020. 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 2020.

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.

[Table of Contents](#)

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

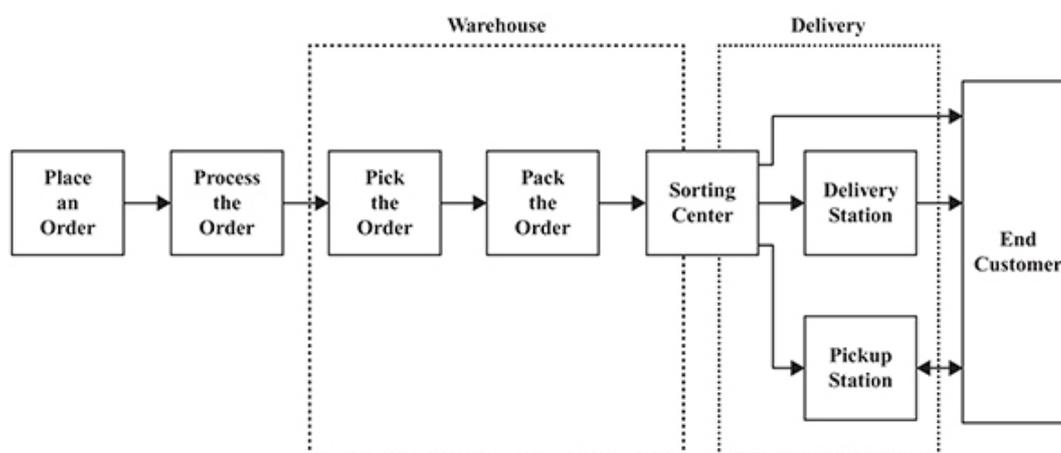
We deliver a compelling customer experience by fulfilling orders quickly and accurately. To this end, we have built our nationwide fulfillment infrastructure for the prompt receipt, storage and shipment of our products. Our fulfillment infrastructure is primarily comprised of a nationwide warehouse and delivery network that we operate ourselves, supplemented by 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.

As of December 31, 2020, our warehouse network covered almost all counties and districts across China, consisting of over 900 warehouses operated by us and over 1,400 cloud warehouses operated by third-party warehouse owner-operators under our Open Warehouse Platform. As of December 31, 2020, our warehouse network had an aggregate GFA of approximately 21 million square meters, including the GFA of the cloud warehouses under our Open Warehouse Platform. The warehouse facilities we operate primarily include regional distribution centers (RDCs), front distribution centers (FDCs) and other warehouses. Our RDCs are capable of storing more SKUs and serve customers across a large region. As of December 31, 2020, we operated more than 300 RDCs covering seven regions in China, including North China, East China, Central China, Southeast China, Northeast China, Northwest China and Southwest China. Our FDCs are smaller warehouses that maintain fewer SKUs but stock products in high demand for their nearby areas and are therefore strategically located closer to end consumers to reach them at a faster speed. 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 during peak seasons to supplement our delivery force. 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 2020, we were named three 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 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 2020, 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 2020, 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 2020. 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 RMB19.2 billion, RMB22.2 billion and RMB27.2 billion (US\$4.2 billion) of marketing expenses in 2018, 2019 and 2020, 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;
- 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, 2020, we owned approximately 2,300 computer software copyrights in China relating to various aspects of our operations and maintained approximately 15,000 trademark registrations inside China and approximately 2,500 trademark registrations outside China. We had approximately 7,000 trademark applications inside China and approximately 1,900 outside China. As of December 31, 2020, we had approximately 3,600 patents granted in China, approximately 250 patents granted outside China, approximately 9,000 patent applications pending in China and approximately 520 patent applications pending outside China. As of December 31, 2020, we had registered approximately 8,400 domain names. Our registered domain names include jd.com, jdcloud.com, jdl.cn and jdhealth.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 55 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. Powered by Technology for A More Productive and Sustainable World” is our mission and core strategy of social responsibility. We continue creating values for economic development, environmental friendliness, and social harmony, based on the technological driver from our Digitally Intelligent Social Supply Chain and the organizational driver from corporate governance, employees, and business partners. We help establish a more productive and sustainable future in terms of promoting employment, enhancing rural revitalization, improving social efficiency, driving high-quality consumption, facilitating the digitalization of the real economy, and supporting supply-side structural reforms, thereby proactively being accountable for social responsibility.

In light of this, we issue our first ESG report which covers more details. To highlight a few points: based on its operating and business advantages, we build a green and low-carbon business model with three dimensions: covering its own operations, supply chain management, and consumer influence to achieve green economic development and jointly build the green community.

On green operations, we aim to lead by example through the company’s own green operations with a lower carbon footprint and greening our business world. For example, we actively implement the concept of green procurement, comprehensively considering the energy-saving and environmental protection benefits of product design, procurement, production, packaging, logistics, sales, service, recycling, and reuse.

On low-carbon and green supply chain, we replace traditional fuel-combustion trucks with new energy vehicles, leading to the development of green transportation. From 2017 to 2020, JD Logistics has launched new energy vehicles in more than 50 cities in 7 regions across China, reducing at least 120,000 tons of carbon dioxide emissions per year. In addition, we have built and introduced more than 1,600 charging stations nationwide to better support the charging services of the vehicles. We use big data to carry out real-time optimal route planning and storage network planning to reduce the number of vehicles in transit, increase the full load rate of return vehicles, and optimize the efficiency of logistics transportation.

On green lifestyle advocacy, consumers preferences for more sustainable lifestyles and consumption are leading to changes in market demand. This is driving industries to transition towards greener development models can lead sustainable lifestyles and can participate in and promote sustainable development. In 2019, we joined hands with the World Wide Fund for Nature (WWF) to launch the “Giant Panda-Friendly Enterprise Alliance.” With the help of our platform, we drive upstream business partners to develop sustainable products with agricultural products from the panda habitat, while using trustworthy products. This platform provides consumers with rich, high-quality, and responsible consumption choices.

We will continue improving our ESG governance structure and system, enhance regulation and law compliance, information security, operational safety, realizing the coordination between expectations from external stakeholders and internal growth.

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 2020, 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 2020, we provided more than 11,800 training courses online and offline for employees.

In 2020, we continued to improve 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 several employer awards in 2020, among which the most influential include Campus Most Attractive Employer Award (by Universum), Best Employer of 2020 (by Zhaopin.com) and World’s Best Employers (by Forbes).

“JD RUN” is an influential employer brand project in China which achieved Most Valuable Learning and Development of China Award in 2020. 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 outbreak of the COVID-19 pandemic, we have spared no efforts in fighting the virus. We leverage our leading advantages in the supply chain and logistics fields through a series of efficient, reliable, and innovative anti-epidemic measures to meet social needs with medical resources and daily necessities. We help solve challenges generated by COVID-19, promote economic recovery by “new infrastructure,” and protect public health and safety with care and love.

After the outbreak, we responded quickly and set up a leading group to make major decisions and overall deployment. We also immediately established a special team for epidemic prevention and control. The emergency working groups of each sub-groups and departments implement specific tasks to ensure a quick response mechanism that is live 24/7. We continue delivering social value in anti-epidemic measures, boosting the economy, ensuring people’s livelihoods, and stabilizing employment. We have invested more than one billion RMB in donations of protective and medical supplies, guaranteeing the transportation capacity of special lines in Hubei and people’s livelihoods in key areas, and investing in platform partners’ businesses.

Emergency assistance — We have donated 1.08 million facial masks and tens of thousands of medical supplies to Hubei Charity Federation and Wuhan Hospital at the start of the pandemic. From January 21, 2020 to March 31, 2020, JD Logistics transported more than 70 million medical emergency supplies for free, with a total weight of more than 30,000 tons, and delivered more than 10,000 tons of medical emergency supplies and daily necessities from all over the world to Hubei Province. In addition, JD Logistics sent nearly 30,000 pieces of luggage from the medical assistance teams in Hubei to more than 30 provinces across the country for free.

Science and technology — JD Digits has launched epidemic inquiry robots to provide the public with emergency services such as online consultation, epidemic knowledge distribution, epidemic monitoring, and medicine delivery. JD Digits develops a platform releasing emergency resource information that can conduct intelligent searches and match supply-and-demand for governments, enterprises, and public welfare organizations. In addition, we have built an “outbreak situation awareness system for high-risk populations” to provide technical support for epidemic prevention and control. JD Digits independently researches and develops AI robots for indoor transportation to support the delivery of medical supplies during the pandemic. Moreover, JD Logistics has launched a “contactless delivery” model for smart vehicles in multiple cities to reduce pandemic exposure risks in the express transportation industry.

Protecting public health — JD Logistics provides a healthy environment for front-line service personnel and provides more than 10 million facial masks and other anti-epidemic materials and insurance to front-line employees to ensure a safe working environment to the greatest extent. JD Digits provides free “new crown pneumonia” insurance protection for front-line medical personnel, our front-line employees and their families in the fight against the pandemic. The insurance benefit is RMB300,000 per person, and a maximum of RMB1 million for family members who pass away or become disabled due to coronavirus. So far, over 100,000 people who meet the insurance conditions for fighting the epidemic have received insurance for free. In addition, JD Health provides a free online consultation platform for medical consultation and psychological counseling services. During the period from January 26, 2020 to April 30, 2020, the platform has served more than 11 million users. Moreover, JD Health launched “Patients with Chronic Diseases Medicine Help Platform,” which assists patients with chronic diseases.

[Table of Contents](#)

Comprehensive assistance to recovery — On February 2, 2020, we launched multiple subsidy projects for platform merchants, which include fee reductions, financial and logistics support, traffic support, technical support, health protection, etc. On February 8, 2020, we announced an additional RMB100 million subsidy to merchants that entered JD Logistics's warehouses. On March 4, 2020, we announced that we would invest RMB1.5 billion in resources to launch the “Spring Rain Plan,” which is to integrate all platform marketing capabilities to support key categories. The plan provides more traffic to unmarketable brands and merchants and achieves the online work resumption of offline stores through an omni-channel model. Furthermore, the special policies that lower the threshold for merchants to enter the platform dissolve the “dammed lake,” thereby unblocking an otherwise stagnant industry chain. Through multiple policies, We provides more low-priced products to consumers, fully satisfying post-pandemic material, thereby boosting consumer confidence, and helping the entire industry chain return to the fast lane.

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 Catalog of Industries for Encouraging Foreign Investment, or the Encouraging Catalogue, and the Special Management Measures (Negative List) for the Access of Foreign Investment, or the Negative List which were promulgated and are 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 Encouraging Catalogue and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: “encouraged”, “restricted” and “prohibited”. Industries not listed in the Encouraging Catalogue, are generally deemed as falling into a fourth category “permitted” unless specifically restricted by other PRC laws.

MOFCOM and the NDRC promulgated the Catalogue of Industries for Encouraging Foreign Investment (2020 Version), on December 27, 2020, and the Special Management Measures (Negative List) for the Access of Foreign Investment (2020), or the 2020 Negative List, on June 23, 2020, to replace the previous encouraging catalogue and 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.

According to the Measures for the Security Review of Foreign Investment promulgated by the NDRC and the MOFCOM on December 19, 2020 and became effective on January 18, 2021, the NDRC and the MOFCOM will establish a working mechanism office in charge of the security review of foreign investment. Such measures define foreign investment as direct or indirect investment by foreign investors in the PRC, which includes (i) investment in new onshore projects or establishment of wholly foreign owned onshore companies or joint ventures with foreign investors; (ii) acquiring equity or asset of onshore companies by merger and acquisition; and (iii) onshore investment by and through any other means. Investment in certain key areas with bearing on national security, such as important cultural products and services, important information technology and internet services and products, key technologies and other important areas with bearing on national security which results in the acquisition of de facto control of investee companies, shall be filed with a specifically established office before such investment is carried out. What may constitute “onshore investment by and through any other means” or “de facto control” could be broadly interpreted under such measures. It is likely that control through contractual arrangement be regarded as de facto control based on provisions applied to security review of foreign investment in the free trade zone. Failure to make such filing may subject such foreign investor to rectification within prescribed period, and will be recorded as negative credit information of such foreign investor in the relevant national credit information system, which would then subject such investors to joint punishment as provided by relevant rules. If such investor fails to or refuses to undertake such rectification, it would be ordered to dispose of the equity or asset and to take any other necessary measures so as to return to the status quo and to erase the impact to national security.

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 2020 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. 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 a Value-added Telecommunication License, or a VAT License, is prohibited from leasing, transferring or selling the VAT 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 VAT License, and the company must establish and improve its internal internet and information security policies and standards and emergency management procedures. If a VAT 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 VAT 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 Catalog 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 a VAT 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, a VAT License issued by Beijing Telecommunication Administration for the provision of online data processing and transaction processing services and also a VAT 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, cellular mobile communications services provided in the means of resale, content delivery network services and storage-and-forward services.

Internet Publication License/Network Publication Service License. As a result of institutional reform in March 2018, the National Press and Publication Administration was established and assigned to undertake the administration of publication activities in China from the State Administration of Press and Publication, Radio, Film and Television, or the SAPPRFT, which was integrated from the State Administration of Radio, Film and Television, and the General Administration of Press and Publication in March 2013. 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 and Tourism, which will remain valid until December 2023.

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, 2020, 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, 2020, Xi’an Jingdong Xuncheng and its 10 branches and two subsidiaries, Jingbangda and its 32 subsidiaries and two branches 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. Three 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 these entities 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), Beijing Jingdong Hongjian Jiankang Co., Ltd. and certain other subsidiaries of Beijing Jingdong Jiankang Co., Ltd. have obtained Medical Device Operation Permits for the sale of several types of Type III medical devices.

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 June 2023.

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. On March 15, 2021, the SAMR promulgated the Measures for the Supervision and Administration of Online Trading, which will become effective on May 1, 2021 and replace the Administrative Measures for Online Trading. The Measures for the Supervision and Administration of Online Trading require that operators not make tied sale as an option for a consumer's consent by default, or set the option adopted by a consumer in a previous transaction as his or her default option. Operators providing automatic extension or renewal services shall give a salient notice to the consumers and allow consumers to make independent choice before they accept the service. Moreover, the Measures for the Supervision and Administration of Online Trading address key issues such as the registration of online operation entity, the regulation of new business forms, the primary responsibility of platform operators and personal information protection.

In March 2016, the STA, 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. Furthermore, in 2019, the CAC issued the Provisions on the Management of Network Information Content Ecology, or the CAC Order No.5, which became effective on March 1, 2020, to further strengthen the regulation and management of network information content. Pursuant to the CAC Order No.5, each network information content service platform is required, among others, (i) not to disseminate any information prohibited by laws and regulations, such as information jeopardizing national security; (ii) to strengthen the examination of advertisements published on such network information content service platform; (iii) to promulgate management rules and platform convention and improve user agreement, such that such network information content service platform could clarify users' rights and obligations and perform management responsibilities required by laws, regulations, rules and convention; (iv) to establish convenient means for complaints and reports; and (v) to prepare annual work report regarding its management of network information content ecology. In addition, a network information content service platform must not, among others, (i) utilize new technologies such as deep learning and virtual reality to engage in activities prohibited by laws and regulations; (ii) engage in online traffic fraud, malicious traffic rerouting and other activities related to fraudulent account, illegal transaction account or maneuver of users' account; or (iii) infringe a third party's legitimate rights or seek illegal interests by way of interfering with information display.

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. Furthermore, pursuant to the PRC Civil Code, any organization or individual shall legally obtain personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

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.

[Table of Contents](#)

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 telecommunications 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 which took effect in January 1995 with the latest amendment on August 26, 2019, which became effective on January 1, 2020, lessors and lessees are required to enter into a written lease contract, containing such provisions as the term of the lease, the use of the premises, rental price, liability for repair, and other rights and obligations of both parties. Both lessor and lessee are also required to file for registration and record the lease contract with the real estate administration department. Pursuant to implementing rules stipulated by certain provinces or cities, 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 Civil Code (which took effect on January 1, 2021), 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 ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

Pursuant to the PRC Civil Code, if the mortgaged property has been leased and transferred for occupation prior to the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right. According to the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (2020 version), which took effect on January 1, 2021, if the ownership of the leased premises changes during lessee's possession in accordance with the terms of the lease contract, and the lessee requests the assignee to continue to perform the original lease contract, the PRC court shall support it, except that the mortgage right has been established before the lease of the leased premises and the ownership changes due to the mortgagee's realization of the mortgage right.

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 three types of patents, “invention”, “utility model” and “design.” Invention or utility models must meet three criteria to be patentable: novelty, inventiveness and practicability. The National Intellectual Property Administration is responsible for examining and approving patent applications. As of December 31, 2020, we had approximately 3,600 patents granted in China, approximately 250 patents granted outside China, approximately 9,000 patent applications pending in China and approximately 520 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, 2020, we had approximately 17,500 registered trademarks in different applicable trademark categories in different jurisdictions, and had approximately 7,000 trademark applications in China and approximately 1,900 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, jdl.cn, jdhealth.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 Overseas Listing and M&A

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and revised on June 22, 2009. Foreign investors shall comply with the M&A rules when they purchase equity interests of a domestic company or subscribe for the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC for the purpose of purchasing the assets of a domestic company and operating the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A rules, among other things, purports to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

Regulations relating to Anti-Monopoly

The currently effective Anti-Monopoly Law of PRC (the “Anti-Monopoly Law”) was promulgated by SCNPC in 2007, and SAMR has sought public comments on the Draft Amendment to the Anti-Monopoly Law (the “Draft for Comment”) in January 2020. Pursuant to the Anti-Monopoly Law, the relevant operators of a concentration of undertakings which reaches the standard for declaration shall make an advance declaration to the anti-monopoly law enforcement authority under the State Council. On February 7, 2021, the Anti-Monopoly Committee of the State Council promulgated the Anti-Monopoly Guidelines for the Internet Platform Economy Sector which stipulates that any concentration of undertakings involving variable interest entities (VIE) shall fall within the scope of anti-monopoly review. Furthermore, the Anti-Monopoly Guidelines for Internet Platforms prohibits certain monopolistic acts of internet platforms so as to protect market competition and safeguard interests of users and undertakings participating in internet platform economy, including without limitation, prohibiting platforms with dominant position from abusing their market dominance (such as discriminating customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements, using technology means to block competitors’ interface, favorable positioning in search results of goods displays, using bundle services to sell services or products, compulsory collection of unnecessary user data).

Regulations Relating to PRC Value Added Tax

On March 23, 2016, the MOF and the STA 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 STA jointly promulgated the Circular of the Ministry of Finance and the STA 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 STA 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 Taxation Administration 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 STA 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 STA issued the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (“STA Circular 35”) on October 14, 2019, which became effective on January 1, 2020. The STA Circular 35 further simplified the procedures for enjoying treaty benefits and replaced the STA Circular 60. According to the STA 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 STA, 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 the Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise, or the SAFE Circular 19, which took effect and replaced SAFE Circular 142 from June 1, 2015. According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement, which means that the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise, and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks. Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (iii) directly or indirectly used for granting entrust loans in Renminbi (unless permitted by the scope of business), repaying inter-enterprise borrowings (including advances by the third-party) or repaying the bank loans in Renminbi that have been sub-lent to third parties; or (iv) directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

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 The Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, or the SAFE Circular 13, which took effect on June 1, 2015 and was amended on December 30, 2019, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular 13, investors should register with banks for direct domestic investment and direct overseas investment.

The Circular on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or the Circular 16, was promulgated by SAFE on June 9, 2016. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC Laws, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

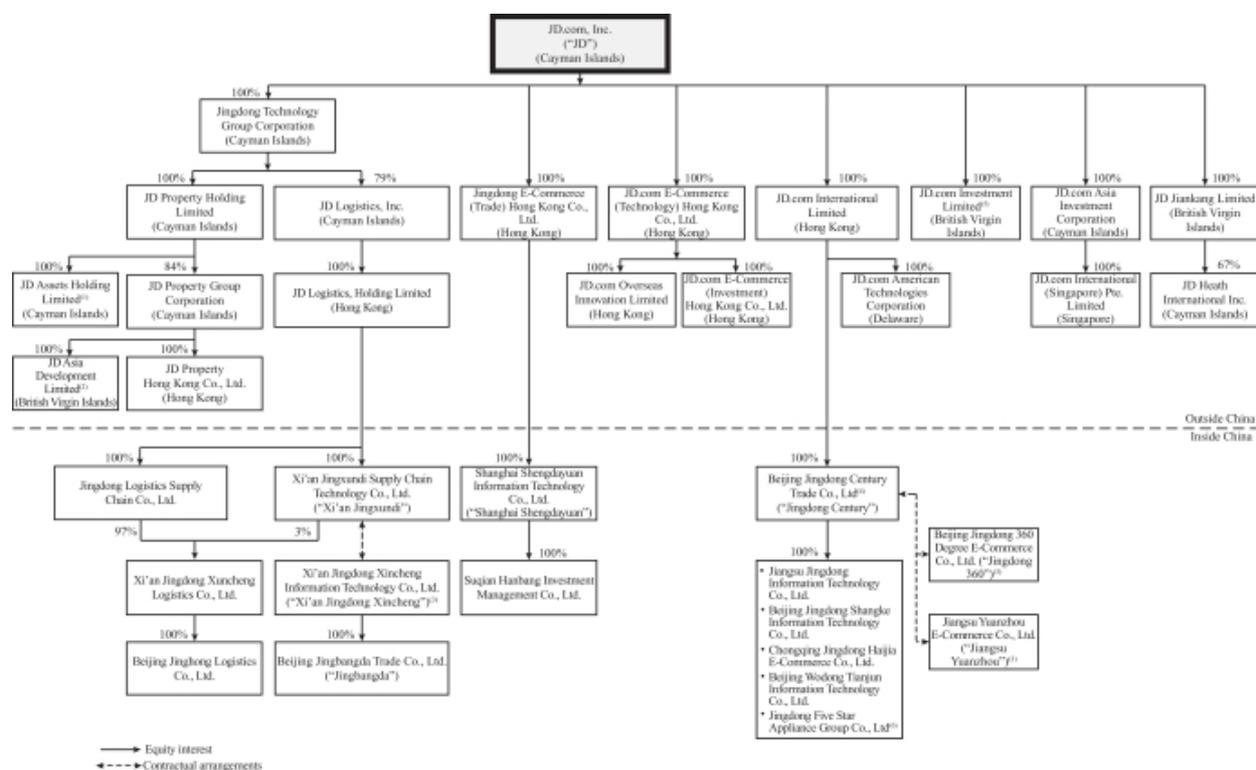
In October 2019, the SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all FIEs to use Renminbi converted from foreign currency denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. The Circular Regarding Further Optimizing the Cross-border RMB Policy to Support the Stabilization of Foreign Trade and Foreign Investment jointly promulgated by the People's Bank of China, NDRC, MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the China Banking and Insurance Regulatory Commission and SAFE on December 31, 2020 and effective on February 4, 2021 allows the non-investment foreign-invested enterprises to make domestic reinvestment with RMB capital in accordance with the law on the premise that they comply with prevailing regulations and the invested projects in China are authentic and compliant. In addition, if a foreign-invested enterprise uses RMB income under capital accounts to conduct domestic reinvestment, the invested enterprise is not required to open a special deposit account for RMB capital.

Table of Contents

According to the Circular of the State Administration for Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business, or the SAFE Circular 8 promulgated and effective on April 10, 2020 by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

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 26 subsidiaries holding, directly or indirectly, non-logistics properties.
- (2) JD Asia Development Limited has 343 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, chief executive officer of JD Digits, a significant investee of our company, and 25% owned by Ms. Pang Zhang, our chief human resources officer. We effectively control these entities through contractual arrangements.

Table of Contents

- (4) Jingdong Century has 114 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., and Suqian Jingdong Jinyi Enterprise Management Co., Ltd., each of which constitutes a significant subsidiary of Jiangsu Jingdong Bangneng.
 - (5) JD.com Investment Limited has 64 subsidiaries that hold, directly or indirectly, the companies invested by us.
 - (6) Jingdong Five Star Appliance Group Co., Ltd. has 57 subsidiaries that mainly engage in home appliances and consumer electronics offline retail business.
- * The diagram above omits our equity investees that are insignificant individually and in the aggregate.

Our Consolidated Variable Interest Entities

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.

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 and primarily engages in our online marketplace business. Xi'an Jingdong Xincheng primarily provides courier services through Jingbangda and its subsidiaries. Jiangsu Yuanzhou primarily engages in the business of selling books, audio and video products.

Mr. Richard Qiangdong Liu, Ms. Yayun Li and Ms. Pang Zhang are the shareholders of our principal variable interest entities, including Jingdong 360, Jiangsu Yuanzhou and Xi'an Jingdong Xincheng, among others. Mr. Richard Qiangdong Liu is our chairman of board of directors and chief executive officer, Ms. Yayun Li is chief executive officer of JD Digits, a significant investee of our company, and Ms. Pang Zhang is our chief human resources officer. Jingdong 360, Jiangsu Yuanzhou and Xi'an Jingdong Xincheng are 45% owned by Mr. Richard Qiangdong Liu, 30% owned by Ms. Yayun Li, and 25% owned by Ms. Pang Zhang. 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, as described below.

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 December 2020. We have become the primary beneficiary of Jingdong 360 since 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 among 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 since 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.

[Table of Contents](#)

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. On January 25, 2021, these contractual arrangements were updated and replaced by a new set of contractual arrangements with Xi'an Jingdong Xincheng and the shareholders of Xi'an Jingdong Xincheng to comply with certain requirements of the Hong Kong Stock Exchange, which we refer to as the Xi'an Jingdong Xincheng Agreements. We have become the primary beneficiary of Xi'an Jingdong Xincheng since 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 and Suqian Jingdong Tianning Jiankang Technology Co., Ltd. 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.

There are certain risks involved in our corporate structure and the contractual arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in the section headed "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure." We have determined that the costs of insurance for the risks associated with our corporate structure and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of December 31, 2020, we did not purchase any insurance to cover the risks relating to the contractual arrangements.

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 3.8%, 4.7% and 5.0% of our consolidated total net revenues for the years ended December 31, 2018, 2019 and 2020, respectively.

In the opinion of Shihui Partners, 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 Jingdong 360 Agreements, the Jiangsu Yuanzhou Agreements and the Xi'an Jingdong Xincheng Agreements are substantially similar in key aspects governing the contractual arrangements with a variable interest entity of our company. 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 December 24, 2020, 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 agreements, 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 among Jingdong Century, Jiangsu Yuanzhou, 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 January 25, 2021, Xi'an Jingxundi, Xi'an Jingdong Xincheng and the shareholders of Xi'an Jingdong Xincheng entered into a share pledge agreement, pursuant to which the shareholders of Xi'an Jingdong Xincheng will pledge as first charge all of their respective equity interests in Xi'an Jingdong Xincheng to Xi'an Jingxundi as collateral security for any or all of their payments due to Xi'an Jingxundi and to secure performance of their obligations under the exclusive business cooperation agreement, the exclusive option agreement, the loan agreement, the shareholders' rights entrustment agreement and the powers of attorney.

We have completed the registration of the equity pledge for our variable interest entities with the relevant office of the administration for market regulation.

Powers of Attorney. On December 24, 2020, 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 January 25, 2021, Xi'an Jingxundi, Xi'an Jingdong Xincheng and the shareholders of Xi'an Jingdong Xincheng entered into a shareholder's rights entrustment agreement, and each of the shareholders of Xi'an Jingdong Xincheng executed the irrevocable power of attorney on the same date, pursuant to which the shareholders of Xi'an Jingdong Xincheng appointed Xi'an Jingxundi or a director of its offshore holding company or his or her successor (including a liquidator replacing Xi'an Jingxundi's director) as their exclusive agent and attorney to act on their behalf on all matters concerning Xi'an Jingdong Xincheng and to exercise all of its rights as a registered shareholder of Xi'an Jingdong Xincheng. As a result of the shareholders' rights entrustment agreement and the powers of attorney, we, through Xi'an Jingxundi, are able to exercise management control over the activities that most significantly impact the economic performance of Xi'an Jingdong Xincheng.

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

Exclusive Technology Consulting and Service Agreement/Exclusive Business Cooperation 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.

On January 25, 2021, Xi'an Jingxundi and Xi'an Jingdong Xincheng entered into an exclusive business cooperation agreement, pursuant to which Xi'an Jingdong Xincheng agrees to engage Xi'an Jingxundi as its exclusive provider of business support, technical and consulting services in exchange for service fees. Under these arrangements, the service fees, subject to Xi'an Jingxundi's adjustment, are equal to all of the net profit of Xi'an Jingdong Xincheng and its subsidiaries. Xi'an Jingxundi enjoys all the economic benefits derived from the businesses of Xi'an Jingdong Xincheng and bears the relevant portion of the business risks of Xi'an Jingdong Xincheng. If Xi'an Jingdong Xincheng runs into financial deficit or suffers severe operation difficulties, Xi'an Jingxundi will provide financial support to Xi'an Jingdong Xincheng.

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.

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 December 24, 2020, 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.

[Table of Contents](#)

On January 25, 2021, Xi'an Jingxundi, Xi'an Jingdong Xincheng and the shareholders of Xi'an Jingdong Xincheng entered into an exclusive option agreement, pursuant to which Xi'an Jingxundi (or JD Logistics or any subsidiary of JD Logistics, the "designee") is granted an irrevocable and exclusive right to purchase all of the equity interest in and/or assets of Xi'an Jingdong Xincheng for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, the shareholders of Xi'an Jingdong Xincheng and/ or Xi'an Jingdong Xincheng shall return any amount of purchase price they have received to Xi'an Jingxundi or its designee.

Loan Agreements. Pursuant to an amended and restated loan agreement dated December 24, 2020 between Jingdong Century and the shareholders of Jingdong 360, Jingdong Century made loans in an aggregate amount of RMB2,920 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.

Pursuant to the loan agreement, dated January 25, 2021, 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.

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 Suqian Jingdong Tianning, 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, as applicable. Our contractual agreements with these other variable interest entities contain terms substantially similar to those in the Jingdong 360 Agreements, Jiangsu Yuanzhou Agreements or Xi'an Jingdong Xincheng Agreements, as applicable.

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, 2020, we had paid an aggregate of approximately RMB10.2 billion (US\$1.6 billion) for the acquisition of land use rights and construction of the office buildings.

[Table of Contents](#)

We lease our other offices in Beijing and regional offices in 52 other cities in China with an aggregate floor area of approximately 554,000 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, 2020, we operated more than 300 RDCs covering seven regions in China, including North China, East China, Central China, Southeast China, Northeast China, Northwest China and Southwest China..

In addition, we also operated front distribution centers, which are smaller warehouses that maintain fewer SKUs but stock products in high demand for their nearby areas and therefore strategically located closer to end consumers to reach them at a faster speed. Our comprehensive fulfillment facilities can cover almost all the counties and districts across China.

As of December 31, 2020, we had land use rights in 41 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 RMB25.5 billion (US\$3.9 billion) for the acquisition of land use rights, building of warehouses and purchase of warehousing equipment as of December 31, 2020. 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 in 2019 and RMB4.8 billion (US\$0.7 billion) in 2020, respectively. 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.

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 RMB462.0 billion, RMB576.9 billion and RMB745.8 billion (US\$114.3 billion) in 2018, 2019 and 2020, respectively. Our customer base has also expanded rapidly. We had 305.3 million, 362.0 million and 471.9 million annual active customer accounts in 2018, 2019 and 2020, respectively. Our online retail business generated net product revenues of RMB416.1 billion, RMB510.7 billion and RMB651.9 billion (US\$99.9 billion) in 2018, 2019 and 2020, respectively. In addition, our marketplace, marketing, logistics and other services generated net service revenues of RMB45.9 billion, RMB66.2 billion and RMB93.9 billion (US\$14.4 billion) in 2018, 2019 and 2020, 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 and HKEX, 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, 2020, the amount restricted, including paid-in capital and statutory reserve funds, as determined in accordance with PRC accounting standards and regulations, was approximately RMB28.9 billion (US\$4.4 billion). 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;

[Table of Contents](#)

- 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 305.3 million in 2018, to 362.0 million in 2019 and further to 471.9 million in 2020. 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 RMB45.9 billion in 2018, to RMB66.2 billion in 2019 and further to RMB93.9 billion (US\$14.4 billion) in 2020. 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.

[Table of Contents](#)

As of December 31, 2020, our nationwide fulfillment infrastructure employed a total of 242,452 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 2018, 2019 and 2020, while the fulfillment expenses as a percentage of our total net revenues decreased from 6.9% in 2018 to 6.5% in 2020. 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, 2020, included a warehousing network of over 900 warehouses that are operated by us, and an aggregate gross floor area of approximately 21 million square meters, including warehouse space managed under the JD Logistics Open Warehouse Platform. We have owned and managed approximately 14.7 million square meters of fulfillment infrastructure related land in 45 cities in China as of December 31, 2020. 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 RMB25.5 billion (US\$3.9 billion) for the acquisition of land use rights, building of warehouses and purchase of warehousing equipment as of December 31, 2020. 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 in 2019 and RMB4.8 billion (US\$0.7 billion) in 2020, respectively. 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 2020, our share of results of equity investees was a gain of RMB4.3 billion (US\$0.7 billion), primarily consisting of the dilution gain of Dada Group’s public offerings, the disposal gain of Bitauto, and partially offset by the picked up losses 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 have been, and could continue to be affected by the spread of COVID-19. 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.

Table of Contents

In connection with the intensifying efforts to contain the spread of COVID-19, the Chinese government has taken a number of actions, which included extending the Chinese Spring Festival in 2020, 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 Spring Festival in 2020 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. Furthermore, to mitigate any negative impacts that COVID-19 may have on the operations of our suppliers, we have implemented a variety of measures to support our suppliers, including adopting a shorter payable cycle and increasing advance payments to suppliers. In order to protect our employee health, we provided additional Covid-related insurance coverage for free to over 100 thousands frontline staff as well as their families. As of December 31, 2020, (i) all of our employees, including corporate office employees and field staff, had returned to work, (ii) our major operations, including JD Retail and JD Logistics, had fully recovered around China, and (iii) customer demand across product and service categories on our platform had fully recovered.

As of December 31, 2020, we had cash and cash equivalents of RMB86.1 billion (US\$13.2 billion). 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, automobile 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,						
	2018		2019		2020		
	RMB	%	RMB	%	RMB	US \$	%
	(in millions, except for percentages)						
Electronics and home appliances revenues	280,059	60.6	328,703	57.0	400,927	61,445	53.8
General merchandise revenues	136,050	29.5	182,031	31.5	250,952	38,460	33.6
Net product revenues	416,109	90.1	510,734	88.5	651,879	99,905	87.4
Marketplace and marketing revenues	33,532	7.2	42,680	7.4	53,473	8,195	7.2
Logistics and other service revenues	12,379	2.7	23,474	4.1	40,450	6,199	5.4
Net service revenues	45,911	9.9	66,154	11.5	93,923	14,394	12.6
Total net revenues	462,020	100.0	576,888	100.0	745,802	114,299	100.0

[Table of Contents](#)

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, (iii) lease expenses of warehouses, delivery and pickup stations, and physical stores, and (iv) depreciation and amortization of logistics and electronic equipment. 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 on an annual basis 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 increase operation efficiency by strengthening our logistics network, improving overall utilization through economies of scale, increasing the level of integration across our logistics networks, and improving efficiencies through more intelligent decision-making.

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 Funds and Development Fund I. 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 development properties to fund new developments and scale the business. In February 2019, January 2020 and December 2020, we entered into definitive agreements with Core Funds and Development Fund I, as applicable, pursuant to which we sold certain of our completed and uncompleted modern logistics facilities. See also “Item 4. Information on the Company—A. History and Development of the Company—Our Strategic Cooperations and Other Developments—JD Property”. For the logistics facilities that met closing conditions, we recorded disposal gain of RMB3.8 billion and RMB1.6 billion (US\$0.3 billion) in 2019 and 2020, respectively. We will derecognize the remaining logistics facilities upon satisfaction of the hand-over condition.

Share of results of equity investees

Share of the post-acquisition profits or losses, impairment, and gains or losses from disposals and deemed 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 a two-tiered income tax rate for taxable income generated from operations in Hong Kong, effective on April 1, 2018. 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, 2019 and 2020 (“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.

Table of Contents

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

	For the Year Ended December 31,			
	2018 RMB	2019 RMB	2020 RMB US\$	
	(in millions)			
Net revenues:				
JD Retail	447,502	552,245	702,930	107,729
New Businesses	14,665	23,932	42,791	6,558
Inter-segment	(1,103)	(435)	(725)	(111)
Total segment net revenues	461,064	575,742	744,996	114,176
Unallocated items*	956	1,146	806	123
Total consolidated net revenues	462,020	576,888	745,802	114,299
Operating income/(loss):				
JD Retail	7,049	13,775	19,484	2,986
New Businesses	(5,137)	(1,022)	(2,498)	(383)
<i>Including: gain on sale of development properties</i>	—	3,885	1,649	253
Total segment operating income	1,912	12,753	16,986	2,603
Unallocated items*	(4,531)	(3,758)	(4,643)	(712)
Total consolidated operating income/(loss)	(2,619)	8,995	12,343	1,891

* 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 (including fulfillment expenses, marketing expenses, research and development expenses and general and administrative expenses) before unallocated items as a percentage of net revenues for JD Retail were 13.1%, 12.3% and 11.9% for the years ended December 31, 2018, 2019 and 2020, respectively.

Years Ended December 31, 2020 and 2019

Net Revenues. Our total net revenues increased by 29.3% from RMB576,888 million in 2019 to RMB745,802 million (US\$114,299 million) in 2020, with increases in both categories of net revenues. Net product revenues increased by 27.6% from RMB510,734 million in 2019 to RMB651,879 million (US\$99,905 million) in 2020. Net service revenues increased by 42.0% from RMB66,154 million in 2019 to RMB93,923 million (US\$14,394 million) in 2020.

The increase in our total net revenues was primarily due to our ability to expand our customer base and achieve a higher customer retention in 2020. Our annual active customer accounts increased from 362.0 million in 2019 to 471.9 million in 2020. The spread of COVID-19 pandemic to a certain extent stimulated the sales of our general merchandise products (such as pharmaceutical and healthcare products, household goods, and fresh produce) as more customers switched their buying pattern from offline to online. The increase in our net service revenues was primarily due to the enhanced penetration of our logistics services to our third-party merchants and other third parties, as well as our efforts to continually enhance our smart marketing technologies, resulting in an improved marketing efficiency and a better growth of our marketing services.

Cost of revenues. Our cost of revenues increased by 29.3% from RMB492,467 million in 2019 to RMB636,694 million (US\$97,578 million) in 2020. This increase was primarily due to the growth of our online retail business and increase in costs related to the logistics services provided to merchants and other partners.

Fulfillment expenses. Our fulfillment expenses increased by 31.7% from RMB36,968 million in 2019 to RMB48,700 million (US\$7,464 million) in 2020. 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, which was in line with the growth of our sales volume. The spread of COVID-19 pandemic also caused incremental costs, and accelerated the category mix shift toward the high frequency but small ticket size consumer staple categories which led higher fulfillment expenses.

Marketing expenses. Our marketing expenses increased by 22.1% from RMB22,234 million in 2019 to RMB27,156 million (US\$4,162 million) in 2020. This increase was primarily due to an increase in our advertising expenditures on both online and offline channels from RMB19,286 million in 2019 to RMB23,088 million (US\$3,538 million) in 2020, as we continued to enhance our brand recognition and promote our new business initiatives.

Research and development expenses. Our research and development expenses increased by 10.5% from RMB14,619 million in 2019 to RMB16,149 million (US\$2,475 million) in 2020 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 compensation costs along with the increase of headcount of our technology employees. Our R&D employees increased from 14,047 as of December 31, 2019 to 17,239 as of December 31, 2020. We had also seen a rapid increase in research and development expenses in connection with the execution of our strategies of continuously improving our mobile, big data and cloud computing technologies.

General and administrative expenses. Our general and administrative expenses increased by 16.7% along with the expansion of our business, from RMB5,490 million in 2019 to RMB6,409 million (US\$982 million) in 2020. This increase was primarily due to an increase in staff cost as the headcount of our general and administrative employees increased in line with our business expansion.

Gain on sale of development properties. Gain on sale of development properties was RMB3,885 million in 2019, and RMB1,649 million (US\$253 million) in 2020. The gain on sale of development properties in 2020 came from the sale of development properties to Core Funds and Development Fund I.

Share of results of equity investees. Compared to a loss of RMB1,738 million in 2019, our share of results of equity investees was a gain of RMB4,291 million (US\$658 million) in 2020, which primarily consisted of the dilution gain of Dada Group's public offerings, the disposal gain of Bitauto and partially offset by the picked up losses recognized from our equity method investments.

Others, Net. Others, net was RMB5,375 million income in 2019 and RMB32,556 million (US\$4,989 million) income in 2020. The substantial increase was primarily due to the increase in the net gain arising from increases in the market prices of our equity investments in publicly-traded companies, over which we do not have significant influence, which achieved a net gain of RMB29,483 million (US\$4,518 million) in 2020 as compared to a net gain of RMB3,496 million in 2019.

Net Income. As a result of the foregoing, we had a net income of RMB49,337 million (US\$7,561 million) in 2020, as compared to a net income of RMB11,890 million in 2019.

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 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 in 2019. Net service revenues increased by 44.1% from RMB45,911 million in 2018 to RMB66,154 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 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 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.

[Table of Contents](#)

Marketing expenses. Our marketing expenses increased by 15.6% from RMB19,237 million in 2018 to RMB22,234 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 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 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 in 2019.

Gain on sale of development properties. Gain on sale of development properties was nil in 2018, and RMB3,885 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 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 Group.

Others, Net. Others, net was RMB95 million income in 2018 and RMB5,375 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 in 2019, as compared to a net loss of RMB2,801 million in 2018.

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, Xi'an Jingxundi and Beijing Jingdong Jiankang Co., Ltd., and our affiliated PRC entities, including, among others, Jingdong 360, Jiangsu Yuanzhou, Jingdong Bangneng, Xi'an Jingdong Xincheng, and Suqian Jingdong Tianning, 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 of accumulated other comprehensive income 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”).

[Table of Contents](#)

Beginning on January 1, 2018, upon the adoption of ASU 2016-01, 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 (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.

Revenues

We adopted ASC topic 606, *Revenue from Contracts with Customers* (“ASC 606”), from January 1, 2018, using the modified retrospective transition approach.

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 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 an agent and our 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 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 is passed 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 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, we 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 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 inventory aging, historical and forecasted consumer demand, and market conditions that impact pricing. 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, 2020, we would have recorded an additional cost of sales of approximately RMB609 million (US\$93 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 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 FASB guidance on testing of goodwill for impairment, we first assess 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 the qualitative assessment, it is more likely than not that the fair value of the 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, consideration of the impact of COVID-19, and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

In January 2017, the FASB issued ASU 2017-04, "*Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*" ("ASU 2017-04"), 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. We adopted ASU 2017-04 beginning January 1, 2020 and used the one-step method for the goodwill impairment assessment for the year ended December 31, 2020.

During the years ended December 31, 2018, 2019 and 2020, management monitored the actual performance of the business and conducted goodwill impairment test. The goodwill impairment charges during the years ended December 31, 2018, 2019 and 2020 are RMB7 million, nil and nil, respectively.

Non-recourse 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 non-recourse 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 acting 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.

[Table of Contents](#)

We do 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 transfers of the assets are accounted for as a financing type transaction if the conditions in ASC 860-10-40-5 are not met. The “under common control” relationship of the transferor and transferee should be ignored when applying ASC 860 as long as the transferee is not consolidated by the transferor.

Beginning October 2017, we have revised certain structural arrangements to relinquish our continuing involvement rights when setting up the new securitization vehicles. 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 for 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-employees. We account for 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, 2019 and 2020, 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 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. 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. 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 our 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, its subsidiaries and its consolidated variable interest entities pursuant to Item 18 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, 2020, the total carrying value and estimated fair value were US\$499.6 million and US\$504.0 million, respectively, with respect to the notes due 2021, and US\$493.5 million and US\$559.8 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, 2020. 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 2020, we paid an aggregate of US\$35 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, US\$0.45 billion of the credit facilities was drawn down and outstanding.
- 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 at the time.
- In June 2018, we received US\$550 million from Google by issuing 27,106,948 Class A ordinary shares to Google.
- In 2019 and 2020, we sold certain of our development properties and received proceeds of RMB7.9 billion and RMB4.8 billion, respectively, which primarily related to Core Funds and Development Fund I transactions. See also “Item 4. Information on the Company—A. History and Development of the Company—Our Strategic Cooperations and Other Developments —JD Property.”
- In November 2019, our healthcare subsidiary, JD Health, completed the non-redeemable series A preference 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.

[Table of Contents](#)

- 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 are used for general corporate purposes and refinancing. As of December 31, 2020, the total carrying value and estimated fair value were US\$690.0 million and US\$755.7 million, respectively, with respect to the notes due 2030, and US\$287.0 million and US\$327.3 million, respectively, with respect to the notes due 2050. The estimated fair values were based on quoted prices for our publicly traded debt securities as of December 31, 2020. In March 2020, we purchased from the open market of US\$5.0 million of the notes due 2030 and US\$7.0 million of the notes due 2050. 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 2020, we paid an aggregate of US\$18 million in interest payments related to these notes.
- 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. In May 2020, Jingdong Century consummated a private placement of an aggregate of RMB2.0 billion 1.75% note due August 2020. These notes are listed on the inter-bank bond market of China. The proceeds from these notes are used for general corporate purposes.
- In June 2020, our Class A ordinary shares commenced trading on the Main Board of the Hong Kong Stock Exchange under the stock code “9618.” We raised from our global offering in connection with the listing in Hong Kong approximately RMB31.3 billion (US\$4.8 billion) in net proceeds after deducting underwriting commissions, share issuance costs and the offering expenses.
- In August 2020, JD Health completed the non-redeemable series B preference share financing with a group of third-party investors. The total amount of financing raised was US\$914 million, representing 4.5% of the ownership of JD Health on a fully diluted basis.
- In December 2020, shares of JD Health, commenced trading on the Main Board of the Hong Kong Stock Exchange under the stock code “6618.” JD Health raised from its global offering in connection with the listing in Hong Kong approximately RMB25.7 billion (US\$3.9 billion) in net proceeds after deducting underwriting commissions, share issuance costs and the offering expenses.
- In April and December 2020, JD MRO entered into definitive agreements for non-redeemable series A and series A-1 preference share financing with a group of third-party investors. The total amount of financing arising was approximately US\$335 million. Upon completion of such financing, we still hold more than 80% of the issued and outstanding shares of JD MRO.
- In March 2021, JD Property entered into definitive agreements for the non-redeemable series A preference share financing with co-lead investors Hillhouse Capital and Warburg Pincus, among others. The total amount expected to be raised is approximately US\$700 million. We will remain the majority shareholder of JD Property after the completion of this transaction.

As of December 31, 2020, we had revolving lines of credit for an aggregate amount of RMB100.1 billion (US\$15.3 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 RMB23.4 billion (US\$3.6 billion) under these revolving lines of credit as of December 31, 2020.

As of December 31, 2020, we had a total of RMB151.1 billion (US\$23.2 billion) in cash and cash equivalents, restricted cash and short-term investments. This included primarily RMB58.1 billion (US\$8.9 billion), HK\$8.6 billion (US\$1.1 billion) and US\$9.2 billion in China, RMB1.1 billion (US\$0.2 billion), HK\$517.2 million (US\$66.7 million) and US\$2.6 billion in Hong Kong, and US\$1.0 billion in Singapore. Our cash and cash equivalents generally consist of bank deposits and liquid investments with maturities of three months or less.

[Table of Contents](#)

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 RMB44.0 billion as of December 31, 2018 to RMB57.9 billion as of December 31, 2019 and further to RMB58.9 billion (US\$9.0 billion) as of December 31, 2020. These increases reflected the additional inventory required to support our substantially expanded sales volumes. Our annual inventory turnover days were 38.7 days in 2018, 35.8 days in 2019 and 33.3 days in 2020. 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, 2018, 2019 and 2020, our accounts payable amounted to RMB80.0 billion, RMB90.4 billion and RMB106.8 billion (US\$16.4 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 60.2 days in 2018, 54.5 days in 2019 and 47.1 days in 2020. 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, 2018, 2019 and 2020, our accounts receivable amounted to RMB11.1 billion, RMB6.2 billion and RMB7.1 billion (US\$1.1 billion), respectively. The decrease in 2019 was primarily due to our derecognition of accounts receivable related to consumer financing through the sales type arrangements serviced by JD Digits, and the increase in 2020 was primarily due to growth of our logistics business. From early 2014, JD Digits started to provide consumer financing to our customers. As of December 31, 2018, 2019 and 2020, the balances of current portion of financing provided to our customers that were included in accounts receivable balances amounted to RMB6.3 billion, RMB1.0 billion and RMB0.8 billion (US\$0.1 billion), respectively. Our accounts receivable turnover days excluding the impact from consumer financing were 2.7 days in 2018, 3.2 days in 2019 and 2.7 days in 2020. 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."

Table of Contents

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,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in millions)			
Summary Consolidated Cash Flows Data:				
Net cash provided by operating activities	20,881	24,781	42,544	6,520
Net cash used in investing activities	(26,079)	(25,349)	(57,811)	(8,860)
Net cash provided by financing activities	11,220	2,572	71,072	10,892
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,682	406	(5,082)	(779)
Net increase in cash, cash equivalents and restricted cash	7,704	2,410	50,723	7,773
Cash, cash equivalents and restricted cash at beginning of year	29,798	37,502	39,912	6,117
Cash, cash equivalents and restricted cash at end of year, including cash and cash equivalents classified within assets held for sale	37,502	39,912	90,635	13,890
Less: cash, cash equivalents and restricted cash classified within assets held for sale at end of year	—	—	116	17
Cash, cash equivalents and restricted cash at end of year	<u>37,502</u>	<u>39,912</u>	<u>90,519</u>	<u>13,873</u>

Operating Activities

Net cash provided by operating activities in 2020 was RMB42,544 million (US\$6,520 million). In 2020, 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 gain from fair value change of long-term investments of RMB29,483 million (US\$4,518 million), depreciation and amortization of RMB6,068 million (US\$930 million), share-based compensation of RMB4,156 million (US\$637 million), and gain on share of results of equity investees of RMB4,291 million (US\$658 million), and changes in certain working capital accounts, principally an increase in accounts payable of RMB11,095 million (US\$1,700 million), an increase in accrued expenses and other current liabilities of RMB4,784 million (US\$733 million), and an increase in advance from customers of RMB4,052 million (US\$621 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.

Net cash provided by operating activities in 2019 was RMB24,781 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, share-based compensation of RMB3,695 million, gain on sale of development properties of RMB3,885 million, and gain from fair value change of long-term investments of RMB3,496 million, and changes in certain working capital accounts, principally an increase in accounts payable of RMB10,391 million, an increase in accrued expenses and other current liabilities of RMB4,418 million, an increase in advance from customers of RMB3,061 million, and a decrease of accounts receivable of RMB3,723 million, partially offset by an increase in inventories of RMB13,916 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.

[Table of Contents](#)

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 RMB4,163 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.

Investing Activities

Net cash used in investing activities in 2020 was RMB57,811 million (US\$8,860 million), consisting primarily of the purchase of short-term investments and time deposits, investment in equity investees and investment securities, purchases of property, equipment and software, cash paid for construction in progress, partially offset by the maturity of short-term investments, cash received from disposals of investment in equity investees and investment securities and cash received from sale of development properties.

Net cash used in investing activities in 2019 was RMB25,349 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.

Financing Activities

Net cash provided by financing activities in 2020 was RMB71,072 million (US\$10,892 million), consisting primarily of net proceeds of RMB32,105 million (US\$4,920 million) from the non-redeemable series B preference share financing of JD Health and the initial public offering of JD Health in Hong Kong, the net proceeds of RMB31,342 million (US\$4,803 million) from our listing in Hong Kong, the proceeds from short-term borrowing of RMB14,766 million (US\$2,263 million) and the net proceeds of RMB6,804 million (US\$1,043 million) from the issuance of unsecured senior notes, partially offset by the repayment of short-term borrowings of RMB16,582 million (US\$2,541 million).

Net cash provided by financing activities in 2019 was RMB2,572 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 non-recourse securitization debt.

[Table of Contents](#)

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 non-recourse securitization debt, and our repurchase of ADSs.

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, 2020, the amount restricted, including paid-in capital and statutory reserve funds, as determined in accordance with PRC accounting standards and regulations, was approximately RMB28,926 million (US\$4,433 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 RMB21,369 million, RMB9,000 million and RMB12,457 million (US\$1,909 million) in 2018, 2019 and 2020, respectively. Our capital expenditures for 2018, 2019 and 2020 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 in 2019 and RMB4.8 billion (US\$0.7 billion) in 2020, respectively. 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 2018, 2019 and 2020, our research and development expenses, including share-based compensation expenses for research and development staff, were RMB12,144 million, RMB14,619 million and RMB16,149 million (US\$2,475 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, 2020 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.

[Table of Contents](#)

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, 2020:

	Total	Less than 1 year	Payment Due by Period		
			1-3 years (in RMB thousands)	3-5 years	More than 5 years
Operating lease commitments for offices and fulfillment infrastructures	17,920,307	5,605,832	6,776,556	3,001,679	2,536,240
Commitments for internet data center service fee	5,282,219	1,496,545	1,166,361	713,943	1,905,370
Capital commitments ⁽¹⁾	7,649,562	7,649,562	—	—	—
Long-term debt obligations ⁽²⁾	15,790,643	3,259,882	2,936,205	—	9,594,556
Estimated interest payments in relation to long-term debt ⁽²⁾	4,758,533	495,201	805,542	722,633	2,735,157
Total	<u>51,401,264</u>	<u>18,507,022</u>	<u>11,684,664</u>	<u>4,438,255</u>	<u>16,771,323</u>

- (1) Our capital commitments primarily relate to commitments on construction of office buildings and warehouses, and are expected to be paid in the following year according to the construction progress.
- (2) Our long-term debt obligations are mainly unsecured senior notes and long-term borrowings, including the portion due within one year.

Our investment commitments contracted but without fixed payment schedule amounted to RMB5.9 billion (US\$0.9 billion) as of December 31, 2020, which primarily related to capital contribution obligation for certain investment funds.

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	48	Chairman of the Board of Directors and Chief Executive Officer
Martin Chiping Lau	48	Director
Ming Huang	57	Independent Director
Louis T. Hsieh	56	Independent Director
Dingbo Xu	58	Independent Director
Lei Xu	46	Chief Executive Officer of JD Retail
Sandy Ran Xu	44	Chief Financial Officer
Pang Zhang	32	Chief Human Resources Officer

Richard Qiangdong Liu has been the chairman and chief executive officer of our company since our inception. He founded JD.com in 2004 and has guided its development and growth since then. Mr. Liu received the prestigious award “Person of the Year of Chinese Economy 2011” from CCTV, China’s national television network. He was among “World’s 50 Greatest Leaders” named by Fortune Magazine in 2015. Mr. Liu has served as the chairman of the board of JD Digits since June 2020, and the chairman of the board and non-executive director of JD Health International Inc. (HKEX: 6618) since September 2020. He currently also serves as the chairman of the board and non-executive director of JD Logistics. Mr. Liu received his bachelor’s degree in sociology from Renmin University of China in 1996 and an EMBA from China Europe International Business School in 2011.

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 non-executive director of Meituan, 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. Mr. Huang is also an independent non-executive director of WH Group Limited, a company listed on the Hong Kong Stock Exchange, 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 ARIO 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 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, served as director of SANY Heavy Industry, a company listed on the Shanghai Stock Exchange, from January 2013 to August 2019, and served as director of China Cinda Asset Management Co. Ltd, a company listed on the Hong Kong Stock Exchange, from June 2013 to September 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, leading 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 JD Retail, including head of marketing and branding, head of JD Wireless, and head of platform operations. Under his leadership, we successfully rebranded from 360buy to JD.com and launched our popular mascot, Joy. Mr. Xu led 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 currently also serves as a director of Dada Nexus Limited. Mr. Xu holds an EMBA degree from China Europe International Business School.

Sandy Ran Xu has served as chief financial officer of our company since June 2020. Ms. Xu joined our company in July 2018 as vice president of finance and was promoted to senior vice president in January 2020. Prior to her current role, Ms. Xu oversaw group finance, accounting and tax functions in addition to serving as chief financial officer of JD Retail. 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 currently also serves as a director of Dada Nexus Limited, JD Health, JD Digits, and JD Logistics. 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.

Pang Zhang has served as our chief human resources officer since December 2020. Ms. Zhang joined our company in July 2011. She has significant experience in leadership development as well as organizational processes optimization, and has held multiple key roles within different departments in our company, including our company's CEO office, JD Retail and JD Digits. Ms. Zhang currently serves as a non-executive director of JD Logistics and JD Health. Ms. Zhang holds a Cornell-Tsinghua Finance MBA and a bachelor's degree from Central University of Finance and Economics.

B. Compensation

In 2020, we paid an aggregate of approximately RMB8.1 million (US\$1.2 million) in cash to our executive officers, and approximately US\$0.3 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.

[Table of Contents](#)

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 for certain benefits, including, but not limited to, cash payments, incentive stock award and incentive stock option benefits, additional 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 our Share Incentive Plan, was adopted in November 2014. The number of shares reserved for future issuances under our 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 our 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 our Share Incentive Plan is 586,397,954 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 479,547,044 shares that are reserved under our 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 our Share Incentive Plan.

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

[Table of Contents](#)

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 our 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 our Share Incentive Plan.

Award Agreement. Awards granted under our 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 Our Share Incentive Plan. Unless terminated earlier, our 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 our Share Incentive Plan that (i) increases the number of shares available under our Share Incentive Plan, or (ii) permits the plan administrator to extend the term of our Share Incentive Plan or the exercise period for an option beyond ten years from the date of grant.

As of December 31, 2020, 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 108,279,186 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 30,907,060 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. 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 28, 2021. 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.

[Table of Contents](#)

In addition, in October 2020, with the approvals of our board of directors and the board of directors of JD Logistics and JD Health, JD Logistics and JD Health each granted to Mr. Richard Qiangdong Liu options to acquire 99,186,705 ordinary shares of JD Logistics and options to acquire 53,042,516 ordinary shares of JD Health (collectively, the “Grants”) according to the existing share incentive plan of each of JD Logistics and JD Health. The Grants were awarded to Mr. Liu to motivate him to continue leading the future success of JD Logistics and JD Health. The Grants by JD Logistics and JD Health are each subject to a six-year vesting schedule and each account for approximately 2% of the issued and outstanding shares of JD Logistics and JD Health as of the grant date, as applicable.

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, 83,476,500 and 224,511,105 share options for the years ended December 31, 2018, 2019 and 2020, respectively, including the share options granted to Mr. Liu mentioned above. JD Health adopted its own share incentive plan in 2020, which permits the granting of stock options, restricted share units and other types of awards of JD Health to its employees, directors and consultants, and granted 94,770,812 share options for the year ended December 31, 2020, including the share options granted to Mr. Liu mentioned above.

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;

Table of Contents

- 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 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, 2018, 2019 and 2020, we had a total of 178,927, 227,730 and 314,906 employees, respectively. The following is a breakdown of our employees as of December 31, 2020 by function:

<u>Function</u>	<u>Number</u>
Procurement	18,586
Warehouses	49,420
Delivery	193,032
Customer Service	19,015
Research and Development	17,239
Sales and Marketing	10,952
General and Administrative	6,662
TOTAL	<u>314,906</u>

* The number of employees shown above excludes part-time staff 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 2020, 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 2020, 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, in particularly emphasized the mindset of "contributor-oriented", 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, 2020, over 800 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 diploma, or have opportunity to apply an interest-free loan for their tuition fees from us. To boost our strategy of exploring oversea markets, we also have been recruiting international management trainees who are MBA graduates from top universities worldwide.

Table of Contents

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 within 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 28, 2021 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 3,117,970,519 ordinary shares outstanding as of February 28, 2021, comprising of (i) 2,673,719,668 Class A ordinary shares, excluding the 11,823,314 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) 444,250,851 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	13,000,000 ⁽¹⁾	421,507,423 ⁽¹⁾	434,507,423 ⁽¹⁾	13.9 ⁽¹⁾	76.9 ⁽²⁾
Martin Chiping Lau ⁽³⁾	—	—	—	—	—
Ming Huang ⁽⁴⁾	*	—	*	*	*
Louis T. Hsieh ⁽⁵⁾	*	—	*	*	*
Dingbo Xu ⁽⁶⁾	*	—	*	*	*
Lei Xu	*	—	*	*	*
Sandy Ran Xu	*	—	*	*	*
Pang Zhang	*	—	*	*	*
All Directors and Executive Officers as a Group	13,837,062	421,507,423	435,344,485	13.9	76.9 ⁽²⁾
Principal Shareholders:					
Max Smart Limited ⁽⁷⁾	—	421,507,423	421,507,423	13.5	72.9
Huang River Investment Limited ⁽⁸⁾	527,207,099	—	527,207,099	16.9	4.6
Walmart ⁽⁹⁾	289,053,746	—	289,053,746	9.3	2.5
Fortune Rising Holdings Limited ⁽¹⁰⁾	—	22,743,428	22,743,428	0.7	3.9

* Less than 1% of our total outstanding ordinary shares.

Table of Contents

- ** 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 and (ii) 13,000,000 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 28, 2021. As of February 28, 2021, Mr. Liu has not exercised his right to acquire such Class A ordinary shares. 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 22,743,428 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 22,743,428 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 421,507,423 Class B ordinary shares directly held 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.
 - (8) Based on the information provided by Huang River Investment Limited, represents (i) 497,311,279 Class A ordinary shares held by Huang River Investment Limited, and (ii) 14,947,910 ADSs, representing 29,895,820 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 and 2,938,584 of our Class A ordinary shares were issued in May 2019 and May 2020.
 - (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 22,743,428 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 28, 2021, a total of 1,290,367,337 class A ordinary shares were held by four record holders in the United States, representing approximately 41.2% of our total outstanding shares on an as-converted basis (including the 11,823,314 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 48.0% of our Class A ordinary shares on record, representing approximately 41.2% of our total outstanding shares on record as of February 28, 2021 (including the 11,823,314 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 Icsou.

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 and 2,938,584 of our Class A ordinary shares were issued in May 2019 and May 2020.

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 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 commission services revenues from cooperation on advertising business with Tencent, RMB399 million revenues from services provided to and products sold to Tencent, and purchased a total amount of RMB2,222 million advertising resources and payment processing services from Tencent. In 2020, we generated RMB355 million (US\$54 million) commission services revenues from cooperation on advertising business with Tencent, RMB375 million (US\$57 million) revenues from services provided to and products sold to Tencent, and purchased a total amount of RMB3,226 million (US\$494 million) advertising resources and payment processing services from Tencent. As of December 31, 2020, we had a total amount of RMB791 million (US\$121 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, in connection with the reorganization of JD Digits. 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. During 2018, 2019 and 2020, we did not receive any profits from JD Digits under the profit-sharing arrangement, as JD Digits did not have a positive pre-tax income on a cumulative basis during each of these periods. In addition, pursuant to the Framework Agreement, we are 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 was diluted to approximately 36%.

In June 2020, we entered into agreements with JD Digits, pursuant to which we have, through a consolidated PRC domestic company, acquired an aggregate of 36.8% equity interest in JD Digits by converting our profit sharing right to the Maximum Interest and investing additional RMB1.78 billion in cash in JD Digits. The Framework Agreement, including the profit-sharing arrangement between JD Digits and us, was terminated, and JD Digits has become our equity method investee. In connection with the acquisition of equity interests in JD Digits, we have entered into agreements with JD Digits which set forth the rights of us as a shareholder. Pursuant to these agreements, we will continue to enjoy substantially all the rights that we had under the Framework Agreement; provided that certain rights such as the right to liquidity event payment had been terminated upon our conversion of the profit sharing right into equity interest in JD Digits. Pursuant to these agreements, certain of our rights under these agreements should be terminated immediately the day before JD Digits submits its application for an initial public offering in the PRC. These rights, however, will be restored in the event the initial public offering application is rejected by the relevant authorities or withdrawn by JD Digits.

On June 20, 2020, the shareholders of JD Digits passed a unanimous resolution to restructure JD Digits as a company limited by shares and adopt the dual class voting structure. The shares held by Mr. Richard Qiangdong Liu and Suqian Linghang Fangyuan, an entity controlled by Mr. Liu, were entitled to ten votes per share, while Mr. Liu and Suqian Linghang Fangyuan must abstain from voting on any related party transaction with JD Digits. As a result of this dual class voting structure, as of December 31, 2020, we held approximately 18.7% voting power, and Mr. Richard Qiangdong Liu and Suqian Linghang Fangyuan together held 54.7% of the total voting power of JD Digits.

On March 31, 2021, we entered into definitive agreements with JD Digits relating to the reorganization of our cloud computing and artificial intelligence business ("JD Cloud & AI"). Pursuant to the definitive agreements, we transferred JD Cloud & AI and certain assets together valued at approximately RMB15.7 billion to JD Digits, in exchange for newly issued ordinary shares of JD Digits. Upon completion of the transactions on March 31, 2021, JD Cloud & AI was deconsolidated from our consolidated financial statements, and our equity interest in JD Digits increased from 36.8% to approximately 42%.

Please see "Item 4. Information on the Company—A. History and Development of the Company" for further information.

Set forth below is a summary of the key provisions of the currently effective material agreements between us and JD Digits.

Shareholders Agreement. The shareholders agreement of JD Digits provides for certain special rights, including preemptive right and right to consent for certain matters and contains provisions governing the board of directors and other corporate governance matters.

[Table of Contents](#)

Non-Compete 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. JD Digits may not engage in the e-commerce business conducted by us or our subsidiaries without our prior written consent, unless we and JD Digits are no longer under the common control of Mr. Richard Qiangdong Liu. Without the prior written consent of JD Digits, we are restricted from engaging in the financial products, financial derivatives, and other financial-related businesses operated by JD Digits and its subsidiaries, 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 reporting, unless we and JD Digits are no longer under the common control of Mr. Liu. We, however, may make passive investments in competing businesses which we do not control.

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 2018, 2019 and 2020, we provided services and sold goods to JD Digits in a total amount of RMB449 million, RMB342 million and RMB598 million (US\$92 million), respectively. In 2018, 2019 and 2020, we received payment processing and other services provided by JD Digits in the amount of RMB3,931 million, RMB4,981 million and RMB6,945 million (US\$1,064 million), respectively. In 2018, 2019 and 2020, interest income in the amount of RMB180 million, RMB41 million and RMB31 million (US\$5 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 RMB242 million, RMB189 million and RMB493 million (US\$76 million) for the years ended December 31, 2018, 2019 and 2020, 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, 2019 and 2020 were RMB1,388 million, nil and nil and were not derecognized, while the amount of accounts receivables transferred without recourse in 2018, 2019 and 2020 were RMB9,854 million, RMB24,586 million and RMB33,406 million (US\$5,120 million), respectively, and were derecognized.

As of December 31, 2020, we had a total amount of RMB4,066 million (US\$623 million) due from JD Digits.

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 was an equity investee of us until November 2020. 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 2018, 2019 and 2020, net service revenues in the amount of RMB609 million, RMB607 million and RMB165 million (US\$25 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 we no longer had significant influence on Bitauto Group and we were no longer the major vendor of Bitauto Group since the fourth quarter of 2020, Bitauto Group was not considered our related party.

Traffic Support, Marketing and Promotion Services Provided to Tuniu and its subsidiaries, or Tuniu Group. Tuniu Group was an equity investee of us until November 2020. 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 2018, 2019 and 2020, net service revenues in the amount of RMB132 million, RMB132 million and RMB83 million (US\$13 million) had been recognized, respectively. As we no longer had significant influence on Tuniu Group and we were no longer the major vendor of Tuniu Group since the fourth quarter of 2020, Tuniu Group was not considered our related party.

Business Transaction and Non-compete Obligation with 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 Group. On the completion date of the transaction, the traffic support, marketing and promotion services to be provided to Dada Group 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 2018, 2019 and 2020, other income in the amount of RMB79 million, RMB82 million and RMB82 million (US\$13 million) had been recognized, respectively. As of December 31, 2020, we had a total amount of RMB145 million (US\$22 million) deferred revenues in relation to traffic support, marketing and promotion services to be provided to Dada Group and a total amount of RMB181 million (US\$28 million) other liabilities in relation to non-compete obligation with Dada Group. In 2018, 2019 and 2020, we provided services and sold goods to Dada Group in a total amount of RMB122 million, RMB133 million and RMB179 million (US\$28 million), respectively, and in the same periods, we also received services from Dada Group in a total amount of RMB939 million, RMB1,565 million and RMB2,200 million (US\$337 million), respectively. As of December 31, 2020, we had a total amount of RMB498 million (US\$76 million) due to Dada Group. In June 2020, the ADSs of Dada Group commenced trading on the Nasdaq Global Select Market under the symbol “DADA,” and, as of December 31, 2020, we had invested US\$973 million to acquire its ADSs. As of December 31, 2020, we owned approximately 46% issued and outstanding shares of Dada Group.

On March 22, 2021, we, through a subsidiary, entered into a share purchase agreement with Dada Group, under which we have agreed to invest a total of US\$800 million in newly issued ordinary shares of Dada Group, at a per share purchase price equal to the closing trading price of Dada Group’s ordinary shares on the Nasdaq Global Select Market, on March 19, 2021, the last trading day prior to the date of the share purchase agreement. Following the transaction, we will hold, taking into account our existing holding, approximately 51% of Dada Group’s issued and outstanding shares. The closing of the transaction is subject to satisfaction of customary closing conditions and procedures, including applicable governmental filings. Upon the closing of the transaction, we expect to consolidate the financial results of Dada Group into our consolidated financial statements.

Business Transactions with Core Funds. JD Property, our infrastructure asset management and integrated service platform, owns, develops and manages our logistics facilities and other real estate properties to support JD Logistics and third parties. In February 2019, January 2020 and December 2020, we entered into definitive agreements with Core Funds and Development Fund I, as applicable, pursuant to which we sold certain of our completed and uncompleted logistics facilities. For the logistics facilities under Core Funds and Development Fund I that met the closing conditions, we recorded a disposal gain of RMB3.8 billion and RMB1.6 billion (US\$0.3 billion) in 2019 and 2020, respectively. We will derecognize the remaining logistics facilities upon satisfaction of the hand-over condition. In addition, subsequent to the disposition, we have leased back the completed facilities from Core Funds for operational purposes, and JD Property has started serving as the asset manager managing Core Funds’ assets. We will also lease back some of the facilities that sale to Development Fund I for operational purposes when such facility has been completed. See also “Item 4. Information on the Company—A. History and Development of the Company—Our Strategic Cooperations and Other Developments —JD Property.” We received lease and property management services from Core Funds in a total amount of RMB476 million and RMB838 million (US\$128 million) in 2019 and 2020, respectively. Interest income in the amount of RMB75 million and RMB49 million (US\$7 million) were recognized in 2019 and 2020, respectively, in connection with our financial support provided to Core Funds. As of December 31, 2020, we had an amount of RMB1,660 million (US\$254 million) due from Core Funds.

[Table of Contents](#)

Business Transactions with AiHuiShou and its subsidiaries, or AiHuiShou Group. AiHuiShou Group is an equity investee of us. In June 2019, we completed an investment of approximately RMB3.38 billion in 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. In September and December 2020, we completed further investment in existing and newly issued preferred shares of AiHuiShou for a cash consideration of RMB401 million. 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, 2020, we had a total amount of RMB1,468 million (US\$225 million) deferred revenues in relation to traffic support, marketing and promotion services to be provided to AiHuiShou Group. In 2018, 2019 and 2020, we provided services and sold goods to AiHuiShou Group in a total amount of RMB9 million, RMB349 million and RMB664 million (US\$102 million), respectively. In 2018, 2019 and 2020, we also received services from AiHuiShou Group in a total amount of nil, RMB10 million and RMB32 million (US\$5 million), respectively. As of December 31, 2020, we had an amount of RMB5 million (US\$0.8 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 0.06%, 0.13% and 0.12% of total net revenues of our company for the years ended December 31, 2018, 2019 and 2020, respectively. Transactions with related parties included in operating expenses, excluding those with the major related parties as described above, represented 0.14%, 0.20% and 0.28% of total operating expenses of our company for the years ended December 31, 2018, 2019 and 2020, 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 seeks to claim approximately RMB4.95 billion of uncollected accounts receivable and 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. Jingdong Century has not 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 as claimed in these two cases 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 current 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.

[Table of Contents](#)

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.”

Our Class A ordinary shares have been listed on the Hong Kong Stock Exchange since June 18, 2020 under the stock code “9618.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on Nasdaq since May 22, 2014 under the symbol “JD.”

Our Class A ordinary shares have been listed on the Hong Kong Stock Exchange since June 18, 2020 under the stock code “9618.”

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 Act (As Revised) of the Cayman Islands, which is referred to as the Companies Act below, and the common law of the Cayman Islands.

The following are summaries of material provisions of our current 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 Act, 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 current 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 current 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.

[Table of Contents](#)

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 current 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 Act and our current memorandum and articles of association.

Under our current 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 current 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 current memorandum and articles of association. Under the Companies Act, 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 Act 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 issued and 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 of shares (unless otherwise provided by the terms of issue of the shares of that class or series), may only be materially adversely 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.

[Table of Contents](#)

Anti-Takeover Provisions. Some provisions of our current 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 current 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 Act to call shareholders' annual general meetings. Our current 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 current 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 current 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

[Table of Contents](#)

- 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 current 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 current 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 Act. The Companies Act 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.

[Table of Contents](#)

Register of Members. Under the Companies Act, 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.

Proposed Amendments to Our Articles of Association

On June 1, 2020, we made an undertaking to the Hong Kong Stock Exchange, pursuant to which we undertake to put forth resolutions in relation to the amendment of certain provisions of our current articles of association, or the Articles, to our shareholders at or before our next annual general meeting which is expected to be convened around mid-2021, such that:

- we shall hold an annual general meeting every year;
- we shall give our members 14 days' written notice for general meetings of our company;
- the minimum stake required to convene a general meeting and add resolutions to a meeting agenda will not be higher than 10% of the issued and outstanding shares of our company; and
- the quorum for a general meeting of our company will be lowered from the current one-third of the aggregate voting power of our company to 10% of the aggregate voting power of our company.

In addition, we will be proposing to put forth another resolution at or before the next general meeting to amend the Articles, so that the quorum necessary for the transaction of the business of the directors shall be a majority of the members of the board of directors.

On June 1, 2020, an irrevocable deed of undertaking was made to the board of directors of our company 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. Max Smart Limited irrevocably confirms, warrants and undertakes to vote all of the ordinary shares of our company then held or controlled by it at the time of the general meeting in favor of those proposed amendments to the Articles described above, and will upon request execute a proxy form in favor of Mr. Richard Qiangdong Liu, as the chairman of our company, to vote all such ordinary shares accordingly.

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.
- *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.

[Table of Contents](#)

- *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 is a general summary of certain Cayman Islands, PRC, Hong Kong S.A.R. and United States federal income tax consequences relevant to an investment in our ADSs and Class A ordinary shares. The discussion is not intended to be, nor should it be construed as, legal or tax advice to any particular prospective purchaser. The discussion is based on laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change or different interpretations, possibly with retroactive effect. The discussion does not address U.S. state or local tax laws, or tax laws of jurisdictions other than the Cayman Islands, the People’s Republic of China, Hong Kong S.A.R. and the United States. You should consult your own tax advisors with respect to the consequences of acquisition, ownership and disposition of our ADSs and Class A ordinary shares.

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 STA 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 STA’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.

[Table of Contents](#)

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. STA 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, STA 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 STA Public Notice 37 and STA Circular 7, we and our non-PRC resident investors may be at risk of being required to file a return and being taxed under STA Public Notice 37 and STA Circular 7 and we may be required to expend valuable resources to comply with STA Public Notice 37 and STA Circular 7 or to establish that we should not be taxed under STA Public Notice 37 and STA 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.”

Hong Kong Taxation

Our subsidiaries incorporated in Hong Kong are subject to a two-tiered income tax rate for taxable income generated from operations in Hong Kong, effective on April 1, 2018. 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.

Our principal register of members is maintained by our principal share registrar in the Cayman Islands, and our Hong Kong register of members is maintained by the Hong Kong Share Registrar in Hong Kong.

[Table of Contents](#)

Dealings in our Class A ordinary shares registered on our Hong Kong Share Register are subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the rate of 0.1% of the consideration for, or (if greater) the value of, our Class A ordinary shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of our Class A ordinary shares. In addition, a fixed duty of HK\$5.00 is charged on each instrument of transfer (if required).

To facilitate ADS-ordinary share conversion and trading between Nasdaq and the Hong Kong Stock Exchange, we have moved a portion of our issued Class A ordinary shares from our Cayman share register to our Hong Kong share register. It is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs constitutes a sale or purchase of the underlying Hong Kong registered ordinary shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our ADSs and Class A Ordinary Shares — There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs.”

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 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, U.S. expatriates, 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. 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 U.S. 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 is generally 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, 2020 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, 2020 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.

[Table of Contents](#)

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.

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.

[Table of Contents](#)

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 PFIC 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, 2020 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 will generally be treated as income from foreign sources and will generally 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 to claim 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.

Table of Contents

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.

[Table of Contents](#)

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, 2020, we had RMB-denominated cash and cash equivalents, restricted cash and short-term investments of RMB59.2 billion, and U.S. dollar-denominated cash, cash equivalents and short-term investments of US\$12.9 billion. Assuming we had converted RMB59.2 billion into U.S. dollars at the exchange rate of RMB 6.5250 for US\$1.00 as of December 31, 2020, our U.S. dollar cash balance would have been US\$21.9 billion. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US\$21.0 billion instead. Assuming we had converted US\$12.9 billion into RMB at the exchange rate of RMB6.5250 for US\$1.00 as of December 31, 2020, our RMB cash balance would have been RMB143.2 billion. If the RMB had depreciated by 10% against the U.S. dollar, our RMB cash balance would have been RMB152.6 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 2018, 2019 and 2020 were increases of 1.9%, 4.5% and 0.2%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation 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

Our ADSs are traded on Nasdaq. Dealings in our ADSs on Nasdaq are conducted in U.S. Dollars.

ADSs may be held either:

- directly, by having a certificated ADS, or an ADR, registered in the holder's name, or by holding in the direct registration system, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto; or
- indirectly, through the holder's broker or other financial institution.

The depositary for our ADSs is Deutsche Bank Trust Company Americas, whose office is located at 60 Wall Street, New York, New York 10005, United States of America.

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):

Service	Fees
• 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 2020, we were entitled to receive approximately US\$8.4 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.

Conversion between Class A Ordinary Shares and ADSs

Dealings and Settlement of Class A Ordinary Shares in Hong Kong

Our Class A ordinary shares trade on the Hong Kong Stock Exchange in board lots of 50 Class A ordinary shares. Dealings in our Class A ordinary shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars.

The transaction costs of dealings in our Class A ordinary shares on the Hong Kong Stock Exchange include:

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
- Securities and Futures Commission of Hong Kong, or SFC, transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.2% of the value of the transaction, with 0.1% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20.00, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor who has deposited his or her Class A ordinary shares in his or her stock account or in his or her designated Central Clearing and Settlement System participant's stock account maintained with the Central Clearing and Settlement System, or CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his or her broker or custodian before the settlement date.

Conversion between Class A Ordinary Shares Trading in Hong Kong and ADSs

In connection with the listing of our Class A ordinary shares on the Hong Kong Stock Exchange, we have established a branch register of members in Hong Kong, or the Hong Kong share register, which will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will continue to be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited, or Maples.

[Table of Contents](#)

All Class A ordinary shares offered in connection with our listing in Hong Kong are registered on the Hong Kong share register in order to be listed and traded on the Hong Kong Stock Exchange. As described in further detail below, holders of Class A ordinary shares registered on the Hong Kong Share Register will be able to convert these ordinary shares into ADSs, and vice versa.

In connection with our listing in Hong Kong, and to facilitate fungibility and conversion between ADSs and Class A ordinary shares and trading between Nasdaq and the Hong Kong Stock Exchange, we moved a portion of our issued Class A ordinary shares from our register of members maintained in the Cayman Islands to our Hong Kong share register.

Converting Class A Ordinary Shares Trading in Hong Kong into ADSs

An investor who holds Class A ordinary shares registered in Hong Kong and who intends to convert them to ADSs to trade on Nasdaq must deposit or have his or her broker deposit the Class A ordinary shares with the depository's Hong Kong custodian, Deutsche Bank AG, Hong Kong Branch, Hong Kong, or the custodian, in exchange for ADSs.

A deposit of Class A ordinary shares trading in Hong Kong in exchange for ADSs involves the following procedures:

- If Class A ordinary shares have been deposited with CCASS, the investor must transfer Class A ordinary shares to the depository's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- If Class A ordinary shares are held outside CCASS, the investor must arrange to deposit his or her Class A ordinary shares into CCASS for delivery to the depository's account with the custodian within CCASS, submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depository will issue the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs to the designated DTC account of the person(s) designated by an investor or his or her broker.

[Table of Contents](#)

For Class A ordinary shares deposited in CCASS, under normal circumstances, the above steps generally require two business days. For Class A ordinary shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS issuances. The investor will be unable to trade the ADSs until the procedures are completed.

Converting ADSs to Class A Ordinary Shares Trading in Hong Kong

An investor who holds ADSs and who intends to convert his/her ADSs into Class A ordinary shares to trade on the Hong Kong Stock Exchange must cancel the ADSs the investor holds and withdraw Class A ordinary shares from our ADS program and cause his or her broker or other financial institution to trade such ordinary shares on the Hong Kong Stock Exchange.

An investor that holds ADSs indirectly through a broker should follow the broker's procedure and instruct the broker to arrange for cancellation of the ADSs, and transfer of the underlying ordinary shares from the depositary's account with the custodian within the CCASS system to the investor's Hong Kong stock account.

For investors holding ADSs directly (not holding through brokers), the following steps must be taken:

- To withdraw Class A ordinary shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depositary (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depositary.
- Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will instruct the custodian to deliver Class A ordinary shares underlying the canceled ADSs to the CCASS account designated by an investor.
- If an investor prefers to receive Class A ordinary shares outside CCASS, he or she must receive Class A ordinary shares in CCASS first and then arrange for withdrawal from CCASS. Investors can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register ordinary shares in their own names with the Hong Kong Share Registrar.

For Class A ordinary shares to be received in CCASS, under normal circumstances, the above steps generally require two business days. For ordinary shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Class A ordinary shares on the Hong Kong Stock Exchange until the procedures are completed.

Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS cancellations. In addition, completion of the above steps and procedures is subject to there being a sufficient number of Class A ordinary shares on the Hong Kong share register to facilitate a withdrawal from the ADS program directly into the CCASS system. We are not under any obligation to maintain or increase the number of Class A ordinary shares on the Hong Kong share register to facilitate such withdrawals.

Depositary Requirements

Before the depositary issues ADSs or permits withdrawal of ordinary shares, the depositary may require:

- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including, but not limited to, presentation of transfer documents.

The depositary may refuse to deliver, transfer, or register issuances, transfers and cancellations of ADSs generally when the transfer books of the depositary or our Hong Kong Share Registrar are closed or at any time if the depositary or we determine it advisable to do so.

[Table of Contents](#)

All costs attributable to the transfer of Class A ordinary shares to effect a withdrawal from or deposit of ordinary shares into our ADS program will be borne by the investor requesting the transfer. In particular, holders of ordinary shares and ADSs should note that the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of Class A ordinary shares and ADSs must pay up to US\$5.00 (or less) per 100 ADSs for each issuance of ADSs and each cancellation of ADSs, as the case may be, in connection with the deposit of Class A ordinary shares into, or withdrawal of Class A ordinary shares from, our ADS program.

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, 2020, 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, 2020 using the criteria set forth in the report "Internal Control—Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. We completed the acquisitions of Jiangsu Five Star, Kuayue Express, and other businesses (collectively, the "Excluded Acquisitions") during the year ended December 31, 2020. As permitted by securities rules and regulations, we have excluded the Excluded Acquisitions from our evaluation of internal control over financial reporting as of December 31, 2020. Overall, the Excluded Acquisitions constituted less than 3.5% and 2.0%, respectively, of total assets and total net revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2020. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

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, 2020, as stated in its report, which appears on page F-4 of this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

Other than the addition of operations of the Excluded Acquisitions to our 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.

	For the year ended December 31,			
	2019 ⁽⁵⁾		2020	
Audit fees ⁽¹⁾	US\$	2,450,000	US\$	2,880,000
Audit-related fees ⁽²⁾	US\$	366,605	US\$	4,922,594
Tax fees ⁽³⁾	US\$	137,047	US\$	475,053
All other fees ⁽⁴⁾	US\$	—	US\$	503,442

- (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 2019 and 2020, 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 to the company, including its consolidated subsidiaries.
- (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”). 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 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.

Table of Contents

As of April 16, 2021, we had repurchased a total of approximately 8.8 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 16, 2021. 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 — March 31, 2020	1,191,370	37.04	1,191,370	1,955,868,397
March 1, 2021 — March 31, 2021	7,583,810	82.52	7,583,810	1,330,029,654
Total	8,775,180	76.35	8,775,180	1,330,029,654

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 year ended December 31, 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 year ended December 31, 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 here under this Item 16F 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.

During the fiscal year ended December 31 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 2020. We undertake we will (i) hold annual general meeting every year after the listing of our Class A ordinary shares on the Hong Kong Stock Exchange and (ii) put forth a resolution at or before our next annual general meeting to be held after the listing of our Class A ordinary shares on the Hong Kong Stock Exchange to revise our articles of association to comply with Rule 19C.07(4) of the Hong Kong Listing Rules. See “Item 10.B. Memorandum and Articles of Association — Proposed Amendments to Our Articles of Association.”

[Table of Contents](#)

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 and Class A Ordinary Shares—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 (incorporated herein by reference to Exhibit 2.11 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 15, 2020)
2.12	Description of Class A Ordinary Shares of the Registrant (incorporated herein by reference to Exhibit 2.12 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 15, 2020)
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)

Table of Contents

<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 Second 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 December 24, 2020
4.5*	English translation of the Second 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 December 24, 2020
4.6*	English translation of the Power of Attorney by the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 24, 2020
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)

Table of Contents

<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 Second 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 December 24, 2020</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>
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>

Table of Contents

<u>Exhibit Number</u>	<u>Description of Document</u>
4.19*	<u>English translation of the Business Cooperation Agreement between Xi'an Jingxundi Supply Chain Technology Co., Ltd. and Xi'an Jingdong Xincheng Information Technology Co., Ltd. dated January 25, 2021</u> <ul style="list-style-type: none">• Schedule A of this exhibit includes information about the business cooperation agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant
4.20*	<u>English translation of the Exclusive Option Agreement between Xi'an Jingxundi Supply Chain Technology Co., Ltd., Xi'an Jingdong Xincheng Information Technology Co., Ltd. and the shareholders of Xi'an Jingdong Xincheng Information Technology Co., Ltd. dated January 25, 2021</u> <ul style="list-style-type: none">• Schedule A of this exhibit includes information about the exclusive option agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant
4.21*	<u>English translation of the Loan Agreement between Xi'an Jingxundi Supply Chain Technology Co., Ltd. and the shareholders of Xi'an Jingdong Xincheng Information Technology Co., Ltd. dated January 25, 2021</u> <ul style="list-style-type: none">• Schedule A of this exhibit includes information about the loan agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant
4.22*	<u>English translation of the Shareholders' Rights Entrustment Agreement between Xi'an Jingxundi Supply Chain Technology Co., Ltd., Xi'an Jingdong Xincheng Information Technology Co., Ltd. and the shareholders of Xi'an Jingdong Xincheng Information Technology Co., Ltd. dated January 25, 2021</u> <ul style="list-style-type: none">• Schedule A of this exhibit includes information about the shareholders' rights entrustment agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant
4.23*	<u>English translation of the Power of Attorney by the shareholders of Xi'an Jingdong Xincheng Information Technology Co., Ltd. dated January 25, 2021</u> <ul style="list-style-type: none">• Schedule A of this exhibit includes information about the power of attorney substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant
4.24*	<u>English translation of the Share Pledge Agreement between Xi'an Jingxundi Supply Chain Technology Co., Ltd., Xi'an Jingdong Xincheng Information Technology Co., Ltd. and the shareholders of Xi'an Jingdong Xincheng Information Technology Co., Ltd. dated January 25, 2021</u> <ul style="list-style-type: none">• Schedule A of this exhibit includes information about the share pledge agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant
4.25*	<u>English translation of the Equity Pledge Agreement between Beijing Jingdong Century Trade Co., Ltd., Beijing Jiasheng Investment Management Co., Ltd. and the shareholders of Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016</u> <ul style="list-style-type: none">• Schedule A of this exhibit includes information about the equity pledge agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant
4.26*	<u>English translation of the Power of Attorney by the shareholders of Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016</u> <ul style="list-style-type: none">• Schedule A of this exhibit includes information about the power of attorney substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant

Table of Contents

<u>Exhibit Number</u>	<u>Description of Document</u>
4.27*	English translation of the Exclusive Technology Consulting and Service Agreement between Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated December 5, 2014 <ul style="list-style-type: none">Schedule A of this exhibit includes information about the exclusive technology consulting and service agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant
4.28*	English translation of the Business Operations Agreement between Beijing Jingdong Century Trade Co., Ltd., Beijing Jiasheng Investment Management Co., Ltd. and the shareholders of Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016 <ul style="list-style-type: none">Schedule A of this exhibit includes information about the business operations agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant
4.29*	English translation of the Exclusive Purchase Option Agreement between Beijing Jingdong Century Trade Co., Ltd., Beijing Jiasheng Investment Management Co., Ltd. and the shareholders of Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016 <ul style="list-style-type: none">Schedule A of this exhibit includes information about the exclusive purchase option agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant
4.30*	English translation of the Loan Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016 <ul style="list-style-type: none">Schedule A of this exhibit includes information about the loan agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant
4.31	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)
4.32	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)
4.33	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)
4.34	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)
4.35	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)
4.36	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)
4.37	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)
4.38	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)
4.39†	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)

Table of Contents

<u>Exhibit Number</u>	<u>Description of Document</u>
4.40	<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>
4.41	<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>
4.42	<u>Undertaking by the Registrant to the Hong Kong Stock Exchange, dated June 1, 2020 (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-3 to the registration statement on Form F-3 (File No.: 333-238952) filed by the Registrant with the Securities and Exchange Commission on June 5, 2020)</u>
4.43	<u>Irrevocable Deed of Undertaking by Max Smart Limited, dated June 1, 2020 (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-3 to the registration statement on Form F-3 (File No.: 333-238952) filed by the Registrant with the Securities and Exchange Commission on June 5, 2020)</u>
4.44*	<u>Share Subscription Agreement., dated as of June 25, 2020, by and between Jingdong Digits Technology Holding Co., Ltd. and Suqian Juhe Digital Enterprise Management Co., Ltd., a subsidiary of the Registrant</u>
4.45*	<u>Amended and Restated Agreement, dated as of November 9, 2020, between the Registrant and Jingdong Digits Technology Holding Co., Ltd. regarding certain non-compete arrangements</u>
4.46*	<u>Investment Agreement, dated as of June 25, 2020, among the Registrant, Jingdong Digits Technology Holding Co., Ltd. and other parties named therein</u>
4.47*	<u>Share Subscription Agreement, dated as of March 31, 2021, between Jingdong Digits Technology Holding Co., Ltd. and Suqian Juhe Digital Enterprise Management Co., Ltd.</u>
4.48*	<u>Asset Purchase Agreement, dated as of March 31, 2021, between Jingdong Digits Technology Holding Co., Ltd. and Suqian Juhe Digital Enterprise Management Co., Ltd.</u>
4.49	<u>Share Subscription Agreement, dated March 22, 2021, between Dada Nexus Limited and JD Sunflower Investment Limited (incorporated herein by reference to Exhibit 4.11 to the annual report on Form 20-F filed by Dada Nexus Limited with the Securities and Exchange Commission on March 31, 2021)</u>
4.50*	<u>English Summary of Equity Transfer and Capital Increase Agreement, dated August 12, 2020, among Kuayue Express Group Co., Ltd., Suqian JD Bohai Enterprise Management Co., Ltd. and other parties named thereto.</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>
13.2**	<u>Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

Table of Contents

<u>Exhibit Number</u>	<u>Description of Document</u>
15.1*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP
15.2*	Consent of PricewaterhouseCoopers Zhong Tian LLP
15.3*	Consent of Shihui Partners
15.4*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP regarding the opinion in Exhibit 99.1
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, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020
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
† 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 16, 2021

[Table of Contents](#)

JD.com, Inc.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page(s)</u>
Reports of Independent Registered Public Accounting Firms	F-2 ~ F-5
Consolidated Balance Sheets as of December 31, 2019 and 2020	F-6 ~ F-7
Consolidated Statements of Operations and Comprehensive Income/(Loss) for the Years Ended December 31, 2018, 2019 and 2020	F-8 ~ F-9
Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2019 and 2020	F-10 ~ F-12
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2018, 2019 and 2020	F-13
Notes to the Consolidated Financial Statements	F-14 ~ F-88

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 sheets of JD.com, Inc. and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive income/(loss), changes in shareholders’ equity and cash flows for each of the two years in the period ended December 31, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, 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, 2020, 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 16, 2021 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 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 matters 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.

[Table of Contents](#)

Inventories, net – estimated net realizable value – Refer to Notes 2.1 and 10 to the financial statements

Critical Audit Matter Description

As of December 31, 2020, the Company's net balance of inventories was RMB58,933 million, which represented approximately 14% of the total assets. As disclosed in Note 2.1 to the consolidated financial statements, the Company records valuation allowance for slow-moving and damaged goods to adjust the cost of such inventories to their estimated net realizable value. The estimate requires management to make significant assumptions regarding various factors such as impact of inventory aging, historical and forecasted consumer demand, as well as market conditions that impact pricing.

We identified the estimate of net realizable value of inventories as a critical audit matter because of the significant judgments involved by management to evaluate the impact of the interaction among the various input factors in order to determine the amounts of estimated net realizable value of the inventories. This required a high degree of auditor judgement and an increased extent of effort, when performing audit procedures to evaluate the reasonableness of management's estimation of the net realizable value.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the estimated net realizable value of inventories included the following, among others:

- We tested the effectiveness of the controls over the estimated net realizable value of inventories, including the review of historical and forecasted consumer demand and the calculation of inventory valuation allowance;
- We evaluated the reasonableness of the valuation methodologies and assumptions applied by management to determine slow-moving and damaged inventories;
- We tested the accuracy and completeness of the underlying data that served as the basis for the calculation of inventory valuation allowance, and the mathematical accuracy of management's calculation of inventory valuation allowance;
- We performed inquiries with appropriate finance and operations personnel, and reviewed the actual sales subsequent to December 31, 2020 to corroborate management's quantitative and qualitative judgments applied over the indicators of slow-moving and damaged inventories, and to evaluate the reasonableness of management's estimate of the impact of interaction among various factors;
- We performed retrospective reviews by comparing subsequent actual inventory write-downs with historical estimates to evaluate management's ability to perform reasonable estimate of inventory valuation allowance.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China

April 16, 2021

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, 2020, 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, 2020, 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, 2020 of the Company and our report dated April 16, 2021 expressed an unqualified opinion on those financial statements. As described in Management’s Annual Report on Internal Control over Financial Reporting, management excluded from its assessment of the internal control over financial reporting at Jiangsu Five Star Appliance Co., Ltd., Kuayue-Express Group Co., Ltd., and other businesses (collectively, the “Excluded Acquisitions”) acquired during the year ended December 31, 2020, whose financial statements constituted less than 3.5% and 2.0%, respectively, of total assets and total net revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2020. Accordingly, our audit did not include the internal control over financial reporting of the Excluded Acquisitions.

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 16, 2021

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 statements of operations and comprehensive income/(loss), of changes in shareholders' equity and of cash flows of JD.com, Inc. and its subsidiaries (the "Company") for the year ended December 31, 2018, 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 results of operations and cash flows of the Company for the year ended December 31, 2018 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 audit. 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 audit 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 audit 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 audit 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 audit provides 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

	Notes	As of December 31,		
		2019 RMB'000	2020 RMB'000	US\$'000 Note 2(g)
ASSETS				
Current assets				
Cash and cash equivalents	5	36,971,420	86,084,857	13,193,082
Restricted cash	4, 5	2,940,859	4,434,448	679,609
Short-term investments	5	24,602,777	60,577,110	9,283,848
Accounts receivable, net	9	6,190,588	7,111,947	1,089,954
Advance to suppliers		593,130	3,767,933	577,461
Inventories, net	10	57,932,156	58,932,519	9,031,804
Loan receivables, net	2(m)	1,551,459	683,258	104,714
Prepayments and other current assets		4,078,102	6,393,332	979,821
Amount due from related parties	31	4,234,067	6,667,262	1,021,803
Assets held for sale	19	—	148,592	22,773
Total current assets		139,094,558	234,801,258	35,984,869
Non-current assets				
Property, equipment and software, net	11	20,654,071	22,596,570	3,463,076
Construction in progress	2(o)	5,806,308	7,906,406	1,211,710
Intangible assets, net	13	4,110,034	6,462,888	990,481
Land use rights, net	12	10,891,742	11,124,913	1,704,968
Operating lease right-of-use assets	18	8,643,597	15,484,082	2,373,039
Goodwill	14	6,643,669	10,904,409	1,671,174
Investment in equity investees	8	35,575,807	58,501,329	8,965,721
Investment securities	5	21,417,104	39,085,150	5,990,061
Deferred tax assets	22	80,556	532,746	81,647
Other non-current assets		6,806,258	13,315,844	2,040,740
Amount due from related parties	31	—	242,527	37,169
Assets held for sale	19	—	1,329,672	203,781
Total non-current assets		120,629,146	187,486,536	28,733,567
Total assets		259,723,704	422,287,794	64,718,436

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Balance Sheets

	Notes	As of December 31,		
		2019 RMB'000	2020 RMB'000	US\$'000 Note 2(g)
LIABILITIES				
Current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB14,399,069,000 and RMB22,032,147,000 as of December 31, 2019 and 2020, respectively. Note 1)				
Accounts payable	15	90,428,382	106,818,425	16,370,640
Advance from customers		16,078,619	20,998,001	3,218,084
Deferred revenues (including amounts in relation to traffic support, marketing and promotion services to be provided to related parties of RMB796,193,000 and RMB491,869,000 as of December 31, 2019 and 2020, respectively)		3,326,594	3,417,313	523,726
Taxes payable		2,015,788	3,029,416	464,278
Amount due to related parties	31	317,978	585,324	89,705
Accrued expenses and other current liabilities	16	24,656,180	30,034,571	4,602,999
Operating lease liabilities	18	3,193,480	5,513,534	844,986
Unsecured senior notes	17	—	3,259,882	499,599
Liabilities held for sale	19	—	360,196	55,202
Total current liabilities		<u>140,017,021</u>	<u>174,016,662</u>	<u>26,669,219</u>
Non-current liabilities				
Deferred revenues (including amounts in relation to traffic support, marketing and promotion services to be provided to related parties of RMB1,747,020,000 and RMB1,121,280,000 as of December 31, 2019 and 2020, respectively)		1,942,635	1,617,844	247,945
Unsecured senior notes	17	6,912,492	9,594,556	1,470,430
Deferred tax liabilities	22	1,338,988	1,921,831	294,533
Long-term borrowings	34	3,139,290	2,936,205	449,993
Operating lease liabilities	18	5,523,164	10,249,957	1,570,875
Other non-current liabilities		225,883	331,623	50,823
Total non-current liabilities		<u>19,082,452</u>	<u>26,652,016</u>	<u>4,084,599</u>
Total liabilities		<u>159,099,473</u>	<u>200,668,678</u>	<u>30,753,818</u>
Commitments and contingencies	35			
MEZZANINE EQUITY				
Convertible redeemable non-controlling interests	23	15,964,384	17,133,208	2,625,779
SHAREHOLDERS' EQUITY:				
JD.com, Inc. shareholders' equity				
Ordinary shares (US\$0.00002 par value; 100,000,000,000 shares authorized; 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; 2,685,542,982 Class A ordinary shares issued and 2,667,590,268 outstanding, 444,250,851 Class B ordinary shares issued and 435,908,771 outstanding as of December 31, 2020.)	26	381	404	62
Additional paid-in capital		90,676,122	153,357,473	23,503,061
Statutory reserves	2(o)	1,459,165	1,533,276	234,985
Treasury stock		(2,530,166)	(1,218,223)	(186,701)
Retained earnings/(accumulated deficit)		(11,912,679)	37,418,433	5,734,628
Accumulated other comprehensive income/(loss)	28	4,163,147	(3,548,068)	(543,765)
Total JD.com, Inc. shareholders' equity		<u>81,855,970</u>	<u>187,543,295</u>	<u>28,742,270</u>
Non-controlling interests	2(d)	2,803,877	16,942,613	2,596,569
Total shareholders' equity		<u>84,659,847</u>	<u>204,485,908</u>	<u>31,338,839</u>
Total liabilities, mezzanine equity and shareholders' equity		<u>259,723,704</u>	<u>422,287,794</u>	<u>64,718,436</u>

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Statements of Operations and Comprehensive Income/(Loss)

	Notes	For the year ended December 31,			
		2018 RMB'000	2019 RMB'000	2020 RMB'000	US\$'000 Note 2(g)
Net revenues					
Net product revenues	2(z)	416,108,746	510,733,967	651,879,240	99,904,864
Net service revenues	2(z)	45,911,013	66,154,517	93,922,646	14,394,276
Total net revenues		<u>462,019,759</u>	<u>576,888,484</u>	<u>745,801,886</u>	<u>114,299,140</u>
Cost of revenues		(396,066,126)	(492,467,391)	(636,693,551)	(97,577,556)
Fulfillment		(32,009,658)	(36,968,041)	(48,700,211)	(7,463,634)
Marketing		(19,236,740)	(22,234,045)	(27,155,972)	(4,161,835)
Research and development		(12,144,383)	(14,618,677)	(16,148,948)	(2,474,935)
General and administrative		(5,159,666)	(5,490,159)	(6,409,131)	(982,242)
Impairment of goodwill and intangible assets		(22,317)	—	—	—
Gain on sale of development properties	19	—	3,884,709	1,648,747	252,682
Income/(loss) from operations		<u>(2,619,131)</u>	<u>8,994,880</u>	<u>12,342,820</u>	<u>1,891,620</u>
Other income/(expense)					
Share of results of equity investees	8	(1,113,105)	(1,738,219)	4,291,453	657,694
Interest income	20	2,117,921	1,785,572	2,753,360	421,971
Interest expense	20	(854,538)	(725,010)	(1,125,181)	(172,442)
Others, net	21	95,175	5,375,309	32,556,439	4,989,493
Income/(loss) before tax		<u>(2,373,678)</u>	<u>13,692,532</u>	<u>50,818,891</u>	<u>7,788,336</u>
Income tax expenses	22	(426,872)	(1,802,440)	(1,481,645)	(227,072)
Net income/(loss)		<u>(2,800,550)</u>	<u>11,890,092</u>	<u>49,337,246</u>	<u>7,561,264</u>
Net loss attributable to non-controlling interests shareholders		(311,409)	(297,163)	(74,618)	(11,436)
Net income attributable to mezzanine equity classified as non-controlling interests shareholders		2,492	3,100	6,641	1,018
Net income/(loss) attributable to ordinary shareholders		<u>(2,491,633)</u>	<u>12,184,155</u>	<u>49,405,223</u>	<u>7,571,682</u>

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Statements of Cash Flows

	For the year ended December 31,			
	2018	2019	2020	US\$'000
	RMB'000	RMB'000	RMB'000	Note 2(g)
Cash flows from operating activities:				
Net income/(loss)	(2,800,550)	11,890,092	49,337,246	7,561,264
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:				
Depreciation and amortization	5,560,034	5,828,055	6,067,654	929,909
Share-based compensation	3,659,989	3,694,955	4,155,933	636,926
(Gains)/losses from disposal of property, equipment and software	(11,166)	65,492	67,545	10,352
Gain from extinguishment of debt	—	—	(11,101)	(1,701)
Deferred income tax	(10,454)	533,117	(718,927)	(110,180)
Amortization of discounts and issuance costs of the unsecured senior notes	13,649	14,812	19,255	2,951
Allowance for doubtful accounts	170,456	423,748	352,803	54,070
Impairment of goodwill and intangible assets	22,317	—	—	—
Impairment of investments	593,138	1,954,031	207,571	31,812
Fair value change of long-term investments	1,512,979	(3,495,709)	(29,482,650)	(4,518,414)
Gain from business and investment disposals	(1,320,266)	(1,199,407)	(278,747)	(42,720)
Gain on sale of development properties	—	(3,884,709)	(1,648,747)	(252,682)
Share of results of equity investees	1,113,105	1,738,219	(4,291,453)	(657,694)
Foreign exchange (gains)/losses	192,491	(124,070)	89,992	13,792
Changes in operating assets and liabilities:				
Accounts receivable	4,162,592	3,723,398	(412,132)	(63,162)
Advance to suppliers	(75,370)	(127,812)	(2,299,810)	(352,461)
Inventories	(2,342,058)	(13,915,610)	799,356	122,507
Prepayments and other current assets	(945,183)	275,714	(259,551)	(39,778)
Amount due from related parties	1,769,930	(1,500,728)	582,846	89,325
Operating lease right-of-use assets	—	(1,407,345)	(2,922,000)	(447,816)
Other non-current assets	44,990	(408,937)	(870,857)	(133,465)
Accounts payable	5,466,698	10,391,341	11,094,782	1,700,350
Advance from customers	(745,854)	3,061,018	4,051,957	620,990
Deferred revenues	(603,464)	454,780	(235,231)	(36,051)
Taxes payable	166,120	722,781	849,043	130,122
Amount due to related parties	128,909	134,713	282,345	43,271
Accrued expenses and other current liabilities	5,158,390	4,417,646	4,783,792	733,144
Operating lease liabilities	—	1,521,635	3,233,403	495,541
Net cash provided by operating activities	<u>20,881,422</u>	<u>24,781,220</u>	<u>42,544,317</u>	<u>6,520,202</u>

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Statements of Cash Flows

	For the year ended December 31,			
	2018	2019	2020	US\$'000
	RMB'000	RMB'000	RMB'000	Note 2(g)
Cash flows from investing activities:				
Purchase of short-term investments	(2,518,000)	(24,501,345)	(60,746,562)	(9,309,818)
Maturity of short-term investments	9,053,087	2,018,324	25,148,440	3,854,167
Purchases of long-term time deposits	—	—	(5,000,000)	(766,284)
Purchases of investment securities	(4,562,283)	(770,818)	(1,121,545)	(171,884)
Cash received from disposal of investment securities	317,975	1,009,088	9,138,962	1,400,607
Prepayments and investments in equity investees	(17,398,204)	(10,508,432)	(16,938,995)	(2,596,015)
Cash received from disposal of equity investment	1,606,338	3,606,308	1,092,009	167,358
Cash paid for loan originations	(36,432,214)	(43,560,458)	(60,304,123)	(9,242,011)
Cash received from loan repayments	38,984,140	44,592,432	60,879,128	9,330,135
Purchase of property, equipment and software	(9,743,453)	(2,597,069)	(3,370,165)	(516,500)
Purchase of intangible assets	(130,797)	(41,449)	(19,361)	(2,967)
Purchase of land use rights	(4,136,305)	(1,039,106)	(1,518,259)	(232,683)
Cash paid for construction in progress	(7,358,939)	(5,321,968)	(7,549,109)	(1,156,952)
Cash received from sale of development properties	—	7,905,251	4,786,884	733,622
Cash paid for business combinations, net of cash acquired	(19,578)	(41,380)	671,356	102,890
Loans (provided to)/settled by JD Digits	6,259,241	4,148,796	(2,341,767)	(358,891)
Other investing activities	—	(247,531)	(617,481)	(94,634)
Net cash used in investing activities	<u>(26,078,992)</u>	<u>(25,349,357)</u>	<u>(57,810,588)</u>	<u>(8,859,860)</u>

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Statements of Cash Flows

	For the year ended December 31,			
	2018 RMB'000	2019 RMB'000	2020 RMB'000	US\$'000 Note 2(g)
Cash flows from financing activities:				
Proceeds from issuance of ordinary shares	3,531,870	—	31,341,555	4,803,303
Repurchase of ordinary shares	(205,886)	(131,010)	(311,776)	(47,782)
Proceeds from issuance of ordinary shares pursuant to share-based awards	48,555	112,153	235,889	36,152
Proceeds from issuance of convertible redeemable preferred shares of JD Logistics	15,958,792	—	443,039	67,899
Capital injection from non-controlling interest shareholders	805,561	6,648,761	34,578,794	5,299,431
Proceeds from short-term borrowings	1,179,422	5,803,800	14,765,536	2,262,917
Repayment of short-term borrowings	(1,200,000)	(5,969,768)	(16,581,632)	(2,541,246)
Proceeds from long-term borrowings	2,890,575	—	—	—
Repayment of long-term borrowings	—	—	(123,296)	(18,896)
Proceeds from unsecured senior notes	—	—	6,803,716	1,042,715
Repurchase of unsecured senior notes	—	—	(72,326)	(11,084)
Repayment of nonrecourse securitization debt	(11,960,194)	(3,886,227)	—	—
Other financing activities	171,233	(5,242)	(7,904)	(1,211)
Net cash provided by financing activities	11,219,928	2,572,467	71,071,595	10,892,198
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,681,163	405,891	(5,082,380)	(778,908)
Net increase in cash, cash equivalents, and restricted cash	7,703,521	2,410,221	50,722,944	7,773,632
Cash, cash equivalents, and restricted cash at beginning of year	29,798,537	37,502,058	39,912,279	6,116,824
Cash, cash equivalents, and restricted cash at end of year, including cash and cash equivalents classified within assets held for sale	37,502,058	39,912,279	90,635,223	13,890,456
Less: cash, cash equivalents, and restricted cash classified within assets held for sale at end of year	—	—	115,918	17,765
Cash, cash equivalents, and restricted cash at end of year	37,502,058	39,912,279	90,519,305	13,872,691
Supplemental disclosure of cash flow information:				
Cash paid for income taxes	(666,305)	(807,622)	(1,190,062)	(182,385)
Cash paid for interest	(421,035)	(679,120)	(1,019,932)	(156,311)
Supplemental disclosures of non-cash investing and financing activities:				
Issuance of ordinary shares in connection with strategic cooperation agreement with Tencent	—	759,195	549,433	84,204
Equity investments obtained through commitment of future services and contribution of certain business	181,228	2,370,807	—	—
Right-of-use assets acquired under operating leases	—	4,860,770	10,677,689	1,636,427
Acquisition of equity interest in Jiangsu Five Star by loan conversion	—	—	1,024,946	157,080
Acquisition of equity interest in Kuayue Express by issuance of ordinary shares of JD Logistics	—	—	115,856	17,756

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Consolidated Statements of Changes in Shareholders' Equity

	Ordinary shares		Treasury stock		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income/(loss)	Retained earnings/(accumulated deficit)	Non-controlling interests	Total shareholders' equity
	Shares	Amount	Shares	Amount						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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>52,388,703</u>
Cumulative effect of changes in accounting principles related to revenue recognition and financial instruments	—	—	—	—	—	—	(1,156,642)	1,452,607	—	295,965
Issuance of ordinary shares	27,106,948	3	—	—	3,531,867	—	—	—	—	3,531,870
Repurchase of ordinary shares	—	—	(2,792,400)	(205,886)	—	—	—	—	—	(205,886)
Accretion of convertible redeemable non-controlling interests	—	—	—	—	—	—	—	(2,492)	—	(2,492)
Exercise of share-based awards	—	—	1,077,036	67,982	(30,792)	—	—	—	—	37,190
Share-based compensation and vesting of share-based awards	—	—	16,241,342	811,783	2,447,238	—	—	—	400,968	3,659,989
Net loss	—	—	—	—	—	—	—	(2,489,141)	(311,409)	(2,800,550)
Foreign currency translation adjustments	—	—	—	—	—	—	2,696,784	—	—	2,696,784
Net change in unrealized gains on available-for-sale debt securities	—	—	—	—	—	—	(23,127)	—	—	(23,127)
Statutory reserves	—	—	—	—	—	764,446	—	(764,446)	—	—
Change of the capital from non-controlling interest shareholders	—	—	—	—	—	—	—	—	658,439	658,439
Share of changes in the equity investee's capital accounts	—	—	—	—	629,975	—	—	—	—	629,975
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>60,866,860</u>
Issuance of ordinary shares	8,127,302	1	—	—	759,194	—	—	—	—	759,195
Repurchase of ordinary shares	—	—	(1,871,696)	(131,010)	—	—	—	—	—	(131,010)
Accretion of convertible redeemable non-controlling interests	—	—	—	—	—	—	—	(3,100)	—	(3,100)
Exercise of share-based awards	—	—	3,299,962	210,336	(79,352)	—	—	—	(10,547)	120,437
Share-based compensation and vesting of share-based awards	—	—	20,463,340	1,174,237	1,948,609	—	—	—	572,109	3,694,955
Net income/(loss)	—	—	—	—	—	—	—	12,187,255	(297,163)	11,890,092
Foreign currency translation adjustments	—	—	—	—	—	—	749,865	—	43,806	793,671
Net change in unrealized losses on available-for-sale debt securities	—	—	—	—	—	—	54,186	—	—	54,186
Statutory reserves	—	—	—	—	—	58,753	—	(58,753)	—	—
Change of the capital from non-controlling interest shareholders	—	—	—	—	5,228,721	—	—	—	1,399,785	6,628,506
Share of changes in the equity investee's capital accounts	—	—	—	—	(13,945)	—	—	—	—	(13,945)
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>84,659,847</u>
Issuance of ordinary shares	155,850,684	23	—	—	31,863,739	—	—	—	—	31,863,762
Repurchase of ordinary shares	—	—	(2,382,740)	(311,776)	—	—	—	—	—	(311,776)
Accretion of convertible redeemable non-controlling interests	—	—	—	—	—	—	—	(6,641)	—	(6,641)
Exercise of share-based awards	—	—	5,073,294	334,583	(114,220)	—	—	—	(11,153)	209,210
Share-based compensation and vesting of share-based awards	—	—	20,642,538	1,289,136	1,775,012	—	—	—	1,091,785	4,155,933
Net income/(loss)	—	—	—	—	—	—	—	49,411,864	(74,618)	49,337,246
Foreign currency translation adjustments	—	—	—	—	—	—	(7,656,413)	—	(298,428)	(7,954,841)
Net change in unrealized losses on available-for-sale debt securities	—	—	—	—	—	—	(54,802)	—	—	(54,802)
Statutory reserves	—	—	—	—	—	74,111	—	(74,111)	—	—
Change of the capital from non-controlling interest shareholders	—	—	—	—	23,547,685	—	—	—	11,326,308	34,873,993
Acquisition of subsidiaries	—	—	—	—	529,536	—	—	—	2,104,842	2,634,378
Share of changes in the equity investee's capital accounts	—	—	—	—	(574,233)	—	—	—	—	(574,233)
Conversion of profit sharing right in JD Digits	—	—	—	—	5,653,832	—	—	—	—	5,653,832
Balance as of December 31, 2020	<u>3,129,793,833</u>	<u>404</u>	<u>(26,294,794)</u>	<u>(1,218,223)</u>	<u>153,357,473</u>	<u>1,533,276</u>	<u>(3,548,068)</u>	<u>37,418,433</u>	<u>16,942,613</u>	<u>204,485,908</u>

The accompanying notes are an integral part of these consolidated financial statements.

JD.com, Inc.
Notes to the Consolidated Financial Statements

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 integrated supply chain solutions and logistics services, primarily including warehousing and distribution services, express and freight services and other value-added services 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”).

In 2018, the Group established JD Smart Property Development Group (“JD Property”), the infrastructure asset management and integrated service platform of the Group, 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 development properties to fund new developments and scale the business.

On June 18, 2020, the Company completed its global offering and the Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“HKEX”) under the stock code “9618”. The Company issued 152,912,100 Class A ordinary shares, including the exercise of the over-allotment option, at Hong Kong Dollar (“HK\$”) 226 per share. Net proceeds from the global offering after deducting underwriting commissions, share issuance costs and offering expenses approximately amounted to RMB31.3 billion.

On December 8, 2020, JD Health International Inc. (“JD Health”), the Group’s healthcare subsidiary, completed its initial public offering (“IPO”) and JD Health’s shares have been listed on the Main Board of the HKEX under the stock code “6618” (“JD Health IPO”). JD Health issued 439,185,000 ordinary shares, including the exercise of the over-allotment option, at HK\$70.58 per share. Net proceeds from the JD Health IPO after deducting underwriting commissions, share issuance costs and offering expenses approximately amounted to RMB25.7 billion.

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, 2020, the Company’s major subsidiaries, consolidated VIEs and consolidated VIEs’ subsidiaries are as follows:

JD.com, Inc.
Notes to the Consolidated Financial Statements

1. Principal activities and organization (Continued)

<u>Subsidiaries</u>	<u>Equity interest held</u>	<u>Place and date of incorporation</u>
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
JD Logistics Holding Limited (formerly known as Jingdong E-Commerce (Express) Hong Kong Co., Ltd.)	79%	Hong Kong, China, August 2011
Jingdong Technology Group Corporation	100%	Cayman Islands, November 2011
JD Property Group Corporation (formerly known as Jingdong Logistics Group Corporation)	100%	Cayman Islands, January 2012
JD Logistics, Inc. (formerly known as Jingdong Express Group Corporation)	79%	Cayman Islands, January 2012
JD.com E-Commerce (Technology) Hong Kong Co., Ltd.	100%	Hong Kong, China, February 2012
JD Property Hong Kong Co., Ltd. (formerly known as 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. Limited	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”)	79%	Shaanxi, China, May 2017
Xi’an Jingdong Xuncheng Logistics Co., Ltd.	79%	Shaanxi, China, June 2017
Beijing Jinghong Logistics Co., Ltd.	79%	Beijing, China, November 2017
JD Assets Holding Limited	100%	Cayman Islands, March 2018
JD Property Holding Limited (formerly known as JD Logistics Holding Limited)	100%	Cayman Islands, March 2018
Beijing Wodong Tianjun Information Technology Co., Ltd.	100%	Beijing, China, May 2018
JD Health International Inc.	67%	Cayman Islands, November 2018
JD Jiankang Limited	100%	British Virgin Islands, April 2019
Jingdong Logistics Supply Chain Co., Ltd.	79%	Jiangsu, China, June 2020
Jingdong Five Star Appliance Group Co., Ltd. (formerly known as Jiangsu Five Star Appliance Co., Ltd.) (“Jiangsu Five Star”)	100%	Jiangsu, China, December 1998
<u>Consolidated VIEs</u>		
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
<u>Consolidated VIEs’ Subsidiaries</u>		
Beijing Jingbangda Trade Co., Ltd. (“Beijing Jingbangda”)		Beijing, China, August 2012
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 (L.P.)		Jiangsu, China, August 2017

JD.com, Inc.
Notes to the Consolidated Financial Statements

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, May 2017 and June 2019, the Company established Jingdong Century, Xi’an Jingxundi and Beijing Jingdong Jiankang Co., Ltd. (“Jingdong Jiankang”) as wholly foreign-owned enterprises in the PRC, respectively. In April 2007, September 2010, August 2015, June 2017 and June 2019, Jingdong 360, Jiangsu Yuanzhou, Jingdong Bangneng, Xi’an Jingdong Xincheng and Suqian Jingdong Tianning Jiankang Technology Co., Ltd. (“Suqian Jingdong Tianning”) 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, Xi’an Jingdong Xincheng became a VIE of Xi’an Jingxundi and Suqian Jingdong Tianning became a VIE of Jingdong Jiankang. Consequently, Jingdong Century became the primary beneficiary of Jingdong 360, Jiangsu Yuanzhou and Jingdong Bangneng, Xi’an Jingxundi became the primary beneficiary of Xi’an Jingdong Xincheng and Jingdong Jiankang became the primary beneficiary of Suqian Jingdong Tianning. In June 2017, 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 individuals (“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 are substantially similar in key aspects governing the contractual arrangements with a variable interest entity of the Group, include loan agreements, exclusive purchase option agreements, exclusive technology consulting and services agreements or exclusive business cooperation agreements, as applicable, intellectual property rights license agreement, equity pledge agreements, powers of attorney, business cooperation agreement and business operations 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

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 or exclusive business cooperation agreements***

The Group's relevant PRC subsidiaries and relevant VIEs entered into exclusive technology consulting and services agreements or exclusive business cooperation agreements, as applicable, under which relevant VIEs engage the Group's relevant PRC subsidiaries as their exclusive provider of technical platform and technical support, business 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. All the benefits and interests generated from the agreements, including but not limited to intellectual property rights, know-how and trade secrets, will be the Group's relevant PRC subsidiaries' sole and exclusive rights. 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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

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 the 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 shareholders' 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

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 (where appropriate, the term “VIEs” also refers to its subsidiaries as a whole) structured by the Contractual Agreements, which have eliminated the intercompany transactions within the consolidated VIEs:

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
Total assets	38,749,631	65,593,705
Total liabilities	43,734,593	59,297,604

	For the year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Total net revenues	37,561,128	59,306,001	86,054,223
Net loss	(2,646,122)	(2,268,090)	(422,044)

	For the year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Net cash provided by/(used in) operating activities	(1,144,849)	953,673	9,911,601
Net cash used in investing activities	(7,596,181)	(6,450,150)	(11,052,862)
Net cash provided by financing activities	8,902,074	5,542,926	2,659,287
Net increase in cash, cash equivalents, and restricted cash	161,044	46,449	1,518,026
Cash, cash equivalents, and restricted cash at beginning of year	719,160	880,204	926,653
Cash, cash equivalents, and restricted cash at end of year	880,204	926,653	2,444,679

As of December 31, 2019 and 2020, the total assets of the Group’s consolidated VIEs after eliminating the intra-company balances and transactions within the Group were RMB38,749,631,000 and RMB65,593,705,000, respectively, which 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, goodwill, intangible assets, operating lease right-of-use assets and other non-current assets. As of December 31, 2019 and 2020, the total liabilities of the consolidated VIEs after eliminating the intra-company transactions within the Group were RMB21,328,216,000 and RMB32,266,366,000, respectively, which were mainly consisting of accounts payable, advance from customers, deferred revenues, accrued expenses and other current liabilities, and operating lease liabilities.

For the years ended December 31, 2018, 2019 and 2020, the total net revenues of the Group’s consolidated VIEs were RMB17,779,765,000, RMB26,845,232,000 and RMB36,976,185,000, respectively, which have been reflected in the Group’s consolidated financial statements with the intra-company transactions within the Group eliminated.

JD.com, Inc.
Notes to the Consolidated Financial Statements

1. Principal activities and organization (Continued)

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 RMB3,140,310,000 as of December 31, 2020. 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 RMB4,984,962,000 as of December 31, 2019, and the total shareholders' equity of the Group's consolidated VIEs was RMB5,570,027,000 as of December 31, 2020.

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.

Prior to June 2020, the Group's former finance business ("JD Digits"), which had been deconsolidated from the Group since June 30, 2017 as a result of its reorganization (Note 6), was a VIE of the Group while the Group or any subsidiary was not considered the primary beneficiary. Upon the conversion of the profit sharing right into equity interests in JD Digits completed in June 2020, JD Digits is no longer a VIE of the Group (Note 8).

JD.com, Inc.
Notes to the Consolidated Financial Statements

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. All amounts, except for share, per share data or otherwise noted, are rounded to the nearest thousand.

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

Certain reclassifications have been made to the prior years’ consolidated financial statements to conform to the current year’s presentation. These reclassifications had no impact on net income, shareholders’ equity, or cash flows as previously reported.

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 including expected credit losses, 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.

In March 2020, the World Health Organization declared the outbreak of a disease caused by a novel strain of the coronavirus (“COVID-19”) to be a pandemic. The COVID-19 pandemic has created and may continue to create significant uncertainty in the macroeconomic environment which, in addition to other unforeseen effects of this pandemic, may adversely impact the Group’s results of operations. Due to the uncertainty and the impact on global economics conditions from the COVID-19 pandemic, certain estimates and assumptions may change in the near term.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

f. Foreign currency translation

The Group's reporting currency is 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 loss of RMB192,491,000, a gain of RMB124,070,000 and a loss of RMB89,992,000 for the years ended December 31, 2018, 2019 and 2020, 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 year 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 gain of RMB2,696,784,000, a gain of RMB793,671,000 and a loss of RMB7,954,841,000 for the years ended December 31, 2018, 2019 and 2020, 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, 2020 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.5250, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 31, 2020. 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, 2020, 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

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 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(w).

Other than the accounts receivable arising from the consumer financing, beginning on January 1, 2020, the Group evaluates its accounts receivable for expected credit losses on a regular basis. The Group maintains an estimated allowance for credit losses to reduce its accounts receivable to the amount that it believes will be collected. The Group uses the length of time a balance has been outstanding, the payment history, creditworthiness and financial conditions of the customers and industry trend as credit quality indicators to monitor the Group's receivables within the scope of expected credit losses model and use these as a basis to develop the Group's expected loss estimates. 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 is 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. Please refer to Note 2(u) for adoption of expected credit losses model.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)***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 inventory aging, historical and forecasted consumer demand, and market conditions that impact pricing. 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.

m. Loan receivables, net

Loan receivables represent the consumer financing, in collaboration with JD Digits, provided to qualified individual customers on the Group's 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, 2018, 2019 and 2020. The loan receivables were measured at amortized cost and reported in the consolidated balance sheets at outstanding principal. As of December 31, 2019 and 2020, the loan receivables with the collection period over one year amounting to RMB179,886,000 and RMB259,370,000, 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(w).

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).

JD.com, Inc.
Notes to the Consolidated Financial Statements

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, 2019 and 2020, construction in progress in the amount of RMB5,806,308,000 and RMB7,906,406,000, 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 18 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
Customer relationship	3-10 years
Technology and others	2-10 years

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

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, consideration of the impact of COVID-19, and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), 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 Group adopted ASU 2017-04 beginning January 1, 2020 and used the one-step method for the goodwill impairment assessment for the year ended December 31, 2020.

JD.com, Inc.
Notes to the Consolidated Financial Statements

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, upon the adoption of ASU 2016-01, *Financial Instruments — Overall (Subtopic 825-10) — Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), 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 (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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

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.

u. Current expected credit losses impairment

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASC 326"), which requires entities to measure all expected credit losses for financial assets held at the reporting date using a current expected credit loss model based on historical experience, current conditions, and reasonable and supportable forecasts.

The Group adopted ASC 326 on January 1, 2020 using the modified retrospective transition approach. Based on the nature of the Group's financial instruments within the scope of this standard, which are primarily accounts receivable and other receivables, the adoption of the new standard did not have a material effect on the Group's consolidated financial statements.

v. 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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

w. 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 does 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 transfers of the assets are accounted for as a financing type transaction if the conditions in ASC 860-10-40-5 are not met. The under common control relationship of the transferor and transferee should be ignored when applying ASC 860, as long as the transferee is not consolidated by the transferor.

Beginning October 2017, the Group revised certain structural arrangements to relinquish its continuing involvement rights when setting up the new securitization vehicles. 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 for the periods presented.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

x. 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).

y. 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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

z. Revenues

The Group adopted ASC Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), from January 1, 2018, using the modified retrospective transition approach.

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, 2019 and 2020, liabilities for return allowances were RMB425,135,000 and RMB496,005,000, 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 RMB454,298,000 and RMB533,264,000 as of December 31, 2019 and 2020, 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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

z. 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 RMB280,059,089,000, RMB328,703,453,000 and RMB400,927,285,000, and revenues from the sales of general merchandise products were RMB136,049,657,000, RMB182,030,514,000 and RMB250,951,955,000, for the years ended December 31, 2018, 2019 and 2020, respectively. The Group's net product revenues were mainly generated by the JD Retail 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 integrated supply chain solutions and logistics services to third parties through JD Logistics, primarily including warehousing and distribution services, express and freight services and other value-added services. Revenues generated from these services are primarily recognized over time as the Group performs the services in the contracts because of the continuous transfer of control to the customers.

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 RMB33,531,862,000, RMB42,680,212,000 and RMB53,472,718,000 for the years ended December 31, 2018, 2019 and 2020, respectively, which were mainly generated by the JD Retail segment. Revenues from logistics and other services were RMB12,379,151,000, RMB23,474,305,000 and RMB40,449,928,000, for the years ended December 31, 2018, 2019 and 2020, respectively, which were mainly generated by the New Businesses segment.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

aa. 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 balances of accounts receivable, net of allowance for doubtful accounts were RMB6,190,588,000 and RMB7,111,947,000 as of December 31, 2019 and 2020, 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, 2019, the Group's total unearned revenues were RMB21,347,848,000, of which RMB16,442,795,000 was recognized as revenues for the year ended December 31, 2020. The Group's total unearned revenues were RMB26,033,158,000 as of December 31, 2020.

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.

bb. 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, 2018, 2019 and 2020, the amount of expired J Coupons was not material.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

bb. 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, 2018, 2019 and 2020, the amount of expired J Beans was not material.

cc. 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.

dd. 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.

ee. 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, (iii) lease expenses of warehouses, delivery and pickup stations, and physical stores, and (iv) depreciation and amortization of logistics and electronic equipment. 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 RMB15,216,351,000, RMB17,858,972,000 and RMB23,088,408,000 for the years ended December 31, 2018, 2019 and 2020, respectively.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

ff. 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 RMB15,970,433,000, RMB19,285,939,000 and RMB23,087,563,000 for the years ended December 31, 2018, 2019 and 2020, respectively.

gg. 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.

hh. 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.

ii. Share-based compensation

The Company grants restricted share units ("RSUs") and share options of the Company and its subsidiaries to eligible employees and non-employees. 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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

ii. Share-based compensation (Continued)

The Group uses 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 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.

jj. 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, 2019 and 2020, the Group did not have any significant unrecognized uncertain tax positions.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

kk. 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.

ll. 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.

mm. 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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

nn. 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.

oo. 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, 2018, 2019 and 2020, profit appropriation to statutory surplus fund for the Group’s entities incorporated in the PRC was approximately RMB764,446,000, RMB58,753,000 and RMB74,111,000, respectively. No appropriation to other reserve funds was made for any of the periods presented.

JD.com, Inc.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies (Continued)

pp. Recent accounting pronouncements

Recently adopted accounting pronouncements

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 is permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Group adopted the new standard beginning January 1, 2020 using the modified retrospective transition approach. The impact of adopting the new standard was not material to the 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 Group adopted the new standard beginning January 1, 2020 with no impact on the Group's consolidated financial statements.

Recently issued accounting pronouncements not yet adopted

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*, as part of its initiative to reduce complexity in accounting standards. The amendments in the ASU are effective for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. The adoption of this standard is not expected to have a material impact on the Group's consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, *Investments—Equity Securities* (Topic 321), *Investments—Equity Method and Joint Ventures* (Topic 323), which clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, *Investments—Equity Method and Joint Ventures*, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted, including early adoption in an interim period, for periods for which financial statements have not yet been issued. The Group is currently evaluating the impact of this update on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848), which provides optional expedients and exceptions to contract modifications and hedging relationships that reference the London Interbank Offered Rate or another reference rate expected to be discontinued. The standard is effective upon issuance through December 31, 2022 and may be applied at the beginning of the interim period that includes March 12, 2020 or any date thereafter. The adoption of this standard is not expected to have a material impact on the Group's consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options* (Subtopic 470-20) and *Derivatives and Hedging—Contracts in Entity's Own Equity* (Subtopic 815-40): *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. For public companies, the guidance is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The Group is currently evaluating the impact of this update on its consolidated financial statements.

JD.com, Inc.
Notes to the Consolidated Financial Statements

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, 2018, 2019 and 2020.

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, 2019 and 2020, 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 RMB33,601,008,000 and RMB58,096,903,000 as of December 31, 2019 and 2020, 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 depreciation of the RMB against the US\$ was approximately 1% in 2019. The appreciation of the RMB against the US\$ was approximately 7% in 2020. 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 RMB2,940,859,000 and RMB4,434,448,000 as of December 31, 2019 and 2020, respectively.

JD.com, Inc.
Notes to the Consolidated Financial Statements

5. Fair value measurement

As of December 31, 2019 and 2020, 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, 2019	Fair value measurement at reporting date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
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	—

Description	Fair value as of December 31, 2020	Fair value measurement at reporting date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Restricted cash	4,434,448	—	4,434,448	—
Short-term investments				
Wealth management products	24,294,101	—	24,294,101	—
Investment securities				
Listed equity securities	39,085,150	39,085,150	—	—
Total assets	67,813,699	39,085,150	28,728,549	—

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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

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, 2019 and 2020, gross unrealized gains of RMB54,813,000 and RMB11,000 were recorded on wealth management products, respectively. No impairment charges were recorded for the years ended December 31, 2018, 2019 and 2020, 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. 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).

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'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2019	18,329,057	5,008,610	(1,920,563)	—	21,417,104
December 31, 2020	18,078,773	24,002,167	(2,995,790)	—	39,085,150

The material investment securities are set out as below:

In 2017, the Group invested in China United Network Communications Limited (“China Unicom”) with a total consideration of RMB5,000,000,000. As of December 31, 2019 and 2020, the accumulated unrealized loss related to the investment in China Unicom was RMB688,141,000 and RMB1,734,993,000, respectively.

In 2017, the Group invested in Vipshop Holdings Ltd. (“Vipshop”) with a total consideration of RMB2,794,547,000. In 2018 and 2019, the Group purchased additional shares with a total amount of RMB1,121,792,000. As of December 31, 2019 and 2020, the accumulated unrealized gain related to the investment in Vipshop was RMB1,077,422,000 and RMB5,349,265,000, respectively.

In 2017, the Group invested in Farfetch.com Limited (“Farfetch”) with a total consideration of RMB2,713,285,000, and this investment was accounted for as cost method investment as of December 31, 2017. On September 21, 2018, Farfetch completed its IPO on the New York Stock Exchange. Concurrently with Farfetch’s IPO, the Group purchased additional shares with a total amount of RMB186,155,000, and started to account for the investment at fair value. In 2020, the Group purchased additional shares with a total amount of RMB75,404,000 and sold approximately 44.2% of its investment in Farfetch. As of December 31, 2019 and 2020, the accumulated unrealized gain related to the investment in Farfetch was RMB159,589,000 and RMB8,519,601,000, respectively.

In 2018, the Group invested in ESR Cayman Limited (“ESR”) with a total consideration of RMB1,952,325,000, 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 its IPO on the HKEX. 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. In 2020, the Group further sold approximately 8.0% of its remaining investment in ESR. As of December 31, 2019 and 2020, the accumulated unrealized gain related to the investment in ESR was RMB1,777,252,000 and RMB3,267,484,000, respectively.

JD.com, Inc.
Notes to the Consolidated Financial Statements

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, 2019 and 2020, the fair value of time deposits classified as cash equivalents and short-term investments amounted to RMB11,189,560,000 and RMB36,472,769,000, respectively. As of December 31, 2019 and 2020, time deposits with original maturities of more than one year with the fair value of nil and approximately RMB5,073,466,000, respectively, have been classified as other non-current assets in the consolidated balance sheets.

Held-to-maturity debt securities. Wealth management products that the Group has positive intent and ability to hold to maturity are accounted for as held-to-maturity debt securities, classified as short-term investments in the consolidated balance sheets. The fair value of the Group's held-to-maturity debt securities 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, 2019 and 2020, the fair value of held-to-maturity debt securities amounted to nil and RMB17,470,000,000, respectively.

Unsecured senior notes. The Group determines the fair value of its unsecured senior notes using quoted prices in less active markets, and accordingly the Group categorizes the unsecured senior notes as Level 2 in the fair value hierarchy. As of December 31, 2019 and 2020, the fair value of unsecured senior notes amounted to RMB7,195,427,000 and RMB14,008,251,000, 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.

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, 2019 and 2020, and the impairment charges of RMB593,138,000, RMB1,612,139,000 and RMB201,646,000 were recorded in "others, net" in the consolidated statements of operations and comprehensive income/(loss) for the years ended December 31, 2018, 2019 and 2020, respectively. The valuation methodology used to estimate the fair value of investments in publicly traded companies and associated impairment charges are discussed in Note 8 — "Investment in equity investees".

JD.com, Inc.
Notes to the Consolidated Financial Statements

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 held 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. Upon the completion of the reorganization on June 30, 2017, JD Digits was deconsolidated from the Group. 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.

In June 2020, the Group entered into agreements with JD Digits, pursuant to which the Group has, through a consolidated PRC domestic company, acquired an aggregate of 36.8% equity interest in JD Digits by converting the profit sharing right and investing additional RMB1.78 billion in cash in JD Digits. In addition, in June 2020, the shareholders of JD Digits passed a unanimous resolution to restructure JD Digits as a company limited by shares and adopt the dual class voting structure. As a result of this dual class voting shareholding structure, the Group held approximately 18.7% voting power of JD Digits. The transaction has been completed in June 2020. Accordingly, subsequent to the completion of the transaction, investment in JD Digits has been accounted for using equity method, as the Group has significant influence but does not own a majority equity interest or otherwise control. The Group and JD Digits are both controlled by Mr. Richard Qiangdong Liu before and after the transaction, so the acquisition of JD Digits's equity interest was achieved through an under the common control transaction.

Pursuant to the supplemental agreement entered between JD Digits and its shareholders in June 2020, upon certain redemption events of JD Digits, the Group and Suqian Dongtai Jinrong Investment Management Center, Suqian Mingjin Chuangyuan Enterprise Management Consulting Partnership, Mr. Richard Qiangdong Liu, Mr. Shengqiang Chen have the obligation to make up the shortfall (if any) of the redemption price to the other shareholders of JD Digits when all other means are exhausted, and the shortfall is capped by the proceeds from the sales of the guarantor's shares of JD Digits. As the Group and JD Digits both are entities 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 not probable as of December 31, 2020.

JD.com, Inc.
Notes to the Consolidated Financial Statements

7. Business acquisition**Acquisition of Jiangsu Five Star**

In April 2019, the Group invested RMB1,274,257,000 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 RMB1,024,946,000 to the Seller and has the rights to purchase additional shares.

In April 2020, the Group acquired additional 37% equity interest in Jiangsu Five Star by converting the loan of RMB1,024,946,000 aforementioned. A gain of RMB441,677,000 in relation to the revaluation of the previously held equity interests was recorded in "share of results of equity investees" in the consolidated statements of operations and comprehensive income/(loss) for the year ended December 31, 2020. The fair value of the previously held equity interests was estimated based on the equity value of Jiangsu Five Star, which is estimated by applying an income approach.

The purchase price as of the date of acquisition is comprised of:

	<u>Amounts</u> <u>RMB'000</u>
Conversion of loan and assuming of debt	1,024,946
Fair value of previously held equity interests	1,274,257
Total	<u>2,299,203</u>

The transaction was considered a business acquisition and therefore was recorded using the acquisition method of accounting. The allocation of the purchase price based on the fair values of the acquired assets and liabilities as of the date of acquisition is summarized as follows:

	<u>Amounts</u> <u>RMB'000</u>
Net liabilities assumed	(14,549)
Appreciation of property, equipment and software	190,194
Intangible assets	
- Trademark	489,000
Goodwill	2,185,135
Deferred tax liabilities	(169,798)
Non-controlling interests	(380,779)
Total	<u>2,299,203</u>

Net assets acquired primarily consisted of restricted cash of RMB1,720,161,000, inventories of RMB1,652,252,000 and accounts payable of RMB4,102,304,000 as of the date of acquisition. The amortization period for intangible assets acquired was 19 years. Fair value of the non-controlling interests was estimated by applying an income approach.

Accounts receivable acquired was immaterial at the date of acquisition.

Goodwill arising from the acquisition of Jiangsu Five Star was attributable to the benefit of expected synergies, the assembled workforce, revenue growth and future market development as of the date of acquisition. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

In June 2020, the Group acquired the remaining 17% equity interest in Jiangsu Five Star by assuming the Seller's RMB428,421,000 debt owed to Jiangsu Five Star. Upon completion of the transaction, Jiangsu Five Star became a wholly-owned subsidiary of the Company.

JD.com, Inc.
Notes to the Consolidated Financial Statements

7. Business acquisition (Continued)**Acquisition of Kuayue Express**

In August 2020, the Group entered in a definitive agreement pursuant to which JD Logistics, a subsidiary of the Company, acquired approximately 60.2% of the issued and outstanding ordinary shares of Kuayue-Express Group Co., Ltd. (“Kuayue Express”), a renowned modern integrated express transportation enterprise, for a consideration of RMB2,965,856,000 with a combination of cash and ordinary shares of JD Logistics. Upon completion of the transaction, Kuayue Express became a consolidated subsidiary of the Company.

The purchase price as of the date of acquisition is comprised of:

	<u>Amounts</u> <u>RMB'000</u>
Cash	2,850,000
Issuance of ordinary shares of JD Logistics less cash proceeds received	115,856
Total	<u>2,965,856</u>

The transaction was considered a business acquisition and therefore was recorded using the acquisition method of accounting. The allocation of the purchase price based on the fair values of the acquired assets and liabilities as of the date of acquisition is summarized as follows:

	<u>Amounts</u> <u>RMB'000</u>
Net assets acquired	1,110,375
Appreciation of property, equipment and software	362,148
Intangible assets	
- Customer relationship	2,549,400
Goodwill	1,632,512
Deferred tax liabilities	(727,887)
Non-controlling interests	<u>(1,960,692)</u>
Total	<u>2,965,856</u>

Net assets acquired primarily consisted of cash and cash equivalents of RMB1,375,710,000 and borrowings of RMB986,108,000 as of the date of acquisition. The amortization period for intangible assets acquired was 9 years. Fair value of the non-controlling interests was estimated by applying an income approach.

The accounts receivable acquired with a fair value of RMB829,752,000 at the date of acquisition had gross contractual amounts of RMB923,608,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB93,856,000.

Goodwill arising from the acquisition of Kuayue Express was attributable to the benefit of expected synergies, the assembled workforce, revenue growth and future market development as of the date of acquisition. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Results of operations attributable to these acquisitions and pro forma results of operations for these acquisitions have not been presented because they are not material to the consolidated statements of operations and comprehensive income/(loss) for the year ended December 31, 2020, either individually or in aggregate.

JD.com, Inc.
Notes to the Consolidated Financial Statements

8. Investment in equity investees**Measurement Alternative and NAV practical expedient**

The carrying amount of the Group's equity investments measured at fair value using the Measurement Alternative was RMB17,580,557,000 and RMB21,623,597,000 as of December 31, 2019 and 2020, respectively, and the carrying amount of the Groups' investments under NAV practical expedient was RMB2,515,919,000 and RMB6,712,654,000 as of December 31, 2019 and 2020, respectively. For the years ended December 31, 2018, 2019 and 2020, the Group invested RMB12,108,139,000, RMB6,198,126,000 and RMB10,200,854,000 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, 2020, investment consideration for the top two investees were RMB4,575,340,000 and RMB3,052,719,000, respectively. During the year ended December 31, 2020, 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 RMB138,582,000 in cash in exchange for additional preferred share investment in AiHuiShou. Total consideration for the above investment in AiHuiShou was RMB3,380,825,000. In 2020, the Group completed further investment in preferred shares of AiHuiShou for a cash consideration of RMB400,670,000. The investment in AiHuiShou'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, 2020.

The Group accounted for the investment in Xingsheng Preference Electronic Business Limited ("Xingsheng") under the Measurement Alternative. Xingsheng operates a leading community group buying e-commerce platform in the PRC. In December 2020, the Group completed the investment in preferred shares of Xingsheng for a cash consideration of RMB4,575,340,000. The investment in Xingsheng'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, 2020.

Equity method

As of December 31, 2020, the Group's investments accounted for under the equity method totaled RMB30,165,078,000 (as of December 31, 2019: RMB15,479,331,000), which mainly included the investment in Yonghui Superstores Co., Ltd, ("Yonghui") amounting to RMB6,537,937,000, the investment in Dada Nexus Limited ("Dada") amounting to RMB7,280,394,000, and investment in JD Digits amounting to RMB7,676,424,000. 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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

8. Investment in equity investees (Continued)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. In 2018 and 2020, 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 13% accordingly. Yonghui is a leading hypermarket and supermarket operator in China and is listed on the Shanghai Stock Exchange. As of December 31, 2020, total consideration for the investment in Yonghui was RMB6,461,718,000 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 RMB143,557,000, RMB120,338,000 and RMB146,811,000 for the years ended December 31, 2018, 2019 and 2020, respectively, which have been recorded as a reduction to the carrying amount of investment in Yonghui.

Investment in Yonghui is accounted for using the equity method with the investment cost allocated as follows:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Carrying value of investment in Yonghui	5,508,062	6,537,937
Proportionate share of Yonghui's net tangible and intangible assets	2,249,239	2,601,974
Positive basis difference	<u>3,258,823</u>	<u>3,935,963</u>
Positive basis difference has been assigned to:		
Goodwill	1,989,726	2,602,844
Amortizable intangible assets (*)	1,692,129	1,777,492
Deferred tax liabilities	<u>(423,032)</u>	<u>(444,373)</u>
	<u>3,258,823</u>	<u>3,935,963</u>
Cumulative gains in equity interest in Yonghui	428,729	601,771

(*) As of December 31, 2020, the weighted average remaining life of the intangible assets not included in Yonghui's consolidated financial statements was 14 years.

As of December 31, 2019 and 2020, the market value of the Group's investment in Yonghui was RMB8,248,601,000 and RMB8,723,415,000 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 RMB96,558,000, RMB164,068,000 and RMB174,674,000 for the years ended December 31, 2018, 2019 and 2020, respectively.

JD.com, Inc.
Notes to the Consolidated Financial Statements

8. Investment in equity investees (Continued)

Investment in Dada

Pre-IPO investment in Dada

Prior to 2018, the Group acquired ordinary shares and preferred shares of Dada for total consideration of RMB4,492,020,000 with a combination of RMB2,282,520,000 in cash, the Group's future services commenced from 2016, including supply chain support for a period of 10 years, traffic and other additional support for a period of 7 years, non-compete obligation for a period of 7 years from 2016 and the Group's O2O business, JD Daojia. In 2018, the Group further invested cash amounted to RMB1,230,808,000 for acquiring the newly issued preferred shares of Dada. Dada is China's largest crowdsourcing delivery platform. The investment in Dada's ordinary shares was accounted for using the equity method as the Group obtained significant influence by the rights to nominate two board members out of six. The investment in Dada's preferred shares was 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.

Post-IPO investment in Dada

On June 5, 2020, Dada completed its IPO on the Nasdaq ("Dada IPO"). Concurrently with Dada IPO, the Group converted its preferred shares investment in Dada to ordinary shares of Dada in entirety. The Group's interest in Dada was diluted to approximately 48%, resulting in a deemed disposal gain of RMB4,142,260,000 recognized in "shares of results of equity investees" in the consolidated statements of operations and comprehensive income/(loss). In addition, the Group subscribed additional 15,207,548 ordinary shares of Dada with cash consideration of RMB425,066,000.

In December 2020, the Group additionally subscribed for 3,400,000 ordinary shares in the follow-on public offering of Dada with cash consideration of RMB277,789,000, resulting in a deemed disposal gain of RMB1,086,784,000 recognized in "shares of results of equity investees" in the consolidated statements of operations and comprehensive income/(loss). After the subsequent investment in December 2020, the Group held approximately 46% of Dada's issued and outstanding shares and had three out of nine board seats. Accordingly, investment in Dada is accounted for using the equity method as the Group obtained significant influence.

JD.com, Inc.
Notes to the Consolidated Financial Statements

8. Investment in equity investees (Continued)Investment in Dada (Continued)

The investment in Dada is accounted for using the equity method with the investment cost allocated as follows:

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
Carrying value of investment in Dada's ordinary shares	—	7,280,394
Proportionate share of Dada's net tangible and intangible assets	(1,701,718)	3,336,314
Positive basis difference	<u>1,701,718</u>	<u>3,944,080</u>
Positive basis difference has been assigned to:		
Goodwill	1,605,891	3,892,938
Amortizable intangible assets (*)	127,770	68,189
Deferred tax liabilities	(31,943)	(17,047)
	<u>1,701,718</u>	<u>3,944,080</u>
Cumulative gains/(losses) in equity interest in Dada's ordinary shares	(2,164,050)	854,374

(*) As of December 31, 2020, the weighted average remaining life of the intangible assets not included in Dada's consolidated financial statements was 5 years.

As of December 31, 2020, the market value of the Group's investment in Dada was RMB25,846,210,000 based on its quoted closing price.

Investment in JD Digits

As disclosed in Note 6 — “JD Digits reorganization”, investment in JD Digits has been accounted for using the equity method subsequent to June 2020.

In June 2020, the Group entered into agreements with JD Digits, pursuant to which the Group has acquired an aggregate of 36.8% equity interest in JD Digits by converting the profit sharing right and investing additional RMB1.78 billion in cash in JD Digits. As the Group and JD Digits are both controlled by Mr. Richard Qiangdong Liu before and after the acquisition of JD Digits' equity interests, the acquisition is considered as a transaction under common control. Pursuant to ASC 805-50-25-2, the Group recorded the investment in JD Digits amounting to RMB7.43 billion based on its proportioned net assets of JD Digits. The difference between consideration transferred and the carrying amounts of the net assets received amounting to RMB5.65 billion has been recorded into additional paid-in capital as of June 30, 2020. Upon the completion of the acquisition of JD Digits' equity interests, the investment in JD Digits is accounted for using the equity method.

The Group recorded its interests in Yonghui, Dada and JD Digits one quarter in arrears to enable the Group to provide its financial disclosure independent of the reporting schedule of these equity investees.

JD.com, Inc.
Notes to the Consolidated Financial Statements

8. 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 the Nasdaq Stock Market (the "Nasdaq"). Total consideration for the initial investment in Bitauto was RMB5,496,188,000 with a combination of RMB2,450,920,000 in cash and RMB3,045,268,000 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 RMB328,975,000. As of December 31, 2019, the Group held approximately 24% of Bitauto's issued and outstanding shares.

In June 2020, Bitauto announced its plan of merger with Yiche Holding Limited ("Yiche") and Yiche Mergersub Limited, pursuant to which Bitauto would be acquired by an investor consortium in an all-cash transaction (the "Going Private Transaction"). In November, 2020, Bitauto completed the Going Private Transaction. As a result, 6,777,887 ordinary shares held by the Group were sold to the investor consortium for a cash consideration, resulting in a gain of RMB713,485,000 recognized in "share of results of equity investees" in the consolidated statements of operations and comprehensive income/(loss). The remaining 10,549,714 rollover shares held by the Group were cancelled in exchange for the same number of shares in Yiche, which is accounted for as investment using the Measurement Alternative.

Investment in Yixin

In February 2015 and August 2016, the Group invested US\$100,000,000 and US\$30,000,000 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 HKEX. 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.

In November 2020, upon the completion of Bitauto's Going Private Transaction, the Group held approximately 15% equity interest in Yiche, the controlling shareholder of Yixin. Concurrently with the Going Private Transaction of Bitauto, the Group no longer had significant influence on Yixin. Accordingly, investment in Yixin ceased to be accounted for using the equity method and commenced to be accounted for as investment securities at fair value.

JD.com, Inc.
Notes to the Consolidated Financial Statements

Investment in Tuniu

In December 2014, the Group acquired 7% equity interest in Tuniu with cash consideration of RMB305,930,000. 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 RMB2,188,490,000 with a combination of RMB1,528,275,000 in cash and RMB660,215,000 in the form of future services, including granting Tuniu an exclusive right, 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.

In November 2020, the Group completed disposal of its investment in Tuniu for a cash consideration of RMB457,608,000, and a disposal gain of RMB240,883,000 was recognized in "share of results of equity investees" in the consolidated statements of operations and comprehensive income/(loss).

JD.com, Inc.
Notes to the Consolidated Financial Statements

8. Investment in equity investees (Continued)

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,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenues	94,099,295	128,942,238	140,263,093
Gross profit	26,893,544	34,540,510	45,590,152
Income/(loss) from operations	(1,471,960)	(534,006)	5,157,037
Net income/(loss)	(1,722,715)	(564,940)	2,680,283
Net income/(loss) attributable to ordinary shareholders	(1,748,305)	(1,235,224)	3,291,840

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
Current assets	117,073,881	129,535,325
Non-current assets	97,456,584	97,110,227
Current liabilities	94,482,219	97,668,673
Non-current liabilities	18,910,340	17,371,342
Redeemable stock	10,593,025	—
Non-controlling interests	380,510	1,118,940

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 RMB593,138,000, RMB1,612,139,000 and RMB201,646,000 were recorded in "others, net" in the consolidated statements of operations and comprehensive income/(loss) for the years ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2020, the accumulated impairment of the Group's Measurement Alternative investments was RMB2,660,028,000. Impairment charges in connection with the equity method investments of nil, RMB796,737,000 and RMB487,843,000 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, 2018, 2019 and 2020, respectively.

JD.com, Inc.
Notes to the Consolidated Financial Statements

9. Accounts receivable, net

Accounts receivable, net consist of the following:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Logistics receivables	3,073,641	4,405,669
Online retail and online marketplace receivables (*)	2,392,737	2,102,828
Advertising receivables and others	1,042,211	1,169,492
Accounts receivable	6,508,589	7,677,989
Allowance for doubtful accounts	(318,001)	(566,042)
Accounts receivable, net	<u>6,190,588</u>	<u>7,111,947</u>

The movements in the allowance for doubtful accounts are as follows:

	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Balance at beginning of the year	(53,981)	(178,393)	(318,001)
Additions	(124,412)	(213,395)	(330,713)
Write-off	—	73,787	82,672
Balance at end of the year	<u>(178,393)</u>	<u>(318,001)</u>	<u>(566,042)</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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

10. Inventories, net

Inventories, net consist of the following:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Products	58,795,341	60,454,174
Packing materials and others	223,234	470,386
Inventories	59,018,575	60,924,560
Inventory valuation allowance	(1,086,419)	(1,992,041)
Inventories, net	<u>57,932,156</u>	<u>58,932,519</u>

11. Property, equipment and software, net

Property, equipment and software, net consist of the following:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Electronic equipment	14,397,628	15,111,294
Building and building improvement	9,084,029	11,276,112
Logistics, warehouse and other heavy equipment	6,104,497	7,418,054
Vehicles	1,249,667	1,775,587
Leasehold improvement	2,100,120	2,900,313
Office equipment	388,841	440,132
Software	301,919	781,274
Total	33,626,701	39,702,766
Less: accumulated depreciation	(12,911,659)	(17,106,196)
Less: impairment	(60,971)	—
Net book value	<u>20,654,071</u>	<u>22,596,570</u>

Depreciation expenses were RMB3,533,483,000, RMB4,673,362,000 and RMB5,037,149,000 for the years ended December 31, 2018, 2019 and 2020, respectively.

12. Land use rights, net

Land use rights, net consist of the following:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Land use rights	11,380,221	11,786,977
Less: accumulated amortization	(488,479)	(662,064)
Net book value	<u>10,891,742</u>	<u>11,124,913</u>

Amortization expenses for land use rights were RMB181,101,000, RMB222,143,000 and RMB228,844,000 for the years ended December 31, 2018, 2019 and 2020, respectively.

As of December 31, 2020, amortization expenses related to the land use rights for future periods are estimated to be as follows:

	<u>For the year ended December 31,</u>					
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026 and thereafter</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Amortization expenses	237,578	237,578	237,578	237,578	237,578	9,937,023

JD.com, Inc.
Notes to the Consolidated Financial Statements

13. Intangible assets, net

Intangible assets, net consist of the following:

As of December 31, 2019					
	Weighted-Average Amortization Period Year	Gross Carrying Amount RMB'000	Accumulated Amortization RMB'000	Impairment Amount RMB'000	Net Carrying Amount RMB'000
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 trademarks	19.3	3,311,250	(633,360)	(27,124)	2,650,766
Customer relationship	7.7	131,296	(42,534)	(59,663)	29,099
Technology and others	6.1	1,049,780	(499,137)	(85,338)	465,305
Total	9.3	13,034,620	(8,752,461)	(172,125)	4,110,034

As of December 31, 2020					
	Weighted-Average Amortization Period Year	Gross Carrying Amount RMB'000	Accumulated Amortization RMB'000	Impairment Amount RMB'000	Net Carrying Amount RMB'000
Strategic cooperation	5.0	6,075,289	(6,075,289)	—	—
Non-compete	8.0	2,467,005	(1,810,905)	—	656,100
Domain names and trademarks	18.9	3,912,034	(837,403)	(27,124)	3,047,507
Customer relationship	8.9	2,688,696	(155,415)	(59,663)	2,473,618
Technology and others	6.0	1,018,617	(647,616)	(85,338)	285,663
Total	9.5	16,161,641	(9,526,628)	(172,125)	6,462,888

Amortization expenses for intangible assets were RMB1,845,450,000, RMB932,550,000 and RMB801,661,000 for the years ended December 31, 2018, 2019 and 2020, respectively. The Group recorded an impairment charge of RMB15,416,000, nil and nil for the years ended December 31, 2018, 2019 and 2020, respectively.

As of December 31, 2020, amortization expenses related to the intangible assets for future periods are estimated to be as follows:

For the year ended December 31,						
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000	2026 and thereafter RMB'000
Amortization expenses	934,298	781,057	664,815	552,493	491,897	3,038,328

JD.com, Inc.
Notes to the Consolidated Financial Statements

14. Goodwill

The changes in the carrying amount of goodwill are as follows:

	<u>JD Retail</u> <u>RMB'000</u>	<u>New Businesses</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
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>
Transaction in 2020			
Additions	2,628,228	1,632,512	4,260,740
Balance as of December 31, 2020			
Goodwill	9,278,798	4,225,932	13,504,730
Accumulated impairment loss	(6,901)	(2,593,420)	(2,600,321)
	<u>9,271,897</u>	<u>1,632,512</u>	<u>10,904,409</u>

The Group recorded an impairment charge of RMB6,901,000, nil and nil for the years ended December 31, 2018, 2019 and 2020, respectively.

15. Accounts payable

Accounts payable consist of the following:

	<u>As of December 31,</u>	
	<u>2019</u> <u>RMB'000</u>	<u>2020</u> <u>RMB'000</u>
Vendor payable	74,639,015	84,643,120
Shipping charges payable and others	15,789,367	22,175,305
Total	<u>90,428,382</u>	<u>106,818,425</u>

JD Digits and other financial institutions (the "Institutions") offer supply chain financing services to the Group's suppliers. Suppliers can sell one or more of the Group's payment obligations at their sole discretion to the Institutions to receive funds ahead of time to meet their cash flow needs. The Group's rights and obligations are not impacted. The original payment terms, timing or amount, remain unchanged. As of December 31, 2019 and 2020, RMB12,102,649,000 and RMB11,942,390,000, respectively, of the outstanding payment obligations were elected by the suppliers and sold to the Institutions.

JD.com, Inc.
Notes to the Consolidated Financial Statements

16. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
Deposits	14,619,420	15,343,647
Salary and welfare	5,037,530	7,983,916
Rental fee payables	332,893	677,253
Internet data center fee	614,712	561,842
Liabilities for return allowances	425,135	496,005
Accrued administrative expenses	368,821	513,469
Professional fee	268,054	755,900
Vehicle fee	190,289	316,104
Interest payable	43,598	135,537
Payable related to employees' exercise of share-based awards	403,398	269,172
Others	2,352,330	2,981,726
Total	24,656,180	30,034,571

17. Unsecured senior notes

In April 2016, the Company issued unsecured senior notes with two maturity dates for an aggregate principal amount of US\$1,000,000,000. 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. The unsecured senior notes were issued at a discount amounting to RMB79,289,000. The debt issuance costs of RMB35,727,000 were presented as a direct deduction from the principal amount of the unsecured senior notes in the consolidated balance sheets.

In January 2020, the Company issued unsecured senior notes with two maturity dates for an aggregate principal amount of US\$1,000,000,000. 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 July 14, 2020. The unsecured senior notes were issued at a discount amounting to RMB36,805,000. The debt issuance costs of RMB44,681,000 were presented as a direct deduction from the principal amount of the unsecured senior notes in the consolidated balance sheets.

For the year ended December 31, 2020, the Group repurchased the Company's unsecured senior notes with a total principal amounts of US\$12,000,000 (RMB78,300,000) at a reacquisition price of US\$10,224,000 (RMB72,326,000) from the open market. The repurchased unsecured senior notes were derecognized from the Group's consolidated balance sheets, and the relevant repurchase gains amounting to RMB11,101,000 were recognized in "interest expense" in the Group's consolidated statements of operations and comprehensive income/(loss).

A summary of the Company's unsecured senior notes as of December 31, 2019 and 2020 is as follows:

	As of December 31,		Effective interest rate
	2019	2020	
	RMB'000	RMB'000	
US\$500,000 3.125% notes due 2021	3,477,276	3,259,882	3.37%
US\$500,000 3.875% notes due 2026	3,435,216	3,219,927	4.15%
US\$700,000 3.375% notes due 2030	—	4,502,213	3.47%
US\$300,000 4.125% notes due 2050	—	1,872,416	4.25%
Carrying value	6,912,492	12,854,438	
Unamortized discount and debt issuance costs	63,708	117,063	
Total principal amounts of unsecured senior notes	6,976,200	12,971,501	

JD.com, Inc.
Notes to the Consolidated Financial Statements

17. Unsecured senior notes (Continued)

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).

As of December 31, 2020, the principal of the unsecured senior notes of RMB3,262,450,000, RMB3,262,450,000, RMB4,534,805,000 and RMB1,911,796,000 will be due in 2021, 2026, 2030 and 2050, respectively. The principal of the unsecured senior notes will be due according to the following schedule:

	Principal amounts
	RMB'000
Within 1 year	3,262,450
Between 1 to 2 years	—
Between 2 to 3 years	—
Between 3 to 4 years	—
Between 4 to 5 years	—
Beyond 5 years	9,709,051
Total	<u>12,971,501</u>

JD.com, Inc.
Notes to the Consolidated Financial Statements

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 and 2020 is as follows:

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
Operating lease ROU assets	8,643,597	15,484,082
Operating lease liabilities-current	3,193,480	5,513,534
Operating lease liabilities-non-current	5,523,164	10,249,957
Total operating lease liabilities	<u>8,716,644</u>	<u>15,763,491</u>
Weighted average remaining lease term	4.4 years	4.8 years
Weighted average discount rate	4.7%	5.0%

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:

	For the year ended	
	December 31,	
	2019	2020
	RMB'000	RMB'000
Operating lease cost	3,377,389	4,902,615
Short-term lease cost	1,212,899	1,902,078
Total (*)	<u>4,590,288</u>	<u>6,804,693</u>
Cash paid for operating leases	3,460,898	4,800,707

(*) The lease expenses based on ASC 840 were RMB4,571,036,000 for the year ended December 31, 2018.

A summary of maturity of operating lease liabilities under the Group's non-cancelable operating leases as of December 31, 2020 is as follows:

	As of December 31, 2020
	RMB'000
2021	5,605,832
2022	4,004,569
2023	2,771,987
2024	1,901,198
2025	1,100,481
2026 and thereafter	2,536,240
Total lease payments	<u>17,920,307</u>
Less: interest	<u>(2,156,816)</u>
Present value of operating lease liabilities	<u>15,763,491</u>

As of December 31, 2020, the Group has no significant lease contract that has been entered into but not yet commenced.

JD.com, Inc.
Notes to the Consolidated Financial Statements

19. Gain on sale of development properties

Gain on sale of development properties for the years ended December 31, 2018, 2019 and 2020 were nil, RMB3,884,709,000 and RMB1,648,747,000, respectively. The gain on sale of development properties for the years ended December 31, 2019 and 2020, was mainly derived from disposals of logistics facilities to JD Logistics Properties Core Fund, L.P. (the “Core Fund”), JD Logistics Properties Core Fund II, L.P. (the “Core Fund II”) and JD Logistics Properties Development Fund I, L.P. (“Development Fund I”).

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, in February, 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 approximately RMB11 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.

Since the second half of 2019, the closing conditions for the asset group of completed logistics facilities were successively met and Core Fund signed definitive facility agreements with bank consortium to finance the purchase, therefore, the Group recorded a disposal gain of RMB3,801,492,000 and RMB194,855,000 for the completed assets for the year ended December 31, 2019 and 2020, respectively, 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, the Group will derecognize these assets upon satisfaction of the hand-over condition.

JD.com, Inc.
Notes to the Consolidated Financial Statements

19. Gain on sale of development properties (Continued)

In January 2020, the Group established the second logistics investment fund, Core Fund II, together with GIC to replicate the successful experience of Core Fund. The Group serves as general partner and committed 10% of the total capital of Core Fund II as a limited partner, and GIC committed the remaining 90%.

Furthermore, in January, 2020, the Group entered into definitive agreements with Core Fund II to sell certain of its modern logistics facilities for a total gross asset value of approximately RMB5 billion within the following 12 months, and will concurrently lease back some of these completed facilities for operational purposes. Core Fund II will also use leverage to finance the purchase, and the closing of the purchase will be subject to certain conditions, including the availability of debt financing. The related assets and liabilities associated with the sale agreements were classified as assets/liabilities held for sale in the Group's consolidated balance sheets.

In the second half of 2020, the closing conditions for the asset group of completed logistics facilities were met and Core Fund II signed definitive facility agreements with bank consortium to finance the purchase, therefore, the Group recorded a disposal gain of RMB985,890,000 for the completed assets for the year ended December 31, 2020, 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. The Group will derecognize remaining logistics facilities upon completion and satisfaction of the hand-over condition.

As of December 31, 2020, regarding the logistics facilities to be sold to Core Fund and Core Fund II, the Group classified the related undisposed assets and liabilities as assets and liabilities held for sale, which included cash and cash equivalents of RMB115,918,000.

In the second half of 2020, JD Property entered into definitive agreements to establish another logistics investment fund, Development Fund I, together with GIC and Mubadala Investment Company ("MIC") to replicate the successful experience of Core Fund and Core Fund II. Development Fund I plans to acquire some of the Group's uncompleted modern logistics facilities. The Group serves as general partner and committed 40% of the total capital of Development Fund I as a limited partner, and GIC and MIC committed the remaining 60% collectively.

In December 2020, the Group entered into definitive agreements with Development Fund I to sell one of its uncompleted modern logistics facility, and will concurrently lease back such facility for operational purposes when completed. The closing conditions for such facility were met in December 2020 and the Group recorded a disposal gain of RMB468,002,000 for the year ended December 31, 2020, 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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

20. Interest income and interest expense

Interest income and interest expense consist of the following:

	For the year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Interest income:			
Interest income in relation to nonrecourse securitization debt charged to JD Digits	527,025	37,646	—
Interest income in relation to loans provided to JD Digits	119,047	40,628	31,006
Interest income in relation to bank deposits, wealth management products and others	1,471,849	1,707,298	2,722,354
Total	2,117,921	1,785,572	2,753,360
Interest expense:			
Interest expense in relation to nonrecourse securitization debt	(527,025)	(37,646)	—
Interest expense in relation to unsecured senior notes, bank borrowings and others	(327,513)	(687,364)	(1,125,181)
Total	(854,538)	(725,010)	(1,125,181)

21. Others, net

Others, net consist of the following:

	For the year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Gains/(losses) from fair value change of long-term investments	(1,512,979)	3,495,709	29,482,650
Government financial incentives	614,658	2,222,223	2,545,008
Gain from business and investment disposals	1,320,266	1,199,407	278,747
Impairment of investments	(593,138)	(1,954,031)	(207,571)
Foreign exchange gains/(losses), net	(192,491)	124,070	(89,992)
Others	458,859	287,931	547,597
Total	95,175	5,375,309	32,556,439

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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

22. Taxation

a) Value added tax (“VAT”)

The Group is subject to statutory VAT rate of 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, 2019, and exempted from January 1, 2020 to December 31, 2021.

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%, 25%, and 22% income tax rate on its taxable income generated from operations in Indonesia for the years ended December 31, 2018, 2019 and 2020, respectively.

Hong Kong

The Company’s subsidiaries incorporated in Hong Kong are subject to a two-tiered income tax rate on its taxable income generated from operations in Hong Kong effective on April 1, 2018. The first 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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

22. Taxation (Continued)**b) Income tax (Continued)***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 the 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 enjoyed a preferential income tax rate of 12.5% in 2018, 2019 and 2020.

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 2030), 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.

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 FIE satisfies the criteria for “beneficial owner” under Circular No. 9, which was issued by the State Administration of Taxation in February 2018, and 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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

22. Taxation (Continued)

b) Income tax (Continued)

The components of income/(loss) before tax are as follows:

	For the year ended December 31,		
	2018 RMB'000	2019 RMB'000	2020 RMB'000
Income/(loss) before tax			
Income/(loss) from China operations	(578,300)	14,177,105	15,803,496
Income/(loss) from non-China operations	(1,795,378)	(484,573)	35,015,395
Total income/(loss) before tax	<u>(2,373,678)</u>	<u>13,692,532</u>	<u>50,818,891</u>
Income tax benefits/(expenses) applicable to China operations			
Current income tax expenses	(437,326)	(1,269,323)	(2,200,572)
Deferred tax benefits/(expenses)	10,454	(533,117)	718,927
Subtotal income tax expenses applicable to China operations	<u>(426,872)</u>	<u>(1,802,440)</u>	<u>(1,481,645)</u>
Total income tax expenses	<u>(426,872)</u>	<u>(1,802,440)</u>	<u>(1,481,645)</u>

Reconciliation of difference between the PRC statutory income tax rate and the Group's effective income tax rate for the years ended December 31, 2018, 2019 and 2020 is as follows:

	For the year ended December 31,		
	2018	2019	2020
Statutory income tax rate	25.0%	25.0%	25.0%
Tax effect of preferential tax rates and tax holiday	8.3%	(8.1)%	(2.3)%
Tax effect of tax-exempt entities	(1.9)%	3.7%	(16.8)%
Effect on tax rates in different tax jurisdiction	2.2%	(3.9)%	(0.5)%
Tax effect of non-deductible expenses	(42.4)%	5.7%	0.5%
Tax effect of non-taxable income	3.8%	(1.0)%	0.0%
Tax effect of Super Deduction and others	53.9%	(13.2)%	(4.2)%
Changes in valuation allowance	(66.9)%	5.0%	1.2%
Effective tax rates	<u>(18.0)%</u>	<u>13.2%</u>	<u>2.9%</u>

The following table sets forth the effect of tax holiday:

	For the year ended December 31,		
	2018	2019	2020
Tax holiday effect (RMB'000)	198,118	1,115,598	1,153,349
Effect of tax holiday on basic net income per share (RMB)	0.07	0.38	0.38
Effect of tax holiday on diluted net income per share (RMB)	0.07	0.38	0.37

JD.com, Inc.
Notes to the Consolidated Financial Statements

22. Taxation (Continued)

c) Deferred tax assets and deferred tax liabilities

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Deferred tax assets		
- Net operating loss carry forwards and others	2,775,074	3,144,116
- Deferred revenues	137,128	208,335
- Inventory valuation allowance	271,605	498,010
- Allowance for doubtful accounts	214,932	382,459
- Unrealized fair value losses for certain investments	356,259	588,690
Less: valuation allowance	<u>(3,674,442)</u>	<u>(4,288,864)</u>
Net deferred tax assets	<u>80,556</u>	<u>532,746</u>
Deferred tax liabilities		
- Intangible assets arisen from business combination	748,691	1,560,099
- Accelerated tax depreciation and others	<u>590,297</u>	<u>361,732</u>
Total deferred tax liabilities	<u>1,338,988</u>	<u>1,921,831</u>

As of December 31, 2020, the accumulated net operating loss of RMB7,246,591,000 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 RMB8,102,332,000 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 2021 to 2025.

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.

Valuation allowances provided on the deferred tax assets mainly related to the net operating loss carry forwards, as the Group's management does not believe that sufficient positive evidence exists to conclude that the benefits of such deferred tax assets is more likely than not to be realized. The amount of valuation allowance offset in deferred tax assets as of December 31, 2019 and 2020 was RMB3,674,442,000 and RMB4,288,864,000, respectively.

The movements of valuation allowance of deferred tax assets are as follows:

	<u>For the year ended December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Balance at beginning of the year	1,480,570	2,996,294	3,674,442
Additions	2,755,222	7,635,196	4,393,499
Reversals	<u>(1,239,498)</u>	<u>(6,957,048)</u>	<u>(3,779,077)</u>
Balance at end of the year	<u>2,996,294</u>	<u>3,674,442</u>	<u>4,288,864</u>

JD.com, Inc.
Notes to the Consolidated Financial Statements

23. Convertible redeemable non-controlling interests

JD Logistics Series A Preference Shares

In February 2018, the Group entered into definitive agreements with third-party investors to raise financing for JD Logistics, with the total amount of approximately US\$2.5 billion (RMB16.0 billion) by issuance of the series A preference shares of JD Logistics (“JD Logistics Series A Preference Shares”), representing approximately 19% of the ownership of JD Logistics on a fully diluted basis. In August 2020, JD Logistics issued additional JD Logistics Series A Preference Shares to third-party investors in exchange for approximately US\$64 million (RMB443 million).

The Group determined that JD Logistics Series A Preference 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 JD Logistics Series A Preference Shares have not been converted. The Qualified IPO is defined as an IPO that (i) has been approved by the Board of Directors of JD Logistics or (ii) with the offering price per share that values JD Logistics at no less than US\$20 billion on a fully diluted basis immediately following the completion of such offering.

The Group records accretion on JD Logistics Series A Preference 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 JD Logistics Series A Preference Shares. JD Logistics Series A Preference Shares are not readily convertible into cash as there is not a market mechanism in place for trading of JD Logistics’ shares.

The Group determined that there was no embedded beneficial conversion feature attributable to JD Logistics Series A Preference Shares because the initial effective conversion prices were higher than the fair value of JD Logistics’ ordinary shares determined by the Group with the assistance from an independent valuation firm.

The rights, preferences and privileges of JD Logistics Series A Preference Shares are as follows:

Dividend Rights

As regards to dividends, JD Logistics Series A Preference Shares shall rank *pari passu* with the ordinary shares and the holders of JD Logistics Series A Preference 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.

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 JD Logistics Series A Preference Share shall carry such number of votes as is equal to the number of votes of ordinary shares then issuable upon the conversion of such JD Logistics Series A Preference Shares. The holders of JD Logistics Series A Preference 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 JD Logistics, all assets and funds of JD Logistics 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 JD Logistics Series A Preference Shares as if they had been converted into ordinary shares immediately prior to such liquidation, dissolution or winding up of JD Logistics).

JD.com, Inc.
Notes to the Consolidated Financial Statements

23. Convertible redeemable non-controlling interests (Continued)

Redemption Rights

From and after the fifth anniversary of JD Logistics Series A Preference Shares original issuance date, and prior to the consummation of a Qualified IPO, each holder of JD Logistics Series A Preference Shares shall have the rights at any time to require and demand JD Logistics to redeem all or any portion of JD Logistics Series A Preference Shares held by such holder.

The initial redemption price payable on each JD Logistics Series A Preference Share is the total of:

- (i) any dividend relating to each JD Logistics Series A Preference Share which has been declared by JD Logistics but unpaid, to be calculated up to and including the date of the redemption; plus
- (ii) JD Logistics Series A Preference Shares purchase price, that is US\$2.50 per JD Logistics Series A Preference Shares, subject to appropriate adjustments in the event of any share dividend, share combination or similar recapitalization events.

JD Logistics accretes changes in the redemption value over the period from the date of issuance to the earliest redemption date of JD Logistics Series A Preference 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 JD Logistics Series A Preference Share shall be convertible, at the option of the holder of JD Logistics Series A Preference Shares, at any time after the date of issuance of such JD Logistics Series A Preference Shares, into such number of fully paid and non-assessable ordinary shares as is determined by dividing JD Logistics Series A Preference Shares purchase price by the conversion price then applicable to such JD Logistics Series A Preference Shares. The conversion price of each JD Logistics Series A Preference Share is the same as its original issuance price if no adjustments to conversion price have occurred. As of December 31, 2020, each JD Logistics Series A Preference Share is convertible into one ordinary share.

Each JD Logistics Series A Preference Share shall automatically be converted into ordinary shares (i) upon the consummation of a Qualified IPO; or (ii) in the event that the holders of JD Logistics Series A Preference Shares holding at least 50% of JD Logistics Series A Preference Shares in issue elect to convert JD Logistics Series A Preference Shares.

The convertible redeemable non-controlling interests of JD Logistics Series A Preference Shares for the years ended December 31, 2019 and 2020 are summarized as follows:

	<u>Number of shares</u>	<u>Amount RMB'000</u>
Balance as of December 31, 2018	1,004,000,000	15,961,284
Net income 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>
Issuance	22,867,347	443,039
Net loss attributable to mezzanine equity classified as non-controlling interests shareholders	—	(288)
Balance as of December 31, 2020	<u><u>1,026,867,347</u></u>	<u><u>16,407,135</u></u>

JD.com, Inc.
Notes to the Consolidated Financial Statements

23. Convertible redeemable non-controlling interests (Continued)

Kuayue Express Series A and A+ Preference Equity Instruments

In August and October 2018, Kuayue Express entered into definitive agreements with third-party investors and issued equity instruments of Kuayue Express with preference rights (“Kuayue Express Series A and A+ Preference Equity Instruments”).

The Group determined that Kuayue Express Series A and A+ Preference Equity Instruments should be classified as mezzanine equity since they were contingently redeemable by the holders 9 years from the issuance date in the event that an initial public offering has not occurred.

The Group records accretion on Kuayue Express Series A and A+ Preference Equity Instruments, 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 redemption feature are clearly and closely related to that of Kuayue Express Series A and A+ Preference Equity Instruments. Kuayue Express Series A and A+ Preference Equity Instruments are not readily convertible into cash as there is not a market mechanism in place for trading of equity instruments of Kuayue Express.

The primary preference rights of Kuayue Express Series A and A+ Preference Equity Instruments are as follows:

Voting rights

Each of the Kuayue Express Series A and A+ Preference Equity Instrument has voting rights equivalents to the number of ordinary equity securities into which such equity instrument with preference rights could be then convertible.

Dividends rights

The holders of Kuayue Express Series A and A+ Preference Equity Instruments are entitled to receive dividends, out of any assets legally available, as and if declared by the board of directors of Kuayue Express. Such distributions shall not be cumulative. To the extent any dividend is declared and paid, such dividend shall be paid ratably to all holders of equity securities in Kuayue on a fully diluted basis.

Liquidation Preferences

In the event of any liquidation, dissolution or winding up of Kuayue Express, either voluntary or involuntary, distributions to shareholders of Kuayue Express shall be made in the following manner (after satisfaction of all creditors’ claims and claims that may be preferred by law):

Each holder of Kuayue Express Series A and A+ Preference Equity Instruments shall be entitled to receive the amount equal to 100% of the applicable purchase price of such Kuayue Express Series A and A+ Preference Equity Instruments, plus the corresponding share of retained profits of Kuayue Express, prior and in preference to any distribution of any of the assets or surplus funds of Kuayue Express to the holders of ordinary equity securities.

If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full preferred preference amount, the liquidation preference amount will be distributed ratably to the holders of Kuayue Express Series A and A+ Preference Equity Instruments in accordance with their relative shareholding.

After distributing or paying in full the liquidation preference amount to all of the holders of Kuayue Express Series A and A+ Preference Equity Instruments, the remaining assets of Kuayue Express available for distribution, if any, shall be distributed to the holders of ordinary equity securities on a pro-rata basis, based on the number of equity securities then held by each holder on a fully diluted basis.

JD.com, Inc.
Notes to the Consolidated Financial Statements

23. Convertible redeemable non-controlling interests (Continued)

Redemption Rights

Upon the earlier to occur of (i) Kuayue Express has not completed an IPO following the ninth (9th) anniversary of the issuance date of Kuayue Express Series A or A+ Preference Equity Instruments, or (ii) any material breach of any transaction agreement by Kuayue Express or any founder party of Kuayue Express, any holder of Kuayue Express Series A or A+ Preference Equity Instruments may require Kuayue Express to redeem any or all of the then outstanding equity securities held by such holders at the redemption price which represent the purchase price, plus an interest at an annual rate of 5% calculating from the issuance date to the payment date, less any retained profits collected by such holder.

The redeemable non-controlling interests of Kuayue Express Series A and A+ Preference Equity Instruments for the year ended December 31, 2020 are summarized as follows:

	<u>Amount</u> <u>RMB'000</u>
Balance as of December 31, 2019	—
Business acquisition	719,144
Net income attributable to mezzanine equity classified as non-controlling interests shareholders	<u>6,929</u>
Balance as of December 31, 2020	<u><u>726,073</u></u>

JD.com, Inc.
Notes to the Consolidated Financial Statements

24. Financing for JD Health

In May 2019, JD Health entered into definitive agreements for the non-redeemable series A preference share financing (“JD Health Series A Preference Shares”) with a group of third-party investors. The total amount of financing raised from JD Health Series A Preference Shares was approximately RMB6.5 billion, representing 13.5% of the ownership of JD Health on a fully diluted basis.

In August 2020, JD Health entered into definitive agreements for the non-redeemable series B preferred share financing (“JD Health Series B Preference Shares”) with a group third-party investors. The total amount of financing raised from JD Health Series B Preference Shares was approximately RMB6.3 billion, representing 4.5% of the ownership of JD Health on a fully diluted basis.

The Group determined that JD Health Series A Preference Shares and JD Health Series B Preference Shares should be classified as non-controlling interests upon its issuance since they were not redeemable by the holders.

In December 2020, JD Health IPO was completed with net proceeds after deducting underwriting commissions, share issuance costs and offering expenses approximately amounted to RMB25.7 billion, representing 13.8% of the issued share capital of JD Health immediately after the completion of the exercise of the over-allotment option. Upon the completion of JD Health IPO, JD Health Series A Preference Shares and JD Health Series B Preference Shares have been converted into ordinary shares of JD Health.

As of December 31, 2019, among the proceeds received, RMB1.0 billion was recorded as non-controlling interests and RMB5.2 billion was recorded as additional paid-in capital. As of December 31, 2020, among the proceeds received, RMB11.8 billion was recorded as non-controlling interests and RMB26.7 billion was recorded as additional paid-in capital.

25. Financing for JD MRO

In April and December 2020, JD Industrial Technology Inc. (“JD MRO”), the Group’s subsidiary specialized in industrial maintenance, repair and operations products and services, entered into definitive agreements for non-redeemable series A and series A-1 preference share financing (“JD MRO Series A and A-1 Preference Shares”) with a group of third-party investors. The total amount of financing arising from JD MRO Series A and A-1 Preference Shares was approximately US\$335 million. The Group held over 80% of JD MRO’s issued and outstanding shares after the financing of JD MRO Series A and A-1 Preference Shares.

The Group determined that JD MRO Series A and A-1 Preference Shares should be classified as non-controlling interests upon its issuance since they were not redeemable by the holders.

As of December 31, 2020, among the proceeds received, RMB0.5 billion was recorded as non-controlling interests and RMB1.8 billion was recorded as additional paid-in capital, the remaining proceeds was received in January 2021.

JD.com, Inc.
Notes to the Consolidated Financial Statements

26. 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 31). 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 Wal-Mart Stores, Inc. (“Walmart”), in connection with Walmart transaction. In the transaction, Walmart transferred Yihaodian marketplace platform assets to the Group, including the Yihaodian brand, mobile apps and websites, and entered into business cooperation arrangements with the Group in return.

In June 2018, the Company issued 27,106,948 Class A ordinary shares to Google LLC, and received a consideration of RMB3,531,870,000 after deducting financing charges.

In May 2019, the Company issued 8,127,302 Class A ordinary shares to Huang River Investment Limited (Note 31).

In May 2020, the Company issued 2,938,584 Class A ordinary shares to Huang River Investment Limited (Note 31).

In June 2020, the Company completed its global offering and the Company’s shares have been listed on the Main Board of the HKEX. Accordingly, the Company issued 152,912,100 Class A ordinary shares, including the exercise of the over-allotment option.

The ordinary shares reserved for future exercise of the RSUs and share options were 137,075,214 and 139,186,246 as of December 31, 2019 and 2020, respectively.

JD.com, Inc.
Notes to the Consolidated Financial Statements

27. Share repurchase program

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\$1,000,000,000 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 2018 share repurchase program, the Company repurchased 2,332,048 ADSs. For the year ended December 31, 2018, the Company repurchased 1,396,200 ADSs for US\$29,999,000 (RMB205,886,000) 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\$19,101,000 (RMB131,010,000) on the open market, at a weighted average price of US\$20.41 per ADS.

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\$2,000,000,000 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 the 2020 share repurchase program, the Company repurchased 1,191,370 ADSs for US\$44,132,000 (RMB311,776,000) on the open market, at a weighted average price of US\$37.04 per ADS, for the year ended December 31, 2020.

The Company accounts for the repurchased ordinary shares under the cost method and includes such treasury stock as a component of the shareholders' equity.

JD.com, Inc.
Notes to the Consolidated Financial Statements

28. Other comprehensive income

Changes in the composition of accumulated other comprehensive income attributable to ordinary shareholders for the years ended December 31, 2018, 2019 and 2020 are as follows:

	Foreign currency translation adjustments RMB'000	Net unrealized gains/(losses) on available-for-sale securities RMB'000	Total RMB'000
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
Other comprehensive loss	(7,656,413)	(54,802)	(7,711,215)
Balances as of December 31, 2020	(3,548,079)	11	(3,548,068)

The income tax effects related to the accumulated other comprehensive income were insignificant for all periods presented.

29. Share-based compensation

For the years ended December 31, 2018, 2019 and 2020, total share-based compensation expenses recognized were RMB3,659,989,000, RMB3,694,955,000 and RMB4,155,933,000, respectively. The following table sets forth the allocation of share-based compensation expenses:

	For the year ended December 31,		
	2018 RMB'000	2019 RMB'000	2020 RMB'000
Cost of revenues	71,983	82,243	98,168
Fulfillment	418,895	440,167	646,331
Marketing	190,499	258,860	346,952
Research and development	1,162,579	1,340,317	1,400,067
General and administrative	1,816,033	1,573,368	1,664,415
Total	3,659,989	3,694,955	4,155,933

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, 2020, the Group had reserved 142,927,412 ordinary shares available to be granted as share-based awards under the Share Incentive Plan.

JD.com, Inc.
Notes to the Consolidated Financial Statements

29. 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, are usually 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. Subsequent to June 2020, the employees' status of JD Digits changed from non-employees of the Company to employees of the Company's equity method investee. 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, 2018, 2019 and 2020 is presented as follows:

	<u>Number of RSUs</u>	<u>Weighted-Average Grant-Date Fair Value US\$</u>
Unvested as of December 31, 2017	106,045,892	13.77
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	118,496,092	15.58
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	100,831,204	15.35
Granted	42,621,084	26.44
Vested	(20,632,596)	15.25
Forfeited or cancelled	(14,550,450)	16.13
Unvested as of December 31, 2020	<u>108,269,242</u>	19.62

As of December 31, 2019 and 2020, 4,478,140 and 3,325,796 outstanding service-based RSUs were held by non-employees and employees of the Company's equity method investee, respectively, mainly including employees of JD Digits.

For the years ended December 31, 2018, 2019 and 2020, total share-based compensation expenses recognized by the Group for the service-based RSUs granted were RMB2,968,468,000, RMB2,958,847,000 and RMB3,084,849,000, respectively.

As of December 31, 2020, there were RMB7,483,273,000 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 4.8 years. The total fair value and intrinsic value of service-based RSUs vested was US\$295,632,000 (RMB1,892,221,000), US\$312,962,000 (RMB2,125,609,000) and US\$493,843,000 (RMB3,457,997,000) during the years ended December 31, 2018, 2019 and 2020, respectively.

JD.com, Inc.
Notes to the Consolidated Financial Statements

29. 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, 2018, 2019 and 2020 is presented as follows:

	<u>Number of RSUs</u>	<u>Weighted-Average Grant-Date Fair Value US\$</u>
Unvested as of December 31, 2017	213,486	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
Granted	—	—
Vested	(9,942)	6.33
Forfeited or cancelled	—	—
Unvested as of December 31, 2020	<u><u>9,944</u></u>	6.33

For the years ended December 31, 2018, 2019 and 2020, total share-based compensation expenses recognized by the Group for the performance-based RSUs granted were insignificant.

As of December 31, 2020, there were RMB5,000 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 0.1 years.

The total fair value and intrinsic value of the performance-based RSUs vested was US\$2,555,000 (RMB16,181,000), US\$494,000 (RMB3,312,000) and US\$187,000 (RMB1,290,000) during the years ended December 31, 2018, 2019 and 2020, respectively.

Share options

A summary of activities of the service-based share options for the years ended December 31, 2018, 2019 and 2020 is presented as follows:

JD.com, Inc.
Notes to the Consolidated Financial Statements

29. 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\$'000
Outstanding as of December 31, 2017	17,110,108	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	15,747,736	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	10,224,124	6.39	4.3	114,720
Granted	—			
Exercised	(5,073,294)	6.23		
Forfeited or cancelled	(243,770)	10.24		
Expired	—			
Outstanding as of December 31, 2020	4,907,060	6.38	3.0	184,380
Vested and expected to vest as of December 31, 2020	4,833,518	6.28	2.9	182,098
Exercisable as of December 31, 2020	4,539,348	5.85	2.7	172,970

As of December 31, 2019 and 2020, 1,072,212 and 71,502 outstanding share options were held by non-employees and employees of the Company's equity method investee, respectively, mainly including employees of JD Digits.

There was no option granted during the years ended December 31, 2018, 2019 and 2020.

The total intrinsic value of options exercised during the years ended December 31, 2018, 2019 and 2020 was US\$15,326,000 (RMB99,267,000), US\$31,762,000 (RMB219,918,000) and US\$110,692,000 (RMB762,251,000), 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, 2018, 2019 and 2020 was US\$7,382,000 (RMB48,555,000), US\$16,201,000 (RMB112,153,000) and US\$33,903,000 (RMB235,889,000), respectively. Cash receivable from the exercises of share options of the Company as of December 31, 2019 and 2020 was US\$3,127,000 (RMB21,813,000) and US\$822,000 (RMB5,361,000), respectively.

For the years ended December 31, 2018, 2019 and 2020, total share-based compensation expenses recognized by the Group for the share options granted were RMB32,558,000, RMB3,837,000 and RMB(34,655,000), respectively. As of December 31, 2020, there were RMB3,145,000 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 1.0 years.

JD.com, Inc.
Notes to the Consolidated Financial Statements

29. 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 RMB1 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, 2018, 2019 and 2020, total share-based compensation expenses recognized for the Founder's share options were RMB167,184,000, RMB134,367,000 and RMB103,795,000, respectively.

As of December 31, 2020, there were RMB185,393,000 of unrecognized share-based compensation expenses related to the Founder's share options. The expenses are expected to be recognized over a weighted-average period of 4.4 years.

(3) Share-based compensation of subsidiaries

In April 2018, JD Logistics granted share-based awards ("JD Logistics Plan") to eligible employees and non-employees to attract and retain the best available personnel, provide additional incentives to its employees and non-employees for promoting the success of JD Logistics. The JD Logistics Plan consists of share options, RSUs and other types of awards. JD Logistics granted 187,844,000, 83,476,500 and 224,511,105 share options of JD Logistics to its employees and non-employees for the years ended December 31, 2018, 2019 and 2020, respectively, including the share options granted to Mr. Liu as mentioned below. The estimated fair value of each option grant is estimated on the date of grant using the binominal option-pricing model. The weighted average grant date fair value of options granted for the years ended December 31, 2018, 2019 and 2020 was US\$1.39, US\$1.67 and US\$2.00 per share, respectively. For the years ended December 31, 2018, 2019 and 2020, total share-based compensation expenses for the share options granted under JD Logistics Plan were RMB400,968,000, RMB572,109,000 and RMB640,141,000, respectively. As of December 31, 2020, there were RMB2,177,410,000 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 5.4 years.

In September 2020, JD Health granted share-based awards ("JD Health Plan") to eligible employees and non-employees to attract and retain the best available personnel, provide additional incentives to its employees and non-employees for promoting the success of JD Health. The JD Health Plan consists of share options, RSUs and other types of awards. JD Health granted 94,770,812 share options of JD Health to its employees and non-employees for the year ended December 31, 2020, including the share options granted to Mr. Liu as mentioned below. The estimated fair value of each option grant is estimated on the date of grant using the binominal option-pricing model. The weighted average grant date fair value of options granted for the year ended December 31, 2020 was US\$7.45 per share. For the year ended December 31, 2020, total share-based compensation expenses for the share options granted under JD Health Plan were RMB331,241,000. As of December 31, 2020, there were RMB2,795,798,000 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.

In October 2020, with approval of the Company's board of directors and the board of directors of JD Logistics and JD Health, options to acquire 99,186,705 ordinary shares of JD Logistics with an exercise price of US\$0.01 per share and options to acquire 53,042,516 ordinary shares of JD Health with an exercise price of US\$0.0000005 per share were granted to Mr. Liu (collectively, the "Grants") according to the existing share incentive plan of each of JD Logistics and JD Health, respectively. The Grants were awarded to Mr. Liu to motivate him to continue leading the future success of JD Logistics and JD Health. The Grants by JD Logistics and JD Health are each subject to a 6-year vesting schedule with 16.7% of the awards vesting on each anniversary of the grant date.

JD.com, Inc.
Notes to the Consolidated Financial Statements

30. Net income/(loss) per share

Basic and diluted net income/(loss) per share for each of the years presented are calculated as follows:

	For the year ended December 31,		
	2018	2019	2020
Numerator:			
Net income/(loss) attributable to ordinary shareholders – basic (RMB'000)	(2,491,633)	12,184,155	49,405,223
Impact of subsidiaries' diluted earnings (RMB'000)	—	—	(157,589)
Net income/(loss) attributable to ordinary shareholders – diluted (RMB'000)	(2,491,633)	12,184,155	49,247,634
Denominator:			
Weighted average number of shares – basic	2,877,902,678	2,912,637,241	3,021,808,985
Adjustments for dilutive options and RSUs	—	54,684,562	87,215,045
Weighted average number of shares – diluted	2,877,902,678	2,967,321,803	3,109,024,030
Basic net income/(loss) per share attributable to ordinary shareholders (RMB)	(0.87)	4.18	16.35
Diluted net income/(loss) per share attributable to ordinary shareholders (RMB)	(0.87)	4.11	15.84

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 included RSUs and options to purchase ordinary shares of 160,431,097, 149,343,638 and 138,762,892 for the years ended December 31, 2018, 2019 and 2020 on a weighted average basis, respectively. They were not included in the calculation of diluted net income/(loss) per share in the periods presented where their inclusion would be anti-dilutive. For the years ended December 31, 2018 and 2019, as JD Logistics was in a loss position, the effect of redemption feature of JD Logistics Series A Preference Shares was anti-dilutive and excluded from the calculation of diluted net income/(loss) per share.

JD.com, Inc.
Notes to the Consolidated Financial Statements

31. Related party transactions

The table below sets forth the major related parties and their relationships with the Group as of December 31, 2020:

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Tencent and its subsidiaries (“Tencent Group”)	A shareholder 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 investee of the Group, and controlled by the Founder
Yixin and its subsidiaries (“Yixin Group”) (**)	An investee of the Group
Core Fund and Core Fund II (“Core Funds”)	Investees of the Group
AiHuiShou and its subsidiaries (“AiHuiShou Group”)	An investee of the Group

(*) JD Digits became an investee of the Group since June 2020 (Note 6).

(**) As the Group had no significant influence over Bitauto Group, Tuniu Group and Yixin Group and no longer served as the major vendor of such investees, such investees were not considered the Group’s related parties since the quarter ended December 31, 2020.

(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>2018</u>	<u>2019</u>	<u>2020</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Revenues:			
Commission from cooperation on advertising business with Tencent Group(***)	345,186	287,926	354,982
Services provided and products sold to Tencent Group(***)	276,728	398,700	374,616
Services provided and products sold to Dada Group	122,326	132,585	179,455
Services provided and products sold to AiHuiShou Group	8,781	349,257	663,802
Traffic support, marketing and promotion services provided to Bitauto Group	608,844	606,593	164,528
Traffic support, marketing and promotion services provided to Tuniu Group	132,008	131,621	82,939
Services provided and products sold to JD Digits	449,093	342,270	598,446
Operating expenses:			
Services received and purchases from Tencent Group(***)	1,175,849	2,222,196	3,225,924
Services received from Dada Group	938,627	1,565,470	2,200,291
Payment processing and other services received from JD Digits	3,930,847	4,980,748	6,945,128
Lease and property management services received from Core Funds	—	476,001	838,385
Services received from AiHuiShou Group	—	10,467	31,830
Other income:			
Income from non-compete agreement with Dada Group	78,771	82,123	82,167
Interest income from loans provided to JD Digits	179,556	40,632	31,006
Interest income from loans provided to Core Funds	—	75,496	48,872

(***) 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.

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 and 2,938,584 of the Company’s Class A ordinary shares were issued in May 2019 and May 2020, respectively.

JD.com, Inc.
Notes to the Consolidated Financial Statements

31. Related party transactions (Continued)

Revenues from related parties, excluding those from the major related parties as stated above, represented approximately 0.06%, 0.13% and 0.12% of total net revenues of the Group for the years ended December 31, 2018, 2019, and 2020, respectively. Transactions with related parties included in operating expenses, excluding those with the major related parties as stated above, represented 0.14%, 0.20% and 0.28% of total operating expenses of the Group for the years ended December 31, 2018, 2019, and 2020, respectively.

(b) The Group had the following balances with the major related parties:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Due from Tencent Group	1,128,102	791,079
Due from JD Digits		
Loans provided to JD Digits (***)	365,089	2,706,855
Other receivables from JD Digits	1,363,479	1,359,315
Due from Core Funds		
Loans provided to Core Funds(***)	579,118	1,045,293
Other receivables from Core Funds	569,832	614,559
Due from AiHuiShou Group	—	5,216
Total	<u>4,005,620</u>	<u>6,522,317</u>
Due to Tuniu Group	(2,133)	—
Due to Dada Group	(208,123)	(497,903)
Due to AiHuiShou Group	(17,504)	—
Total	<u>(227,760)</u>	<u>(497,903)</u>
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to Bitauto Group	(164,528)	—
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to Tuniu Group	(82,939)	—
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to Dada Group	(207,096)	(144,968)
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to AiHuiShou Group	(1,899,099)	(1,468,181)
Total	<u>(2,353,662)</u>	<u>(1,613,149)</u>
Other liabilities in relation to non-compete obligation to Dada Group	(276,976)	(181,340)
Total	<u>(276,976)</u>	<u>(181,340)</u>

(***) In relation to the loans provided to JD Digits and Core Funds, the Group charged JD Digits and Core Funds 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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

31. Related party transactions (Continued)

As of December 31, 2019 and 2020, the Group recorded amount due from related parties other than the major related parties as stated above of RMB228,447,000 and RMB387,472,000, which represented approximately 2.22% and 2.87% of the Group's total accounts receivable, net and prepayments and other current assets, respectively. As of December 31, 2019 and 2020, 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 RMB279,769,000 and RMB87,421,000, which represented approximately 0.20% and 0.05% 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:

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 RMB242,473,000, RMB189,007,000 and RMB492,703,000 for the years ended December 31, 2018, 2019 and 2020, respectively. In connection with the consumer financing business, JD Digits charged the Group RMB1,055,239,000, RMB1,284,955,000 and RMB1,721,007,000, for the years ended December 31, 2018, 2019 and 2020 for payment processing services provided to the Group, respectively, which are included in "payment processing and other services received 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 RMB1,387,774,000, nil and nil for the years ended December 31, 2018, 2019 and 2020, respectively, which were not derecognized. The accounts receivable transferred without recourse were RMB9,854,493,000, RMB24,585,577,000 and RMB33,406,112,000 for the years ended December 31, 2018, 2019 and 2020, 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.

JD.com, Inc.
Notes to the Consolidated Financial Statements

32. 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, 2018, 2019 and 2020:

	For the year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Net revenues:			
JD Retail	447,502,173	552,245,141	702,929,619
New Businesses	14,665,281	23,932,278	42,790,954
Inter-segment(*)	<u>(1,103,943)</u>	<u>(435,364)</u>	<u>(724,639)</u>
Total segment net revenues	461,063,511	575,742,055	744,995,934
Unallocated items	956,248	1,146,429	805,952
Total consolidated net revenues	<u>462,019,759</u>	<u>576,888,484</u>	<u>745,801,886</u>
Operating income/(loss):			
JD Retail	7,049,222	13,775,339	19,484,484
New Businesses	(5,136,657)	(1,022,281)	(2,498,850)
Including: gain on sale of development properties (Note 19)	—	3,884,709	1,648,747
Total segment operating income	1,912,565	12,753,058	16,985,634
Unallocated items(**)	<u>(4,531,696)</u>	<u>(3,758,178)</u>	<u>(4,642,814)</u>
Total consolidated operating income/(loss)	(2,619,131)	8,994,880	12,342,820
Total other income	245,453	4,697,652	38,476,071
Income/(loss) before tax	<u>(2,373,678)</u>	<u>13,692,532</u>	<u>50,818,891</u>

(*) 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,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Share-based compensation	(3,659,989)	(3,694,955)	(4,155,933)
Amortization of intangible assets resulting from assets and business acquisitions	(1,805,638)	(885,385)	(723,420)
Effects of business cooperation arrangements	956,248	822,162	236,539
Impairment of goodwill and intangible assets	(22,317)	—	—
Total	<u>(4,531,696)</u>	<u>(3,758,178)</u>	<u>(4,642,814)</u>

JD.com, Inc.
Notes to the Consolidated Financial Statements

33. 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 RMB5,290,925,000, RMB5,694,240,000 and RMB4,580,258,000 for the years ended December 31, 2018, 2019 and 2020, respectively. Employee benefit expenses for the year ended December 31, 2020 was partially offset by the one-off benefit of the social security relief.

34. Lines of credit and loan facilities

As of December 31, 2020, the Group had agreements with reputable commercial banks for unsecured revolving lines of credit, and increased its revolving lines of credit to RMB100,087,349,000. The Group was in compliance with the financial covenants, if any, under those lines of credit as of December 31, 2020. As of December 31, 2020, under the lines of credit, the Group mainly had RMB22,206,272,000 reserved for the issuance of bank acceptance and RMB1,076,566,000 reserved for the bank guarantee.

In December 2017, the Group entered into a 5-year US\$1,000,000,000 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\$450,000,000 under the facility commitment, and the borrowings will be due in 2022, which were recorded in long-term borrowings in the consolidated balance sheets. In April 2020, the Group drew down US\$550,000,000 under the facility commitment, and the borrowings were fully repaid in July 2020. As of December 31, 2020, the Group had an undrawn balance of US\$550,000,000 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, 2020, the aggregate amounts repayable within a period of more than one year but not exceeding two years was US\$450,000,000.

JD.com, Inc.
Notes to the Consolidated Financial Statements

35. Commitments and contingencies*Commitments for internet data center (IDC) service fee*

The Group entered into non-cancelable IDC service agreements. The related expenses were RMB1,498,935,000, RMB2,493,830,000 and RMB2,864,080,000 for the years ended December 31, 2018, 2019 and 2020, 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, 2020</u>
	<u>RMB'000</u>
2021	1,496,545
2022	709,319
2023	457,042
2024	412,066
2025	301,877
2026 and thereafter	1,905,370
	<u>5,282,219</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 RMB7,649,562,000 as of December 31, 2020. All of these capital commitments will be fulfilled in the following years according to the construction progress.

Investment commitments

The Group's investment commitments primarily related to capital contribution obligation for certain investment funds. Total investment commitments contracted but not yet reflected in the consolidated financial statements amounted to RMB5,865,700,000 as of December 31, 2020.

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 34, 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, 2019 and 2020.

JD.com, Inc.
Notes to the Consolidated Financial Statements

36. Restricted net assets

The Company's ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Company'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 Company'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.

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 Company'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 RMB28,925,817,000, or 15% of the Company's total consolidated net assets, as of December 31, 2020. Except for the above, there is no other restriction on the use of proceeds generated by the Company's subsidiaries and consolidated VIEs to satisfy any obligations of the Company.

JD.com, Inc.
Notes to the Consolidated Financial Statements

37. Subsequent events

JD Logistics applied for HKEX listing

On February 16, 2021, JD Logistics, through its joint sponsors, submitted a listing application form to the HKEX to apply for the listing of, and permission to deal in, the shares of JD Logistics on the Main Board of the HKEX. There is no assurance as to whether or when the proposed listing may take place.

Financing for JD Property

On March 10, 2021, JD Property entered into definitive agreements for the nonredeemable series A preference share financing with co-lead investors Hillhouse Capital and Warburg Pincus, among others. The total amount expected to be raised is approximately US\$700 million, subject to customary closing conditions. The Company will remain the majority shareholder of JD Property after the completion of this transaction.

Investment in Dada

On March 22, 2021, the Group entered into a share purchase agreement with Dada, under which the Group has agreed to invest a total of US\$800 million in newly issued ordinary shares of Dada, at a per share purchase price equal to the closing trading price of Dada's ordinary shares on the Nasdaq, on March 19, 2021, the last trading day prior to the date of the share purchase agreement. Following the transaction, the Group will hold, taking into account its existing holding, approximately 51% of Dada's issued and outstanding shares. The closing of the transaction is subject to satisfaction of customary closing conditions and procedures, including applicable governmental filings. Upon the closing of the transaction, the Group expects to consolidate the financial results of Dada into its consolidated financial statements. The Group's increased investment in Dada will facilitate both sides to promote the expansion of on-demand retail and delivery, as well as omnichannel collaboration. This is expected to help the Group to further diversify its retail services, enable its business partners to improve their operating efficiency, and deliver better services for its consumers. The Group has agreed not to sell, transfer or dispose of any shares acquired in the transaction for six months after the closing.

Spin-off of JD Cloud & AI business to JD Digits

On March 31, 2021, the Group entered into definitive agreements with JD Digits relating to the reorganization of the Group's cloud computing and artificial intelligence business ("JD Cloud & AI"). Pursuant to the definitive agreements, the Group transferred JD Cloud & AI and certain assets together valued at approximately RMB15.7 billion, as consideration in exchange for newly issued ordinary shares of JD Digits. Upon completion of the transactions on March 31, 2021, JD Cloud & AI was deconsolidated from the Group's consolidated financial statements, and the Group's equity interest in JD Digits increased from 36.8% to approximately 42%.

Share repurchase program

Under the 2020 share repurchase program, as of the date of this report, the Company had repurchased 8,775,180 ADSs for approximately US\$669,970,000.

AMENDED AND RESTATED LOAN AGREEMENT

This AMENDED AND RESTATED LOAN AGREEMENT (this “**Agreement**”), dated December 24, 2020, 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 201, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing;

And

Borrowers: **Richard Qiangdong Liu;**
Pang Zhang; and
Yayun Li

(In this Agreement, the Lender and the Borrowers are individually referred to as a “**Party**”, collectively the “**Parties**”).

Whereas, the Lender and the Borrowers have executed a loan agreement dated November 20, 2017 (the “**Original Loan Agreement**”), pursuant to which the lender provided a loan at an aggregate amount of RMB920,000,000 (the “**Original Loan Amount**”) to the Borrowers, and the Borrowers have used such Original Loan Amount to pay for investment in the registered capital of Beijing Jingdong 360 Degree E-commerce Co., Ltd. (the “**Borrower Company**”).

Whereas, the Borrower Company is a validly existing limited liability company incorporated under the PRC Laws, as of the date hereof, the registered capital of the Borrower Company has been increased from RMB920,000,000 to RMB2,920,000,000.

Whereas, the Borrowers collectively hold 100% equity interests in the Borrower Company of which 45% (corresponding to the registered capital of RMB1,314,000,000) is owned by Richard Qiangdong Liu, 30% (corresponding to the registered capital of RMB876,000,000) is owned by Yayun Li, and 25% (corresponding to the registered capital of RMB730,000,000) is owned by Pang Zhang.

Whereas, the Lender is willing to lend certain amount of money to the Borrowers, to be used to pay for the registered capital of the Borrower Company.

Whereas, the Parties wish to revise the Original Loan Agreement and replace it with this agreement.

NOW THEREFORE, the parties hereby agree to amend and restate the Original Loan Agreement as follows:

1. Loan

- 1.1 Subject to the terms and conditions of this Agreement, the Lender agrees to, in addition to the loan under the Original Loan Agreement, provide a new loan at an aggregate amount of RMB2,000,000,000 (the “**New Loan**”) to the Borrowers, which New Loan will be provided to Richard Qiangdong Liu, Pang Zhang and Yayun Li at the amount of RMB900,000,000, RMB500,000,000 and RMB600,000,000, respectively.
- 1.2 It is confirmed that, as of the date hereof, the Lender has provided, and the Borrowers have received an existing loan in the aggregate amount of RMB920,000,000 (the “**Existing Loan**”), and the Borrowers have used such Existing Loan to fully pay the registered capital of the Borrower Company. The Existing Loan and the New Loan will be collectively referred to as the “**Loan**”.

- 1.3 The Borrowers agree to use the Loan to pay for its investment in the registered capital of 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 undertake that when they receive the Loan pursuant to this Agreement, they shall immediately use the Loan to pay for their investments in the Registered Capital of the Borrower Company. The Borrowers may not withdraw such investment during the term of operations 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 shall be from the date when the Borrowers actually receive all or any part of the Loan until December 31, 2030. 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 its 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 its 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 Amended and Restated Equity Pledge Agreement (the “**Equity Pledge Agreement**”) with the Lender and the Borrower Company, whereby the Borrowers agree to pledge all of its equity interests in the Borrower Company to the Lender.
- 4.3 The Borrowers will enter into an Amended and Restated 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 its 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 their behalf all of their rights as the shareholders 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 (7) 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 (4) 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: ***
Attention: Lei Xu

If to the Borrowers:

Richard Qiangdong Liu
Address: ***
Yayun Li
Address: ***
Pang Zhang
Address: ***

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 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.

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 November 20, 2017. Once effective, this Agreement will 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 four (4) originals with each Party holding one (1) original. Each original has the same effect.

(No text below)

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.

By: /s/ Beijing Jingdong Century Trade Co., Ltd.
(Seal of Beijing Jingdong Century Trade Co., Ltd.)

Party B:

Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

Pang Zhang

By: /s/ Pang Zhang

Yayun Li

By: /s/ Yayun Li

Amended and Restated Equity Pledge Agreement

This AMENDED AND RESTATED EQUITY PLEDGE AGREEMENT, (this “**Agreement**”), dated December 24, 2020, 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 201, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing

Party B: Richard Qiangdong Liu;

Party C: Beijing Jingdong 360 Degree E-Commerce Co., Ltd.

Registered address: Room 222, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing

(Party B is referred to as “**Pledgor**” hereinafter; Party A is referred to as “**Pledgee**” hereinafter; and either the Pledgor or the Pledgee is individually referred to as a “**Party**” and collectively referred to as the “**Parties**”).

Whereas,

- (1) Beijing Jingdong 360 Degree E-Commerce Co., Ltd. (“**Jingdong 360**”) is a limited liability company duly incorporated and validly existing under the PRC laws.
- (2) The Pledgor holds 45% equity interests of Jingdong 360 (corresponding to the registered capital of RMB1,314,000,000).
- (3) The Pledgee is a wholly foreign owned company duly incorporated and existing under the laws of the PRC.
- (4) The Pledgee and Jingdong 360 entered into an Amended and Restated Exclusive Technology Consulting and Service Agreement (“**Services Agreements**”) on June 15, 2016.
- (5) The Pledgor and the Pledgee entered into an Amended and Restated Loan Agreement on December 24, 2020 (“**Loan Agreement**”), and entered into an Amended and Restated Exclusive Purchase Option Agreement on December 24, 2020 (“**Exclusive Purchase Option Agreement**”). In addition, the Pledgor delivered the amended Power of Attorney to the Pledgee on December 24, 2020 (“**Power of Attorney**”, together with the Services Agreements, Loan Agreement and Exclusive Purchase Option Agreement, collectively referred as “**Master Agreement**”).
- (6) In order to secure the Pledgor’s performance of his obligations under this Agreement, the Loan Agreement, the Exclusive Purchase Option Agreement and the Power of Attorney, and in order to ensure Jingdong 360 to be able to perform its obligations under the Services Agreements, the Pledgor hereby pledges all the equity interests held by him in Jingdong 360 as the guaranty for him and/or Jingdong 360’s performance of obligations under the Master Agreement.
- (7) The Parties entered into an equity pledge agreement dated June 15, 2016 (the “**Original Contract**”). The Parties wish to revise the Original Contract and replace it with this 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 Pledgor to the Pledgee.

- 1.2 Pledged Equity Interests: means all the equity interests duly held by the Pledgor in Jingdong 360, i.e. 45% equity interests of Jingdong 360, 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 Pledgor in accordance with this Agreement specifying an Event of Default.

2. Pledge Right and Scope of Guaranty

- 2.1 The Pledgor agrees to pledge all the Pledged Equity Interests to the Pledgee as the guaranty for his and/or Jingdong 360'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. Jingdong 360 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 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 Jingdong 360 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 Pledgor and/or Jingdong 360 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 Pledgor shall deliver the register of shareholders and capital contribution certificate of Jingdong 360 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 June 15, 2016.

5. Representations and Warranties of the Pledgor

- 5.1 The Pledgor is the legal owner 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 The Pledgor has never 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 Pledgor covenants to the Pledgee as follows:
 - 6.1.1 Without prior written consent of the Pledgee, the Pledgor 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 Pledgor 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 Pledgor 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 Pledgor under this Agreement or may influence the performance of obligations by the Pledgor hereunder.
- 6.2 The Pledgor agrees 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 Pledgor, or the successor or designated person of the Pledgor or any other person.
- 6.3 The Pledgor warrants to the Pledgee that, in order to protect or consummate the guaranty provided by this Agreement regarding the performance of the Master Agreement, the Pledgor 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 Pledgor undertakes to the Pledgee he will abide by and perform all representations, warranties and undertakings to protect the interests of the Pledgee. The Pledgor shall indemnify the Pledgee any and all losses suffered by the Pledgee due to the Pledgor's failure or partial failure in performance of his representations, warranties or undertakings.
- 6.5 The Pledgor covenants to the Pledgee that he assumes several and joint liabilities with respect to the obligations hereunder.
- 6.6 The Pledgor irrevocably agrees to waive the preemptive right with respect to the Pledged Equity Interests pledged by other shareholders of Jingdong 360 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 a Event of Default:
- 7.1.1 Jingdong 360 fails to perform its obligations under the Master Agreement;
 - 7.1.2 Any representation or warranty of the Pledgor under this Agreement is substantially misleading or untrue, and/or the Pledgor breaches any of his representations and warranties under this Agreement;
 - 7.1.3 The Pledgor breaches his covenants hereunder;
 - 7.1.4 The Pledgor breaches any provision hereof;
 - 7.1.5 Except that the Pledgor transfers the equity interests to the Pledgee or the Pledgee's designated person in accordance with the Exclusive Purchase Option Agreement, the Pledgor 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 Pledgor (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 Pledgor to perform his obligations under this Agreement has been impaired.
 - 7.1.7 The Pledgor fails to repay general debts or other liabilities;
 - 7.1.8 This Agreement is deemed to be illegal with promulgation of related laws, or the Pledgor 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 Pledgor, which makes the Pledgee reasonably believes that the ability of the Pledgor to perform his obligations under this Agreement has been impaired.
 - 7.1.11 Successor of the Pledgor or Jingdong 360 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 Pledgor 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 Pledgor immediately following or any time after the occurrence of the Event of Default, to require the Pledgor and Jingdong 360 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, the Pledgor should not 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 Pledgor 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 Pledgor undertakes to transfer all of his 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 Pledgor to the Pledgee according to the legal proceedings.
- 8.4 When the Pledgee is disposing of the Pledge Right in accordance with this Agreement, the Pledgor should not 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 Pledgor has no right to grant or transfer any of his rights and obligations hereunder.
- 9.2 This Agreement is binding upon the Pledgor and his 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 has 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 Pledgor 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.
- 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 Pledgor and /or Jingdong 360 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 Jingdong 360 and related deregistration formalities shall be proceeded with at the Administration for Industry and Commerce of the place where Jingdong 360 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 Pledgor. 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 (7) 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 (4) 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: Room 201, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone,
Beijing
Attention: Lei Xu

If to the Pledgor: Richard Qiangdong Liu

Address: ***

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.
- 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]

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.
(seal)

/s/ Beijing Jingdong Century Trade Co., Ltd.
(Seal of Beijing Jingdong Century Trade Co., Ltd.)

Party B: Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

Party C: Beijing Jingdong 360 Degree E-Commerce Co., Ltd.

By: /s/ Beijing Jingdong 360 Degree E-Commerce Co., Ltd.
(Seal of Beijing Jingdong 360 Degree E-Commerce Co., Ltd.)

Signature page for the Amended and Restated Equity Pledge Agreement

Schedule 1:

Register of Shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd.

<u>Name of Shareholder</u>	<u>Capital Contribution Amount/Shareholding Percentage</u>	<u>Registration of Pledge</u>
Richard Qiangdong Liu	RMB1,314,000,000 45%	In accordance with the Amended and Restated Equity Pledge Agreement by and among Richard Qiangdong Liu, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 24, 2020, Richard Qiangdong Liu has pledged all the equity interests held by him to Beijing Jingdong Century Trade Co., Ltd.
Yayun Li	RMB876,000,000 30%	In accordance with the Amended and Restated Equity Pledge Agreement by and among Yayun Li, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 24, 2020, Yayun Li has pledged all the equity interests held by her to Beijing Jingdong Century Trade Co., Ltd.
Pang Zhang	RMB730,000,000 25%	In accordance with the Amended and Restated Equity Pledge Agreement by and among Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 24, 2020, Pang Zhang has pledged all the equity interests held by her to Beijing Jingdong Century Trade Co., Ltd.

**Beijing Jingdong 360 Degree E-Commerce Co., Ltd.
(seal)**

(Seal of Beijing Jingdong 360 Degree E-Commerce Co., Ltd.)

Legal representative (signature):

Date: December 24, 2020

Beijing Jingdong 360 Degree E-Commerce Co., Ltd.

Capital Contribution Certificate

(No.: 001)

Company: Beijing Jingdong 360 Degree E-Commerce Co., Ltd.
Date of Incorporation: April 4, 2007
Registered Capital: RMB2,920,000,000
Shareholder: Richard Qiangdong Liu
Capital Contributed by Shareholder: RMB1,314,000,000

In accordance with the Amended and Restated Equity Pledge Agreement by and among Richard Qiangdong Liu, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 24, 2020, Richard Qiangdong Liu has pledged all the equity interests held by him to Beijing Jingdong Century Trade Co., Ltd.

Beijing Jingdong 360 Degree E-Commerce Co., Ltd.
(seal)

Signature:(Seal of Beijing Jingdong 360 Degree
E-Commerce Co., Ltd.)

Name:

Title: Legal representative

Date: December 24, 2020

Capital Contribution Certificate

(No.: 002)

Company: Beijing Jingdong 360 Degree E-Commerce Co., Ltd.

Date of Incorporation: April 4, 2007

Registered Capital: RMB2,920,000,000

Shareholder: Yayun Li

Capital Contributed by Shareholder: RMB876,000,000

In accordance with the Amended and Restated Equity Pledge Agreement by and among Yayun Li, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 24, 2020, Yayun Li has pledged all the equity interests held by her to Beijing Jingdong Century Trade Co., Ltd.

Beijing Jingdong 360 Degree E-Commerce Co., Ltd.
(seal)

Signature:(Seal of Beijing Jingdong 360 Degree
E-Commerce Co., Ltd.)

Name:

Title: Legal representative

Date: December 24, 2020

Capital Contribution Certificate

(No.: 003)

Company: Beijing Jingdong 360 Degree E-Commerce Co., Ltd.

Date of Incorporation: April 4, 2007

Registered Capital: RMB2,920,000,000

Shareholder: Pang Zhang

Capital Contributed by Shareholder: RMB730,000,000

In accordance with the Amended and Restated Equity Pledge Agreement by and among Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 24, 2020, Pang Zhang has pledged all the equity interests held by him to Beijing Jingdong Century Trade Co., Ltd.

Beijing Jingdong 360 Degree E-Commerce Co., Ltd.
(seal)

Signature:(Seal of Beijing Jingdong 360 Degree
E-Commerce Co., Ltd.)

Name:

Title: Legal representative

Date: December 24, 2020

Amended and Restated Equity Pledge Agreement

This AMENDED AND RESTATED EQUITY PLEDGE AGREEMENT, (this “**Agreement**”), dated December 24, 2020, 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 201, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing

Party B: **Pang Zhang;**

Party C: **Beijing Jingdong 360 Degree E-Commerce Co., Ltd.**
Registered address: Room 222, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing

(Party B is referred to as “**Pledgor**” hereinafter; Party A is referred to as “**Pledgee**” hereinafter; and either the Pledgor or the Pledgee is individually referred to as a “**Party**” and collectively referred to as the “**Parties**”.)

Whereas,

- (1) Beijing Jingdong 360 Degree E-Commerce Co., Ltd. (“**Jingdong 360**”) is a limited liability company duly incorporated and validly existing under the PRC laws.
- (2) The Pledgor holds 25% equity interests of Jingdong 360 (corresponding to the registered capital of RMB730,000,000).
- (3) The Pledgee is a wholly foreign owned company duly incorporated and existing under the laws of the PRC.
- (4) The Pledgee and Jingdong 360 entered into an Amended and Restated Exclusive Technology Consulting and Service Agreement (“**Services Agreements**”) on June 15, 2016.
- (5) The Pledgor and the Pledgee entered into an Amended and Restated Loan Agreement on December 24, 2020 (“**Loan Agreement**”), and entered into an Amended and Restated Exclusive Purchase Option Agreement on December 24, 2020 (“**Exclusive Purchase Option Agreement**”). In addition, the Pledgor delivered the amended Power of Attorney to the Pledgee on December 24, 2020 (“**Power of Attorney**”, together with the Services Agreements, Loan Agreement and Exclusive Purchase Option Agreement, collectively referred as “**Master Agreement**”).
- (6) In order to secure the Pledgor’s performance of his obligations under this Agreement, the Loan Agreement, the Exclusive Purchase Option Agreement and the Power of Attorney, and in order to ensure Jingdong 360 to be able to perform its obligations under the Services Agreements, the Pledgor hereby pledges all the equity interests held by him in Jingdong 360 as the guaranty for him and/or Jingdong 360’s performance of obligations under the Master Agreement.
- (7) The Parties entered into an equity pledge agreement dated June 15, 2016 (the “**Original Contract**”). The Parties wish to revise the Original Contract and replace it with this 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 Pledgor to the Pledgee.

- 1.2 Pledged Equity Interests: means all the equity interests duly held by the Pledgor in Jingdong 360, i.e. 25% equity interests of Jingdong 360, 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 Pledgor in accordance with this Agreement specifying an Event of Default.

2. Pledge Right and Scope of Guaranty

- 2.1 The Pledgor agrees to pledge all the Pledged Equity Interests to the Pledgee as the guaranty for his and/or Jingdong 360'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. Jingdong 360 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 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 Jingdong 360 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 Pledgor and/or Jingdong 360 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 Pledgor shall deliver the register of shareholders and capital contribution certificate of Jingdong 360 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 June 15, 2016.

5. Representations and Warranties of the Pledgor

- 5.1 The Pledgor is the legal owner 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 The Pledgor has never 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 Pledgor covenants to the Pledgee as follows:

6.1.1 Without prior written consent of the Pledgee, the Pledgor 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 Pledgor 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 Pledgor 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 Pledgor under this Agreement or may influence the performance of obligations by the Pledgor hereunder.

6.2 The Pledgor agrees 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 Pledgor, or the successor or designated person of the Pledgor or any other person.

6.3 The Pledgor warrants to the Pledgee that, in order to protect or consummate the guaranty provided by this Agreement regarding the performance of the Master Agreement, the Pledgor 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 Pledgor undertakes to the Pledgee he will abide by and perform all representations, warranties and undertakings to protect the interests of the Pledgee. The Pledgor shall indemnify the Pledgee any and all losses suffered by the Pledgee due to the Pledgor's failure or partial failure in performance of his representations, warranties or undertakings.

6.5 The Pledgor covenants to the Pledgee that he assumes several and joint liabilities with respect to the obligations hereunder.

6.6 The Pledgor irrevocably agrees to waive the preemptive right with respect to the Pledged Equity Interests pledged by other shareholders of Jingdong 360 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 a Event of Default:

7.1.1 Jingdong 360 fails to perform its obligations under the Master Agreement;

- 7.1.2 Any representation or warranty of the Pledgor under this Agreement is substantially misleading or untrue, and/or the Pledgor breaches any of his representations and warranties under this Agreement;
- 7.1.3 The Pledgor breaches his covenants hereunder;
- 7.1.4 The Pledgor breaches any provision hereof;
- 7.1.5 Except that the Pledgor transfers the equity interests to the Pledgee or the Pledgee's designated person in accordance with the Exclusive Purchase Option Agreement, the Pledgor 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 Pledgor (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 Pledgor to perform his obligations under this Agreement has been impaired.
- 7.1.7 The Pledgor fails to repay general debts or other liabilities;
- 7.1.8 This Agreement is deemed to be illegal with promulgation of related laws, or the Pledgor 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 Pledgor, which makes the Pledgee reasonably believes that the ability of the Pledgor to perform his obligations under this Agreement has been impaired.
- 7.1.11 Successor of the Pledgor or Jingdong 360 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 Pledgor 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 Pledgor immediately following or any time after the occurrence of the Event of Default, to require the Pledgor and Jingdong 360 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, the Pledgor should not 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 Pledgor 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 Pledgor undertakes to transfer all of his 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 Pledgor to the Pledgee according to the legal proceedings.
- 8.4 When the Pledgee is disposing of the Pledge Right in accordance with this Agreement, the Pledgor should not 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 Pledgor has no right to grant or transfer any of his rights and obligations hereunder.
- 9.2 This Agreement is binding upon the Pledgor and his 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 has 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 Pledgor 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.
- 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 Pledgor and /or Jingdong 360 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 Jingdong 360 and related deregistration formalities shall be proceeded with at the Administration for Industry and Commerce of the place where Jingdong 360 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 Pledgor. 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 (7) 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 (4) 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: Room 201, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone,
Beijing
Attention: Lei Xu

If to the Pledgor: Pang Zhang

Address: ***

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.
- 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]

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.)

Party B: Pang Zhang

By: /s/ Pang Zhang

Party C: Beijing Jingdong 360 Degree E-Commerce Co., Ltd.

By: /s/ Beijing Jingdong 360 Degree E-Commerce Co., Ltd.
(Seal of Beijing Jingdong 360 Degree E-Commerce Co., Ltd.)

Signature page for the Amended and Restated Equity Pledge Agreement

Amended and Restated Equity Pledge Agreement

This AMENDED AND RESTATED EQUITY PLEDGE AGREEMENT, (this “**Agreement**”), dated December 24, 2020, 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 201, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing

Party B: Yayun Li;

Party C: Beijing Jingdong 360 Degree E-Commerce Co., Ltd.

Registered address: Room 222, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing

(Party B is referred to as “**Pledgor**” hereinafter; Party A is referred to as “**Pledgee**” hereinafter; and either the Pledgor or the Pledgee is individually referred to as a “**Party**” and collectively referred to as the “**Parties**”.)

Whereas,

- (1) Beijing Jingdong 360 Degree E-Commerce Co., Ltd. (“**Jingdong 360**”) is a limited liability company duly incorporated and validly existing under the PRC laws.
- (2) The Pledgor holds 30% equity interests of Jingdong 360 (corresponding to the registered capital of RMB876,000,000).
- (3) The Pledgee is a wholly foreign owned company duly incorporated and existing under the laws of the PRC.
- (4) The Pledgee and Jingdong 360 entered into an Amended and Restated Exclusive Technology Consulting and Service Agreement (“**Services Agreements**”) on June 15, 2016.
- (5) The Pledgor and the Pledgee entered into an Amended and Restated Loan Agreement on December 24, 2020 (“**Loan Agreement**”), and entered into an Amended and Restated Exclusive Purchase Option Agreement on December 24, 2020 (“**Exclusive Purchase Option Agreement**”). In addition, the Pledgor delivered the amended Power of Attorney to the Pledgee on December 24, 2020 (“**Power of Attorney**”, together with the Services Agreements, Loan Agreement and Exclusive Purchase Option Agreement, collectively referred as “**Master Agreement**”).
- (6) In order to secure the Pledgor’s performance of his obligations under this Agreement, the Loan Agreement, the Exclusive Purchase Option Agreement and the Power of Attorney, and in order to ensure Jingdong 360 to be able to perform its obligations under the Services Agreements, the Pledgor hereby pledges all the equity interests held by him in Jingdong 360 as the guaranty for him and/or Jingdong 360’s performance of obligations under the Master Agreement.
- (7) The Parties entered into an equity pledge agreement dated June 15, 2016 (the “**Original Contract**”). The Parties wish to revise the Original Contract and replace it with this 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 Pledgor to the Pledgee.

- 1.2 Pledged Equity Interests: means all the equity interests duly held by the Pledgor in Jingdong 360, i.e. 30% equity interests of Jingdong 360, 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 Pledgor in accordance with this Agreement specifying an Event of Default.

2. Pledge Right and Scope of Guaranty

- 2.1 The Pledgor agrees to pledge all the Pledged Equity Interests to the Pledgee as the guaranty for his and/or Jingdong 360'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. Jingdong 360 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 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 Jingdong 360 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 Pledgor and/or Jingdong 360 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 Pledgor shall deliver the register of shareholders and capital contribution certificate of Jingdong 360 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 June 15, 2016.

5. Representations and Warranties of the Pledgor

- 5.1 The Pledgor is the legal owner 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 The Pledgor has never 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 Pledgor covenants to the Pledgee as follows:

6.1.1 Without prior written consent of the Pledgee, the Pledgor 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 Pledgor 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 Pledgor 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 Pledgor under this Agreement or may influence the performance of obligations by the Pledgor hereunder.

6.2 The Pledgor agrees 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 Pledgor, or the successor or designated person of the Pledgor or any other person.

6.3 The Pledgor warrants to the Pledgee that, in order to protect or consummate the guaranty provided by this Agreement regarding the performance of the Master Agreement, the Pledgor 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 Pledgor undertakes to the Pledgee he will abide by and perform all representations, warranties and undertakings to protect the interests of the Pledgee. The Pledgor shall indemnify the Pledgee any and all losses suffered by the Pledgee due to the Pledgor's failure or partial failure in performance of his representations, warranties or undertakings.

6.5 The Pledgor covenants to the Pledgee that he assumes several and joint liabilities with respect to the obligations hereunder.

6.6 The Pledgor irrevocably agrees to waive the preemptive right with respect to the Pledged Equity Interests pledged by other shareholders of Jingdong 360 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 a Event of Default:

7.1.1 Jingdong 360 fails to perform its obligations under the Master Agreement;

- 7.1.2 Any representation or warranty of the Pledgor under this Agreement is substantially misleading or untrue, and/or the Pledgor breaches any of his representations and warranties under this Agreement;
- 7.1.3 The Pledgor breaches his covenants hereunder;
- 7.1.4 The Pledgor breaches any provision hereof;
- 7.1.5 Except that the Pledgor transfers the equity interests to the Pledgee or the Pledgee's designated person in accordance with the Exclusive Purchase Option Agreement, the Pledgor 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 Pledgor (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 Pledgor to perform his obligations under this Agreement has been impaired.
- 7.1.7 The Pledgor fails to repay general debts or other liabilities;
- 7.1.8 This Agreement is deemed to be illegal with promulgation of related laws, or the Pledgor 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 Pledgor, which makes the Pledgee reasonably believes that the ability of the Pledgor to perform his obligations under this Agreement has been impaired.
- 7.1.11 Successor of the Pledgor or Jingdong 360 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 Pledgor 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 Pledgor immediately following or any time after the occurrence of the Event of Default, to require the Pledgor and Jingdong 360 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, the Pledgor should not 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 Pledgor 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 Pledgor undertakes to transfer all of his 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 Pledgor to the Pledgee according to the legal proceedings.
- 8.4 When the Pledgee is disposing of the Pledge Right in accordance with this Agreement, the Pledgor should not 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 Pledgor has no right to grant or transfer any of his rights and obligations hereunder.
- 9.2 This Agreement is binding upon the Pledgor and his 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 has 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 Pledgor 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.
- 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 Pledgor and /or Jingdong 360 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 Jingdong 360 and related deregistration formalities shall be proceeded with at the Administration for Industry and Commerce of the place where Jingdong 360 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 Pledgor. 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 (7) 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 (4) 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: Room 201, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing
Attention: Lei Xu

If to the Pledgor: Yayun Li

Address: ***

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.
- 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]

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.)

Party B: Yayun Li

By: /s/ Yayun Li

Party C: Beijing Jingdong 360 Degree E-Commerce Co., Ltd.

By: /s/ Beijing Jingdong 360 Degree E-Commerce Co., Ltd.
(Seal of Beijing Jingdong 360 Degree E-Commerce Co., Ltd.)

Signature page for the Amended and Restated Equity Pledge Agreement

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 Jingdong 360 Degree E-Commerce Ltd. (the "Beijing Company") (corresponding to the registered capital of RMB1,314,000,000, the "Shareholding"), hereby irrevocably authorizes any natural person appointed by Beijing Jingdong Century Trade 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 Amended and Restated Exclusive Purchase Option Agreement to which the undersigned will be a party, and to perform the Amended and Restated Equity Pledge Agreement and the Amended and Restated 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: December 24, 2020

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 Jingdong 360 Degree E-Commerce Ltd. (the "Beijing Company") (corresponding to the registered capital of RMB730,000,000, the "Shareholding"), hereby irrevocably authorizes any natural person appointed by Beijing Jingdong Century Trade 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 Amended and Restated Exclusive Purchase Option Agreement to which the undersigned will be a party, and to perform the Amended and Restated Equity Pledge Agreement and the Amended and Restated 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: December 24, 2020

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 Jingdong 360 Degree E-Commerce Ltd. (the "Beijing Company") (corresponding to the registered capital of RMB876,000,000, the "Shareholding"), hereby irrevocably authorizes any natural person appointed by Beijing Jingdong Century Trade 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 Amended and Restated Exclusive Purchase Option Agreement to which the undersigned will be a party, and to perform the Amended and Restated Equity Pledge Agreement and the Amended and Restated 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: December 24, 2020

AMENDED AND RESTATED EXCLUSIVE PURCHASE OPTION AGREEMENT

This AMENDED AND RESTATED EXCLUSIVE PURCHASE OPTION AGREEMENT (this “**Agreement**”), dated December 24, 2020, is made in Beijing, the 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 201, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing;

Party B: **Richard Qiangdong Liu;**

Pang Zhang; and

Yayun Li

And

Party C: **Beijing Jingdong 360 Degree E-Commerce Co., Ltd.**, a limited liability company incorporated and existing under the laws of the PRC, with registered address at Room 222, Building C, No. 18, Kechuang 11 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, with the registered capital of RMB2,920,000,000. Party B has an aggregate holding of 100% equity interests in Party C, with Richard Qiangdong Liu, Yayun Li and Pang Zhang holding 45% (corresponding to the registered capital of RMB1,314,000,000), 30% (corresponding to the registered capital of RMB876,000,000) and 25% (corresponding to the registered capital of RMB730,000,000) thereof, respectively;
2. Party A and Party B have made an Amended and Restated Loan Agreement (the “**Loan Agreement**”) and an Amended and Restated Equity Pledge Agreement (the “**Equity Pledge Agreement**”) dated December 24, 2020;
3. The Parties entered into an exclusive purchase option agreement dated June 15, 2016 (the “Original Contract”). The Parties wish to revise the Original Contract and replace it with this agreement.

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) 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;

- (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;
- (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.
- (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:

- (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) 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;
- (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;
- (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;

- (5) It will always conduct business operations in the ordinary course to maintain its asset value, and refrain from any action/omission that may adversely affect its business operations and asset value;
- (6) Without prior written consent by Party A, not to enter into any material agreement other than those executed in its ordinary course of business;
- (7) Without prior written consent by Party A, it will not provide any loan or guaranty to any person;
- (8) Upon Party A's request, it will provide Party A with information regarding its operations and financial conditions;
- (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 those maintained by the companies having similar operations, properties or assets in the same region;
- (10) Without prior written consent by Party A, it will not combine, merge with, acquire or make investment to any person;
- (11) It will immediately notify Party A of any actual or potential litigation, arbitration or administrative proceeding regarding its assets, business and income;
- (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
- (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:

- (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) 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;

- (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;
- (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;
- (5) It will immediately notify Party A of any actual or potential litigation, arbitration or administrative proceeding regarding its assets, business and income;
- (6) It will cause Party C's shareholders' meeting to vote for the transfer of the Purchased Equity Interest provided hereunder;
- (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;
- (8) At the request of Party A, it will appoint any person nominated by Party A to the board of Party C;
- (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;
- (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
- (11) It irrevocably undertakes to be severally and jointly liable for the obligations provided hereunder.

2.3 Party A hereby covenants that:

To satisfy the cash flow requirements with regard to the business operations of Party C or make up Party C's losses accrued through such operations, Party A agrees that it shall, through itself or its designated person, provide financial support to Party C.

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:

- (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.
- (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) Party B has good and entire ownership of and creates no security interest or encumbrance upon any of its assets.
- (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.
- (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.

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 cannot 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: Room 201, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing

Attention: Lei Xu

If to Party B:

Richard Qiangdong Liu

Address: ***

Pang Zhang

Address: ***

Yayun Li

Address: ***

If to Party C:

Beijing Jingdong 360 Degree E-Commerce Co., Ltd.

Address: Room 222, Building C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing

Attention: Qi Zhang

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
- 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)

IN WITNESS THEREOF, each Party has signed or caused its authorized 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.)

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 Jingdong 360 Degree E-Commerce Co., Ltd.

/s/ Beijing Jingdong 360 Degree E-Commerce Co., Ltd.
(Seal of Beijing Jingdong 360 Degree E-Commerce Co., Ltd.)

(Signature Page)

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this “**Agreement**”) is made and entered into by and between the following parties on January 25, 2021 in Beijing, the People’s Republic of China (“**China**” or the “**PRC**”).

Party A: Xi’an Jingxundi Supply Chain Technology Co., Ltd.

Address: Building 5, SkyCity Central Square, East Chang’An Street No.666, National Civil Space Industrial Base, Xi’an, Shaanxi, China

Party B: Xi’an Jingdong Xincheng Information Technology Co., Ltd.

Address: Building 5, SkyCity Central Square, East Chang’An Street No.666, Aerospace Base, Xi’an, Shaanxi, China

Each of Party A and Party B shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

Whereas:

1. Party A is a wholly foreign-owned enterprise registered in China and has the necessary resources to provide technical and consulting services. Party A is a company wholly and directly held by JD Logistics Holding Limited (a company registered under the laws of Hong Kong) (the “**Hong Kong Company**”), and the Hong Kong Company is wholly and directly held by JD Logistics, Inc. (a company registered under the laws of the Cayman Islands) (the “**Cayman Company**”);
2. Party B is a limited liability company established in China, whose principal business is technical development of information technology, technical services, technology transfer, technology and information consultation; software services, software development; software design; enterprises management consultation; sale of hardware products, electronics (excluding prohibited or restricted), groceries, packaging materials, clothes, shoes and hats; the businesses conducted by Party B currently and any time during the term of this Agreement are collectively referred to as the “**Principal Business**”;
3. Party A agrees to use its advantage of technology, personnel and information to provide relevant exclusive technical services, technical consultation and other services (for the specific scope refers to the following clauses) for party B during the term of this Agreement, and Party B agrees to accept the services provided by Party A or Party A’s designated party’ (the designated party shall be the Cayman Company or a subsidiary directly or indirectly controlled by the Cayman Company, or other entity approved by all the directors of the Cayman Company, hereinafter referred as to the “**Designated Party**”) under this Agreement; and
4. Party A and Party B desire to execute this Agreement with respect to the business cooperation between Party A and Party B.

Now, therefore, through mutual negotiation, the Parties have reached the following agreements:

1. **Services Provided by Party A**

- 1.1 Party B hereby appoints Party A as Party B's exclusive service provider to provide Party B with complete business support, technology support and consulting services during the term of this Agreement, in accordance with the terms and conditions of this Agreement. Such services may include all or part of services within the scope of the Principal Business of Party B as may be determined from time to time by Party A, including, but not limited to the following: technical service, network support, business consulting, intellectual property license, equipment leasing, marketing consultation, system integration, product research and development and system maintenance, management and consulting services related to Party B's business operation and, from time to time, provide other consultations and services (the "Services") related to the foregoing services and according to Party B's requests, given that such requests are permitted under the PRC laws.
- 1.2 Party B agrees to accept all the consulting and Services provided by Party A. Party B further agrees that unless with Party A's prior written consent, during the term of this Agreement, Party B shall not and shall cause its subsidiary not to accept any consulting and/or services provided by any third party and shall not establish similar cooperation relationships with any third party regarding to the abovementioned matters. Party A may designate the Designated Parties, who may enter into certain agreements described in Section 1.4 with Party B, to provide Party B with the consulting and/or services under this Agreement.
- 1.3 In order to ensure Party B meets the cash flow requirement for its daily operations and/or to compensate any losses arising from the daily operation, regardless of whether Party B actually suffers from operational losses, Party A can independently decide to provide financial support to Party B (given that it is permitted by the PRC laws). Party A can provide financial support for Party B through entrusted loan to the extent permitted by the PRC laws (as defined below), for which the Parties shall sign a separate entrusted loan contract.
- 1.4 Service Providing Methodology
 - (1) Party A and Party B agree that, during the term of this Agreement, the Parties may enter into further technology and consulting service agreements directly or through their respective affiliates with corresponding service ability and resources for the purpose that Party A can provides service to Party B, and reach an agreement on the contents, methods, personnel and fees of the specified services.

- (2) To fulfill this Agreement, the Parties agree that both Party A and Party B can enter into license agreements on intellectual property rights (including but not limited to: software, trademark, patents and technical secrets) directly or through their respective affiliates during the term of this Agreement. Such license agreements shall allow Party B to use the relevant intellectual property rights of Party A at any time according to the business needs of Party B.
 - (3) To fulfill this Agreement, the Parties agree that both Party A and Party B can enter into equipment or plant leasing agreements directly or through their respective affiliates during the term of this Agreement. Such equipment or plant leasing agreements shall allow Party B to use the relevant equipment or plant of Party A at any time according to Party B's business needs.
 - (4) To fulfill this Agreement, the Parties agree that both Party A and Party B can enter into other agreements such that Party A can provide other services to Party B directly or through their respective affiliates during the term of this Agreement.
 - (5) Party A can independently decide to subcontract the services to be provided to Party B in part or full herein to a third party with the corresponding business capacity and resources.
- 1.5 For the purpose of providing services in accordance to this Agreement, the Parties shall promptly communicate with each other with regards to relevant information about business and/or other information about customers.
- The service provided by Party A herein shall be exclusive. Party B may continue to implement existing service contracts with third parties that involve identical or similar services provided by Party A with the written consent of Party A; if Party A does not approve the existing service contracts with third parties, Party B shall immediately terminate this Agreement with the third party and also undertake any expenses and responsibilities for terminating this Agreement. Other contracts that Party B is implementing or other legal documents defining Party B's obligations shall still be implemented by Party B. Without Party A's prior written consent, Party B shall not change, revise or terminate such contracts or legal documents.
- 1.6 In order to specify the Parties' rights and obligations and ensure that the foregoing service provisions are actually implemented, the Parties agree as follows, provided that they are permitted under the PRC laws:
- (1) Party B shall carry out its business in accordance with the opinions and suggestions provided by Party A under Article 1.1 herein.

- (2) Except for the original directors and supervisors of Party B accepted by Party A, Party B will appoint the nominee recommended by Party A as Party B's director through the appointment procedures of the PRC laws (including any laws, regulations, rules, notices, interpretations or other documents with binding force issued by the central government, local legislative, administrative or judicial departments before and after the signing of this Agreement, hereinafter referred to as the "**PRC laws**") and, to the extent permitted by the PRC laws, will appoint the senior manager recommended and employed by Party A as Party B's general manager, chief financial officer and other senior management personnel that are in charge of monitoring Party B's company business and operation. Except for retirement, resignation, disqualification or death, Party B shall not dismiss the company's director recommended by Party A under any circumstances without the prior written consent of Party A.
- (3) Party B agrees to cause Party B's director and senior manager exercise the powers that they have under the laws, regulations and articles of association based on Party A's instruction.
- (4) Party A may determine and adjust Party B's organization structure, and manage human resources of Party B.
- (5) Party A is entitled to conduct business activities related to the Services on behalf of Party B. Party B shall provide all necessary support and convenience for Party A to conduct such business activities smoothly, including without limitation, issuing all necessary power of attorney for the provision of services.
- (6) To the extent permitted by the PRC laws, Party A is entitled to check Party B's accounts periodically and at any time, and Party B shall keep its accounts accurately and in due course, and provide the accounts to Party A upon its request. Party B agrees to coordinate with Party A and Party A's shareholders (direct or indirect) over auditing (including but not limited to connected transaction auditing and other various auditing contents) and provide related information about Party B's operation, business, customers, finance and staffs to Party A, Party A's shareholders (direct or indirect) and/or auditor engaged by Party A during the term of this agreement, and also agree that Party A's shareholders can disclose such information to satisfy the requirements of the securities regulation.
- (7) Party B agrees to deliver the relevant certificates and seals which are important to Party B's daily operation, including Party B's business license, organizational code certificate (if any), official seal, contract seal, special seal for finance and legal representative's seal, to Party B's director, legal representative, general manager, chief financial officer and other senior management personnel recommended by Party A and appointed by Party B according to legal procedures for custody.

- 1.7 The Parties agree that the Services provided by Party A to Party B under this Agreement shall also apply to the subsidiaries of Party B, and Party B shall cause its subsidiaries to exercise rights and fulfill obligations hereunder.
2. Calculation of Service Fee, Payment Mode, Financial Statements, Auditing and Taxation
- 2.1 With regard to the Services provided by Party A according to this Agreement and to the extent permitted by the PRC laws, Party B and Party B's subsidiary shall pay to Party A service fees (hereinafter referred to as "**service fees**") equivalent to the net profit of Party B and Party B's subsidiary after deducting the annual loss of the year before (if necessary), deducting the necessary costs, expenses and taxes within the corresponding fiscal year and withdrawing the statutory reserve fund, retained fund, staff award fund, welfare fund, enterprise development fund according to the law during the term of this Agreement; Party A is entitled to determine the foregoing deduction items. The amount of such service fees shall be determined by Party A. The calculation and adjustment of the service fees shall take into consideration the following factors without limitation, and Party A is entitled to independently decide to adjust the service fees without obtaining Party B's consent: (a) the difficulty in technologies provided by Party A and the complexity of technological consulting and other services provided by Party A; (b) the time required by Party A's technical staffs to provide such software development, technological consulting and other services; (c) specific content and commercial value of software development, technological consulting and other services provided by Party A; (d) market price of the services of the same type. The above services fee shall be remitted to the bank account of Party A or the Designated Party by wire transfer or other manners agreed by the Parties after Party A has issued the payment instruction, and Party A may change the payment instructions from time to time. The Parties agree that the payment of the above service fees shall not cause any Party to have difficulties in its operation each year. For the purposes above, and to the extent of achieving the above principles, Party A is entitled to agree on Party B's delay of the service fees' payment to avoid any financial difficulties; and Party A is also entitled to make any other adjustments of the service fees as deemed reasonable by itself, but Party A shall send a written notice to Party B in advance.

- 2.2 Party A agrees that Party A will enjoy and undertake all economic interests and risks arising from Party B's business during the term hereof; When Party B suffers from operating loss or faces serious management difficulties, Party A shall provide financial support; in case of the occurrence of foregoing situation, Party A is entitled to decide whether Party B will continue its business operation and Party B shall accept Party A's decision unconditionally.
- 2.3 Party B shall prepare financial statements required by Party A in accordance with the requirements of applicable laws, generally acknowledged accounting standards and business practice.
- 2.4 After notified by Party A in advance, Party A and/or Party A's designated auditor is entitled to review Party B's relevant account books and record and copy necessary partial book accounts and records in the main office location of Party B so as to verify the accuracy in Party B's income and statements. Party B shall provide related information about Party B's operation, business, customers, finance and staffs according to Party A's requirements, and agree that Party A or Party A's direct or indirect shareholder can disclose or make such information publicly if necessary.
- 2.5 The tax arising from the execution of this Agreement shall be undertaken respectively by each party.

3. **Intellectual Property Right, Confidentiality and Prohibited Competition**

- 3.1 Party A shall have exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or created during the performance of this Agreement, including but not limited to software, trademarks, patents, technical secrets, trade secrets and others, and shall be entitled to use these rights for free.
- 3.2 To fulfill this Agreement, Party A and Party B agree that the Parties may execute intellectual property license agreements during the term of this Agreement, which shall permit Party B to use Party A's relevant intellectual property rights for free within Party B's business requirements, or Party A agrees to transfer part of Party A's intellectual property rights to Party B or register such intellectual property rights in Party B's name if necessary. However, Party B shall transfer the foregoing intellectual property rights registered under Party B to Party A at no consideration or at the lowest price permitted by law upon Party A's request. Party B shall execute all appropriate documents, take all appropriate actions, submit all filings and/or applications, render all appropriate assistance and otherwise conduct whatever is necessary as deemed by Party A at its sole discretion for the purposes of vesting any ownership, right or interest of any such intellectual property rights in Party A, and/or perfecting the protections for any such intellectual property rights in Party A. Party A is entitled to use any intellectual property registered under Party B for free.

- 3.3 Unless otherwise permitted by Party A, Party A shall have exclusive and proprietary ownership in any rights, ownership, interests and intellectual property rights generated or created by Party B and Party B's subsidiary during the term of this Agreement, including without limitation, existing and future total copyrights, patents (including invention patents, utility model patents and appearance design patents), patent applications, trademarks, trade names, brands, software, technical secrets, commercial secrets, relevant reputations, domain names and other any similar rights (herein after referred to as "**the rights**"), whether or not developed by Party A or Party B. Party B shall not claim any of the rights from Party A. Party B shall sign all documents and take all actions for Party A to become the owner of the rights. Party B shall guarantee that there is no defects of right for the rights and will compensate any losses to Party A for any defects of rights.
- 3.4 Without Party A's prior written consent, Party B shall not and shall cause its subsidiaries not to transfer, sell, mortgage, permit or dispose of the rights in other ways.
- 3.5 Party B shall manage the rights according to Party A's instruction from time to time, including without limitation, the transferring or authorizing of the rights to Party A or a party designated by Party A to the extent permitted by the PRC laws.
- 3.6 The Parties admit that any oral or written information exchanged between the Parties in connection with this Agreement are regarded as confidential information. Each party shall maintain confidentiality of all such confidential information, and without written consent of other parties, any Party shall not disclose any relevant confidential information to any third party, except for information that are: (a) known to the public (not disclosed to the public by the Party receiving the information); (b) disclosed according to the requirements of applicable laws or any stock exchange; or (c) required to be disclosed by any Party to its legal or financial consultant to fulfill transactions contemplated hereunder, provided that such legal or financial consultant is also bound by confidentiality obligations similar to those set forth in this article. Disclosure of any confidential information by the employees or institutions employed by any Party shall be deemed as disclosure of such confidential information by such Party, and such Party shall be held liable for breach of this Agreement. This article shall survive the termination of this Agreement, notwithstanding the reason for the termination.
- 3.7 Party B shall not sign any documents or make relevant commitments that conflict with the legal documents, such as agreements in the process of implementation signed by Party A and its Designated Party; Party B shall not cause conflict of interests between Party B, Party A and Party A's shareholder through action or omission. In case of such conflict of interest (Party A is entitled to decide whether such conflict of interest exists), Party B shall immediately take measures to eliminate it as much as possible, subject to the approval by Party A or Party A's Designated Party. In case that any measures to eliminate the conflict of interest are rejected, Party A is entitled to execute the purchase right in the "Exclusive Option Agreement".

- 3.8 Within the term of this Agreement, all customer information relating to Party B's business and the Services provided by Party A and other related documents shall be possessed by Party A.
- 3.9 The Parties hereby agree that Article 3 shall survive the modification, cancellation or termination of this Agreement.

4. Representations, Warranties and Covenants

- 4.1 Party A hereby represents, warrants and covenants as follows:
- (1) Party A is a wholly foreign owned company legally registered and validly existing in accordance with the PRC laws, is an independent legal person, possesses complete and independent legal status and capacity, has obtained appropriate authorization to sign, deliver and execute this Agreement, and can serve as the subject of litigation independently.
 - (2) Party A signs and executes this Agreement in accordance with its legal person qualification and within its business scope, with necessary permits, records and qualifications to provide the services hereof. Party A has taken necessary corporate action, obtained appropriate authorization and also the permission and approval of third party and governmental institutions to fulfill the transactions contemplated hereunder, and will not violate laws or restrictions applicable to Party A.
 - (3) After the execution and delivery of this Agreement, this Agreement will constitute Party A's legal, valid and binding obligations, and shall be enforceable against it in accordance with its terms.
- 4.2 Party B hereby represents, warrants and covenants as follows:
- (1) Party B is a company legally registered and validly existing in accordance with the PRC laws, is an independent legal person, has complete and independent legal status and capacity, has obtained appropriate authorization to sign, deliver and execute this Agreement, and can serve as the subject of litigation independently.

- (2) Party B's acceptance of the services provided by Party A does not violate any the PRC laws; Party B signs and executes this Agreement in accordance with its legal person qualification and within its business scope; Party B has taken necessary corporate action, obtained appropriate authorization and also the permission and approval of third party and governmental institutions to fulfill the transactions contemplated hereunder, and will not violate laws or restrictions applicable to Party B.
- (3) After the execution and delivery of this Agreement, this Agreement will constitute Party B's legal, valid and binding obligations, and shall be enforceable against it in accordance with its terms.
- (4) There are no existing or threatened litigation, arbitration or other judicial or administrative procedures known to Party B that may affect Party B's ability to perform the obligations herein. In case of any litigation, arbitration or other judicial or administrative penalty occurring or possibly occurring to Party B's assets, businesses or income, Party B shall instantly notify Party A after learning of the fact.
- (5) Party B has already disclosed all contracts, government approvals and licenses that may have significant adverse effect on Party B's ability to fully fulfill the obligations herein or documents binding Party B's assets or businesses. There is no misrepresentation or omission of any major facts in documents provided by Party B to Party A previously.
- (6) Party B shall pay service fees to Party A in full according to the clauses herein and maintain the continuous validity of related licenses and qualifications of business of Party B and Party B's subsidiaries, and assist Party A, provide sufficient cooperation with Party A, actively cooperate over the services provided by Party A in all affairs for Party A to effectively execute the responsibilities and obligations herein, and also accept reasonable comments and suggestions from Party A relating to the businesses of Party B and Party B's subsidiaries.
- (7) Without Party A's prior written consent, beginning from the signing date of this Agreement, Party B shall not and shall cause Party B's subsidiary not to sell, transfer, mortgage or dispose in through other ways any assets (except for assets of less than RMB1,000,000 (or any other amount separately agreed by the Parties) necessary for normal business operation), business, right of management and legitimate rights and interests.

- (8) Without Party A's prior written consent, Party B shall not pay any expenses to any third party for any reason except for reasonable expenditures in the course of normal business operation, and shall not exempt any third party's debts or borrow or lend loan to any third party, or provide guarantee or warranty, or allow any third party to place other security interests on Party B's assets or interests.
- (9) Without Party A's prior written consent, beginning from the signing date of this Agreement, Party B shall not and shall cause Party B's subsidiary not to incur, inherit, guarantee or tolerate any debts (except debt of less than RMB1,000,000 (or any other amount separately agreed by the Parties) necessary for normal business operation).
- (10) Without Party A's prior written consent, beginning from the signing date of this Agreement, Party B shall not and shall cause Party B's subsidiary not to sign any major contracts (except the contract of less than RMB1,000,000 (or any other amount separately agreed by the Parties) necessary for normal business operation) or sign any other contracts, agreements or arrangements conflicting with this Agreement or possibly damaging Party A's rights and interests herein.
- (11) Party B shall not cause conflict of interest between Party B and Party A and its shareholders in the manner of act or omission. In the event of such conflict of interest (Party A is entitled to decide whether such conflict of interest arises unilaterally), Party B shall take measures to eliminate as soon as possible with the consent of Party A or its Designated Party.
- (12) Without Party A's prior written consent, Party B shall not and shall cause Party B's subsidiary not to be merged into or constitute a joint entity with any third party, invest in or purchase any third party or be invested in, purchased or controlled, increase or decrease the registered capital, change the corporation form or registered capital structure in other ways or accept the investment and capital increase of existing shareholders or third party in Party B, or liquidate and dissolve beginning from the signing date herein.
- (13) To the extent permitted by relevant the PRC laws, Party B will appoint candidates recommended by Party A as Party B's director; Except for written permission from Party A or with legal reasons, Party B shall not refuse to appoint the candidate recommended by Party A by any reasons.

- (14) Party B shall hold any and all governmental licenses, certificates, authorizations and approvals necessary for operating business during the term of this Agreement, and also shall ensure all foregoing governmental licenses, certificates, authorizations and approvals are effective and legal during the entire term of this Agreement. In case of alteration and/or increase of governmental licenses, certificates, authorizations and approvals for Party B to operate business during the term of this Agreement due to changes of provisions of relevant government authorities, Party B shall implement the alteration and/or supplementation according to the requirements of related local laws.
 - (15) Immediately notify Party A of occurrence or possible occurrence of situations that may have material adverse effect on Party B's business and operation, and put forth its best effort to prevent such situation from occurring and/or prevent losses from increasing.
 - (16) Without Party A's prior written consent, Party B and /or Party B's subsidiary shall not modify articles of association, change principal business, change business scope, model, profit model, marketing strategies, business principles or make material adjustments in customer relations.
 - (17) Without Party A's prior written consent, Party B and /or Party B's subsidiary shall not have any arrangement of entering into any partnership or joint venture or profit sharing with any third party, or other arrangements, such as payment of usage fees, service fees or consulting fees, to transfer benefits or share profits.
 - (18) Upon Party A's request, Party B shall provide information about Party B's operation management and financial condition to Party A from time to time.
 - (19) Without Party A's prior written consent, Party B shall not disclose or distribute profits, dividends or any other interests to other shareholders.
 - (20) Provide Party A any technologies or other information that is necessary or useful for Party A to provide services contemplated herein, and permit Party A to use relevant equipment, materials, information of Party B deemed necessary or useful in providing services hereunder.
 - (21) Without Party A's prior written consent, Party B shall not alter, change or dismiss Party B's director and senior manager.
- 4.3 The Parties represents to each other: In the event that the PRC laws allows Party A to directly hold Party B's equities and permits Party A and/or Party A's subsidiaries (if any) to be engaged in Party B's business, and if Party A intends to directly hold Party B's equities, the Parties will terminate this Agreement immediately.

5. **Validation and Effective Term**

This Agreement shall take effect as of the signing date. Unless this Agreement is terminated according to Article 6.1 herein, the Agreement shall remain effective permanently.

6. **Termination**

6.1 Unless otherwise renewed according to relevant sections hereunder, this Agreement shall be terminated on the expiration date.

6.2 This Agreement shall be terminated:

- (a) On the effective date of Party B's bankruptcy, liquidation, termination or dissolution in accordance with the law prior to the expiration date of this Agreement;
- (b) On the effective date of the transfer of Party B's equities and assets to Party A pursuant to the "Exclusive Option Agreement" (as amended from time to time) signed by the Parties and Party B's existing shareholder on the date hereof;
- (c) On the date when Party A is officially registered as Party B's sole shareholder after Party A is permitted to directly hold Party B's equities under the PRC laws and Party A and/or Party A's subsidiaries and branches can legally engage in Party B's business;
- (d) On the expiration date of the written notification of terminating this Agreement sent by Party A to Party B 30 days in advance at any time within the effective term of this Agreement;
- (e) Terminated in advance in accordance with the provisions of Article 7 herein.

6.3 Party B shall not terminate this Agreement during the term of this Agreement. Party A shall not undertake the responsibility for breach of this Agreement if it terminates this Agreement unilaterally in accordance with Article 6.2(d).

6.4 The rights and obligations of Article 3,5,7,8,10,11 and 16.3 shall survive the termination of this Agreement.

6.5 Each Party's payment obligations (including but not limited to the service fees) herein due on the termination date of this Agreement or before the expiry date of this Agreement will not be exempted and any liability for breach of the contract before the termination of this Agreement will also not be exempted when this Agreement is terminated in advance or expired for any reason. All payable service fees before the termination and expiry of this Agreement shall be paid to Party A within 15 working days as of the termination date of this Agreement.

7. **Liability for Breach of this Agreement**

- 7.1 Unless otherwise specified in other articles herein, if Party B(the “**Defaulting Party**”) fails to fulfill certain obligations herein or violates this Agreement in other ways, Party A (the “**Damaged Party**”) may: (a) notify the Defaulting Party of the nature and scope of the violation in writing and ask the Defaulting Party to remediate at its own expense within a reasonable period of time (hereinafter referred to as “**Remediation Period**”); and if the Defaulting Party fails to take remedial measures during the Remediation Period, the Damaged Party is entitled to ask the Defaulting Party to undertake all responsibilities for its violation and also compensate all actual economic losses due to the Damaged Party, including without limitation, the legal fees incurred in litigation and arbitration proceedings relating to the violation. The Damaged Party is also entitled to ask the Defaulting Party to perform its contractual obligations and petition the court or the relevant arbitration institution to issue an order of specific performance or compulsory performance by the Defaulting Party; (b) terminate this Agreement and ask the Defaulting Party to undertake all responsibilities for its violation and also compensate all damages; or (c) place the pledged equity on discount, auction or selling according to the Equity Interest Pledge Agreement signed on the date hereof by and among the Parties and Party B’s existing shareholders, be entitled to compensation priority in the amount of discount, auction and selling, and ask the Defaulting Party to undertake all losses hereof. While exercising the foregoing remedial right, the Damaged Party is entitled to other remedial rights regulated herein and under the relevant laws and regulations.
- 7.2 The Parties hereby agree and confirm that, unless otherwise compulsorily provided by the PRC laws, if Party B is the Defaulting Party, the Damaged Party is entitled to terminate this Agreement unilaterally and ask the Defaulting Party to compensate the losses.

8. **Governing Laws, Dispute Resolution and Modification of Law**

- 8.1 The signing, validation, interpretation, implementation, revision and termination of this Agreement and settlement of disputes herein shall be governed by the PRC laws.

- 8.2 Any disputes arising from the interpretation and implementation of this agreement shall be firstly solved through the Parties' friendly negotiations. In case that the consensus on settlement of such disputes is not reached within 30 days after any Party asks the other party to reach solution through friendly negotiations, any Party can submit the disputes to Beijing Arbitration Commission, which gives verdict according to the prevailing arbitration rule at that time. The arbitration shall take place in Beijing and language for arbitration shall be Chinese. The arbitration award is final and binding on each party. The arbitral tribunal can order Party B to compensate the losses of Party A with Party B's equity interests, assets or property rights and interests, reach judgment of mandatory relief through mandatory transfer of related business or assets or order Party B to declare bankruptcy. After the arbitration award becomes effective, any Party is entitled to petition the relevant court to execute the arbitration award. If necessary, the arbitral institution is entitled to order the Defaulting Party to cease the breach of this Agreement or refrain from actions that would increase the losses to Party A before making final verdict for the disputes of all parties. The courts in Hong Kong, Cayman Islands, China or other places with right of jurisdiction (including the court in the place of Party B, or the court in the place of main asset of Party A or Party B shall be deemed as the court with right of jurisdiction) similarly are entitled to confer or execute the verdict of the arbitral tribunal and is also entitled to make judgment or execute temporary relief for Party B's equity or property interests, and give verdict or judgment of providing certain temporary relief for the party instigating the arbitration before the establishment of arbitral tribunal or in other appropriate circumstances, such as reaching verdict or judgment of ordering the Defaulting Party to cease the breaching of this Agreement or not to cause additional losses to Party A.
- 8.3 In the arbitration for any disputes arising from the interpretation and implementation of this Agreement, the Parties herein shall continue executing other rights and obligations herein respectively except the matters herein in dispute.
- 8.4 Due to the issuing or alteration of any the PRC laws, rules or regulations or due to the change in interpretation or application of such laws, rules or regulations any time after the signing date, the following agreement shall be applicable: to the extent permitted by the PRC laws, (a) if the alteration of laws or newly issued regulations are more preferential for a Party compared to the relevant laws, decrees, orders or regulations that were in effect on the signing date hereof, each Party shall actively and immediately apply for obtaining the benefits brought by the modification or new regulations and put forth their best effort to obtain the approval for the application; or (b) in case that any Party's economic benefit is directly or indirectly adversely influenced due to the alteration of foregoing laws or newly issued regulations, this Agreement shall be continuously executed as scheduled. All parties shall obtain the exemption from the altered or new regulations through legal means. If the negative effect on the economic benefit of any Party cannot be resolved under this Agreement, all Parties shall immediately negotiate and make all necessary alterations to this Agreement after receiving the notification of the affected Party to safeguard the economic benefit of the affected Party.

9. Force Majeure

- 9.1 “**Force majeure**” refers to events that cannot be foreseen, avoided and overcome so that the this Agreement cannot be executed in part or full. Such events include but are limited to earthquake, typhoon, flood, water disaster, war, strike, turmoil, governmental behavior, changes to legal regulations or their application.
- 9.2 In case of the occurrence of a force majeure event, a Party’s obligation that is being affected by force majeure shall be automatically suspended during the delay caused by force majeure, and the party’s period of implementation of this Agreement shall be automatically prolonged. The prolonged period is the period of the suspension, and the party shall not undertake responsibility and suffer from punishment for it. In case of force majeure, all parties shall instantly negotiate with each other to seek a fair solution and try to minimize effect of force majeure by exerting all reasonable efforts.

10. Compensations

With regard to any litigation and claim for compensation directed at Party A or any losses, damages, responsibilities or expenses incurred arising from the consultation and services provided by Party A pursuant to Party B’s requests, Party B shall compensate Party A so that Party A is free of damages unless such losses, damages, responsibilities or expenses are incurred due to party A’s grievous fault or intentional misconduct.

11. Notices

- 11.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such parties set forth in Exhibit I. The date on which such notices shall be deemed to have been effectively given shall be determined as follows:
- (1) Notices given by personal delivery, by courier service or by registered mail, postage prepaid, shall be deemed effectively delivered on the date of receipt or refusal at the address specified for notices.
 - (2) Notices given by facsimile transmission shall be deemed effectively delivered on the date of successful transmission (subject to transmission confirmation information automatically generated).

11.2 Any party can change the receiving address or fax number when notifying other parties in accordance with the article herein.

12. Transfer

12.1 Without prior written consent of Party A, Party B shall not transfer the rights and obligations herein to any third party.

12.2 Party B agrees that Party A can notify Party B of transferring the rights and obligations herein to any third party in writing in advance without soliciting Party B's consent.

13. Severability

In case that one or several of the terms of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. All parties shall strive for replacing such invalid, illegal or unenforceable terms with effective ones to the extent permitted by law and in accordance with the expectations of each party through friendly negotiation, and the economic effect of such effective terms shall be as close as possible to the that of those invalid, illegal or unenforceable terms.

14. Revision and Supplementation

14.1 Any revision and supplementation of this Agreement shall be made in writing. Any revision and supplementary agreement signed by the Parties relating to this Agreement shall be the inalienable part of this Agreement, having the same legal effect.

14.2 If revision of this Agreement is proposed by the Stock Exchange of Hong Kong Limited or other regulatory institutions, or is required according to securities listing regulations of the Stock Exchange of Hong Kong Limited or related regulations, rules and guiding requirements, this Agreement shall be revised by the Parties reasonably.

15. Text

This Agreement has two copies with one held by each Party, having the same legal effect.

16. Miscellaneous

16.1 Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

-
- 16.2 This Agreement shall have binding force on successors of the Parties and their respective transferees who are approved by the Parties.
- 16.3 Any Party may waive the rights of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.
- 16.4 The titles of this Agreement are for convenience in reading only, and shall not be used to interpret, explain or influence the meanings regulated herein.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

(This page is intentionally left blank and is the signing page of this Exclusive Business Cooperation Agreement)

IN WITNESS WHEREOF, the Parties have executed this Exclusive Business Cooperation Agreement as of the date and at the address first above written.

Xi'an Jingxundi Supply Chain Technology Co., Ltd.

/s/ Xi'an Jingxundi Supply Chain Technology Co., Ltd.

(Seal of Xi'an Jingxundi Supply Chain Technology Co., Ltd.)

(This page is intentionally left blank and is the signing page of this Exclusive Business Cooperation Agreement)

IN WITNESS WHEREOF, the Parties have executed this Exclusive Business Cooperation Agreement as of the date and at the address first above written.

Xi'an Jingdong Xincheng Information Technology Co., Ltd.

/s/ Xi'an Jingdong Xincheng Information Technology Co., Ltd.

(Seal of Xi'an Jingdong Xincheng Information Technology Co., Ltd.)

For the purpose of notification, the Parties' specific address is as below:

Party A: Xi'an Jingxundi Supply Chain Technology Co., Ltd.

Address: ***

Receipt: ***

Party B: Xi'an Jingdong Xincheng Information Technology Co., Ltd.

Address: ***

Receipt: ***

Schedule A

The following schedule sets forth information about the exclusive business cooperation agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

VIE	Executing Parties	Execution Date
Suqian Jingdong Tianning Jiankang Technology Co., Ltd.	Party A: Beijing Jingdong Jiankang Co., Ltd. Party B: Suqian Jingdong Tianning Jiankang Technology Co., Ltd.	September 17, 2020
Guangdong Jingxi Logistics Technology Co., Ltd.	Party A: Jingdong Logistics Supply Chain Co., Ltd. Party B: Guangdong Jingxi Logistics Technology Co., Ltd.	January 25, 2021

Exclusive Option Agreement

This Exclusive Option Agreement (this “**Agreement**”) is executed by and among the following Parties on January 25, 2021 in Beijing, the People’s Republic of China (the “**PRC**”):

Party A: **Xi’an Jingxundi Supply Chain Technology Co., Ltd.**, a limited liability company, organized and existing under the laws of the PRC, with its address at Building 5, SkyCity Central Square, East Chang’An Street No.666, National Civil Space Industrial Base, Xi’an, Shaanxi, China.

Party B: **Richard Qiangdong Liu**, Chinese Identification No. ***;
Yayun Li, Chinese Identification No. ***;
Pang Zhang, Chinese Identification No. ***.

Party C: **Xi’an Jingdong Xincheng Information Technology Co., Ltd.**, a limited liability company organized and existing under the laws of PRC, with its address at Building 5, SkyCity Central Square, East Chang’An Street No.666, Aerospace Base, Xi’an, Shaanxi, China

In this Agreement, each of Party A, Party B and Party C shall be hereinafter referred to as a “**Party**” respectively, and as the “**Parties**” collectively.

Whereas:

- 1 Party B holds 100% of the equity interests of Party C collectively;
- 2 Party A is a company wholly and directly held by JD Logistics Holding Limited (a company registered under the laws of Hong Kong) (the “**Hong Kong Company**”), and the Hong Kong Company is wholly and directly held by JD Logistics, Inc. (a company registered under the laws of the Cayman Islands) (the “**Cayman Company**”);
- 3 Party B and Party C are respectively inclined to grant Party A (or the designated party by Party A) an irrevocable and exclusive option to purchase all or part of the equity interests and assets of Party C held by Party B;
- 4 Party A, Party B and Party C intend to execute this Agreement for the purpose that Party B and Party C grants Party A an exclusive option right.

Now therefore, through mutual discussion and negotiation, the Parties have reached the following agreements:

1. Sale and Purchase of Equity Interest and Assets

1.1 Option Granted

Party B hereby severally, but not jointly agrees to grant Party A an irrevocable and exclusive right to purchase, or designate one or more persons (the “**Designee**”, shall be the Cayman Company or any subsidiaries directly or indirectly controlled by it) to purchase the equity interests in Party C that held by Party B, once or at multiple times at any time in part or in whole and at the price set forth in Article 1.3 hereof in accordance with the procedure promulgated by Party A in Party A’s sole and absolute discretion to the extent permitted by the PRC laws (including any laws, administrative regulations, rules, notifications, interpretations or other binding documents issued by any central or local legislative, executive or judicial authority before or after the signing of this Agreement, the “**PRC laws**”) within the term of this agreement (the “**Equity Interest Purchase Right**”). Party C hereby agrees the grant by Party B of the Equity Interest Purchase Right to Party A. Party C hereby agrees to grant Party A an irrevocable and exclusive right to purchase, or designate the Designee to purchase a portion or whole of the asset of Party C from Party C, once or at multiple times at any time, and at the price set forth in Article 1.3 hereof in accordance with the procedure promulgated by Party A in Party A’s sole and absolute discretion to the extent permitted by the PRC laws within the term of this agreement (the “**Asset Purchase Right**”, and together with the Equity Interest Purchase Right referred to as the “**Purchase Right**”). Party B hereby agrees the grant by Party C of the Asset Purchase Right to Party A. Except for Party A and the Designee, no other third party shall be entitled to the Purchase Right or other rights with respect to the equity interests held by Party B and assets of Party C. The term “**person**” as used herein shall refer to individuals, corporations, joint ventures, partnerships, enterprises, trusts or non-corporate organizations.

1.2 Steps for Exercise of the Purchase Right

The exercise of the Purchase Right by Party A shall subject to the provisions of the PRC laws. Party A may exercise the Purchase Right according to Article 1.1 by issuing a written notice to Party B and/or Party C (the “**Equity Interest Purchase Notice**” or the “**Asset Purchase Notice**”), specifying: (a) Party A’s decision to exercise the Purchase Right; (b) the equity interests to be purchased by Party A and/or the Designee from Party B (the “**Purchased Interests**”) and/or the asset to be purchased by Party A and/or the Designee from Party C (the “**Purchased Asset**”); and (c) the purchase date or transfer date of the Purchased Interests and/or the Purchased Asset. After receiving the Equity Interest Purchase Notice and/or the Asset Purchase Notice, Party B and/or Party C shall transfer the Purchased Interests and/or the Purchased Asset to Party A and/or the Designee according to the notice through the way specified in article 1.4 herein.

1.3 Purchase Price and Payment

The total purchase price (the “**Purchase Price**”) for the purchased interest and/or asset shall be the nominal price when Party A exercises the Purchase Right, however, if the relevant governmental department or the PRC laws require that the Purchase Price be different from the nominal price, then the Purchase Price shall be the lowest price meeting such requirements. Notwithstanding, to the extent permitted by the PRC laws, the Purchase Price Party A and/or the Designee paid to Party B and/or Party C shall be returned by Party B and/or Party C to Party A and/or the Designee (but the tax (if applicable) is withheld and deducted from the Purchase Price). After necessary tax is withheld and deducted for the Purchase Price in accordance with the PRC laws, the Purchase Price shall be paid to the designated account of Party B and/or Party C within 7(seven) days from the date when the Purchased Shares and/or the Purchased Asset is officially transferred to Party A and/or the Designee.

1.4 Transfer of the Purchased Interests and/or the Purchased Asset

For each exercise of the Purchase Right:

- 1.4.1 Party B shall cause Party C to promptly convene a shareholders’ meeting, at which a resolution shall be adopted approving Party B and/or Party C’s transfer of the Purchased Interests and/or the Purchased Asset;
- 1.4.2 Party B and/or Party C shall execute an equity interest transfer contract and/or an asset transfer contract, and any other documents with respect to each transfer with Party A and/or the Designee (if applicable) , in accordance with the provisions of this Agreement and the Equity Interest Purchase Notice and/or the Asset Purchase Notice;
- 1.4.3 The relevant Parties shall execute all other necessary contracts, agreements or documents (including but not limited to the Articles of Association, the joint venture Contract and its amendment of Party C), obtain all necessary internal approval and authorization, government approvals, licenses and permits (including but not limited to Party C’s business license) and take all necessary measures to transfer the valid ownership of the Purchased Interests and/or the Purchased Asset to Party A and/or the Designee, unencumbered by any security interests, and cause Party A and/or the Designee to become the registered owner(s) of the Purchased Interests (subject to the completion of corresponding industrial and commercial registration and the filing of the commercial department (if applicable))and/or the owner of the Purchased Asset. For the purpose of this Section and this Agreement, “**security interests**” shall include securities, mortgages, third party’s rights or interests, any stock options, acquisition rights, rights of first refusal, rights to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement, the Equity Interest Pledge Agreement or any other transaction documents (as defined in the Equity Interest Pledge Agreement). The “**Equity Interest Pledge Agreement**” as used in this Section and this Agreement shall refer to the Equity Interest Pledge Agreement (as amended from time to time) executed by and among Party A, Party B and Party C on the date hereof. Under the Equity Interest Pledge Agreement, Party B may, in order to guarantee party C to fulfill its obligations under the Exclusive Business Cooperation Agreement executed between party C and party A on the date hereof (as amended from time to time, the “**Business Cooperation Agreement**”), the Loan Agreement executed between Party A and Party B on the date hereof (as amended from time to time, the “**Loan Agreement**”), the Shareholder Voting Rights Entrustment Agreement executed among the Parties on the date hereof (as amended from time to time, the “**Shareholder Voting Rights Entrustment Agreement**”), the Power of Attorney(if any)(as amended from time to time, the “**Power of Attorney**”) issued by Party B according to the Shareholder Voting Rights Entrustment Agreement and this Agreement, respectively pledge to Party A the full equity interests of Party C it holds.

2. Covenants

2.1 Covenants of Party C

Party C hereby covenants as follows:

- 2.1.1 Without the prior written consent of Party A, Party C shall not in any manner supplement, change or amend the articles of association and bylaws of Party C, increase or decrease its registered capital, change its structure of registered capital in other manners or take any other measures to separate, dissolve or change the forms of Party C;
- 2.1.2 Party C shall maintain its corporate existence in accordance with good financial and business standards and practices, operate its business and handle its affairs prudently and effectively, and shall fulfill the obligations stipulated under the Business Cooperation Agreement;
- 2.1.3 Without the prior written consent of Party A, Party C shall not change its main business, or conduct any business operation which may cause a substantial effect on its properties, assets, business, rights and operation;
- 2.1.4 Without the prior written consent of Party A, Party C shall not at any time from the date hereof, sell, transfer, mortgage or dispose of in any manner any material assets (tangible or intangible assets) of Party C or legal or beneficial interest in the material business or revenues of Party C of more than RMB1,000,000 (or any other amount separately agreed by the Parties), or allow the encumbrance thereon of any security interest;

- 2.1.5 Unless otherwise required by the PRC laws, Party C shall not be dissolved or liquidated without prior written consent by Party A; After the liquidation described in Article 3.6, Party B shall pay any residual value to Party A in full or shall cause such payment to take place. Provided that such payment is forbidden according to the PRC laws, Party B will pay the income to Party A or the Designee of Party A to the extent permitted by the PRC laws.
- 2.1.6 Without the prior written consent of Party A, Party C shall not incur, inherit, guarantee or suffer the existence of any debt, except for (i) debt incurred in the ordinary course of business other than through loans; and (ii) debts have been disclosed to Party A for which Party A's written consent has been obtained.
- 2.1.7 Party C shall always operate all of Party C's businesses within the normal business scope to maintain the asset value of Party C and refrain from any action/omission that may affect Party C's operating status and asset value; and the board of directors of Party A is entitled to supervise the asset of Party C and assess whether it has control over the above asset. If the board of directors of Party A believes that the business operation of Party C will affect the value of its asset or affect the board's control over the asset of Party C, Party A will engage legal counsels or other professionals to deal with issues hereof;
- 2.1.8 Without the prior written consent of Party A, Party C shall not execute any major contract, except for the contracts in the ordinary course of business and the contracts signed between Party C and Party A's foreign parent company or its subsidiaries directly or indirectly held by Party A's foreign parent company (for the purpose of this subsection, a contract with a price exceeding RMB 1,000,000 (or any other amount separately agreed by the Parties) shall be deemed as a major contract);
- 2.1.9 Without the prior written consent of Party A, Party C shall not provide any person with any loan, financial support, or mortgage, pledge and any other form of security, or shall not allow any other third party to place any mortgage or pledge on Party C's asset or equity interests;
- 2.1.10 Party C shall provide true and accurate materials and documents to Party A upon Party A's request;
- 2.1.11 Party C shall provide all materials relating to its operation and financial status to Party A upon Party A's request;
- 2.1.12 Without the prior written consent of Party A, Party C shall not amend or change any accounting policies adopted previously, or appoint or change its auditors;

- 2.1.13 Without the prior written consent of Party A, Party C shall not engage in any merge, partnership, joint venture or union with any party, or to acquire or invest in any party;
- 2.1.14 Without the prior written consent of Party A, Party C shall not conduct any reorganization;
- 2.1.15 Party C shall promptly notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C's assets, business or revenue, and take all necessary measures as Party A may reasonably request;
- 2.1.16 To maintain the ownership by Party C of all of its assets, Party C shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary and appropriate defenses against all claims;
- 2.1.17 Without the prior written consent of Party A, Party C shall ensure that it shall not in any manner distribute dividends to its shareholders. Provided that upon Party A's written request, Party C shall immediately distribute all distributable profits to its shareholders;
- 2.1.18 Without the prior written consent of Party A, Party C shall not directly or indirectly dispose or dilute its interests of its subsidiaries and branches.
- 2.1.19 At the request of Party A, Party C shall appoint any person designated by Party A as the director, supervisor and/or senior management of Party C, and/or remove the incumbent director, supervisor and/or senior management and perform all relevant resolutions and filing procedures; Party A shall be entitled to require Party B and Party C to replace the foregoing personnel;
- 2.1.20 Subject to other provisions of this Agreement (including but not limited to Articles 5.2 and Articles 12.1), if Party A fails to exercise the Purchase Right due to the Party C's shareholders or Party C fails to fulfill the tax obligation under the applicable laws, Party A shall be entitled to request Party C or its shareholders to fulfill the tax obligation, or request Party C or its shareholders to pay the tax to Party A so that Party A can pay it on behalf of Part C or its shareholders;
- 2.1.21 As for the covenants applicable to Party C under Article 2.1 hereof, Party C shall cause its subsidiary companies to similarly obey the covenants under applicable situations as if the subsidiary companies are acting as Party C and bound by the corresponding articles herein.

2.2 Covenants of Party B

Party B hereby severally, not jointly and irrevocably covenants as follows:

- 2.2.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon, except for the pledge placed thereon in accordance with the Equity Interest Pledge Agreement or any other transaction documents (as defined in the Equity Interest Pledge Agreement); and Without the prior written consent of Party A, Party B shall cause the shareholders' meeting and/or the directors (or the executive director) of Party C not to approve any sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any security interest, except for the pledge placed thereon in accordance with the Equity Interest Pledge Agreement or any other transaction documents (as defined in the Equity Interest Pledge Agreement);
- 2.2.2 Party B shall not engage in any business operations or take any other actions that may adversely affect Party C's reputation;
- 2.2.3 Party B shall take reasonable measures to ensure Party C's business licenses are legitimate, effective and renewed in accordance with the law;
- 2.2.4 The prior written consent of Party A is necessary with respect to any appointment of any Director, Supervisor, Legal Representative, and senior management personnel of Party C, and Party B shall execute all necessary or appropriate documents and take all reasonable measures to appoint any aforementioned persons designated by Party A;
- 2.2.5 As shareholders of Party C, Party B shall not injure any of the interests of Party C by abusing the shareholder's rights; Party A shall be entitled to exercise the Purchase Right under the Exclusive Option Agreement in the case of Party B's abusing;
- 2.2.6 Party B shall not request Party C to distribute dividends or profits in other forms with respect to the Party C's equity held by Party B, or shall not submit relevant resolution matters to the Board of Directors. In any event that Party B receives any revenue, profit distribution or dividend of Party C, Party B shall forfeit such revenues, profits distribution and dividends, and promptly transfer or pay the foregoing revenues, profit distribution, dividend to Party A or the Designee to the extent permitted by the PRC laws;

- 2.2.7 Party B shall cause the shareholders' meeting and/or the directors (or the executive director) of Party C not to approve any sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B without the prior written consent of Party A, or set the encumbrance thereon of any security interests, except for the pledge placed hereon according to the Equity Interest Pledge Agreement;
- 2.2.8 Party B shall cause the shareholders' meeting and/or the board of directors (or the executive director) of Party C not to approve the merge, partnership, joint venture or union with any person, or the acquisition of or investment in any person, or Party C's splitting, modification of the Article of Association of Party C or its joint venture contract, or the change of registered capital or the form of Party C without the prior written consent of Party A;
- 2.2.9 Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B, and take any and all necessary measure as Party A may reasonably request;
- 2.2.10 Party B shall execute all necessary or appropriate documents, take all necessary or appropriate actions, make all necessary or appropriate claims and make necessary and appropriate defenses against all claims, to ensure Party B's equity interests in Party C;
- 2.2.11 Party B shall not, and shall procure its successors not, initiate any lawsuits, arbitrations, or other legal proceedings with respect to the contractual arrangement or terminate the contractual arrangement;
- 2.2.12 Party B shall cause the shareholders' meeting or the board of directors (or the executive director) of Party C to vote their approval of the transfer of the Purchased Interests and/or the Purchased Asset as set forth in this Agreement and to take any and all other actions that may be requested by Party A;
- 2.2.13 At the request of Party A at any time, Party B and/or Party C shall immediately and unconditionally transfer its equity interests and/or assets of Party C to Party A and/or the Designee in accordance with the Purchase Right under this Agreement, and Party B shall hereby waive its right of first refusal to the transfer of equity interests by any other shareholder of Party C to Party A (if any);

- 2.2.14 Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A (including but not limited to the Equity Interest Pledge Agreement and the Business Cooperation Agreement), perform obligations hereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that Party B has any remaining rights with respect to the equity interests subject to this Agreement or the Equity Interest Pledge Agreement or the Power of Attorney in which Party A as a beneficiary, Party B shall not exercise such rights except in accordance with the written instructions of Party A.
- 2.2.15 Prior to Party C's liquidation, if Party A (or the Designee) has paid the Purchase Price of equity interest to Party B, but related changes in the registration in authority has not completed, Party B shall pay the income from distribution of residual property of Party C's equity held by Party B to Party A or its Designee freely at the time of or after dissolution of Party C. Under such circumstance, Party B should not claim any rights for related income of residual property distribution (unless under Party A's instruction);
- 2.2.16 Party B agrees to unconditionally return the Purchase Price received from Party A for the transfer of the Purchased Interests and/or the Purchased Asset transferred by Party B to the extent permitted by the PRC Laws at that time (but the tax (if applicable) shall be withheld and deducted for the Purchase Price); and
- 2.2.17 Party B agrees to execute an irrevocable Power of Attorney in the form and substance satisfactory to Party A, and entrust Party A or the Designee to exercise all the shareholders' rights of Party B; and
- 2.2.18 Party B shall ensure that Party C will be validly existing and in good standing, and shall not take any actions that may result in termination, liquidation or dissolution of Party C.

3. Representations and Warranties

Party B and Party C hereby represent and warrant to Party A as stated in the following articles from Article 3.1 to Article 3.2, severally and not jointly, as of the date of this Agreement and each date of the transfer of the Purchased Interests and the Purchased Asset, and Party C hereby represents and warrants to Party A as stated in the following articles from Article 3.4 to Article 3.9, as of the date of this Agreement and each date of the transfer of the Purchased Interests and the Purchased Asset:

- 3.1 They have the power and capacity to execute and deliver this Agreement and any transfer contracts to which they are parties concerning the Purchased Interests and/or the Purchased Asset to be transferred thereunder (each, a "**Transfer Contract**"), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts consistent with the terms of this Agreement upon Party A's exercise of the Purchase Right. This Agreement and the Transfer Contracts to which they are parties constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;

- 3.2 The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall or will not: (i) cause any violation of any applicable laws of China; (ii) be inconsistent with the articles of association, joint venture contracts, bylaws or other organizational documents; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to them;
- 3.3 Party B has a good and merchantable title to the equity interests of Party C held by Party B. Except for the Equity Interest Pledge Agreement or any other transaction documents (as defined in the Equity Interest Pledge Agreement), Party B has not placed any security interest on such equity interests;
- 3.4 Party C has a good and merchantable title to all of its assets, and has not placed any security interest on the aforementioned assets;
- 3.5 Party C does not have any outstanding debts, except for (i) debt incurred within the normal business scope; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained.
- 3.6 If Party C dissolves or liquidates required by the PRC laws, Party C shall sell all the assets to Party A or the Designee at the lowest price permitted under the PRC laws to the extent permitted by the PRC laws. Party C shall exempt any payment obligation of Party A or the Designee arising from the sale of assets; and subject to the applicable PRC laws at the time, any revenue arising from the sale of assets shall be paid to Party A or the Designee as part of service fees under the Business Cooperation Agreement;
- 3.7 Party C has complied with all laws and regulations of China applicable to asset acquisitions; and

- 3.8 There are no existing or pending litigation, arbitration or administrative proceedings relating to the equity interests of Party C, assets of Party C or Party C.
- 3.9 Under the circumstance of death, incapacity, marriage, divorce, bankruptcy, dissolution, liquidation or other circumstances that may influence Party B's equity interest of Party C, Party B's successors (including spouse, children, parents, siblings and grandparents) or the shareholder or transferee of the equity of Party C at that time will be deemed to be the signatory of this Agreement, and be entitled to inherit, enjoy and undertake all rights and obligations of Party B herein, and transfer the relevant equity interests of Party C to Party A or the Designee according to the applicable law at that time and this Agreement.

4. **Effective Date and Term**

This Agreement shall become effective upon execution by the Parties, and remaining effective subject to the extended term as stipulated by the PRC laws, until the date of the full transfer of the Purchased Interests and/or Purchased Assets held by Party B or Party C to Party A and/or the Designee (subject to the completion of the change of the industrial and commercial registration and the filing to the Commercial Department(if applicable)) and Party A, its subsidiary company and branches are legally engaged in Party C's business. Notwithstanding the foregoing, Party A is entitled to terminate this Agreement at any time by sending written notice to Party B and Party C, and be exempted from any liability for breach of contract relating to its unilateral termination of this Agreement. Unless otherwise provided by the PRC laws, Party B and Party C shall not be entitled to terminate this Agreement unilaterally.

5. **Liability for Breach of Contract**

- 5.1 Unless otherwise specified in other articles herein, if a Party(the "**Defaulting Party**") fails to fulfill certain obligations herein or violates this agreement in other ways, the other Parties (the "**Damaged Party**") may: (a) notify the Defaulting Party of the nature and scope of the violation in writing and ask the Defaulting Party to remediate at its own expense within a reasonable period of time (hereinafter referred to as "**Remediation Period**"); and if the Defaulting Party fails to take remedial measures during the Remediation Period, the Damaged Party are entitled to ask the Defaulting Party to undertake all responsibilities for its violation and also compensate all actual economic losses due to the Damaged Party, including without limitation, the legal fees incurred in litigation and arbitration proceedings relating to the violation. The Damaged Party are also entitled to require the Defaulting Party to perform its contractual obligations and request the court or the relevant arbitration institution to issue an order of specific performance or compulsory performance by the Defaulting Party; (b) terminate this agreement and ask the Defaulting Party to undertake all responsibilities for its violation and also compensate all damages; or (c) place the pledged equity on discount, auction or selling according to the Equity Interest Pledge Agreement, be entitled to compensation priority in the amount of discount, auction and selling, and ask the Defaulting Party to undertake all losses hereof. While exercising the foregoing remedial right, the Damaged Party are entitled to other remedial rights regulated herein and under the relevant laws and regulations.

5.2 The Parties hereby agree and confirm that, subject to the compulsory requirements of PRC laws, if Party B or Party C is the Defaulting Party, the Damaged Party is entitled to terminate this agreement unilaterally and require the Defaulting Party to compensate the losses. However, if Party A is the Defaulting Party, the Party B and Party C shall exempt Party A's obligation of compensating the losses, and unless the law states otherwise, the Party B and Party C is not entitled to terminate this agreement under any circumstance.

6. Governing Law and Dispute Resolution

6.1 Governing Law

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by Chinese law.

6.2 Dispute Resolution

Any disputes arising from the interpretation and implementation of this agreement shall be firstly solved through the Parties' friendly negotiations. In case that the consensus on settlement of such disputes is not reached within 30 days after any party asks the other party to reach solution through friendly negotiations, any party can submit the disputes to Beijing Arbitration Commission, which gives verdict according to the prevailing arbitration rule at that time. The arbitration shall take place in Beijing and language for arbitration shall be Chinese. The arbitration award is final and binding on each party. The arbitral tribunal can order Party C to compensate the losses of Party A with Party C's equity interests, assets or property rights and interests, reach judgment of mandatory relief through mandatory transfer of related business or assets or order Party B to declare bankruptcy. After the arbitration award becomes effective, any party is entitled to petition the relevant court to execute the arbitration award. If necessary, the arbitral institution is entitled to order the Defaulting Party to cease the breach of this agreement or refrain from actions that would increase the losses to Party A before making final verdict for the disputes of all parties. The courts in Hong Kong, Cayman Islands, China or other places with right of jurisdiction (including the court in the place of Party C, or the court in the place of main asset of Party A or Party C shall be deemed as the court with right of jurisdiction) similarly are entitled to confer or execute the verdict of the arbitral tribunal and is also entitled to make judgment or execute temporary relief for Party C's equity or property interests, and give verdict or judgment of providing certain temporary relief for the party instigating the arbitration before the establishment of arbitral tribunal or in other appropriate circumstances, such as reaching verdict or judgment of ordering the Defaulting Party to cease the breaching of this Agreement or not to cause additional losses to Party A.

- 6.3 In the arbitration for any disputes arising from the interpretation and implementation of this agreement, the Parties herein shall continue executing other rights and obligations herein respectively except the matters herein in dispute.
- 6.4 Due to the issuing or alteration of any PRC Laws, rules or regulations or due to the change in interpretation or application of such laws, rules or regulations any time after the signing date, the following agreement shall be applicable: to the extent permitted by PRC Laws, (a) if the alteration of laws or newly issued regulations are more preferential for a Party compared to the relevant laws, decrees, orders or regulations that were in effect on the signing date hereof, each Party shall actively and immediately apply for obtaining the benefits brought by the modification or new regulations and put forth their best effort to obtain the approval for the application; or (b) in case that any party's economic benefit is directly or indirectly adversely influenced due to the alteration of foregoing laws or newly issued regulations, this agreement shall be continuously executed as scheduled. All parties shall obtain the exemption from the altered or new regulations through legal means. If the negative effect on the economic benefit of any Party cannot be resolved under this agreement, all Parties shall immediately negotiate and make all necessary alterations to this agreement after receiving the notification of the affected Party to safeguard the economic benefit of the affected Party.

7. Taxes and Fees

Party C shall pay any and all transfer and registration taxes, expenses and fees incurred thereby or levied thereon in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts.

8. Notices

- 8.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, prepaid postage, a commercial courier service or facsimile transmission to the address or fax number of such Party as listed in Exhibit I. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
- 8.1.1 Notices given by personal delivery, courier service, registered mail or prepaid postage shall be deemed effectively given on the date of receipt or refusal at the address specified for notices;
- 8.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 8.2 Any Party may at any time change its address or fax number for notices by a notice delivered to the other Parties in accordance with the terms hereof.

9. Confidentiality

The Parties acknowledge that any oral or written information exchanged between the Parties in connection with this Agreement is regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without the written consent of other Parties, it shall not disclose any relevant confidential information to any third parties, except for the following circumstances: (a) the information is in the public domain (other than through the receiving Party's unauthorized disclosure); (b) the information is under the obligation to be disclosed pursuant to the applicable laws or rules of any stock exchange; (c) the information is required to be disclosed by any Party to its legal counsel or financial advisors regarding the transaction contemplated hereunder, provided that such legal counsels, or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section; or (d) the information is disclosed by any party as a limited partnership (or a direct or indirect affiliate or subsidiary of a limited partnership) to the general partners, managers and existing and potential limited partners of such limited partnership. Disclosure of any confidential information by the employees or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement. The Parties agree that the provisions of this Article shall survive the termination of this Agreement regardless of the reason why this Agreement is terminated.

10. Further Warranties

The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

11. Force Majeure

- 11.1 “**Force majeure**” refers to events that cannot be foreseen, avoided and overcome so that the this Agreement cannot be executed in part or full. Such events include but are limited to earthquake, typhoon, flood, water disaster, war, strike, turmoil, governmental behavior, changes to legal regulations or their application.
- 11.2 In case of the occurrence of a force majeure event, a Party’s obligation that is being affected by force majeure shall be automatically suspended during the delay caused by force majeure, and the party’s period of implementation of this agreement shall be automatically prolonged. The prolonged period is the period of the suspension, and the party shall not undertake responsibility and suffer from punishment for it. In case of force majeure, all parties shall instantly negotiate with each other to seek a fair solution and try to minimize effect of force majeure by exerting all reasonable efforts.

12. Miscellaneous

12.1 Non-Joint Liabilities and Liability Limitations

Despite any adverse provisions in this Agreement or other transaction documents (as defined in the Equity Interest Pledge Agreement) or any other document or law, Party B’s obligations and liabilities under this Agreement are on a several and not joint basis.

12.2 Amendments, changes and supplement

For matters not included herein, the Parties may otherwise enter into supplement agreement upon negotiations. Any revision and supplementation of this agreement shall be made in writing. Any revision and supplementary agreement signed by the Parties relating to this agreement shall be the inalienable part of this agreement, having the same legal effect.

If any revisions to this Agreement is proposed by the Stock Exchange of Hong Kong Limited or other regulatory authorities, or any change in the listing rules or related requirements hereof relating to this agreement, the parties shall revise this agreement reasonably and accordingly.

12.3 Entire agreement

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

12.4 Headings

The headings of this Agreement are for convenience in reading only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

12.5 Text

This agreement has five copies with one held by each Party, having the same legal effect.

12.6 Severability

In the event that one or several of the provisions of this Agreement are found to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

12.7 Successors

This Agreement shall be binding on and shall inure to the interest of the respective successors of the Parties and the permitted assigns of such Parties.

12.8 Survival

12.8.1 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof.

12.8.2 The provisions of Article 6,7,8,9,12.1 and this Article 12.8 shall survive the termination of this Agreement.

12.9 Waivers

Any Party may waive the rights hereof, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

12.10 Compliance with laws and regulations

The Parties shall comply with and make sure its business operation comply with all Chinese laws and regulations which are binding on them and have been formally issued and may be publicly acquired.

12.11 Transfer

Without prior written consent of Party A, Party C and/or Party B should not transfer any rights/and or obligations herein to any third party. Party B and Party C hereby agree that Party A is entitled to transfer any of Party A's rights and/or obligations herein to any third party after notifying Party B and Party C in writing. Party B and Party C shall sign a supplementary agreement with the transferee or a new agreement containing substantially the same content herein with the transferee.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

(This page is intentionally left blank and is the signing page of this Exclusive Option Agreement)

IN WITNESS WHEREOF, the Parties have executed this Exclusive Option Agreement as of the date and at the address first above written.

Xi'an Jingxundi Supply Chain Technology Co., Ltd. (seal)

/s/ Xi'an Jingxundi Supply Chain Technology Co., Ltd.
(Seal of Xi'an Jingxundi Supply Chain Technology Co., Ltd.)

(This page is intentionally left blank and is the signing page of this Exclusive Option Agreement)

IN WITNESS WHEREOF, the Parties have executed this Exclusive Option Agreement as of the date and at the address first above written.

Xi'an Jingdong Xincheng Information Technology Co., Ltd. (seal)

/s/ Xi'an Jingdong Xincheng Information Technology Co., Ltd.
(Seal of Xi'an Jingdong Xincheng Information Technology Co., Ltd.)

(This page is intentionally left blank and is the signing page of this Exclusive Option Agreement)

IN WITNESS WHEREOF, the Parties have executed this Exclusive Option Agreement as of the date and at the address first above written.

Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

(This page is intentionally left blank and is the signing page of this Exclusive Option Agreement)

IN WITNESS WHEREOF, the Parties have executed this Exclusive Option Agreement as of the date and at the address first above written.

Yayun Li

By: /s/ Yayun Li

(This page is intentionally left blank and is the signing page of this Exclusive Option Agreement)

IN WITNESS WHEREOF, the Parties have executed this Exclusive Option Agreement as of the date and at the address first above written.

Pang Zhang

By: /s/ Pang Zhang_____

For the purpose of notices, the contacts information of the Parties are as follows:

Party A:

Xi'an Jingxundi Supply Chain Technology Co., Ltd.

Address: ***

Receipt: ***

Party B:

Richard Qiangdong Liu

Address: ***

Yayun Li

Address: ***

Pang Zhang

Address: ***

Party C:

Xi'an Jingdong Xincheng Information Technology Co., Ltd.

Address: ***

Receipt: ***

Schedule A

The following schedule sets forth information about the exclusive option agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities. 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>Effective Date</u>	<u>Execution Date</u>
Suqian Jingdong Tianning Jiankang Technology Co., Ltd.	Party A: Beijing Jingdong Jiankang Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Suqian Jingdong Tianning Jiankang Technology Co., Ltd.	September 17, 2020	September 17, 2020
Guangdong Jingxi Logistics Technology Co., Ltd.	Party A: Jingdong Logistics Supply Chain Co., Ltd. Party B: Jian Cui and Dingkai Yu Party C: Guangdong Jingxi Logistics Technology Co., Ltd.	January 25, 2021	January 25, 2021

LOAN AGREEMENT

This LOAN AGREEMENT (this “**Agreement**”), is executed by and among the following Parties on January 25, 2021 in Beijing, the People’s Republic of China (“**PRC**”):

Lender: Xi’an Jingxundi Supply Chain Technology Co., Ltd., a limited liability company, organized and existing under the laws of the PRC, with its address at Building 5, SkyCity Central Square, East Chang’An Street No.666, National Civil Space Industrial Base, Xi’an, Shaanxi, China;

And

Borrowers: **Richard Qiangdong Liu**, Chinese Identification No. ***;
Yayun Li, Chinese Identification No. ***;
Pang Zhang, Chinese Identification No. ***.

(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 RMB one million (¥1,000,000.00) (the “**Loan**”) to the Borrowers, which the Loan will be provided to Richard Qiangdong Liu at the amount of RMB four hundred and fifty thousand (¥450,000.00), the Loan will be provided to Yayun Li at the amount of RMB three hundred thousand (¥300,000.00), and the Loan will be provided by Pang Zhang at the amount of RMB two hundred and fifty thousand (¥250,000.00).
- 1.2 It is confirmed that the Lender will provide, and the Borrowers will receive the full amount of the Loan when the Borrowers make actual capital contribution to Xi’an Jingdong Xincheng Information Technology Co., Ltd.
- 1.3 The Borrowers agree to use the Loan to pay for their investment in the registered capital of Xi’an Jingdong Xincheng Information Technology Co., Ltd. (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 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, and the Borrowers shall immediately make the repayment of the Loan 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 RMB100,000 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 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 Interest Pledge Agreement (as defined below), or the Exclusive 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 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 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 and 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 in this Agreement, 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 shall repay the Loan according to the provisions of this Agreement and requirements from the Lender.

- 4.2 The Borrowers shall enter into an Equity Interest Pledge Agreement (the “**Equity Interest 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 shall enter into an Exclusive Option Agreement (the “**Exclusive Option Agreement**”) with the Lender and the Borrower Company, whereby the Borrowers shall, to the extent permitted by the PRC laws, grant an irrevocable and exclusive 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 shall perform their obligations under this Agreement, the Equity Interest Pledge Agreement and the Exclusive 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 shall sign an Shareholder Voting Rights Entrustment Agreement (the “**Shareholder Voting Rights Entrustment Agreement**”) and an irrevocable power of attorney authorizing a person designated by the Lender to exercise on its behalf all of his or her 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 limited liability 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, and it has obtained all necessary and appropriate approval and authorization with respect to its execution and performance;
 - (3) Neither its execution nor its 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, constitutes a legal, valid and binding obligation of 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 lawful owners of the Borrower Equity;

(3) Neither their execution nor their 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, constitutes a legal, valid and binding obligation of any Borrower;

(5) They will pay the full investment relating to the Borrower Equity according to law;

(6) Except for those provided under the Equity Interest 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, and enter into no agreement with any third party to transfer the Borrower Equity;

(7) There is no existing or potential dispute, lawsuit, 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 shall 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 in any form;
 - (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) without prior written consent from the Lender, not to provide any loan or credit to any party;
 - (8) to provide any and all information regarding its operations and financial conditions to the Lender upon 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 designated by the Lender or the parent of the Lender to its board upon the request of the Lender; and
- (15) to strictly comply with the provisions of the Exclusive 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 Interest 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) without prior written consent from the Lender, 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, except to the Lender or its designated person;
- (3) without prior written consent from the Lender, to procure the shareholders of the Borrower Company not to approve its merger or association with, or acquisition of or investment in any person;
- (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) without prior written consent from the Lender, not to make any act and/or omission which may affect any asset, business or liability of the Borrower Company;
- (7) to appoint any person designated by the Lender or the parent of the Lender to the board of the Borrower Company upon the request of the Lender;
- (8) to the extent permitted under the PRC laws and upon 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 upon 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 rights of first refusal regarding such equity interests;
- (10) if the Lender purchases the Borrower Equity from the Borrowers pursuant to the Exclusive 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 Interest Pledge Agreement and the Exclusive Option Agreement, to 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) business 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 an 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: Xi'an Jingxundi Supply Chain Technology Co., Ltd.**

Address: ***

Attention: ***

If to the **Borrowers:**

Richard Qiangdong Liu

Address: ***

Yayun Li

Address: ***

Pang Zhang

Address: ***

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 Any disputes arising from the interpretation and implementation of this Agreement shall be firstly solved through the Parties' friendly negotiations. In case that the consensus on settlement of such disputes is not reached within 30 days after any Party asks the other party to reach solution through friendly negotiations, any Party can submit the disputes to Beijing Arbitration Commission, which gives verdict according to the prevailing arbitration rule at that time. The arbitration shall take place in Beijing and language for arbitration shall be Chinese. The arbitration award is final and binding on each party. The arbitral tribunal can order the Borrowers to compensate the losses of the Lender with the Borrower Company's equity interests, assets or property rights and interests, reach judgment of mandatory relief through mandatory transfer of related business or assets or order the Borrowers to declare bankruptcy. After the arbitration award becomes effective, any Party is entitled to petition the relevant court to execute the arbitration award. If necessary, the arbitral institution is entitled to order the Defaulting Party to cease the breach of this Agreement or refrain from actions that would increase the losses to the Lender before making final verdict for the disputes of all parties. The courts in Hong Kong, Cayman Islands, China or other places with right of jurisdiction (including the court in the place of the Borrower Company, or the court in the place of main asset of the Lender or the Borrower Company shall be deemed as the court with right of jurisdiction) similarly are entitled to confer or execute the verdict of the arbitral tribunal and is also entitled to make judgment or execute temporary relief for the equity or property interests in the Borrower Company, and give verdict or judgment of providing certain temporary relief for the party instigating the arbitration before the establishment of arbitral tribunal or in other appropriate circumstances, such as reaching verdict or judgment of ordering the Defaulting Party to cease the breaching of this Agreement or not to cause additional losses to the Lender.

8.3 In the arbitration for any disputes arising from the interpretation and implementation of this Agreement, the Parties herein shall continue executing other rights and obligations herein respectively except the matters herein in dispute.

8.4 Due to the issuing or alteration of any the PRC laws, rules or regulations or due to the change in interpretation or application of such laws, rules or regulations any time after the signing date, the following agreement shall be applicable: to the extent permitted by the PRC laws, (a) if the alteration of laws or newly issued regulations are more preferential for a Party compared to the relevant laws, decrees, orders or regulations that were in effect on the signing date hereof, each Party shall actively and immediately apply for obtaining the benefits brought by the modification or new regulations and put forth their best effort to obtain the approval for the application; or (b) in case that any Party's economic benefit is directly or indirectly adversely influenced due to the alteration of foregoing laws or newly issued regulations, this Agreement shall be continuously executed as scheduled. All parties shall obtain the exemption from the altered or new regulations through legal means. If the negative effect on the economic benefit of any Party cannot be resolved under this Agreement, all Parties shall immediately negotiate and make all necessary alterations to this Agreement after receiving the notification of the affected Party to safeguard the economic benefit of the affected Party.

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, 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 four (4) originals with each Party holding one (1) original. Each original has the same effect.

(No text below)

(This page is intentionally left blank and is the signing page of this Loan Agreement)

IN WITNESS WHEREOF, the Parties have executed this Loan Agreement as of the date and at the address first above written.

Xi'an Jingxundi Supply Chain Technology Co., Ltd. (seal)

/s/ Xi'an Jingxundi Supply Chain Technology Co., Ltd.
(Seal of Xi'an Jingxundi Supply Chain Technology Co., Ltd.)

(This page is intentionally left blank and is the signing page of this Loan Agreement)

IN WITNESS WHEREOF, the Parties have executed this Loan Agreement as of the date and at the address first above written.

Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

(This page is intentionally left blank and is the signing page of this Loan Agreement)

IN WITNESS WHEREOF, the Parties have executed this Loan Agreement as of the date and at the address first above written.

Yayun Li

By: /s/ Yayun Li

(This page is intentionally left blank and is the signing page of this Loan Agreement)

IN WITNESS WHEREOF, the Parties have executed this Loan Agreement as of the date and at the address first above written.

Pang Zhang

By: /s/ Pang Zhang

Schedule A

The following schedule sets forth information about the loan agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities. 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>
Suqian Jingdong Tianning Jiankang Technology Co., Ltd.	Lender: Beijing Jingdong Jiankang Co., Ltd. Borrowers: Richard Qiangdong Liu, Yayun Li and Pang Zhang	Amount: an aggregate 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	September 17, 2020	September 17, 2020
Guangdong Jingxi Logistics Technology Co., Ltd.	Lender: Jingdong Logistics Supply Chain Co., Ltd. Borrowers: Jian Cui and Dingkai Yu	Amount: an aggregate of RMB5,000,000, of which RMB2,500,000 will be provided to Jian Cui and RMB2,500,000 will be provided to Dingkai Yu	January 25, 2021	January 25, 2021

Shareholder Voting Rights Entrustment Agreement

This Shareholder Voting Rights Entrustment Agreement (hereinafter referred to as the “**Agreement**”) is signed among following Parties on January 25, 2021 in Beijing, the People’s Republic of China (the “**PRC**”).

Party A: **Xi’an Jingxundi Supply Chain Technology Co., Ltd.**, a limited liability company, organized and existing under the PRC laws, with its address at Building 5, SkyCity Central Square, East Chang’An Street No.666, National Civil Space Industrial Base, Xi’an, Shaanxi, China.

Party B: **Richard Qiangdong Liu**, a Chinese citizen with Chinese Identification No.: ***; and
Yayun Li, a Chinese citizen with Chinese Identification No.: ***; and
Pang Zhang, a Chinese citizen with Chinese Identification No.: ***; and

Party C: **Xi’an Jingdong Xincheng Information Technology Co., Ltd.**, a limited liability company organized and existing under the laws of PRC, with its address at Building 5, SkyCity Central Square, East Chang’An Street No.666, Aerospace Base, Xi’an, Shaanxi, China.

Whereas:

1. Party B is the current shareholder of Party C. By the signing date of this Agreement, Party B held all of Party C’s equity (hereinafter referred to as “**Party C’s Equity Interest**”); Party A is a wholly foreign-owned enterprise registered in Shaanxi Province, China
2. Party A is 100% directly held by JD Logistics Holding Limited (a company registered under the laws of Hong Kong) (the “**Hong Kong Company**”), and the Hong Kong Company is 100% directly held by JD Logistics, Inc. (a company registered under the laws of the Cayman Islands) (the “**Cayman Company**”).
3. The Parties hereunder signed an Exclusive Option Agreement (hereinafter referred to as the “**Exclusive Option Agreement**”) on the date hereof. To the extent permitted by the PRC laws and corresponding requirements, if Party A makes a purchase request based on its independent judgment: (a) Party B shall transfer Party C’s Equity Interest that it holds to Party A, and/or its designee (hereinafter referred to as the “**Designee**”, who needs to be the Cayman Company or a subsidiary that is directly or indirectly wholly controlled by it) in whole or in part according to its requirements; (b) Party C shall transfer all or part of its assets to Party A and/or the Designee according to its requirements.
4. The Parties to this Agreement entered into an Equity Interest Pledge Agreement (hereinafter referred to as the “**Equity Pledge Agreement**”) on the date hereof. Thus, Party B pledges all of the Equity Interest it holds in Party C (Party C’s Equity Interest) to Party A as pledge guarantee for the Contract Obligations and Secured Indebtedness thereunder.

5. Party A and Party B entered into a Loan Agreement (including revisions from time to time, hereinafter referred to as the “**Loan Agreement**”) on the date hereof. Pursuant to the Loan Agreement, the Pledgee provided a loan of RMB1,000,000 to the Pledgors in total, among which RMB450,000 was provided to Richard Qiangdong Liu, RMB300,000 was provided to Yayun Li, and RMB250,000 was provided to Pang Zhang.
6. Party A and Party C entered into an Exclusive Business Cooperation Agreement (including revisions from time to time, hereinafter referred to as the “**Business Cooperation Agreement**”) on the date hereof. Party A shall provide Party C with related exclusive technical services, technical consultations and other services based on the Business Cooperation Agreement.
7. To guarantee and protect the performance of the Business Cooperation Agreement and Party A’s lawful rights and interests, the Parties intend to sign this Agreement on matters such as Party B’s entrusted shareholder voting rights to Party A. Party B intends to authorize the individual or entity designated by Party A as its proxy to exercise its rights (defined as below) in Party C, while Party A intends to accept such arrangement.

The Parties agree as follows after friendly negotiation:

1. **Proxy Rights**

- 1.1 Party B severally and not jointly, unconditionally and irrevocably undertakes to sign the Power of Attorney (hereinafter referred to as the “**Power of Attorney**”) with the same content and format as shown in Appendix I of this Agreement the date hereof, and authorize Party A or Party A’s director of its overseas parent holding company and liquidator or other successor performing such director’s duties as agent (hereinafter referred to as the “**Trustee**”) according to Party A’s instructions to exercise all of its rights as Party C’s shareholder and rights representing Party B in exercising all shareholders’ rights in all matters of Party C according to Party C’s current articles of association, joint venture contract, Transaction Documents(as defined in the “**Equity Pledge Agreement**”), and applicable laws and regulations. However, the Trustee hereinbefore shall not be Party B or other shareholders of Party C. Such shareholder’s rights (hereinafter referred to as “**Proxy Rights**”) shall include but not limited to:

- 1) Exercising all of Party B's shareholder's rights, voting rights, as the shareholder of Party C, under the PRC laws (including all laws, rules, regulations, notices, interpretations or other binding documents promulgated by any central or regional legislative, administrative or judicial departments before or after signing this Agreement, which are hereinafter referred to as the "**PRC laws**") and Transaction Documents(as defined in the Equity Pledge Agreement) and Party C's articles of association and joint venture contract (including any other shareholders' voting rights specified after the articles of association and joint venture contract are revised), including but not limited to rights to share dividends, sell or transfer or pledge Party C's Equity Interest in part or in whole;
- 2) According to particular clauses of election of the legal representative in Party C's articles of association and joint venture contract, acting as Party C's legal representative, or Chairman of the Board of Directors, director, manager and/or designate, appoint or replace Party C's legal representative (Chairman of the Board of Directors), director, supervisor, CEO (or manager) and other senior managers on behalf of Party B; when the actions of the directors, supervisors or senior managers of Party C damage the interests of Party C or its shareholders, filing a lawsuit or taking other legal acts against them.
- 3) Signing documents to exercise shareholder rights related to Party C's Equity Interest(but not including signing Transaction Documents(as define in the Equity Pledge Agreement) or any revision thereof) and documents archived in the relevant company registry.
- 4) Proposing, convening and attending the general meeting of shareholders, and signing any relevant minutes of the general meeting, resolutions of the general meeting or other legal documents;
- 5) Making decisions on material matters related to Party C's business, and reviewing and approving all relevant reports and plans;
- 6) Exercising voting rights at the time of Party C's bankruptcy, liquidation, dissolution or termination on behalf of Party C's registered shareholders;
- 7) Exercising the rights to allocate Party C's residual assets after Party C's bankruptcy, liquidation, dissolution or termination;
- 8) Deciding matters relating to the submission and registration of documents regarding Party C to and with government agencies;
- 9) Lawfully exercising all of the shareholder's rights regarding disposition of Party C's assets, including but not limited to the rights to manage businesses about its assets, obtain its incomes and acquire its assets; and

- 10) Other rights of any shareholder stipulated in other applicable PRC laws, regulations and the articles of association of the company (as amended from time to time) .
- 1.2 Without limiting generality of the power granted hereunder, Party A shall own the power and authorities hereunder, sign the share transfer contract (to which Party B must be a party) agreed and defined in the Exclusive Option Agreement on behalf of Party B, and perform the Equity Pledge Agreement and the Exclusive Option Agreement which were signed on the same day this Agreement was signed and to which Party B is also a party.
- 1.3 Party B as a shareholder of Party C shall not abuse its shareholder rights to the detriment of Party C's interests. If Party B abuses the rights of shareholders, Party A has the right to exercise the Purchase Right under the Exclusive Option Agreement.
- 1.4 Party B hereby specially undertakes that in case of Party C's bankruptcy, liquidation, dissolution or termination, all assets obtained by Party B after such bankruptcy, liquidation, dissolution or termination, including Party C's Equity Interest, shall be transferred to Party A for free or at the minimum prices to the extent permitted by the current PRC laws, or the current liquidator shall sell all of Party C's assets including the Equity Interest for the purpose of protecting interests of Party A's direct or indirect shareholders and/or the creditor's interests.
- 1.5 Party B agrees that Party A shall have rights to transfer the proxy rights to a third party at its discretion with respect to the matters under Article 1.1. The trustee and/or Party A shall exercise the proxy rights as if Party B is exercising its shareholder's rights personally. The proxy rights shall be granted and entrusted on the premise that the trustee is a member of Party A's Board of Directors, or a Chinese citizen designated by the Board of Directors through negotiation, and that Party B agrees to such authorization and consignment. When Party A notifies Party B in writing of replacing the trustee, Party B shall immediately agree that the other entity or Chinese citizen appointed by Party A may exercise such proxy rights, and sign the Power of Attorney with the content and format as shown in Appendix I of this Agreement. The new power of attorney shall supersede the original one once it is executed. Besides, Party B shall notify related personnel through a notice or other forms of announcement to announce or specify that the original Power of Attorney has been nullified. In addition, Party B shall not revoke the consignment and authorization for the trustee and/or Party A.
- 1.6 Subject to other terms of this Agreement (including but not limited to Article 12.1 and 12.2), Party B shall confirm and acknowledge all legal consequences resulting from the trustee's and/or Party A's exercising of above proxy rights, and undertake corresponding legal responsibilities.

- 1.7 All of the trustee's and/or Party A's behaviors related to Party C's Equity Interest and/or exercising of the proxy rights shall be deemed as Party B's own behaviors. And all documents (but not including Transaction Documents (as defined in the Equity Pledge Agreement) or any revision thereof) signed by the trustee and/or Party A shall be assumed to have been signed by Party B. The trustee and/or Party A may act in their discretion without Party B's prior consent. Party B hereby specially acknowledge and approves the trustee's and/or Party A's such behaviors and/or documents.
- 1.8 Within the term of this Agreement, Party B agrees and confirms, without the prior written consent of Party A, shall not to personally perform all its shareholder rights related to Party C's Equity Interest which have been granted to Party A and/or the trustee.
- 1.9 In case that Party B is subject to death, incapacity, marriage, divorce, bankruptcy, liquidation, dissolution, or other circumstances which might impact its holding of Party C's Equity Interest, Party B's successor (including spouse, children, parents, siblings, grandparents) or current shareholder of Party C's Equity Interest or the assignee shall be deemed as a party to this Agreement and inherit/bear all of the Party B's rights and obligations under this Agreement.

2. Right to know

- 2.1 To exercise the proxy rights hereunder, Party A and/or the trustee shall have rights to obtain Party C's relevant information (including Party C's operations, businesses, customers, financial affairs and employees) and review relevant materials of Party C, while Party C shall be cooperative to help them acquire such information.

3. Exercise of the Proxy Rights

- 3.1 Party B shall fully assist the trustee and/or Party A in exercising the proxy rights, including promptly signing related legal documents when necessary (e.g. for the purpose of meeting requirements of documents which must be submitted for examination, approval, registration and archiving by government agencies, laws, rules, regulations, normative documents, corporate articles of association, joint venture contract, commands or orders of other government agencies), including but not limited to the Power of Attorney which specifies the scope of authorization (if stipulated by relevant laws, rules, regulations, articles of association, joint venture contract, or other normative documents).
- 3.2 Party B irrevocably agrees that when Party A makes a written request to exercise the proxy rights, Party B shall take actions to satisfy Party A's requests to exercise such rights in accordance with Party A's written request within three (3) days upon receiving the request.

3.3 Should the proxy rights hereunder cannot be authorized or exercised for any reason (other than Party B's or Party C's breach of this Agreement) at any time within the term of this Agreement, all Parties shall immediately seek an alternative plan the content of which is the consistent to this Agreement. If necessary, a supplemental agreement shall be signed to modify or revise terms of this Agreement, in order to continue realizing the purposes of this Agreement.

4. Disclaimer and Indemnification

4.1 The Parties of this Agreement confirm that in any case, Party A shall not be required to undertake any responsibility, make any economic or other compensations to any third party for its or its designated trustee's exercise of the proxy rights hereunder.

4.2 Subject to other terms of this Agreement (including but not limited to Article 12.1 and Article 12.2), Party B (but not including Investor Party B) and Party C agree to indemnify Party A from all actual or potential losses and damages for its or its designated trustee's exercise of the proxy rights, including but not limited to the losses arising from a third party's lawsuits, recovery, arbitrations or claims or government authorities' administrative surveys or punishments. However, Party A shall not be indemnified from the losses resulting from Party A's and/or the trustee's deliberate or gross negligence.

5. Representations and Warranties

5.1 Party B hereby severally and not jointly represents and warrants as follows:

5.1.1 Party B has completed and independent legal status and capacity. Besides, Party B has been legitimately authorized to sign, deliver and perform this Agreement as an independent subject of litigations.

5.1.2 Party B possesses the full power and authorities to sign and deliver this Agreement and all other documents related to transactions hereunder. Party B also possesses the full power and authorities to complete such transactions. This Agreement shall be legitimately and appropriately signed and delivered. It shall constitute legitimate and binding obligations, which shall be compulsorily fulfilled according to this Agreement.

- 5.1.3 Party B is Party C's legitimate shareholder registered with an administration for industry and commerce and recorded on the Register of Shareholders when this Agreement takes effects. The proxy rights shall not include any third-party rights except for those specified under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement, the Loan Agreement and Transaction Documents (as defined in the Equity Pledge Agreement). According to this Agreement, Party A and/or the trustee may completely and fully exercise the proxy rights based on Party C's current articles of associations and joint venture contract.
- 5.1.4 Party B's signing, delivery or performance of this Agreement and completion of the transactions hereunder will not violate the PRC laws, or any agreements, contracts or other arrangements that Party B enters into with a third party.
- 5.2 Party A and Party C hereby represents and warrants as follows:
- 5.2.1 They are limited liability companies legitimately incorporated and validly existing under laws of their registered place. They have complete and independent legal status and capacity for signing, delivering and performing this Agreement as an independent subject of litigations.
- 5.2.2 They possess the full internal corporate power and authorities to sign and deliver this Agreement and all other documents related to transactions hereunder. They also possess the full power and authorities to complete such transactions.
- 5.3 Party C hereby further represents and warrants as follows:
- 5.3.1 Party B is Party C's lawful shareholder when this Agreement takes effects. The proxy rights shall not include any third-party rights except for those specified under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement, the Loan Agreement and Transaction Documents (as defined in the Equity Pledge Agreement). According to this Agreement, Party A and/or the trustee may completely and fully exercise the proxy rights based on Party C's current articles of association and joint venture contract.
- 5.3.2 Party B's signing, delivery or performance of this Agreement and conclusion of the transactions hereunder will not violate the PRC laws, or any agreements, contracts or other arrangements that Party B enters into with a third party and is bound as one party.

6. Transfer

Party A shall be authorized to sublicense or transfer this Agreement and/or its rights related to this Agreement at its discretion without notifying Party B or Party C in advance, or Party B's or Party C's prior consent.

7. Term of the Agreement

- 7.1 On the premise that Party B or Party B's successor or current assignee of Party C's Equity Interest is Party C's shareholder, this Agreement shall be irrevocable and remain valid from the date of signing this Agreement unless otherwise instructed by Party A, or Party A terminates this Agreement according to Article 7.2 or Article 8 before it expires. Once Party A informs Party B in writing of terminating this Agreement in whole or in part or replacing the trustee, Party B shall immediately revoke its consignment and authorization for Party A and the trustee. Besides, Party B shall immediately sign a Power of Attorney in the format as shown in Appendix I of this Agreement to authorize and entrust other personnel or subjects nominated by Party A with the same terms of this Agreement according to Party A's written instructions.
- 7.2 This Agreement shall be automatically terminated: (a) on the date on which Party A or the Designee is formally registered as Party C's sole shareholder once the PRC laws stipulate that Party A or the Designee may directly hold Party C's Equity Interest and lawfully engage in Party C's businesses; or (b) if Party A or the Designee purchases all assets of Party C in accordance with the provisions of the Exclusive Option Agreement, and legally engage in Party C's business by using Party C's assets.

8. Liability for Breach of Contract

- 8.1 Subject to other terms of this Agreement (including but not limited to Article 12.1 and 12.2), All Parties of this Agreement agree and confirm that if any party (hereinafter referred to as the "**Defaulting Party**") violates any clause hereunder, or fails to perform or delays its performance of any obligation hereunder, such party shall be deemed to have constituted a breach of this Agreement (hereinafter referred to as "**breach**"). In this case, any of other non- Breaching Parties (hereinafter referred to as the "**Non-Defaulting Parties**") shall have rights to ask the Defaulting Party to take corrective or remedial actions within a reasonable deadline. If the Defaulting Party fails to take corrective or remedial actions within a reasonable term or within ten (10) days after the other Party notifies the Defaulting Party in writing and makes the request for correction:

- 8.1.1 The Non-Defaulting Parties shall have rights to unilaterally and immediately terminate this Agreement and ask the Defaulting Party to compensate for damages provided that Party B or Party C is the Defaulting Party;

8.1.2 If Party A is the Defaulting Party, the Non-Defaulting Parties shall indemnify Party A from the compensation for damages. Unless otherwise specified by laws, this Agreement shall not be terminated or rescinded in any other cases.

8.2 Notwithstanding other provisions of this Agreement, Article 8 shall survive the termination of this Agreement.

9. Confidentiality

All Parties admit that all oral or written materials exchanged with respect to this Agreement are confidential. All Parties are required to keep such materials confidential. Without the prior written consent of all other Parties, no party is allowed to disclose any related materials to a third party unless in following cases: (a) Such materials have been known to the public (but not disclosed by the party receiving such materials); (b) The materials are required to be disclosed by applicable laws or rules of any securities exchange; or (c) Any party of this Agreement discloses the materials to its legal adviser or financial adviser regarding the transactions specified hereunder, while such legal adviser or financial adviser is also bound by the same confidentiality obligations as those under this article; or (d) Any party that is a limited partnership (or a direct or indirect affiliate or subsidiary of a limited partnership) discloses the above confidential information to the general partner, manager and existing or potential limited partners of the limited partnership. The disclosure of any confidential information by staff or organizations hired by any party of this agreement shall be deemed as such party's disclosure of such confidential materials, and such party shall undertake legal responsibilities for violating this Agreement. This article shall survive the termination of this Agreement regardless of the reason why this Agreement is terminated.

10. Governing Laws and Dispute Resolution

10.1 The signing, effectiveness, interpretation, performance, modification and termination of this Agreement as well as dispute resolution hereunder shall be governed by the PRC laws.

- 10.2 In case that any dispute occurs in interpreting and performing this Agreement, the Parties of this Agreement shall firstly try to resolve it through friendly negotiation. If the Parties fail to reach a consensus on such dispute resolution through negotiation within thirty (30) days as required by any party, any party may submit such dispute to the Beijing Arbitration Commission, which will resolve the dispute through arbitration according to current effective arbitration rules. The arbitration shall be performed in Beijing in Chinese. The arbitration awards shall be final and binding on all Parties. After arbitration awards take effect, any party shall be authorized to apply to a competent court for enforcing arbitration awards. The arbitration tribunal may decide upon compensation with respect to Party C's rights and interests in the Equity Interest, assets or property, or compensate Party A for the losses resulting from other Parties' breach of this Agreement, adjudicate compulsory remedies or order Party C to go bankrupt regarding related businesses or compulsory asset transfer. If necessary, arbitration organizations shall have rights to firstly ask the Defaulting Party to immediately stop its defaults before giving the final awards on disputes of all Parties concerned, or prohibit the Defaulting Party from conducting acts which might aggravate Party A's losses. Courts of Hong Kong, Cayman Islands or other competent courts (including courts of the place where Party C lives, or courts of the place where Party C's or the Party A's main assets are) shall have rights to grant or execute awards of an arbitration tribunal. They shall have rights to adjudicate or enforce temporary relief with respect to Party C's rights and interests in the Equity Interest or property. They shall also have rights to offer temporary relief to the party making a request for arbitration by giving awards or judgments before the tribunal court forms. For instance, the Defaulting Party may be adjudicated or arbitrated to immediately suspend their breaches or forbidden to conduct any act which might further aggravate the Party A's losses.
- 10.3 When any dispute occurs in interpreting or performing this Agreement, or any dispute is under arbitration, all Parties of this Agreement shall continue exercising their rights and performing their respective obligations hereunder except for disputed matters.
- 10.4 If any law, rule or regulation of the PRC are promulgated or revised after the date of signing this Agreement, or the interpretation or applicability of such laws, rules or regulations changes, the following provisions shall apply: in the case of the PRC laws permitting (a) If the revised laws or newly promulgated rules are more beneficial for any party than pertinent laws, rules or regulations which take effects after signing this Agreement without imposing material adverse impacts upon other Parties, the Parties of this Agreement shall promptly apply for gaining benefits from such modifications or new rules and try their best to have the application approved; or (b) The original clauses of this agreement shall further prevail if such revised laws or newly enacted rules directly or indirectly impose material adverse impacts upon any party's economic benefits hereunder. The Parties shall try to be exempt from obeying these revised laws or new rules by all lawful means. If the adverse impacts on any party's economic benefits can't be alleviated according to this Agreement, all Parties shall promptly negotiate with each other and make all necessary revisions to this Agreement after the affected party notifies all other Parties, in order to perform all such requisite revisions and protect the affected party's economic benefits.

11. Notices

- 11.1 All notices and other communications which are issued as required or permitted by this Agreement shall be delivered by special personnel or sent to corresponding Parties' address and fax number listed on Appendix II through registered mail, postage prepaid, commercial express delivery services or fax. Such notices shall be deemed to have been delivered as follows:

- 11.1.1 The notices shall be deemed to have been delivered to the designated address on the date of sending or rejection if they are delivered by special personnel, express delivery services or registered mail, postage prepaid.
- 11.1.2 The notices shall be deemed to have been delivered if they are sent by fax, confirmed by automatically generated information on delivery. (It should be evidenced by an automatically generated delivery confirmation)
- 11.2 Any party may issue a notice to all other Parties according to this article to inform them of the address or fax number changed from time to time.

12. Others

- 12.1 Notwithstanding any other provision of this Agreement or other Transaction Documents (as defined in the Equity Pledge Agreement) or any other document or law, Party B's obligations and responsibilities under this Agreement are several and non-joint. This clause shall survive for the terminating this Agreement regardless of the reason why this Agreement is terminated.
- 12.2 Notwithstanding any other provision of this Agreement or other Transaction Documents (as defined in the Equity Pledge Agreement) or any other document or law, (1) Party A shall not exercise any of its powers under this Agreement regarding to any Investor Party B, unless Party A exercises this power to all Party B at the same time or all directors of Cayman Company agree otherwise; (2) Investor Party B's all and any obligations or liabilities under this Agreement and other Transaction Documents (as defined in the Equity Pledge Agreement) are limited to the respective Equity Interest of Party C held by them. Except for the Equity Interest of Party C held by the Investor Party B, no party may make any claims on the other assets of the Investor Party B in respect of all or any obligations under this Agreement and other Transaction Documents (as defined in the Equity Pledge Agreement); and (3) if the Investor Party B violates any warranties, undertakings, agreements, representations or conditions of this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement, the Business Cooperation Agreement, the Loan Agreement or other Transaction Documents(as defined in the Equity Pledge Agreement), Party A's sole right is to exercise the Pledge to Party C's Equity Interest held by the Investor Party B in accordance with Article 8 of the Equity Pledge Agreement, or exercise the right to purchase the Equity Interest of Party C held by the Investor Party B in accordance with the Exclusive Option Agreement. However, Investor Party B does not assume any other liability for Party A or any other person. This clause shall survive the termination of this Agreement whatever the reason for terminating this Agreement.

- 12.3 All revisions, modifications and supplementations of this Agreement shall be in writing. They shall take effects after they are signed or stamped by all Parties hereunder and governmental registration procedures (if applicable) are completed.
- 12.4 Party A may unilaterally notify Party B and Party C in writing anytime of unconditionally terminating this Agreement at discretion without assuming any responsibility. Party B and Party C shall have no rights to unilaterally terminate this Agreement.
- 12.5 If revision of this Agreement is proposed by the Stock Exchange of Hong Kong Limited or other regulatory institutions, or is required according to securities listing regulations of the Stock Exchange of Hong Kong Limited or related regulations, rules and guiding requirements, this Agreement shall be revised by the Parties reasonably.
- 12.6 All expenses and actual outlays related to this Agreement, including but not limited to lawyers' fees, flat costs, stamp duties, any other taxes and fees, shall be borne by Party C.
- 12.7 This Agreement is made in five (5) copies. Each party shall hold one (1) copy. All copies shall have equal legal forces.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

(This page is intentionally left blank and is the signing page of this Shareholder Voting Rights Entrustment Agreement)

IN WITNESS WHEREOF, the Parties have executed this Shareholder Voting Rights Entrustment Agreement as of the date and at the address first above written.

Xi'an Jingxundi Supply Chain Technology Co., Ltd. (seal)

/s/ Xi'an Jingxundi Supply Chain Technology Co., Ltd.
(Seal of Xi'an Jingxundi Supply Chain Technology Co., Ltd.)

(This page is intentionally left blank and is the signing page of this Shareholder Voting Rights Entrustment Agreement)

IN WITNESS WHEREOF, the Parties have executed this Shareholder Voting Rights Entrustment Agreement as of the date and at the address first above written.

Xi'an Jingdong Xincheng Information Technology Co., Ltd. (seal)

/s/ Xi'an Jingdong Xincheng Information Technology Co., Ltd.
(Seal of Xi'an Jingdong Xincheng Information Technology Co., Ltd.)

(This page is intentionally left blank and is the signing page of this Shareholder Voting Rights Entrustment Agreement)

IN WITNESS WHEREOF, the Parties have executed this Shareholder Voting Rights Entrustment Agreement as of the date and at the address first above written.

Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

(This page is intentionally left blank and is the signing page of this Shareholder Voting Rights Entrustment Agreement)

IN WITNESS WHEREOF, the Parties have executed this Shareholder Voting Rights Entrustment Agreement as of the date and at the address first above written.

Yayun Li

By: /s/ Yayun Li

(This page is intentionally left blank and is the signing page of this Shareholder Voting Rights Entrustment Agreement)

IN WITNESS WHEREOF, the Parties have executed this Shareholder Voting Rights Entrustment Agreement as of the date and at the address first above written.

Pang Zhang

By: /s/ Pang Zhang_____

Appendix I. Power of Attorney

Date: January 25, 2021

Shareholder Richard Qiangdong Liu (the “Shareholder”) is registered to hold 45% Equity Interest of Xi’an Jingdong Xincheng Information Technology Co., Ltd. (the “**Company**”). The Shareholder hereby irrevocably exclusively authorizes Xi’an Jingxundi Supply Chain Technology Co., Ltd. (the “Attorney”) and its designated representative attorney to exercise the proxy rights mentioned and defined in the Shareholder Voting Rights Entrustment Agreement (this “**Agreement**”) concluded among the Shareholder, the Company and the Attorney on January 25, 2021.

This Power of Attorney shall take effects on the same day as this Agreement and it is irrevocable.

Shareholder seal: Richard Qiangdong Liu

Signature: _____

Appendix I. Power of Attorney

Date: January 25, 2021

Shareholder Yayun Li (the "Shareholder") is registered to hold 30% Equity Interest of Xi'an Jingdong Xincheng Information Technology Co., Ltd. (the "**Company**"). The Shareholder hereby irrevocably exclusively authorizes Xi'an Jingxundi Supply Chain Technology Co., Ltd. (the "Attorney") and its designated representative attorney to exercise the proxy rights mentioned and defined in the Shareholder Voting Rights Entrustment Agreement (this "**Agreement**") concluded among the Shareholder, the Company and the Attorney on January 25, 2021.

This Power of Attorney shall take effects on the same day as this Agreement and it is irrevocable.

Shareholder seal: Yayun Li

Signature: _____

Appendix I. Power of Attorney

Date: January 25, 2021

Shareholder Pang Zhang (the “Shareholder”) is registered to hold 25% Equity Interest of Xi’an Jingdong Xincheng Information Technology Co., Ltd. (the “**Company**”). The Shareholder hereby irrevocably exclusively authorizes Xi’an Jingxundi Supply Chain Technology Co., Ltd. (the “Attorney”) and its designated representative attorney to exercise the proxy rights mentioned and defined in the Shareholder Voting Rights Entrustment Agreement (this “**Agreement**”) concluded among the Shareholder, the Company and the Attorney on January 25, 2021.

This Power of Attorney shall take effects on the same day as this Agreement and it is irrevocable.

Shareholder seal: Pang Zhang

Signature: _____

Appendix II

For the purpose of notices, all Parties' addresses are specifically indicated as follows:

Party A:

Address: ***

Receipt: ***

Party B:

Richard Qiangdong Liu

Address: ***

Yayun Li

Address: ***

Pang Zhang

Address: ***

Party C:

Address: ***

Receipt: ***

Schedule A

The following schedule sets forth information about the shareholder voting rights entrustment agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities. 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>
Suqian Jingdong Tianning Jiankang Technology Co., Ltd.	Party A: Beijing Jingdong Jiankang Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Suqian Jingdong Tianning Jiankang Technology Co., Ltd.	September 17, 2020
Guangdong Jingxi Logistics Technology Co., Ltd.	Party A: Jingdong Logistics Supply Chain Co., Ltd. Party B: Jian Cui and Dingkai Yu Party C: Guangdong Jingxi Logistics Technology Co., Ltd.	January 25, 2021

Power of Attorney

Date: January 25, 2021

Shareholder Richard Qiangdong Liu (the "Shareholder") is registered to hold 45% Equity Interest of Xi'an Jingdong Xincheng Information Technology Co., Ltd. (the "**Company**"). The Shareholder hereby irrevocably exclusively authorizes Xi'an Jingxundi Supply Chain Technology Co., Ltd. (the "Attorney") and its designated representative attorney to exercise the proxy rights mentioned and defined in the Shareholder Voting Rights Entrustment Agreement (this "**Agreement**") concluded among the Shareholder, the Company and the Attorney on January 25, 2021.

This Power of Attorney shall take effects on the same day as this Agreement and it is irrevocable.

Shareholder seal: Richard Qiangdong Liu

Signature: /s/ Richard Qiangdong Liu

Power of Attorney

Date: January 25, 2021

Shareholder Yayun Li (the "Shareholder") is registered to hold 30% Equity Interest of Xi'an Jingdong Xincheng Information Technology Co., Ltd. (the "**Company**"). The Shareholder hereby irrevocably exclusively authorizes Xi'an Jingxundi Supply Chain Technology Co., Ltd. (the "Attorney") and its designated representative attorney to exercise the proxy rights mentioned and defined in the Shareholder Voting Rights Entrustment Agreement (this "**Agreement**") concluded among the Shareholder, the Company and the Attorney on January 25, 2021.

This Power of Attorney shall take effects on the same day as this Agreement and it is irrevocable.

Shareholder seal: Yayun Li

Signature: /s/ Yayun Li

Power of Attorney

Date: January 25, 2021

Shareholder Pang Zhang (the "Shareholder") is registered to hold 25% Equity Interest of Xi'an Jingdong Xincheng Information Technology Co., Ltd. (the "**Company**"). The Shareholder hereby irrevocably exclusively authorizes Xi'an Jingxundi Supply Chain Technology Co., Ltd. (the "Attorney") and its designated representative attorney to exercise the proxy rights mentioned and defined in the Shareholder Voting Rights Entrustment Agreement (this "**Agreement**") concluded among the Shareholder, the Company and the Attorney on January 25, 2021.

This Power of Attorney shall take effects on the same day as this Agreement and it is irrevocable.

Shareholder seal: Pang Zhang

Signature: /s/ Pang Zhang

Schedule A

The following schedule sets forth information about the power of attorney substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities. 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>
Suqian Jingdong Tianning Jiankang Technology Co., Ltd.	Richard Qiangdong Liu Yayun Li Pang Zhang	September 17, 2020 September 17, 2020 September 17, 2020
Guangdong Jingxi Logistics Technology Co., Ltd.	Jian Cui Dingkai Yu	January 25, 2021 January 25, 2021

Share Pledge Agreement

This Share Pledge Agreement (hereinafter referred to as this “Agreement”) has been executed by and among the following parties on January 25, 2021 in Beijing:

- Party A: **Xi’an Jingxundi Supply Chain Technology Co., Ltd.**, a limited liability company organized and existing under the PRC laws, with its address at Building 5, SkyCity Central Square, East Chang’An Street No.666, National Civil Space Industrial Base, Xi’an, Shaanxi, China (hereinafter referred to as the “**Pledgee**”).
- Party B: Richard Qiangdong Liu, Chinese Identification No. ***
Yayun Li, Chinese Identification No. ***;
Pang Zhang, Chinese Identification No. ***(All Party B hereinafter collectively referred to as the “**Pledgors**”)
- Party C: **Xi’an Jingdong Xincheng Information Technology Co., Ltd.**, a limited liability company organized and existing under the PRC laws, with its address at Building 5, SkyCity Central Square, East Chang’An Street No.666, Aerospace Base, Xi’an, Shaanxi, China.

In this Agreement, each of the Pledgee, the Pledgors and Party C shall be hereinafter referred to as a “**Party**” respectively, and as the “**Parties**” collectively.

Whereas:

1. The Pledgors as of the signing date hereof are shareholders of Party C, and hold 100% of the Equity Interest of Party C, among which Richard Qiangdong Liu holds 45% of the Equity Interest (corresponding to Party C’s capital contribution of RMB450,000), Yayun Li holds 30% of the Equity Interest (corresponding to Party C’s capital contribution of RMB300,000), and Pang Zhang holds 25% of the Equity Interest (corresponding to Party C’s capital contribution of RMB250,000). Party C is a limited liability company registered in Shanxi, China.
2. The Pledgee is wholly and directly held by JD Logistics Holding Limited (a company registered under the laws of Hong Kong)(the “**Hong Kong Company**”), and the Hong Kong Company is wholly and directly held by JD Logistics, Inc. (a company registered under the laws of the Cayman Islands)(the “**Cayman Company**”).
3. The Pledgee is a wholly foreign owned enterprise registered in Xi’an, Shaanxi Province, China. The Pledgee and Party C executed the Exclusive Business Cooperation Agreement (including revisions from time to time, hereinafter referred to as the “**Business Cooperation Agreement**”) on the date hereof. The Pledgee provides relevant exclusive technical services, technical consultations and other services to Party C based on the Business Cooperation Agreement.

4. The Parties of this Agreement executed an Exclusive Option Agreement (including revisions from time to time, hereinafter referred to as the “**Exclusive Option Agreement**”) on the date hereof. To the extent permitted by the PRC laws and corresponding requirements, if the Pledgee decides to make the purchase request in its sole discretion: (a) the Pledgors shall transfer all or part of their Equity Interest held in Party C to the Pledgee and/or its designee (hereinafter referred to as the “**Designee**”, who needs to be the Cayman Company or a subsidiary that is directly or indirectly wholly controlled by it) according to its requirements; (b) Party C shall transfer all or part of its assets to the Pledgee and/or the Designee according to the requirements of the Pledgee and/or the Designee.
5. The Parties of this Agreement executed a Shareholder Voting Rights Entrustment Agreement (including revisions from time to time, hereinafter referred to as the “**Shareholder Voting Rights Entrustment Agreement**”) on the date hereof. The Pledgors have irrevocably entrusted the person designated by the Pledgee with the full power to exercise all their rights to entrust and vote as Party C’s shareholder.
6. The Pledgee and the Pledgors executed a Loan Agreement (including revisions from time to time, hereinafter referred to as the “**Loan Agreement**”) on the date hereof. Pursuant to the Loan Agreement, the Pledgee provided a loan of RMB1,000,000 to the Pledgors in total, among which RMB450,000 was provided to Richard Qiangdong Liu, RMB300,000 was provided to Yayun Li, and RMB250,000 was provided to Pang Zhang.
7. As the Pledgors’ guarantee of the performance of the Contract Obligations (as defined below) and the settlement of the Secured Indebtedness (as defined below), the Parties intend to execute this Agreement on the provision of Equity Interest pledge by Party B to Party A. The Pledgors severally and not jointly pledge all the Equity Interest they held in Party C to the Pledgee to provide pledge guarantee for securing the complete and due performance of such obligations and debt. Party C agrees with such equity interest pledge arrangements.

1. Definitions

Unless otherwise provided herein, the terms below shall have the following meanings:

- 1.1 “**Pledge**”: shall refer to the Security Interest granted by the Pledgors to the Pledgee pursuant to Article 2 of this Agreement, i.e., the right of the Pledgee to be paid in priority with the Equity Interest based on the monetary valuation that such Equity Interest is converted into or from the proceeds from the auction or sale of the Equity Interest.

- 1.2 **“Equity Interest”** shall refer to all Party C’s equity interest lawfully held by the Pledgors from the effective date of this Agreement, such that the Pledgors have rights to dispose and pledge it to the Pledgee according to provisions of this Agreement as guarantee for Party C’s fulfillment of its Contractual obligations and Secured Indebtedness hereunder (including the Pledgors’ Equity Interest constituting Party C’s registered capital and all related Equity Interest, including all of the equity interests, revenues, preferences of Party C currently or in the future owned by Pledgors, all the account receivables and liquidated damages with respect to the equity interests of Party C owned by Pledgors, and bonuses, dividends and other payment distributed to the Pledgors by Party C) and increase Equity Interest as per Article 6.7 of this Agreement.
- 1.3 **“Term of the Pledge”** shall refer to the term set forth in Article 3 of this Agreement.
- 1.4 **“Event of Default”** shall refer to any of the circumstances set forth in Article 7 of this Agreement.
- 1.5 **“Notice of Default”** shall refer to the notice issued by the Pledgee in accordance with this Agreement declaring an Event of Default.
- 1.6 **“Contract Obligations”** shall refer to all the obligations of the Pledgors under the Exclusive Option Agreement, the Shareholder Voting Rights Entrustment Agreement, and the Loan Agreement; and all the obligations of Party C under the Transaction Agreement; and all the obligations of the Pledgors and Party C under this Agreement.
- 1.7 **“Transaction Agreement”** shall refer to this Agreement, the Business Cooperation Agreement, as well as the Exclusive Option Agreement, the Loan Agreement, and the Shareholder Voting Rights Entrustment Agreement issued by the Pledgors to the Pledgee, or one or more of them.
- 1.8 **“Secured Indebtedness”** shall refer to (a) all debts that Party C owes to the Pledgee, including but not limited to consultation and service fees that Party C shall pay to the Pledgee according to the Business Cooperation Agreement (whatever on the given maturity date, ahead of time or in other ways), and the interest, liquidated damages(if any), compensation, lawyers’ fees, arbitration fees, and fees for exercising rights of pledge such as Equity Interest evaluation and auction; (b)all the direct, indirect and derivative losses and losses of anticipated profits, suffered by the Pledgee, incurred as a result of any Event of Default by the Pledgors or Party C. The amount of such loss shall be calculated in accordance with the reasonable business plan and profit forecast of the Pledgee, (c)all expenses occurred in connection with enforcement by the Pledgee of the Pledgors and/or Party C’s Contract Obligations, and (d) any loans provided by the Pledgee to the Pledgors pursuant to Article 6.9 hereunder. Subject to other terms of this Agreement(including but not limited to Article 19.1 and 19.2), the amount of credit guaranteed by Party B shall not be less than RMB1,000,000, among which the amount of credit guaranteed by Richard Qiangdong Liu shall not be less than RMB450,000, the amount of credit guaranteed by Yayun Li shall not be less than RMB300,000 and the amount of credit guaranteed by Pang Zhang shall not be less than RMB250,000.

- 1.9 “**PRC laws**” shall include all laws, regulations, rules, notices, interpretations or other binding documents legislated by any central or regional legislation, administrative or judicial department before or after the execution of this Agreement.
- 1.10 “**Security Interest**” shall include security, mortgage, third-party rights or Interest, all rights to purchase Equity Interest, rights of acquisition, pre-emptive rights, rights of set-off, retained title or other collateral arrangements.

2. **Pledge**

- 2.1 The Pledgors hereby severally and not jointly pledge the respective Equity Interest to the Pledgee in the first order of priority to guarantee prompt and full repayment of Secured Indebtedness and performance of Contract Obligations. Party C agrees that the Pledgors may pledge the Equity Interest to the Pledgee as per this Agreement.
- 2.2 All Parties understand and acknowledge that the estimated monetary value generated for Secured Indebtedness or related estimated value shall be changeable and floating until the settlement date (refer to Article 2.4 for the definition). The Pledgors and the Pledgee may adjust and confirm the maximum amount of Secured Indebtedness secured by the Equity Interest from time to time by the settlement date by revising and supplementing this Agreement with both Parties’ consent in case of any change to the estimated monetary value of Secured Indebtedness and Equity Interest.
- 2.3 In any of following events (hereinafter referred to as “**Events for Settlement**”), the value of Secured Indebtedness shall be determined based on the total amount of payable guaranteed that is not paid to the Pledgee on the latest date before any event for settlement occurs or on the date of the event (hereinafter referred to as “**Confirmed Debts**”):
- (a) The Business Cooperation Agreement has expired or has been terminated according to the relevant articles;
 - (b) The Pledgee issues a Notice of Default to the Pledgors as per Article 7.3, because any Event of Default specified in Article 7 of this Agreement has occurred and is still unsolved;

- (c) After proper investigation, the Pledgee reasonably determines that Party B and/or Party C have become insolvent or might become insolvent; or
 - (d) Any other event occurs, under which Secured Indebtedness shall be determined as provided by the PRC laws.
- 2.4 To avoid ambiguity, the date on which the event for settlement occurs shall be deemed the settlement date (hereinafter referred to as the “**Settlement Date**”). The Pledgee shall have rights to exercise the Pledge according to Article 8 at its discretion on the Settlement Date or thereafter.
- 2.5 Within the Term of the Pledge (as defined in Article 3.1), the Pledgee shall have rights to accept any dividend, bonus or other distributable interests generated because of the Equity Interest and use it to give priority to the Pledgee. The Pledgors shall deposit or cause Party C to deposit such fructus in the account designated by the Pledgee in writing after receiving the Pledgee’s written requirements. The Pledgors shall not withdraw such fructus deposited in the account deposited in the account designated by the Pledgee in writing without the written consent of the Pledgee.
- 2.6 Within the term of this Agreement, the Pledgee shall not assume any responsibility for any Equity Interest depreciation unless otherwise caused by the Pledgee’s intentions or gross negligence. In this case, the Pledgors shall have no right to make any claim or request to the Pledgee.
- 2.7 Without violating Article 2.6 of this Agreement, the Pledgors agree that the Pledgee may auction or sell the Equity Interest on behalf of the Pledgors anytime provided that any value of the Equity Interest is likely to decline and thereby probably impairs the Pledgee’s Rights, and the Pledgors agree that the proceeds from such auction or sales shall be used for debt repayment or such money shall be held in escrow by a notary office of the area where the Pledgee is (All expenses thereby incurred shall be deducted from the proceeds from such auctions or sales).
- 2.8 The Equity Interest pledge hereunder is a continuous guarantee. It shall be effective until full performance of all Contract Obligations and full repayment of Secured Indebtedness. The Pledgee’s exemption or tolerance of the Pledgors’ any default or the Pledgee’s late exercising of any right under the Transaction Agreement and this Agreement shall not affect the Pledgee’s subsequent rights to require the Pledgors or Party C to strictly perform the Transaction Agreement and this Agreement thereafter according to this Agreement, the relevant PRC laws and the Transaction Agreement, or affect the Pledgee’s subsequent rights against the Pledgor’s or Party C’s breach of the Transaction Agreement and/or this Agreement.

3. Term of the Pledge

- 3.1 The pledge shall take effect from the date of registration of the pledge of the Equity Interest under this Agreement at the registration of the industrial and commercial administration department (hereinafter referred to as the “**Registration Authority**”) of the locality of Party C. The validity period of the pledge (hereinafter referred to as the “**Term of the Pledge**”) is from the effective date mentioned above until (a) the last Secured Indebtedness and Contract Obligations guaranteed by the Pledge are fully paid and fulfilled; or(b) the Pledgee and/or the Designee shall, subject to the PRC laws, decide to purchase the entire Equity Interest of Party C held by the Pledgors in accordance with the Exclusive Option Agreement, and the Equity Interest of Party C has been transferred to the Pledgee and/or the Designee in accordance with the laws, and the Pledgee and the Designee can legally engage in the business of Party C; or(c) The Pledgee and/or the Designee decides to purchase all the assets of Party C in accordance with the Exclusive Option Agreement subject to the PRC laws, and all the assets of Party C have been transferred to the Pledgee and/or the Designee in accordance with the laws, and the Pledgee and the Designee can legally engage in the business of Party C using the above assets; or(d) The Pledgee unilaterally requests termination of this Agreement (the right of the Pledgee to terminate this Agreement is the right without any restrictive conditions, and the right is only enjoyed by the Pledgee. The Pledgors or Party C does not have the right to terminate this Agreement unilaterally); or(e) Termination in accordance with the requirements of applicable PRC laws and regulations.
- 3.2 During the Term of the Pledge, if Party B and/or Party C fails to perform its Contract Obligations or pay the Secured Indebtedness (including payment of exclusive consulting or service fees according to the Business Cooperation Agreement or failure to comply with any other aspects of the Transaction Agreement), the Pledgee shall have the right but not the obligation to dispose of the Pledge in accordance with the provisions of this Agreement.

4. Pledge Registration

- 4.1 The Pledgors and Party C agree and undertake that, after signing this Agreement, Party C must immediately and the Pledgors must procure Party C to immediately record the arrangements for the Equity Interest pledge hereunder on Party C’s Register of Shareholders on the date of signing this Agreement; and an application shall be submitted to the registration authority for registering the Equity Interest pledge according to the Measures for the Registration of Equity Interest Pledge at Administrative Departments for Industry and Commerce within thirty(30) days after signing this Agreement or within a longer term agreed by the Pledgee. The registration authority shall completely and accurately record matters about such Equity Interest pledge on the register of Equity Interest pledge.

4.2 Within the Term of the Pledge specified hereunder, the Pledgors shall submit original contribution certificate for the Equity Interest and the register of shareholders documenting pledge (and other documents reasonably required by the Pledgee, including but not limited to the notice on pledge registration issued by the administration for industry and commerce) to the Pledgee within one week from the completion date of the Pledge registration in accordance with above Article 4.1. The Pledgee shall keep such documents within the entire pledge term specified hereunder.

5. Representations and Warranties of the Pledgors and Party C

The Pledgors severally and not jointly represent and warrant to the Pledgee as the following Article 5.1 to 5.13:

- 5.1 The Pledgor has complete and independent legal status and capacity under the law of the place of registration. Besides, the Pledgor has been legitimately authorized to sign, deliver and perform this Agreement. The Pledgor may be an independent subject of litigations.
- 5.2 The Pledgor is the sole legal owner and beneficiary of the Equity Interest. The Pledgor has full rights and power to pledge the Equity Interest to the Pledgee according to this Agreement, while the Pledgor shall be also authorized to dispose of the Equity Interest and any part of the Equity Interest. Unless the Pledgor and the Pledgee additionally enter into an agreement, the Pledgor shall possess the legitimate and full title of the Equity Interest.
- 5.3 Except as otherwise provided in the Transaction Agreement, the Pledgee shall have rights to dispose and transfer the Equity Interest in accordance with this Agreement.
- 5.4 Except as otherwise provided in the Pledge or the Transaction Agreement, the Pledgor doesn't set any security interest or other encumbrances on the Equity Interest. There is no dispute on the Equity Interest's ownership, outstanding tax or fee on the Equity Interest. The ownership of the Equity Interest isn't detained or subject to restraints of other legal proceedings or similar threats and can be pledged and transferred according to applicable laws.
- 5.5 The Pledgor's signing of this Agreement or exercising of any right hereunder or performance of obligations hereunder will not violate or go against any laws, regulations, court awards, arbitration authority's awards, administrative authorities' decisions, agreements or contracts binding upon the Pledgor's assets under which the Pledgor is party, or any commitments that the Pledgor makes to any third party.

- 5.6 All documents, materials, statements and vouchers that the Pledgor offers to the Pledgee shall be accurate, true, complete and effective no matter if they are offered before or after this agreement takes effect or within the pledge term.
- 5.7 This Agreement shall constitute lawful, valid and binding obligations on the Pledgor after it is appropriately executed by the Pledgor.
- 5.8 The Pledgor has full rights and authorities to sign and deliver this Agreement and all other documents on aforementioned transactions hereunder to be executed. In addition, the Pledgor has full rights and authorities to complete such transactions.
- 5.9 Apart from registering the Equity Interest pledge with a registration authority, any third party's consent, permission, waiver or authorization, or any government organization's approval, permission or exemption, or registration or filing formalities handled with any government agency, which are necessary for signing and performing this Agreement and making the Equity Interest pledge effective hereunder, have been obtained or handled, and will keep fully effective within the term of this Agreement.
- 5.10 The pledge hereunder constitutes the first Security Interest upon the Equity Interest under this Agreement.
- 5.11 All taxes and fees for obtaining the Equity Interest have been fully paid by the Pledgor.
- 5.12 The Pledgor, or its property or Equity Interest is not subject to any outstanding lawsuits, legal proceedings or requests or those that are known by the Pledgor to be threatening from any court or arbitration tribunal. Besides, the Pledgor, or its property or Equity Interest is not subject to any of such lawsuits, legal proceedings or requests from any government agency or administrative authority. There is no material or adverse impacts imposed upon the Pledgor's economic conditions or abilities to fulfill obligations and perform the guarantee responsibilities hereunder.
- 5.13 Unless otherwise specified hereunder, the Pledgee shall not be hindered from exercising its rights as Pledgee hereunder anywhere and anytime.
- 5.14 The Pledgors severally and not jointly warrant to the Pledgee that the representations and warranties as stated in the above Article 5.1 to 5.13 shall be true, correct, accurate, complete and fully obeyed anytime under all circumstances before all Contract Obligations are fulfilled or the Secured Indebtedness are fully repaid.

Party C represents and warrants to the Pledgee as follows:

- 5.15 Party C is a limited liability company lawfully incorporated and validly existing under the PRC laws. Being qualified as independent legal entity, it may act as independent subject of litigation. Formally registered with a competent administration for industry and commerce, Party C has passed all previous annual reports or lawfully submitted the annual reports. With complete and independent legal status and standing, Party C has been appropriately authorized to sign, deliver and perform this Agreement.
- 5.16 This contract shall constitute legitimate, effective and binding obligations upon Party C after it is appropriately executed by Party C and takes effect.
- 5.17 Party C owns the full power and authorities to sign and deliver this agreement and all other documents related to transactions hereunder. Party C also owns the full power and authorities to complete such transactions.
- 5.18 There is no material Security Interest or other encumbrances which might affect the Pledgee's Rights or Interest in Equity Interest, including but not limited to transfer of any of Party C's intellectual property or any assets with a worth no less than RMB500,000 (or any other amount separately agreed by the Pledgee and the Pledgors), or any encumbrance in property or rights to use such assets.
- 5.19 The Equity Interest, or Party C or its assets are not subject to any outstanding lawsuits, arbitrations or other legal proceedings or those known to be threatening by Party C from any court or arbitration tribunal. Besides, the Pledgor, or its property or Equity Interest is not subject to any of such lawsuits, arbitrations or legal proceedings from any government agency or administrative authority. There is no material or adverse impacts imposed upon Party C's economic conditions or the Pledgor's or Party C's abilities to perform the obligations and guarantee responsibilities hereunder.
- 5.20 Party C hereby agrees to assume joint liability for the Pledgors' representations and warranties under this Agreement.
- 5.21 Party C's signing of this Agreement and exercising of its rights hereunder or fulfillment of its obligations under this Agreement will not violate or conflict with any laws, rules, any court judgments, any arbitration authority's awards, any administrative authority's decisions, any agreement or contract under which Party C is bound as a party or its assets are bound, or any commitment that Party C makes to any third party.
- 5.22 All documents, materials, statements and proofs that Party C provides to the Pledgee shall be accurate, true, complete and valid no matter whether they are provided before or after this Agreement takes effects within the Term of the Pledge.

- 5.23 Apart from registering the Equity Interest pledge with a registration authority, any third party's consent, permission, waiver or authorization, or any government organization's approval, permission or exemption, or registration or filing formalities handled with any government agency, which are necessary for signing and performing this contract and making the Equity Interest pledge effective hereunder, have been obtained or handled, and will continue to be effective within the term of this Agreement.
- 5.24 The pledge hereunder constitutes the first lien secured Interest upon the Equity Interest under this Agreement.
- 5.25 Party C hereby undertakes to the Pledgee that all the above representations and warranties shall be true and correct under any circumstance at any time before all Contract Obligations are performed or the Secured Indebtedness is fully repaid, and Party C will completely abide by such representations and warranties.

6. Undertakings and Further Consents of the Pledgors and Party C

- 6.1 Within the term of this Agreement, the Pledgors shall hereby severally and not jointly undertake to the Pledgee that:
- 6.1.1 Except for performing the Exclusive Option Agreement or other Transaction Agreements, the Pledgor shall not transfer or permit others to transfer the Equity Interest in whole or in part, impose or permit others to impose any new pledge, Security Interest or other encumbrance on the Equity Interest which might affect the Pledgee and Interest in the Equity Interest without the prior written consent of the Pledgee. For the Equity Interest transfer performed with the Pledgee's written consent, the Pledgor shall firstly use the proceeds from such Equity Interest transfer for repaying Secured Indebtedness to the Pledgee or hold the proceeds in escrow by a third person designated by the Pledgee.
- 6.1.2 The Pledgor must obey and exercise all laws, rules and regulations applicable to the Pledge. Within five(5) days after receiving any notice, order or suggestion on the Pledge from related competent authorities (or any other related departments), the Pledgor shall show the Pledgee such notices, orders or suggestions, or bring forth objections or statements regarding them according to the Pledgee's reasonable requirements or with the Pledgee's consent.
- 6.1.3 The Pledgor shall immediately notify the Pledgee of all events which might affect the Pledgee, the Equity Interest, or any rights of it, or any events affecting the Interest under the Transaction Agreement and this Agreement (including but not limited to any lawsuit, arbitration, other requests, any third party's dispute over the Equity Interest title, any civil or criminal/administrative proceedings, arbitrations or any other legal proceedings filed against the Pledgor or Equity Interest when the Pledgee's Pledge is or might be subject to any third party's adverse impacts, or potential threats of confronting any aforementioned lawsuit, arbitration or legal proceeding judged by the Pledgor), notices received by the Pledgor, and any event which might affect any warranties or obligations of the Pledgor under this Agreement, and take all necessary measures to protect the Pledgee's Rights and Interest in the pledged Equity Interest according to the Pledgee's reasonable requirements.

- 6.2 The Pledgors severally and not jointly agree that the Pledgee's exercise of the Pledge hereunder shall not be interrupted by the Pledgor or any successor or representative of the Pledgor or any others through legal proceedings.
- 6.3 To protect or improve the Security Interest granted for repaying Secured Indebtedness and performing Contract Obligations, and ensure the Pledgee's exercise of the Security Interest over the pledged Equity Interest and such rights, Party C shall immediately and the Pledgors shall cause Party C to register the Equity Interest pledge hereunder with related registration authority within thirty (30) days after signing this Agreement or within a longer period agreed by the Pledgee. Besides, the Pledgors shall appropriately sign and cause other Parties concerned in the Equity Interest pledge to sign all documents designated by the Pledgee (including but not limited to the supplemental agreement of this agreement), certificates, agreements, deeds and/or undertakings. The Pledgors also undertake to take and cause other Parties concerned in the Equity Interest pledge to take actions required by the Pledgee, assist the Pledgee in exercising its rights and authorities hereunder, and sign all related documents regarding the Equity Interest title with the Pledgee or the party designated by the Pledgee. The Pledgors undertake to provide the Pledgee with all notices, orders and decisions on the Pledge within reasonable deadlines at the Pledgee's request.
- 6.4 The Pledgors hereby severally and not jointly undertake to the Pledgee to obey and perform all warranties, undertakings, agreements, statements and requirements under this Agreement. Subject to other terms of this Agreement (including but not limited to Article 19.2), the Pledgors shall compensate the Pledgee all losses thereby incurred if the Pledgors fail to perform or only partially perform their warranties, undertakings, agreements, statements and requirements hereunder.
- 6.5 The Pledgors (severally and not jointly) shall make every effort (including offering other guarantees to the court or taking other measures to rescind the court's or other departments' coercive measures against the Equity Interest) in case that any court or other government agency takes any compulsory measures against the Equity Interest pledged hereunder.
- 6.6 Subject to other terms of this Agreement (including but not limited to Articles 19.1 and 19.2), if the Equity Interest is concerned in any property preservation or compulsory enforcement, or is likely to depreciate or be loss to impair the Pledge, the Pledgors shall immediately inform the Pledgee of such circumstances in writing, and cooperatively take effective measures for protecting the Pledge and Interest together with the Pledgee. The Pledgee may auction or sell the Equity Interest anytime, and firstly use the proceeds from such auction or sales for advance Secured Indebtedness repayment or drawing. All expenses thereby incurred shall be borne by the Pledgor.

- 6.7 Without the prior written consent of the Pledgee, the Pledgors (severally and not jointly) and/or Party C shall not by themselves (or assisting others to) increase, reduce or transfer Party C's registered capital (or their amount of contributions to Party C), or impose any encumbrance on the registered capital (including the Equity Interest). On the premise of following this provision, Party C's equity that the Pledgors register and obtain after the signing date of this Agreement (hereinafter referred to as the "**Extra Equity Interest**") and corresponding capital stock of such Equity Interest in Party C's registered capital must be also deemed the Equity Interest that the Pledgors pledge to the Pledgee in accordance with this Agreement. The Pledgors and Party C shall immediately enter into a supplementary share pledge agreement on the Extra Equity Interest with the Pledgee at the time of obtaining such extra Equity Interest, request Party C's Board of Directors to approve the supplementary share pledge agreement. Besides, they shall offer the Pledgee all necessary documents for signing the supplementary share pledge agreement, including but not limited to the original capital contribution certificate on such extra Equity Interest issued by Party C. The Pledgor and Party C shall handle formalities for registering the pledge of such extra Equity Interest (or changes) in accordance with Article 4.1 of this Agreement, and deliver related documents to the Pledgee for safekeeping according to Article 4.2 of this Agreement.
- 6.8 Unless otherwise instructed by the Pledgee in writing in advance, the Pledgors (severally and not jointly) and/or Party C agree that if the Equity Interest are transferred between the Pledgors and any third party (hereinafter referred to as the "**Equity Interest Assignee**") against this Agreement in part or in whole, the Pledgee and/or Party C shall ensure that the Equity Interest Assignee unconditionally admits the Pledge and handles the necessary formalities for registering the pledge changes (including but not limited to signing related documents) in order to guarantee survival of the Pledge.
- 6.9 If the Pledgee provides loans to Party C, the Pledgors (severally and not jointly) and/or Party C agree to grant the Pledgee the Pledge by pledging the Equity Interest as collateral, in order to guarantee the loan, and handle related formalities as soon as possible according to laws, regulations or local practices (if any), including but not limited to signing related documents and handling formalities for registering pledge or pledge changes.
- 6.10 The Pledgors shall not or allow anyone to take any actions which might have adverse effects on the Pledge or Equity Interest under the Transaction Agreement and this Agreement. Hereby, the Pledgors irrevocably waiver the preemptive rights when the Pledgee exercises the Pledge.

- 6.11 When it is necessary to transfer any Equity Interest for exercising the Pledge hereunder, the Pledgors undertake to make such transfer possible by taking all measures to the extent permitted by the PRC laws.
- 6.12 The Pledgors ensure that Party C shall not provide a loan or obtain a loan, or provide guarantees in any forms, or be liable for any substantial obligations except in the ordinary business and operation;
- 6.13 The Pledgors shall ensure that the procedures for convening meetings and ways for voting/making decisions by the Board of Directors for signing this Agreement, imposing the Pledge and exercising the Pledge do not violate laws, administrative regulations or Party C's articles of associations and joint venture contract.
- 6.14 Before the Contract Obligations are fulfilled and the Secured Indebtedness is fully repaid, the Pledgors shall not abandon the Equity Interest pledged to the Pledgee herein, and/or abandon the fructus generated for holding such Equity Interest, including but not limited to dividends.
- 6.15 Before all Contract Obligations are fulfilled and the Secured Indebtedness is fully repaid, the Pledgors shall not allow Party C to transfer, sell or dispose of any of its assets in any other way through any resolution without the Pledgee's prior written consent.
- 6.16 The Pledgors as shareholders of Party C shall not abuse their shareholder rights to damage Party C's interests. If there is a situation in which the Pledgors abuse the shareholder rights, the Pledgee has the right to exercise the Purchase Right under the Exclusive Option Agreement.
- 6.17 If any revision, supplementation or update of this Agreement cannot take effect until the corresponding procedures for examination/approval and/or registration of pledge changes are completed as stipulated by applicable laws, Party C shall, and Party B shall take all necessary measures to cooperate with Party C to register such changes with the relevant registration authorities within five (5) days of the revision, supplementation or update.

Party C undertakes and further agrees that:

- 6.18 If any third party's consent, permission, waiver or authorization or any government organization's approval, permission or exemption or registration or filing with any government organizations are necessary for signing/performing this Agreement and pledging the Equity Interest hereunder, Party C shall try its best to assist in handling such formalities and keep them fully effective within the term of this Agreement. Party C shall handle registration formalities for extending its business term if it expires within the term of this Agreement, in order to maintain effectiveness of this Agreement.

- 6.19 Without the Pledgee's prior written consent, Party C shall not help or allow the Pledgors to impose any new pledge on Equity Interest, or authorize any other Security Interest or encumbrances, or help or permit the Pledgors to transfer the Equity Interest.
- 6.20 Party C agrees to strictly perform the obligations under articles 6.3, 6.7, 6.8, 6.9, 6.11, 6.12, 6.14 and 6.15 under this Agreement.
- 6.21 Without the Pledgee's prior written consent, Party C shall not transfer or sell Party C's assets or impose or allow others to impose any Security Interest or other encumbrances which might impact the Pledgee's Equity Interest rights and interests, including but not limited to transfer of any of Party C's intellectual property or any assets with a worth of no less than RMB500,000 (or any other amount separately agreed by the Pledgee and the Pledgors) or any encumbrance in property or rights to use such assets.
- 6.22 When there is any lawsuit, arbitration or other request which might have adverse impacts upon interests of Party C, Equity Interest or the Pledgee under the Transaction Agreement and this Agreement, Party C undertakes to promptly notify the Pledgee in writing, and take all necessary measures for protecting the Pledgee's pledge rights over the pledged Equity Interest according to the Pledgee's reasonable requests.
- 6.23 Party C shall not or allow anyone to take any actions which might have adverse impacts upon the Pledgee's interests or Equity Interest under the Transaction Agreement and this Agreement.
- 6.24 Party C shall provide the Pledgee with financial statements of the preceding quarter of the Gregorian calendar (including but not limited to the balance sheet, income statement and cash flow statement) within the first month of each quarter of the Gregorian calendar.
- 6.25 Party C undertakes to take all necessary measures and sign all necessary documents in accordance with the reasonable requirements of the Pledgee so as to protect the Pledgee's pledge rights and interests in the pledged Equity Interest, exercise and realize such rights and interests.
- 6.26 When it is necessary to transfer any Equity Interest for exercising of the Pledge hereunder, Party C undertakes to make such transfer possible by taking all measures.
- 6.27 In the event of the pledgor's death, incapacity, marriage, divorce, bankruptcy, liquidation, dissolution or other circumstances which might impact its exercising of Party C's Equity Interest, the Pledgor's successor, or Party C's current shareholder or assignee shall be deemed as party of this Agreement to inherit/bear all of the Pledgor's rights and obligations under this Agreement.

6.28 This Agreement shall be terminated if Party C is required to be dissolved or liquidated by the PRC laws; Party C shall (and Party B shall allow Party C) shall transfer all its assets including the Equity Interest to Party A without charge or at the minimum prices and within the limits permitted by the current PRC laws, or the current liquidator shall dispose of all Party C's assets including the Equity Interest at its discretion for the purpose of protecting interests of shareholders and/or creditors of Party A's direct or indirect parents overseas.

6.29 All Parties undertake to each other that they shall terminate this Agreement immediately once the Pledgee is permitted by the PRC laws and the Pledgee decides to purchase all of Party C's Equity Interest from the Pledgors in accordance with the Exclusive Option Agreement.

7. Event of Default

7.1 All of following circumstances shall be deemed Event of Default:

- 7.1.1 The Pledgors violate or fail to perform any Contract Obligations under the Exclusive Option Agreement, the Shareholder Voting Rights Entrustment Agreement, the Loan Agreement and/or this Agreement; Party C violates or fails to perform any Contract Obligations under the Transaction Agreement and/or this Agreement;
- 7.1.2 Any representation or warranty made by the Pledgors under Article 5 of this Agreement contain material misstatements or errors, and/or the Pledgors violate any warranty under Article 5 of this Agreement, and/or any undertakings under Article 6 of this Agreement;
- 7.1.3 Party C fails or Party B fails to assist Party C to register Equity Interest pledge with related registration authority according to Article 4.1;
- 7.1.4 The Pledgors and Party C violate any rules or articles of this Agreement;
- 7.1.5 Unless otherwise clearly specified in Article 6.1.1, the Pledgors transfer or intend to transfer or abandon pledged Equity Interest or transfer pledged Equity Interest without the Pledgee's written consent;
- 7.1.6 The Pledgors' loans, undertakings, compensations, commitments or other debts to a third party (a) are required to be repaid or performed ahead of time due to the Pledgors' breach of the relevant agreement with the third party; or (b) have become due, but cannot be repaid or performed on time;
- 7.1.7 The Pledgors cannot repay general debts or other debts;
- 7.1.8 Any approval, license, consent, permission or authorization from government organizations making this Agreement compulsorily enforceable, legitimate and effective is revoked, terminated, nullified or changes substantively;

- 7.1.9 The promulgation of applicable laws makes this Agreement illegal or makes it impossible for the Pledgors to continue to perform the obligations under this Agreement;
- 7.1.10 The Pledgee believes that the Pledgors' abilities to fulfill its obligations under this Agreement have been affected in case of adverse changes to the Pledgors' property.
- 7.1.11 Party C or its heir or trustee can only partially perform or refuses to perform its payment responsibilities under the Business Cooperation Agreement, and/or Party C can only partially repay or refuse to repay the Secured Indebtedness; and
- 7.1.12 Any other circumstances under which the Pledgee can't or might not exercise its rights of Pledge.
- 7.2 The Pledgors and Party C shall immediately notify the Pledgee in writing once any circumstances mentioned in Article 7.1 are known or discovered, or any events leading to above circumstances have occurred..
- 7.3 Subject to other terms of this Agreement (including but not limited to Article 19.1 and 19.2), unless the Event of Default listed in Article 7.1 has been solved to the Pledgee's satisfaction within thirty (30) days after receiving the Pledgee's notice, the Pledgee may issue a Notice of Default to the Pledgors when such Event of Default occurs or any time after the occurrence, and exercise all its remedial rights and power against the defaults under the PRC laws, Transaction Agreement and this Agreement, including but not limited to:
- (a) asking Party C to immediately make all outstanding payments due under the Business Cooperation Agreement, repay all debts due under the Transaction Agreement, make all other payables due to the Pledgee, and/or repay the loan; and/or
 - (b) disposing of the Pledge according to Article 8 of this Agreement; and/or disposing of the pledged Equity Interest in other ways (including but not limited to giving discounts to the Equity Interest in whole or in part, and enjoying the priority of compensation from the proceeds of the Equity Interest auction and sales).

Subject to other terms of this Agreement (including but not limited to Article 19.1 and 19.2), the Pledgee shall have rights to exercise any of such rights based on its independent judgments and choices. Under this situation, all other Parties of this Agreement shall unconditionally agree and fully collaborate. The Pledgee shall not assume any responsibility for any loss resulting from its appropriate exercise of such rights and power.

- 7.4 The Pledgee shall be authorized to appoint its lawyer or other agent in writing to exercise any and all such rights and power, while the Pledgors or Party C shall not raise any objection to such appointment.
- 7.5 Subject to other terms of this Agreement (including but not limited to Article 19.1 and 19.2), the Pledgee shall be authorized to simultaneously or successively exercise any of its remedies. Before exercising its rights to auction or sell the Equity Interest under this Agreement, the Pledgee need not exercise other remedies in advance.
- 8. Exercise of the Pledge**
- 8.1 Except for fulfilling the Exclusive Option Agreement or other Transaction Agreement, before all Contract Obligations are performed and the Secured Indebtedness is fully repaid, the Pledgors shall not transfer their rights or Equity Interest in Party C without the Pledgee's prior written consent.
- 8.2 The Pledgee may issue a Notice of Default to the Pledgors according to Article 7.3 in exercising the Pledge.
- 8.3 Subject to the provisions of Article 7.3, the Pledgee may compulsorily enforce the Pledge while issuing a Notice of Default according to Article 7.3 or any time after issuing such notice. The Pledgors shall cease to own any Equity Interest-related rights or interests once the Pledgee decides on the compulsory enforcement of the Pledge.
- 8.4 When the Pledgee exercises the Pledge, within the scope of the license and in accordance with applicable laws, the Pledgee shall have disposition rights of the pledged Equity Interest, all payments received from the Pledge in exercising the Pledge shall be disposed of in the following order:
- (a) Pay all fees incurred for disposition of the Equity Interest and the Pledgee's exercising of its rights and power, including the lawyer fees and agent's fees;
 - (b) Pay taxes for disposing of the Equity Interest;
 - (c) If there is a surplus after the above payments are deducted, the balance (excluding interests) shall be paid to the Pledgors or held in escrow by a third party authorized to receive such money according to the relevant PRC laws or a local notary office of the place where the Pledgee is based (all expenses thereby incurred shall be deducted from such balance).
- 8.5 The Pledgors and Party C shall provide necessary assistance when the Pledgee disposes of the Pledge according to this Agreement, in order for the Pledgee to compulsorily enforce the Pledge according to this Agreement.
- 8.6 All actual outlays, taxes and legal fees related to the Equity Interest pledge and the Pledgee's exercising of rights under this Agreement shall be assumed by Party C, except for those borne by the Pledgee as specified by laws. The Pledgee shall be authorized to deduct such expenses from the money earned from its exercising of rights and power on an accrual basis.

8.7 The amount of the Secured Indebtedness independently confirmed by the Pledgee in exercising the Pledge over the Equity Interest according to this Agreement shall be deemed as conclusive evidence of Secured Indebtedness under this Agreement.

9. Transfer

9.1 The Pledgors shall not transfer their rights and obligations under this Agreement without the Pledgee's prior written consent.

9.2 The Pledgors and Party C agree that, on the premise of not violating the current PRC laws, the Pledgee may assign or transfer any of its rights exercisable under this Agreement, Transaction Agreement and other security documents to a third party in any way and according to articles and requirements that it deems appropriate (including the rights to reassign) after notifying the Pledgors and Party C.

9.3 This Agreement shall be binding upon the Pledgors, Party C and their respective heirs and authorized assignees (if any) and shall be effective for the Pledgee, its heirs and assignees.

9.4 When the Pledgee transfers any or all of its rights and obligations under Transaction Agreement to its designated party anytime, the assignee shall enjoy and perform the Pledgee's rights and obligations under this Agreement as if it were an original party of this Agreement. The Pledgors and/or Party C shall sign pertinent agreements or other documents related to such transfer at the Pledgee's request when the Pledgee transfers its rights and obligations under the Transaction Agreement.

9.5 If the Pledgee changes according to the Transaction Agreement or this Agreement, the Pledgors and Party C shall enter into a new Share Pledge Agreement with the new Pledgee according to the same articles and requirements of this Agreement, and handle corresponding formalities for pledge registration.

9.6 The Pledgors shall strictly comply with provisions of this Agreement and other agreements executed by the Pledgors, including Transaction Agreement, and perform the obligations under this Agreement and other agreements (including Transaction Agreement) without any act or omission which might affect effectiveness and enforceability of such obligations. Unless otherwise instructed by the Pledgee in writing, the Pledgors shall not exercise any remaining rights in the Equity Interest pledged under this Agreement.

10. Termination

When the Term of the Pledge expires, this Agreement terminates, and the Pledgee shall cancel or terminate this Agreement as soon as possible to the extent feasible and practicable, and rescind the Equity Interest pledge under this Agreement. Besides, the Pledgors and Party C shall document the release of the Equity Interest pledge on Party C's Register of Shareholders and register such cancellation with the relevant registration authority. The reasonable expenses incurred for releasing the Equity Interest pledge shall be borne by Party C. Article 12, Article 13, Article 19.1 and Article 19.2 shall survive the termination of this Agreement.

11. Commissions and Other Expenses

All expenses and actual outlays related to this Agreement, including but not limited to lawyers' fees, flat costs, stamp duties, any other taxes and fees, shall be borne by Party C. Party C shall fully reimburse the Pledgee for such paid taxes and fees if the Pledgee is required to bear some related taxes and fees as stipulated by applicable laws.

12. Confidentiality

All Parties admit that all oral or written materials exchanged with respect to this Agreement are confidential. All Parties are required to keep such materials confidential. Without the prior written consent of all other Parties, no party is allowed to disclose any related materials to a third party unless in following cases: (a) such materials have been known to the public (but not disclosed by the party receiving such materials); (b) the materials are required to be disclosed by applicable laws or rules of any securities exchange; or (c) any Party of this Agreement discloses the materials to its legal adviser or financial adviser regarding the transactions specified hereunder, and such legal adviser or financial adviser is bound by the same confidentiality obligations as those under this article; or (d) any Party that is a limited partnership (or a direct or indirect affiliate or subsidiary of the limited partnership) discloses the above confidential information to the general partner, manager and existing or potential limited partners of the limited partnership. The disclosure of any confidential information by staff or organizations hired by any Party shall be deemed as such party's disclosure of such confidential materials, and such party shall assume legal responsibilities for violating this Agreement. This article shall survive the termination of this Agreement, notwithstanding the reason of termination.

13. Governing Laws and Dispute Resolution

- 13.1 The signing, effectiveness, interpretation, performance, modification and termination of this Agreement as well as dispute resolution hereunder shall be governed by the PRC laws.

- 13.2 In case that any dispute occurs in interpreting and performing this agreement, the Parties of this agreement shall firstly try to resolve it through negotiation in good faith. If the Parties fail to reach a consensus on such dispute resolution through negotiation within thirty (30) days as required by any Party, any Party may submit such dispute to the Beijing Arbitration Commission, which will resolve the dispute through arbitration according to current effective arbitration rules. The arbitration shall be performed in Beijing in Chinese. The arbitration awards shall be final and binding upon all Parties. The arbitration tribunal may decide upon compensation with respect to Party C's rights in the Equity Interest, assets or property, or compensate the Pledgee for the losses resulting from other Parties' breach of this agreement, adjudicate compulsory remedies or order Party C to go bankrupt regarding related businesses or compulsory asset transfer. After arbitration awards take effects, any Party shall be authorized to apply to a competent court for enforcing arbitration awards. If necessary, arbitration organizations shall have rights to firstly ask the breaching party to immediately stop its defaults before giving the final awards on disputes of all Parties concerned, or prohibit the breaching party from conducting acts which might aggravate the Pledgee's losses. Courts of Hong Kong, Cayman Islands or other competent courts (including courts of the place where Party C lives, or courts of the place where Party C's or the Pledgee's main assets are) shall have rights to grant or execute awards of an arbitration tribunal. They shall have rights to adjudicate or enforce temporary relief with respect to Party C's rights and interests in the Equity Interest or property. They shall also have rights to offer temporary relief to the party making a request for arbitration by giving awards or judgments before the tribunal court forms. For instance, the breaching party may be ordered by way of court judgment or arbitrated award to immediately suspend their breaches or conduct which might further aggravate the Pledgee's losses.
- 13.3 When any dispute occurs in interpreting or performing this Agreement, or any dispute is under arbitration, Parties of this Agreement shall continue to exercise their rights and performing their respective obligations under this Agreement except for disputed matters.
- 13.4 If any law of the PRC, rule or regulation is promulgated or revised after the date of signing this agreement, or the interpretation or applicability of such law, rule or regulation changes, the following provisions shall apply: In the case of PRC laws (a) if the revised laws or newly promulgated rules are more preferential for any Party as compared to laws, rules or regulations in effect at the time this Agreement was executed without imposing material adverse impacts upon other Parties, the Parties of this Agreement shall promptly apply for obtaining benefits from such modifications or new rules and try their best to have the application approved; or (b) the original articles of this Agreement shall prevail if such revised laws or newly enacted rules directly or indirectly impose material adverse impacts upon any Party's economic interests under this Agreement. The Parties shall seek to be exempted from these revised laws or new rules by all lawful means. If the adverse impacts on any Party's economic benefits cannot be alleviated according to this Agreement, all Parties shall promptly negotiate with each other and make all necessary revisions to this Agreement after the affected party notifies all other Parties and protect the affected party's economic interests.

14. Force Majeure

- 14.1 **“Force majeure”** means unforeseeable, unavoidable and irresistible events which make it impossible to perform this Agreement in part or in whole. Such events include but are not limited to earthquake, typhoon, flood, wars, strike, riot, government actions, or changes to laws or rules or their application.
- 14.2 In the event of a force majeure incident, a party’s obligations under this Agreement shall be naturally suspended for the delay caused by the incident, and the term for performing its obligations shall be extended accordingly. Such party shall not be subject to any punishment or assume any responsibility. In case of a force majeure incident, all Parties shall immediately negotiate with each other to look for a fair solution, and make every reasonable effort to minimize impacts of force majeure.

15. Notices

- 15.1 All notices and other communications which are issued as required or permitted by this Agreement shall be delivered in person or sent to the Parties’ address and fax number listed in Appendix I through registered mail, postage prepaid, commercial express delivery services or fax. The date of effective delivery of such notices shall be determined as follows:
- 15.1.1 The notices shall be deemed to have been delivered to the designated address on the date of sending or rejection if they are delivered in person, express delivery services or registered mail, postage prepaid.
- 15.1.2 The notices shall be deemed to have been delivered if they are successfully sent by fax (should be confirmed by the message automatically generated upon successful delivery).
- 15.2 Any party may issue a notice to all other Parties according to this article to inform them of the address or fax number, which can be changed from time to time.

16. Severability

If one or more articles of this Agreement are adjudicated to be ineffective, illegitimate or unenforceable in any aspect according to any laws, rules or regulations, validity, legitimacy or enforceability of other articles of this Agreement shall not be affected or impaired in any aspect. All Parties shall strive to replace such ineffective, illegitimate or unenforceable articles with valid ones to the maximum extent permitted by laws and expected by Parties. The economic results from such invalid articles shall be as similar as possible to those from ineffective, illegal or unenforceable articles.

17. Appendixes

Appendixes hereunder shall be integral parts of this Agreement.

18. Effectiveness, Revision, Modification, Supplementation and Texts

- 18.1 This Agreement shall become effective from the date of signing by the Parties, and the Equity Interest pledge under this Agreement shall become effective from the date on which the registration authority completes the relevant registration procedures. The terms of this Agreement shall end if the contractual obligations have been fully performed or the Term of the Pledge is terminated pursuant to this Article 3.
- 18.2 All revisions, modifications and supplementations of this agreement shall be in writing. They shall take effects after they are executed or stamped by all Parties hereunder and governmental registration procedures (if applicable) are completed.
- 18.3 If revision of this Agreement is proposed by the Stock Exchange of Hong Kong Limited or other regulatory institutions, or is required according to securities listing regulations of the Stock Exchange of Hong Kong Limited or related regulations, rules and guiding requirements, this Agreement shall be revised by the Parties reasonably.
- 18.4 This Agreement is made in six (6) copies. Each party shall hold one (1) copy and one (1) copy shall be reported to the registration authority. All copies shall have equal legal forces.

19. Others

- 19.1 Notwithstanding any other provision of this Agreement or any other Transaction Agreement or any other document or law, the Pledgors' obligations and liabilities under this Agreement are several and not joint.

- 19.2 Notwithstanding any other provision of this Agreement or any other Transaction Agreement or any other document or law, (1) The Pledgee shall not exercise any of its rights to any investor Party B under this Agreement (including but not limited to exercising the Pledge), unless the Pledgee exercises the right to all Pledgors at the same time or all directors of Cayman Company agree otherwise; (2) Investor Party B's entire and any obligations or liabilities under this Agreement and the transaction documents are limited to the respective Equity Interest of Party C held by them. Except for the Equity Interest of Party C held by Party B, no other party may make any claim to Investor Party B's other assets in respect of all and any obligations under this Agreement and the transaction documents; and (3) if Investor Party B violates any warranties, commitments, agreements, representations or conditions of this Agreement, the Exclusive Option Agreement, the Business Cooperation Agreement or other Transaction Agreement, the sole right of the Pledgee is only to exercise the Pledge to the Equity Interest of Party C held by the Investor Party B in accordance with Article 8 of this Agreement or exercise the right to purchase the Equity Interest of Party C held by the Investor Party B in accordance with the Exclusive Option Agreement. But Investor Party B does not assume any other liability for the Pledgee or any other person. This article shall survive the termination of this Agreement.
- 19.3 Except for the written revisions, supplementations or modifications made after the date of signing, this Agreement shall constitute the entire agreement concluded among all Parties hereunder regarding the subject matter of this Agreement. It shall supersede all previous oral and written negotiations, statements and contracts concluded regarding the subject matter of this Agreement.
- 19.4 This Agreement shall be binding upon and beneficial to all Parties' respective heirs and authorized assignees.
- 19.5 Any Party may waive its rights under this Agreement, whereas such waiver shall be in writing and approved by all Parties' signatures. Any Party's waiver against another party's breach of this Agreement under certain circumstance shall not be deemed as its waiver against such party's similar breaches under other circumstances.
- 19.6 The headings of this Agreement are only for the convenience of reading. They shall not be used for interpreting, describing or impacting definitions under this Agreement in other aspects.
- 19.7 All Parties agree to promptly sign documents and take further actions which are reasonably necessary or convenient to perform this Agreement and achieve its purposes.
- 19.8 To the extent there is no violation of other articles of the Transaction Agreement and this Agreement, the Pledgors and Party C shall immediately take actions according to the Pledgee's written instructions and reasonable requirements provided that the enactment or changes of any laws, rules or regulations of the PRC, or changes to the interpretation or applicability of such laws, rules or regulations, or changes to related registration procedures make the Pledgee believe that keeping this Agreement or the Pledge under this Agreement effective and/or disposing of the Equity Interest in ways designated under this Agreement may become illegal or violate such laws, rules or regulations, in order to: (a) keep this Agreement and the Pledge hereunder effective; (b) for the convenience of disposition of the Equity Interest in ways specified by this Agreement; and/or (c) maintain the guarantees which have been or are to be established by this Agreement.

19.9 This Agreement is a legal document independent of Transaction Agreement and other security documents, the invalidity of which shall not affect all Parties' rights or obligations under this Agreement. If Transaction Agreement or other security documents are announced to be invalid, but the Pledgors still have remaining Contract Obligations and/or Party C still owes Secured Indebtedness to the Pledgee, the Equity Interest under this Agreement shall still be used as collateral for pledging the Contract Obligations and Secured Indebtedness until the Secured Indebtedness is fully repaid and all Contract Obligations are performed.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

(This page is intentionally left blank and is the signing page of this Share Pledge Agreement)

IN WITNESS WHEREOF, the Parties have executed this Share Pledge Agreement as of the date and at the address first above written.

Xi'an Jingxundi Supply Chain Technology Co., Ltd. (seal)

/s/ Xi'an Jingxundi Supply Chain Technology Co., Ltd.

(Seal of Xi'an Jingxundi Supply Chain Technology Co., Ltd.)

(This page is intentionally left blank and is the signing page of this Share Pledge Agreement)

IN WITNESS WHEREOF, the Parties have executed this Share Pledge Agreement as of the date and at the address first above written.

Xi'an Jingdong Xincheng Information Technology Co., Ltd. (seal)

/s/ Xi'an Jingdong Xincheng Information Technology Co., Ltd.
(Seal of Xi'an Jingdong Xincheng Information Technology Co., Ltd.)

(This page is intentionally left blank and is the signing page of this Share Pledge Agreement)

IN WITNESS WHEREOF, the Parties have executed this Share Pledge Agreement as of the date and at the address first above written.

Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

(This page is intentionally left blank and is the signing page of this Share Pledge Agreement)

IN WITNESS WHEREOF, the Parties have executed this Share Pledge Agreement as of the date and at the address first above written.

Yayun Li

By: /s/ Yayun Li

(This page is intentionally left blank and is the signing page of this Share Pledge Agreement)

IN WITNESS WHEREOF, the Parties have executed this Share Pledge Agreement as of the date and at the address first above written.

Pang Zhang

By: /s/ Pang Zhang

Appendix I

For the purpose of notices, the addresses of the Parties are as follows:

Party A:

Xi'an Jingxundi Supply Chain Technology Co., Ltd.

Address: ***

Receipt: ***

Party B:

Richard Qiangdong Liu

Address: ***

Yayun Li

Address: ***

Pang Zhang

Address: ***

Party C:

Xi'an Jingdong Xincheng Information Technology Co., Ltd.

Address: ***

Receipt: ***

Schedule A

The following schedule sets forth information about the share pledge agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities. 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>
Suqian Jingdong Tianning Jiankang Technology Co., Ltd.	<p>Party A: Beijing Jingdong Jiankang Co., Ltd.</p> <p>Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang</p> <p>Party C: Suqian Jingdong Tianning Jiankang Technology Co., Ltd.</p>	<p>The registered capital of Suqian Jingdong Tianning Jiankang Technology Co., Ltd. is RMB1,000,000.</p> <p>The capital contribution amount and shareholding percentage of the shareholders are as follows:</p> <p>Richard Qiangdong Liu: RMB450,000.00 (45%) Yayun Li: RMB300,000.00 (30%) Pang Zhang: RMB250,000.00 (25%)</p>	September 17, 2020	September 17, 2020	September 17, 2020
Guangdong Jingxi Logistics Technology Co., Ltd.	<p>Party A: Jingdong Logistics Supply Chain Co., Ltd.</p> <p>Party B: Jian Cui and Dingkai Yu</p> <p>Party C: Guangdong Jingxi Logistics Technology Co., Ltd.</p>	<p>The registered capital of Guangdong Jingxi Logistics Technology Co., Ltd. is RMB5,000,000.</p> <p>The capital contribution amount and shareholding percentage of the shareholders are as follows:</p> <p>Jian Cui: RMB2,500,000 (50%) Dingkai Yu: RMB2,500,000 (50%)</p>	January 25, 2021	January 25, 2021	January 25, 2021

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.

- 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 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 information about the equity pledge agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities of the Registrant. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

VIE	Executing Parties	Capital Contribution	Date of Entitlement to all Proceeds for Pledge	Effective Date	Execution Date
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%)			
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: Qian Yang: RMB 10,000,000.00 (100%)			
	Party C: Suzhou Guanyinghou Media Technology Co., Ltd.				
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.				

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 information about the power of attorney substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities. 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
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

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)

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 information about the exclusive technology consulting and service agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities. 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

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

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 information about the business operations agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities. 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. Party B: Beijing Yuanyi Freight Forwarding Co., Ltd. Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	January 5, 2017
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 C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	September 8, 2016
Suqian Limao Donghong Investment Management Co., Ltd.	Party A: Suqian Yitong Information Technology Co., Ltd. Party B: Suqian Limao Donghong Investment Management Co., Ltd. Party C: Richard Qiangdong Liu and Yayun Li	December 28, 2016
Beijing Andist Technology Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Beijing Andist Technology Co., Ltd. Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	December 1, 2016
Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Shanghai Jingdong Cai'ao E-commercial Co., Ltd. Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	December 20, 2016
Suzhou Guanyinghou Media Technology Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd. Party B: Suzhou Guanyinghou Media Technology Co., Ltd. Party C: Qian Yang	December 11, 2017
Beijing JPT E-Commerce Co., Ltd.	Party A: Beijing QGX Information Technology Co., Ltd. Party B: Beijing JPT E-Commerce Co., Ltd. Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	March 28, 2018
Jingdong Cloud Computing Co., Ltd.	Party A: Jingdong Longyun Technology Co., Ltd. Party B: Jingdong Cloud Computing Co., Ltd. Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	November 29, 2018
Suqian Jiantong Enterprise Management Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd. Party B: Suqian Jiantong Enterprise Management Co., Ltd. Party C: Xinshi Wang, Suzhou Guanyinghou Media Technology Co., Ltd.	April 18, 2019

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

-
- 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 information about the exclusive purchase option agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities. 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>Effective Date</u>	<u>Execution Date</u>
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
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

VIE

Suqian Jiantong Enterprise Management Co., Ltd.

Executing Parties

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.

Effective Date

April 18, 2019

Execution Date

April 18, 2019

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/ Yayun Li

Schedule A

The following schedule sets forth information about the loan agreements substantially in form as this exhibit that the Registrant entered into with certain other Chinese variable interest entities. 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
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

VIE

Suqian Jiantong Enterprise Management Co., Ltd.

Executing Parties

Lender: Suqian Daxi Information Technology Co., Ltd.

Borrowers: Xinshi Wang, Suzhou Guanyinghou Media Technology Co., Ltd.

Loan Amount

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

Effective Date

April 18, 2019

Execution Date

April 18, 2019

AGREEMENT ON SUBSCRIBING SHARES
OF
JINGDONG DIGITS TECHNOLOGY HOLDING CO., LTD.

by and between

Suqian Juhe Digital Enterprise Management Co., Ltd.

and

Jingdong Digits Technology Holding Co., Ltd.

THIS AGREEMENT ON SUBSCRIBING SHARES OF JINGDONG DIGITS TECHNOLOGY HOLDING CO., LTD. (this “**Agreement**”), dated as of June 25, 2020, is made and entered into by and between the following parties in Beijing, the People’s Republic of China (“**PRC**”, which, for the purpose of this Agreement, excludes Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan Region):

- A. Jingdong Digits Technology Holding Co., Ltd., a limited liability company registered under the laws of the PRC, with its registered address at Room 221, F/2, Block C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing, PRC (“**JD Digits**” or the “**Company**”).
- B. Suqian Juhe Digital Enterprise Management Co., Ltd., a limited liability company registered under the laws of the PRC, with its registered address at Room 206, Building #2, JD Cloud East China Data Center, Hubin New Area, Suqian City (the “**Subscriber**”).

The Company and Subscriber hereto are referred to individually as a “**Party**” and collectively as the “**Parties**”.

WHEREAS

- 1. JD Digits is a limited liability company duly organized and validly existing under the laws of the PRC, with the current registered capital of RMB 3,060,813,142. Now, JD Digits is intended to conduct This Transaction and agrees that the Subscriber subscribes the additional shares after being approved by the board of directors and shareholders’ meeting.
- 2. JD Group entered into the FRAMEWORK AGREEMENT on March 1, 2017 with JD Digits and other related entities, which stipulates JD Group’s rights to share profits of JD Digits. The FRAMEWORK AGREEMENT is to be terminated by related parties through the Termination Agreement signed on the same date as this Agreement. JD.com, Inc. desires to acquire JD Digits’ shares by the Subscriber’s contribution of RMB1,781,357,008, and control a total of 1,781,357,008 shares of JD Digits through This Transaction.
- 3. The Subscriber desires to subscribe for JD Digits’ shares according to the terms and conditions contained herein (the “**Share Subscription**”).

NOW, THEREFORE, in consideration of the foregoing and mutual agreements and commitments stated hereafter, the Parties hereby agree as follows:

Article I Definitions

1.1 For the purpose of the Agreement, the following terms used herein shall have the following meanings:

- (1) "This Transaction" means the Share Subscription stipulated by the Parties herein.
- (2) "Law" means the laws, regulations, ordinances, provisions, rules, criteria, orders, specifications or normative documents of China or other jurisdictions.
- (3) "Register of shareholders" means the register shareholders in the form shown in Schedule B herein.
- (4) "RMB" means the lawful money of the PRC.
- (5) "Business secret" means the trade secrets, software programs and data, proprietary technology, and other confidential or proprietary technology, business and other materials, including manufacturing and production techniques and know-how, research and development materials, technologies, drawings, specifications, designs, plans, schemes, technical data, financial, marketing and business data, pricing and cost data, business and marketing plans, customer and supplier lists and materials, and all rights to restrict the use or disclosure of the foregoing in any jurisdiction.
- (6) "Tax" or "Taxes" means any and all taxes, charges, levies, tax payments, duties and other fees (including any and all interests, fines, additional taxes and additions imposed thereon or with respect thereto) imposed by any government or tax authority, including but not limited to the taxes or other charges on income, franchise, accidental income or other profits, gross income, property, sales, use, salary, employment, social security, and unemployment compensation; the taxes or other charges related to consumption, withholding, transfer, value added or business; the license, registration and document charges; duties, tax payments and similar charges.
- (7) "Government authority" means any central or local government, regulatory or administrative agency, department or committee, or any court, tribunal and other judicial or arbitral institution of China or other countries.

- (8) "Written notice" means the notice in the form of contract, letter and data message (including telegram, telex, fax, electronic data exchange and e-mail), which can tangibly express the contents contained therein.

1.2 Interpretation

In this Agreement, unless the context otherwise requires:

References to Articles and Schedules herein are references to articles, clauses and schedules of this Agreement. Unless otherwise stated, these articles, schedules and recitals shall be deemed as an integral part of the Agreement;

- (1) Headings of provisions of this Agreement are for convenience of reference only and shall not be deemed to limit or otherwise affect the interpretation of the text hereof;
- (2) "Include", "includes" and "including" herein shall be deemed to be followed by "without limitation" whether or not they are in fact followed by such words;
- (3) The words "herein", "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular provision;
- (4) Any laws defined or mentioned in this Agreement or in any agreement or document referenced herein refer to the laws revised, amended, or supplemented from time to time, including the subsequent laws replacing the original one;
- (5) References to the subject refer to its permitted successors and assignees.

Article II Share Subscription

2.1 Share Subscription

- (1) The Parties confirm that the Company has a total of 3,060,813,142 shares before This Transaction and plans to issue 1,781,357,008 new shares. According to terms and conditions herein, the Parties agree that the Subscriber contributes RMB 1,781,357,008 (the "**Share Subscription Payment**") in monetary as the consideration for subscription of 1,781,357,008 shares issued by the Company in This Transaction (the "**Subject Shares**") at the price of RMB 1.00 per share.

- (2) The Subscriber shall pay the Share Subscription Payment in the amount confirmed in the written notice (see Schedule A) in cash to the designated account of the Company within fifteen (15) days after receiving such written notice or other time as agreed by the Company in written, provided that the conditions for Share Subscription as agreed in the Article 4.2 are met.

2.2 Register of shareholders and change in industrial and commercial registration

- (1) The Company shall provide the following documents to the Subscriber on the day when the Subscriber fulfills its obligations under Item (2), Article 2.1 of this Agreement:
 - (i) Register of shareholders (see Schedule B);
 - (ii) Registered share (as proof of ownership);
 - (iii) Letter of consent issued by the ultimate controller on waiving its preemptive right to the Subject Shares;
 - (iv) New articles of association or amendment to the articles of association reviewed and approved by the Company for This Transaction.
- (2) The Company shall handle the industrial and commercial registration/filing of changes about the increase of registered capital and amendments to articles of association related to This Transaction within thirty (30) days after the Subscriber fulfills its obligations under Item (2), Article 2.1 of this Agreement.

2.3 Closing of Share Subscription

According to terms and conditions herein, the “**Closing Date of Share Subscription**” means the date when the Subscriber makes payment as agreed in Item (2), Article 2.1 of this Agreement, and the Company issues the register of shareholders to the Subscriber (subject to the time on the register of shareholders). The Subscriber becomes a shareholder of the Company, enjoys corresponding rights, and assumes relevant obligations of shareholder from the Closing Date of Share Subscription.

Article III Representations and Warranties

3.1 Further measures

- (1) The Parties hereto shall make all reasonable efforts to take or prompt others to take all necessary and appropriate or requisite measures, handle or prompt others to handle all relevant matters under this Agreement, sign and deliver all necessary documents and materials according to the laws and regulations, so as to implement provisions herein and complete This Transaction stipulated in this Agreement.
- (2) The Parties further confirms that on the date of signing this Agreement, the Company will sign an agreement with JD.com, Inc. according to Schedule C.

3.2 Warranties and commitments of the Company

- (1) The Company warrants that it is a legal entity duly organized and validly existing with the subject qualification to execute this Agreement and fulfill its obligations hereunder, that it has obtained all the required authorities or approvals at the present stage (including approvals for signing this Agreement and fulfilling its obligations hereunder), and that this Agreement is the true expression of its intention;
- (2) The Company will properly handle any outstanding matters related to or arising from the execution and performance of this Agreement with the Subscriber according to the relevant laws and regulations.

3.3 Warranties and commitments of the Subscriber

- (1) The Subscriber warrants that it is a legal entity duly organized and validly existing with the subject qualification to execute this Agreement and fulfill its obligations hereunder, that it has obtained all the required authorities or approvals at the present stage, and that this Agreement is the true expression of its intention;
- (2) The Subscriber will pay the Share Subscription Payment in full and on time according to this Agreement.

Article IV Prerequisites for Share Subscription

4.1 Prerequisites for the Company's performance of Article 2.2 herein and other obligations hereunder

With regard to the Company, the prerequisites for This Transaction (including but not limited to matters set forth in Article 2.2) are as follows, which shall be satisfied on or before the Closing Date of Share Subscription:

- (1) The board of directors and shareholders' meeting of the Company have reviewed and approved proposals regarding This Transaction, and the amendments to the articles of associations related to This Transaction.
- (2) The Subscriber has signed and delivered the transaction documents (this Agreement) to the Company.
- (3) The warranties and commitments of the Subscriber herein are true and accurate when made and as of the Closing Date of Share Subscription.

4.2 Prerequisites for the Subscriber's performance of Article 2.1 herein and other obligations hereunder

With regard to the Subscriber, the prerequisites for This Transaction (including but not limited to matters set forth in Article 2.1) are as follows, which shall be satisfied on or before the Closing Date of Share Subscription, and can be waived in whole or in part at the Subscriber's discretion:

- (1) This Agreement and other agreements set forth in Schedule C have been signed by the Company; and the SUPPLEMENTARY AGREEMENT (III) TO AGREEMENT ON INVESTMENT IN BEIJING JINGDONG FINANCIAL TECHNOLOGY HOLDING CO., LTD. has been signed by the Company, the Subscriber and other related parties.
- (2) The warranties and commitments of the Company herein are true and accurate when made and as of the Closing Date of Share Subscription.
- (3) (i) The board of directors and shareholders' meeting have reviewed and approved proposals regarding This Transaction, the increase of registered capital and the amendments to the articles of associations related to This Transaction; (ii) This Transaction has been approved by the administrative authority.

Article V Expenses and Taxes

Unless otherwise agreed in this Agreement, the Parties shall bear all kinds of taxes and fees payable by each party arising from the Share Subscription, other own expenses incurred by hiring external lawyers, auditors and investment consultants for the Share Subscription, or other expenses and taxes regulated by laws and policies.

Article VI Liabilities for Breach of Agreement

Where a party fails to perform or fully perform any provision hereunder (the “**Defaulting Party**”), the Non-Defaulting Party shall be entitled to claim compensation for all actual losses incurred by the Defaulting Party.

Article VII Termination

7.1 Termination

The rights and obligations of the Party meeting any of the following conditions shall be terminated.

- (1) This Agreement may be terminated upon the unanimous consent of the Parties in writing;
- (2) This Transaction has not been approved by the board of directors or the shareholders’ meeting of the Company;
- (3) The Non-Defaulting Party shall be entitled to unilaterally terminate this Agreement and pursue the liability for any breach according to this Agreement where any party commits a breach and fails to take remedial actions within thirty (30) days after receiving the written notice requesting such rectification from the Non-Defaulting Party, or where such party materially violates this Agreement which makes this Agreement unenforceable.

7.2 Effectiveness of termination

Where terminated according to Article 7.1, this Agreement shall be null, void and non-binding to any party, save that:

- (1) The Articles 8.1, 8.2, 8.9 and 8.10 shall survive; and
- (2) The liability for breach of any party hereunder shall not be released by any provisions of this Agreement.

Article VIII General

8.1 Notice

- (1) All notices or written communications hereunder (including all offers, written documents or notices) shall be made in Chinese and delivered to the corresponding party in the following ways:
 - (i) In person; or
 - (ii) Express mail; or
 - (iii) E-mail; or
 - (iv) Fax.
- (2) All notices hereunder shall be deemed received:
 - (i) Upon the signature of the notified party on receipt or other proofs of delivery if delivered personally;
 - (ii) Within five (5) working days after delivery if delivered by express mail;
 - (iii) Upon the display of sent successfully on the E-mail system if delivered by E-mail;
 - (iv) The next working day following the date marked on the confirmation of the fax machine (indicating that the complete and uninterrupted fax has been sent to the relevant fax number) if delivered by fax.
- (3) The addresses shown on the signature page of this Agreement are the valid correspondence address of the Parties; any party may notify the other party to change the correspondence address at any time as specified in Article 8.1 herein during the term of this Agreement.

8.2 Confidentiality

- (1) Any party shall keep all details of this Agreement and This Transaction, correspondences, and documents provided hereunder confidential, and shall not disclose the aforesaid information to any party other than the signatory of this Agreement in any way for other purposes except for This Transaction, without the prior written approval of the other party.

- (2) The financial statements, contract information and technical materials related to the Company shall be kept as business secret and shall not be disclosed to any third party.
- (3) The following disclosures made for the purpose of this Agreement shall be excluded: (i) any disclosure to the directors, officers and employees of the Parties and their affiliates who need to know about this Agreement; (ii) any disclosure made to the professional service agencies under the obligation of confidentiality of this Agreement employed by either party, and (iii) any necessary disclosure made to relevant government departments and regulatory body (in which case, the disclosing party shall promptly notify the other party of the proposed disclosure and, to a reasonable extent, adopt the suggestions of the other party prior to such disclosure).

8.3 Force Majeure

- (1) For the purpose of this Agreement, the force majeure event means any event that cannot be reasonably controlled, unpredictable, or inevitable and insurmountable, which makes it objectively impossible or impractical for the affected Party to perform this Agreement in whole or in part, including but not limited to earthquakes, typhoons, epidemics, floods, tsunamis, fires, wars, strikes, riots, act of government, law change, or other unpredictable, inevitable and uncontrollable events.
- (2) In case of any force majeure, the obligations of any party affected by the force majeure shall be suspended automatically during the delay period caused by such force majeure, and fulfilled in an automatically extended period equivalent to the suspension period. The affected party shall not be liable for liability of breach.
- (3) The party claiming to be affected by force majeure shall notify the other party in writing in time and provide the other party with sufficient evidence of the occurrence and duration of force majeure within fifteen (15) working days. In addition, the claiming party shall make all reasonable efforts to eliminate the influence of such force majeure.
- (4) In case of force majeure, the Parties shall immediately negotiate with each other to seek a fair solution, and make all reasonable efforts to minimize the impact of force majeure.

8.4 Severability

Where any term or provision hereunder becomes invalid, illegal or unenforceable according to any law or public policy, the remaining terms and provisions shall remain in full force, provided that the economic or legal substance of the proposed transaction hereunder is not materially adversely affected in any way. When any term or provision is deemed invalid, illegal or unenforceable, the Parties shall negotiate in good faith to amend this Agreement, realize the original intention of the Parties possibly in an acceptable way, and complete the transaction contemplated in this Agreement as originally planned to the utmost extent.

8.5 Entire Agreement

This Agreement and all schedules hereto will supersede all written and oral agreements and commitments made by the Parties on the proposed transactions herein before the signing date.

8.6 Non-waiver

No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof. The exercising or partial exercising of any right, power or privilege hereunder shall not prevent the exercising of such right, power or privilege again in the future.

8.7 Amendment

This Agreement shall not be revised or amended, unless made in written document signed by the Parties.

8.8 Assignment and Succession

Unless otherwise agreed in this Agreement or otherwise expressly agreed in writing by the Parties (which may be given or refused by the Parties at their own discretion), the Subscriber shall not transfer any rights or obligations hereunder due to the implementation of laws or other reasons. This Agreement shall be binding on and exist for the benefit of the Parties and their respective successors and assignees.

8.9 Governing Laws

The construction, effectiveness, interpretation, performance of this Agreement and the settlement of disputes hereunder shall be governed by the laws of PRC.

8.10 Settlement of Disputes

- (1) Any dispute concerning this Agreement shall be settled by the Parties through amicable negotiation. Should such negotiation be failed, either party shall be entitled to submit the relevant dispute to China International Economic and Trade Arbitration Commission for arbitration in Beijing in accordance with its arbitration rules that in force.
- (2) The Parties shall continue to perform other provisions hereunder except for the disputed matters submitted for arbitration.

8.11 Validity

This Agreement shall become effective from the date when the Company and the Subscriber are both stamped. Where the relevant procedures for industrial and commercial registration of changes are required, the Parties shall separately sign any document (if any) related to the matters hereunder as required by the industrial and commercial registration authority. In case of any contradiction or inconsistency between this Agreement and the aforesaid document, this Agreement shall prevail.

8.12 Counterparts

This Agreement is executed in quadruplicate, with each Party holding one copy and other copies kept by the Company for approval, registration or filing (if necessary).

(Remainder of Page Intentionally Left Blank, the Signature Page and Schedules Followed)

Company:

Jingdong Digits Technology Holding Co., Ltd. (Official Seal)

Legal Representative (or Authorized Representative): /s/ Authorized Signatory (Signature)

June 25, 2020

(This page is intentionally left blank) (Signature Page to the AGREEMENT ON SUBSCRIBING SHARES OF JINGDONG DIGITS TECHNOLOGY HOLDING CO., LTD.)

Subscriber:

Suqian Juhe Digital Enterprise Management Co., Ltd. (Official Seal)

Legal Representative (Signature/Seal): /s/ Authorized Signatory.

June 25, 2020

AMENDED AND RESTATED AGREEMENT (II)

This AMENDED AND RESTATED AGREEMENT (II) (**this “Agreement”**), dated as of November 9, 2020, is made and entered into by and between the following parties in Beijing, the People’s Republic of China (“PRC”, which, for the purpose of this Agreement, excludes Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan Region):

JD.com, Inc., a company organized under the Laws of the Cayman Islands (“**JD Group**”);

Jingdong Digits Technology Holding Co., Ltd., a limited liability company registered under the laws of the PRC (unified social credit code: 91110302053604529E), with its registered address at Room 221, F/2, Block C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing, PRC (the “**Company**”).

WHEREAS, JD Group entered into the FRAMEWORK AGREEMENT on March 1, 2017 with the Company and other related entities, which was then terminated by related parties through the TERMINATION AGREEMENT. The Parties signed the FORM OF AGREEMENT on June 25, 2020 to confirm and restate Section 10.7 under the FRAMEWORK AGREEMENT. The Parties entered into the AMENDED AND RESTATED AGREEMENT (the “**ORIGINAL AGREEMENT**”) on September 9, 2020 to amend and restate the FORM OF AGREEMENT. Now, the Parties hereto negotiation in good faith and enter into the Agreement to amend and restate the ORIGINAL AGREEMENT.

NOW, THEREFORE, in consideration of the foregoing, the Parties hereby agree as follows:

I. Business scope

The Parties agree that their respective business scope is as follows:

1. Prior to the first date upon which JD Group and the Company cease to be under common Control of Mr. Qiangdong Liu (the “Ultimate Controller”), the Company shall not, and shall cause its subsidiaries not to, without the prior written consent of JD Group, directly or indirectly engage in, carry out, or participate in the Group Business (as defined below) as an owner, partner or principal (including through any arrangement that function similarly to equity interests) , or otherwise compete with JD Group in the Group Business. Notwithstanding the foregoing, the Company and its subsidiaries may from time to time make passive investments (including in equity securities and/or debt securities or instruments), regardless of whether such invested companies compete with the Group Business or not, provided however that the Company and its subsidiaries shall not Control such invested companies.

For the purpose of this Agreement,

(1) "Control", as used with respect to any entity, means the possession, directly or indirectly having the power to direct the management and policies of such entity through voting rights, agreements or any other means, the same below;

(2) "Group Business" refers to the e-commerce business (and its reasonable expansion) carried out by JD Group and its subsidiaries from time to time;

(3) A "subsidiary", with respect to a party, refers to: (a) an entity in which such party beneficially owns, directly or indirectly, more than 50% of the voting rights or other interests; (b) an entity in which such party holds more than 50% of the economic interests, including those held through VIE structure or other contractual arrangements; or (c) an entity, the financial statements of which can be consolidated according to applicable accounting standards.

2. Where the Company first engages in, carries out, participates or invests in the business at a time when it is not prohibited from doing so pursuant to Article 1 hereof, the Company shall be permitted to continue to engage or participate in such business notwithstanding any such prohibition arising after such time, including as a result of subsequent changes to the scope of the Group Business.
3. Prior to the first date upon which JD Group and the Company cease to be under common Control of the Ultimate Controller, JD Group shall not, and shall cause its subsidiaries not to, without the prior written consent of the Company, directly or indirectly engage in, carry out, or participate in the Company Business (as defined below) as an owner, partner or principal (including through any arrangement that function similarly to equity interests) or otherwise compete with JD Group in the Company Business.

For the purpose of this Agreement, "Company Business" refers to the financial, financial derivatives, and other financial-related businesses operated by the Company 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.

4. Notwithstanding the foregoing, JD Group and its subsidiaries shall not be restricted from engaging in the following activities or investments set forth in this Article 4:

- (1) JD Group and its subsidiaries may, directly or indirectly, engage in or participate in the businesses set forth in Annex 1 hereto from time to time.
- (2) JD Group and its subsidiaries may from time to time make passive investments (including investments in equity securities and/or debt securities or instruments), regardless of whether such invested companies compete with the Company Business, provided however that JD Group and its subsidiaries shall not Control such invested companies. However, in the case that JD Group and its subsidiaries are prohibited by applicable laws from making such passive investments, JD Group and the Company shall negotiate in good faith on the sale or disposal of such investments to the Company or third parties.
- (3) JD Group and its subsidiaries may from time to time enter into and perform contracts and agreements with third parties for provision or procurement of payment services, other financial services and products (including data sharing and traffic support).

II. Representations and Warranties

1. The Company warrants that it is a legal entity duly organized and validly existing with the qualification to execute this Agreement and fulfill its obligations hereunder, and that this Agreement is the true expression of its intention.
2. JD Group warrants that it is a legal entity duly organized and validly existing with the qualification to execute the Agreement and fulfill its obligations hereunder, and that this Agreement is the true expression of its intention.

III. Where a party fails to perform or fully perform any provision hereunder (the “**Defaulting Party**”), the Non-Defaulting Party shall be entitled to claim compensation for all actual losses arising out of or resulting from such failure to perform by the Defaulting Party.

IV. The execution and performance of this Agreement by the Parties represent their true intention. This Agreement shall become legally binding upon and enforceable against the Parties once it becomes effective.

V. The Parties shall keep this Agreement confidential, except for the following disclosures made for the purpose of this Agreement: (i) any disclosure made to the directors, officers, employees of the Parties and their affiliates who need to know about this Agreement; (ii) any disclosure made to the professional service agencies under the obligation of confidentiality of this Agreement employed by either party, and (iii) any necessary disclosure made to relevant government departments and regulatory body (in which case, the disclosing party shall promptly notify the other party of the proposed disclosure and, to a reasonable extent, adopt the suggestions of the other party prior to such disclosure).

VI. The construction, effectiveness, interpretation, performance of this Agreement and the settlement of disputes hereunder shall be governed by the laws of PRC.

VII. Any dispute concerning this Agreement shall be settled by the Parties through amicable negotiation. Should such negotiation be failed, either Party shall be entitled to submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration in Beijing in accordance with its arbitration rules then in force. During the settlement of dispute, the Parties shall continue to perform other provisions hereunder except for the disputed matters submitted for arbitration.

VIII. This Agreement shall become effective from the date when the Agreement being executed by the Parties with official seal or signature of their respective legal representative/authorized representative, and shall entirely supersede the ORIGINAL AGREEMENT.

IX. This Agreement is executed in duplicate, with each party holding one copy with the same legal effect.

JD.com, Inc.

(Seal)

Authorized Representative (Signature): /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the AMENDED AND RESTATED AGREEMENT (II))

Jingdong Digits Technology Holding Co., Ltd.

(Seal)

Legal Representative/Authorized Representative (Signature): /s/ Authorized Signatory

SUPPLEMENTARY AGREEMENT (III)

TO

AGREEMENT ON INVESTMENT

IN

BEIJING JINGDONG FINANCIAL TECHNOLOGY HOLDING CO., LTD.

THIS SUPPLEMENTARY AGREEMENT (III) TO AGREEMENT ON INVESTMENT IN BEIJING JINGDONG FINANCIAL TECHNOLOGY HOLDING CO., LTD. (this “**Agreement**”), dated as of June 25, 2020, is made and entered into by and among the following parties in Beijing, the People’s Republic of China (“**PRC**”, which, for the purpose of this Agreement, excludes Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan Region):

Qiangdong Liu (“**Actual Controller**”), with PRC identification number of ***;

Shengqiang Chen, with PRC identification number of ***;

Suqian Dongtai Jinrong Investment Management Center (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 418, Hengtong Building, No. 19 Hongzehu East Road, Suyu District, Suqian City, Jiangsu Province, PRC (“**Suqian Dongtai**”);

Beijing Sequoia Hongde Equity Investment Center (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at No. C2125, F/2, Building 16, Yard 37, Chaoqian Road, Science and Technology Park Zone, Changping District, Beijing, PRC (“**Squoia**”);

Beijing Jiashi Yuanrui Investment Management Center (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 1128, No. 6 Anfu Street, Houshayu Town, Shunyi District, Beijing, PRC (“**Jiashi Yuanrui**”);

Suzhou Taiping Jingchuang Investment Management Corporation (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at No. 58 South Tiancheng Road, High-speed Rail New Town, Suzhou City, Jiangsu Province, PRC (“**Taiping**”);

Beijing Rongzhi Huineng Investment Management Center (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 2503, F/4, Building 6, Yard 1, Futong East Street, Chaoyang District, Beijing, PRC (“**Rongzhi Huineng**”);

Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Building C, No. 888 Second Huanhu West Road, Nanhui New Town, Pudong New Area, Shanghai, PRC (“**Huasheng**”);

Hangzhou Lingfeng Xinqi Venture Capital Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at 11-27, Block A, Water Affairs Building, No. 1038 Jincheng Road, Beigan Sub-district Office, Xiaoshan District, Hangzhou City, Zhejiang Province, PRC (“**Lingfeng**”);

Ningbo Chuangshi Kangrong Equity Investment Fund Partnership (Limited Partnership) (the former “Ningbo Xinyue Kangrong Equity Investment Fund Partnership (Limited Partnership)”), a limited partnership organized under the Laws of the PRC, with its registered address at G1026, Area A, Room 401, Building 1, No. 88 Qixing Road, Meishan, Beilun District, Ningbo City, Zhejiang Province, PRC (“**Chuangshi Kangrong**”);

Beijing Zhong’an Xintou Consulting Co., Ltd. (the former “Beijing Kuaile Weiyun Investment Co., Ltd.”), a limited liability company organized under the Laws of the PRC with its registered address at Room 1561, No. 84-10 Wenquan Road, Wenquan Town, Haidian District, Beijing, PRC (“**Zhong’an Xintou**”);

Shanghai Chuangji Investment Center (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 526, Building B, No. 68 Dongheyan, Chengqiao Town, Chongming District, Shanghai (Shanghai Chengqiao Economic Development Zone), PRC (“**Chuangji**”);

Shanghai Duofangbu Sifeng Venture Capital Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 1594, No. 19, Lane 38, Caoli Road, Fengjing Town, Jinshan District, Shanghai, RPC (“**Duofangbu**”);

Beijing Xinrunheng Equity Investment Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 2322, Unit 1, F/25, Building 1, No. 3 Rongjing East Street, Beijing Economic and Technological Development Area, Beijing, PRC (“**Xinrun**”);

Suqian Linghang Fangyuan Equity Investment Center (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 416-429, Hengtong Building, No. 19 Hongzehu East Road, Suyu District, Suqian City, Jiangsu Province, PRC (“**Suqian Linghang Fangyuan**”);

Shannan Jiashi Fengqiao Venture Capital Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at (Room 3-4, Unit 3, Building 16, Zone I, Office Area) Nedong Road, Zedang Town, Nedong District, Shannan City, Tibet Autonomous Region, PRC (“**Jiashi Fengqiao**”);

Shannan Jiashi Guotai Venture Capital Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at (No. 4, Right of B1, Unit 2, Shuisi Building), Hunan Road, Zedang Town, Nedong District, Shannan City, Tibet Autonomous Region, PRC (“**Jiashi Guotai**”);

Shannan Jiashi Hengyi Venture Capital Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at (Room 2-1, Unit 3, Building 16, Zone I, Office Area) Nedong Road, Zedang Town, Nedong District, Shannan City, Tibet Autonomous Region, PRC (“**Jiashi Hengyi**”);

Shannan Jiashi Hongsheng Venture Capital Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at (Room 3-3, Unit 3, Building 16, Zone I, Office Area) Nedong Road, Zedang Town, Nedong District, Shannan City, Tibet Autonomous Region, PRC (“**Jiashi Hongsheng**”);

Shannan Jiashi Kaizhuo Venture Capital Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at (Room 2-3, Unit 3, Building 16, Zone I, Office Area) Nedong Road, Zedang Town, Nedong District, Shannan City, Tibet Autonomous Region, PRC (“**Jiashi Kaizhuo**”);

Shannan Xinrui Venture Capital Partnership (Limited Partnership) (the former “Shannan Jiashi Yuancheng Venture Capital Partnership (Limited Partnership)”), a limited partnership organized under the Laws of the PRC, with its registered address at Room 1-2, Unit 3, Building 16, Zone I, Office Area, Nedong District, Shannan City, Tibet Autonomous Region, PRC (“**Shannan Xinrui**”);

Hangzhou Xuanrong Equity Investment Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 146-6, No. 88-1, Marshal Temple, Shangcheng District, Hangzhou City, Zhejiang Province, PRC (“**Hangzhou Xuanrong**”);

Hangzhou Hanrong Equity Investment Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 146-8, No. 88-1, Marshal Temple, Shangcheng District, Hangzhou City, Zhejiang Province, PRC (“**Hangzhou Hanrong**”);

Suqian Donghe Shengrong Equity Investment Center (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 416-429, Hengtong Building, No. 19 Hongzehu East Road, Suyu District, Suqian City, Jiangsu Province, PRC (“**Suqian Donghe Shengrong**”);

Zhoushan Qingtai Equity Investment Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 303-39026, Enterprise Service Center, Zhoushan Port Comprehensive Bonded Zone, Zhejiang Province, PRC (in the Pilot Free Trade Zone) (“**Zhoushan Qingtai Investment**”);

Suqian Handing Jinxiu Investment Management Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 306 -A078, Internet Finance Center, No. 19 Hongzehu East Road, Suyu District, Suqian City, Jiangsu Province, PRC (“**Suqian Handing Jinxiu**”);

Ningbo Tianshi Renhe Equity Investment Partnership (Limited Partnership) (the former “Ningbo Tianyi Tianshi Equity Investment Center (Limited Partnership)”), a limited partnership organized under the Laws of the PRC, with its registered address at E0222, Area A, Room 401, Building 1, No. 88 Qixing Road, Meishan, Beilun District, Ningbo City, Zhejiang Province, PRC (“**Tianshi Investment**”);

Suqian Boda Heneng Fund Management Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 416-429, Hengtong Building, No. 19 Hongzehu East Road, Suyu District, Suqian City, Jiangsu Province, PRC (“**Suqian Boda Heneng**”);

Suzhou Chensu Jinming Investment Partnership (Limited Partnership), a limited partnership duly organized and validly existing under the Laws of the PRC, with its registered address at Building 15, No. 183 Suhong East Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, PRC (“**Chensu Jinming**”);

CICC Qidong Equity Investment (Xiamen) Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at A311, Unit 308, No. 16 Yunding North Road, Jinshan Sub-district Office, Huli District, Xiamen City, Fujian Province, PRC (“**CICC Qidong**”);

Zhongyin Investment Asset Management Co., Ltd., a limited liability company organized under the Laws of the PRC, with its registered address at Room 8F-812-388, F/8, Xidanhui Building, No. 110 Xidan North Street, Xicheng District, Beijing, PRC (“**Zhongyin Capital**”);

Beijing Zhong’an Xincheng Investment Management Center (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at 224, Block B, Beijing Fund Town Building, No.1 Jinyuan Street, Changgou Town, Fangshan District, Beijing, PRC (“**Zhong’an Fund**”);

Shenzhen Rongyi Investment Center (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 201, Building A, No. 1 Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong Province, PRC (“**Shenzhen Rongyi**”);

Dongguan Dongzheng Jinxin No. 1 Equity Investment Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at F/26, Jinyuan Center, No. 1 Keyuan South Road, Chuangye Community, Guancheng Sub-district Office, Dongguan City, Guangdong Province, PRC (“**Dongzheng Jinxin**”);

Suqian Dongrui Yingtai Equity Investment Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 416-429-YS0080, Hengtong Building, No. 19 Hongzehu East Road, Suyu District, Suqian City, Jiangsu Province, PRC (“**Dongrui Yingtai**”);

Suzhou Yuanhe Houwang Growth Phase I Equity Investment Fund Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at 205-1, Building 14, No. 183 Suhong East Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, PRC (“**Yuanhe Houwang**”);

Beijing Runxin Ruilong Equity Investment Management Center (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at No. 109-1, F/1, Building 2, Balongqiao Yayuan, Qiaozhi Town, Huairou District, Beijing, PRC (“**Runxin Ruilong**”);

Suqian Mingjin Chuangyuan Enterprise Management Consulting Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 425-427-YS02049, Hengtong Building, No. 19 Hongzehu East Road, Suyu District, Suqian City, Jiangsu Province, PRC (“**Suqian Mingjin**”);

Guoxin Central Enterprises Operating (Guangzhou) Investment Fund (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at X1301-C2616, (Self-named Building 1) No. 106 Fengze East Road, Nansha District, Guangzhou City, Guangdong Province, PRC (“**Guoxin Fund**”);

Qijingke (Xiamen) Equity Investment Management Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at A425, Unit 308, No. 16 Yunding North Road, Jinshan Sub-district Office, Huli District, Xiamen City, Fujian Province, PRC (“**Qijingke**”);

Suzhou Weixin Zhonghua Venture Capital Partnership (Limited Partnership), a limited partnership organized under the Laws of the PRC, with its registered address at Room 244, F/2, Building 19, Dongshahu Equity Investment Center, No. 183 Suhong East Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, PRC (“**Weixin Zhonghua**”);

JD.com, Inc., an exempted company with limited liability organized under the Laws of the Cayman Islands (“**JD Group**”);

Suqian Juhe Digital Enterprise Management Co., Ltd., a limited liability company organized under the Laws of the PRC, with its registered address at Room 206, Building #2, JD Cloud East China Data Center, Hubin New Area, Suqian City, Jiangsu Province, PRC (“**Suqian Juhe**”);

Jingdong Digits Technology Holding Co., Ltd. (the former “Beijing Jingdong Financial Technology Holding Co., Ltd.”, “Jingdong Digits Technology Co., Ltd.”), a limited liability company organized under the Laws of the PRC, with its registered address at Room 221, F/2, Block C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing, PRC (the “**Company**”).

The parties hereto are referred to collectively as the “**Parties**” and individually as “**a Party**”. Among them, Squoia, Jiashi Yuanrui, Taiping, Ronghui, Huasheng, Lingfeng, Chuangshi Kangrong, Guoxin Fund, Zhong’an Xintou, Chuangji, Duofangbu, Xinrun and Weixin Zhonghua are referred to collectively as “**Series A Investors**”; Jiashi Fengqiao, Jiashi Guotai, Jiashi Hengyi, Jiashi Hongsheng, Jiashi Kaizhuo, Shannan Xinrui, Hangzhou Xuanrong, Hangzhou Hanrong, Suqian Donghe Shengrong, Zhoushan Qingtai Investment, Suqian Handing Jinxiu, Tianshi Investment (Tianshi Investment is deemed as the Reorganization Investor with respect to the equity it obtains in reorganization transactions), Suqian Boda Heneng and Chensu Jinming are referred to collectively as “**Reorganization Investors**”; Reorganization Investors and Suqian Linghang Fangyuan are referred to collectively as “**Reorganization Investment Participants**”; CICC Qidong, Zhongyin Capital, Zhong’an Fund, Runxin Ruilong, Shenzhen Rongyi, Dongzheng Jinxin, Dongrui Yingtai, Yuanhe Houwang, Tianshi Investment (Tianshi Investment is deemed as the Series B Investor with respect to the equity it obtains in series B transactions) and Qijingke are referred to collectively as “**Series B Investors**”; Series A Investors, Reorganization Investors and Series B Investors are referred to collectively as the “**Investors**”.

RECITALS

1. WHEREAS, Investors and Suqian Linghang Fangyuan have entered into an investment agreement with Mr. Qiangdong Liu, Mr. Shengqiang Chen, Suqian Dongtai and the Company (concurrently herewith, Hongshan, Jiashi Yuanrui, Taiping, Ronghui, Huasheng, Lingfeng, Chuangshi Kangrong, Harbin Gloria Group, Zhong'an Xintou, Chuangji, Duofangbu, Xinrun, Weixin Lite, Jiashi Fengqiao, Jiashi Guotai, Jiashi Hengyi, Jiashi Hongsheng, Jiashi Kaizhuo, Shannan Xinrui, Hangzhou Xuanrong, Hangzhou Hanrong, Suqian Donghe Shengrong, Zhoushan Qingtai Investment, Suqian Handing Jinxiu, Tianshi Investment, Suqian Boda Heneng, Chensu Jinming, CICC Qidong, Zhongyin Capital, Zhong'an Fund, Shenzhen Rongyi, Dongzheng Jinxin, Dongrui Yingtai, Yuanhe Houwang and Suqian Linghang Fangyuan have entered into an agreement entitled "Investment Agreement on Beijing Jingdong Financial Technology Holding Co., Ltd." (the "**Series B Investment Agreement**") dated May 31, 2018 with Mr. Qiangdong Liu, Mr. Shengqiang Chen, Suqian Dongtai and the Company); Zhong'an Fund and Runxin Ruilong have entered into an agreement entitled "Agreement on Adjustment of Investment Share of Beijing Zhong'an Xincheng Investment Management Center (Limited Partnership)" dated June 29, 2018 with the Company. These agreements and those mentioned in paragraphs 2 and 3 below are referred to collectively as the "**Investment Agreement**";
2. WHEREAS, except JD Group and Suqian Juhe, all the Parties hereto have entered into the "Supplementary Agreement (I) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd." dated June 20, 2020 to confirm the relevant interests, rights and obligations of shareholders involved in equity change of the Company after June 2018;
3. WHEREAS, except Suqian Juhe, all the Parties hereto have entered into the "Supplementary Agreement (II) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd." dated June 20, 2020 to make an agreement on matters regarding special rights of the Investors;
4. WHEREAS, Investors, Suqian Linghang Fangyuan, Mr. Qiangdong Liu, Mr. Shengqiang Chen, Suqian Dongtai, Suqian Mingjin and the Company have entered into the "Agreement on Matters regarding Investment Agreement on Beijing Jingdong Financial Technology Holding Co., Ltd." dated June 20, 2020;
5. WHEREAS, the Company and Suqian Juhe have entered into the "Share Subscription Agreement of Jingdong Digits Technology Holding Co., Ltd." dated June 25, 2020 (the "**Share Subscription Agreement**"), pursuant to which, Suqian Juhe subscribed for 1,781,357,008 new shares of the Company;
6. WHEREAS, JD Group controls 1,781,357,008 shares of the Company through Suqian Juhe;

NOW, THEREFORE, in consideration of the foregoing, the Parties hereby reach the following agreement through amicable negotiation on an equal and voluntary basis, with a bid to further define the rights and obligations of JD Group and Suqian Juhe:

1. Right to Nominate Directors

Suqian Juhe is entitled to nominate the candidates of the Company's directors ("**Nominated Directors**") and the Parties hereto shall vote in favor of Suqian Juhe's proposal for nomination of at least one (1) nominated director. After such candidate becomes the Company's director, the Parties hereto shall cause the directors to vote at the board of directors in favor of Suqian Juhe's proposal for nomination of one (1) director as the member of the audit committee.

Notwithstanding the foregoing, where the shares jointly held by JD Group and its subsidiaries (for the purpose of this Agreement, the "subsidiary", with respect to any entity, refers to the subsidiaries with the financial statements that can be consolidated into the financial statements of such entity) are less than 50% of the Company's shares subscribed by Suqian Juhe by executing the "Share Subscription Agreement", i.e. 890,678,504 shares, the Parties hereto are no longer obliged to vote in favor of relevant proposals at the general meeting of shareholders as agreed, nor shall they cause the directors to vote in favor of relevant proposals at the board of directors, except that the number of shares held by JD Group and/or its subsidiaries is less than 50% due to the involuntary sale, transfer or abandonment of the Company's shares they hold as required by laws and regulations.

2. Information Rights

- 2.1 The Company 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.
- 2.2 The Company shall deliver to JD Group relevant financial information by the following means, provided however that, where the Company declares for listing or is listed, but the applicable laws and regulatory requirements regarding information disclosure in the place where the Company is listed prevent the Company from providing the financial information stipulated in this article, the Company and JD Group shall negotiate in good faith on alternative schemes for provision of information:
 - 2.2.1 Provide the unaudited consolidated balance sheets of the Company and its subsidiaries as of the end of each quarter, the related unaudited consolidated statements of operations, equity and cash flows of the Company 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 within forty-five (45) days after the end of each quarter.

For the avoidance of doubt, if such financial statements are prepared in accordance with IFRS or PRC GAAP, the Company shall provide a net profits reconciliation statement and a net assets reconciliation statement (“Reconciliation Statement for Differences in Principles”) within ninety (90) days after the end of each quarter, and shall cause such reconciliation statements to be reviewed by the Company’s auditor(s) at such time.

- 2.2.2 Provide the unaudited consolidated balance sheets of the Company and its subsidiaries as of the end of fiscal year, the consolidated income statements, equity and cash flows of the Company and its subsidiaries for such fiscal year “Unaudited Annual Financial Statements”) within forty-five (45) days after the end of each fiscal year.

For the avoidance of doubt, if such financial statements are prepared in accordance with IFRS or PRC GAAP, the Company shall provide “Reconciliation Statements for Differences in Principles” within ninety (90) days after the end of each fiscal year, and shall cause such reconciliation statements to be reviewed by the Company’s auditor(s) at such time.

- 2.2.3 Provide the audited consolidated balance sheets of the Company and its subsidiaries as of the end of such fiscal year, and the consolidated income statements, equity and cash flows, and relevant notes (“Audited Annual Financial Statements”) of the Company and its subsidiaries as soon as available, but in any event no later than ninety (90) days after the end of each fiscal year.

For the avoidance of doubt, if such audited annual financial statements are prepared in accordance with IFRS or PRC GAAP, the Company shall provide “Reconciliation Statements for Differences in Principles” within ninety (90) days after the end of each fiscal year, and shall cause such reconciliation statements to be reviewed by the Company’s auditor(s) at such time.

- 2.2.4 Upon JD Group's request, the Company shall provide the following information as soon as possible (but no later than sixty (60) days) after the end of each quarter: (A) notes on material changes in unaudited consolidated balance sheets, income statements, equity and cash flows of such quarter; and (B) business indicators related to the Company's business and used by the Company's management for decision-making purposes (except for highly sensitive information, which, for the purpose of this Agreement, refers to any business, marketing, technology and other information with competitive sensitivity that the Company does not intend to publicly disclose, excluding the specific information that JD Group needs to prove through the supporting documents duly signed by its authorized personnel for the purpose of compliance with the public reporting requirements under applicable securities laws, NASDAQ Global Select Market Rules or rules of any other stock exchanges where the shares of JD Group are allowed to trade, or applicable laws).
- 2.3 All access of JD Group to information provided for in this Section shall be during normal business hours following reasonable advance notice to the Company, and in a manner that does not unreasonably interfere with the Company's business operations.
- 2.4 Notwithstanding any other provisions of this Agreement, the Company is not obliged to, or to permit any of its auditor, to disclose to JD Group or the audit committee of JD Group's board of directors: (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 to the extent that disclosure thereof would result in violation against any confidentiality clauses applicable to the disclosing party.

3. Preemptive Rights

- 3.1 Article 10.5 of the "Series B Investment Agreement" is restated as follows: Following any investment under the "Series B Investment Agreement" and until the qualified IPO of the Company, if the Company increases any registered capital or share capital, only the Actual Controller and/or designated entity and JD Group enjoy the preemptive rights, and any other entities are not entitled to such preemptive rights. Where the Company's shareholders desire to transfer the equity, only the Actual Controller and/or designated entity and JD Group enjoy the preemptive rights, provided however that, the transfer of exempted shares shall be subject to Article 10.4 of the "Series B Investment Agreement", and that the preemptive right between Suqian Linghang Fangyuan and Suqian Dongtai as one party and JD Group as the other party shall be subject to Article 4 of this Agreement. No other entities shall be entitled to such preemptive rights.

The specific contents of JD Group's exercise of its preemptive rights are further defined in Article 3 of this Agreement.

- 3.2 Before the qualified IPO of the Company, where the Company proposes to increase any registered capital or share capital (“**Additional Shares**”), the Company shall, no later than thirty (30) days prior to issuing such Additional Shares, notify the Actual Controller, Suqian Juhe and 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 Shares). Subject to Article 3.6 of this Agreement, the Actual Controller and/or its designated entity (“**Actual Controller Preemptive Right Entity**”), Suqian Juhe and JD Group and/or other entities it designates (such designated entities shall be those entities to which JD Group can transfer the shares of the Company in accordance with Article 4 of this Agreement, which refer to collectively as “**JD Group Preemptive Right Entity**” together with Suqian Juhe, and “**Preemptive Right Entity**” together with the Actual Controller Preemptive Right Entity) are entitled to subscribe for all or part of such Additional Shares upon the terms and conditions set forth in the notice.
- 3.3 Where the Preemptive Right Entity wishes to subscribe for all or part of such Additional Shares, the Preemptive Right Entity shall send a notice, which shall specify the number of Additional Shares it or its designated entity proposes to subscribe for.
- 3.4 With respect to any Additional Shares, the number of shares to which JD Group Preemptive Right Entity may exercise its preemptive right shall be at least the number of shares which make the proportion of shares of the Company held by JD Group and its subsidiaries (including Suqian Juhe) after this additional issuance equal to that held by JD Group and its subsidiaries (including Suqian Juhe) before this additional issuance (“**Number of Preemptive Shares**”). Where there are other entities enjoying or proposing to exercise the preemptive rights or similar rights in calculating the Number of Preemptive Shares, the Number of Preemptive Shares shall be recalculated and rounded off to an integer. During such recalculation, the amount of RMB or the equivalent amount of shareholders’ equity of the Company that these entities have promised to subscribe should be considered, so that the proportion of shares of the Company held by JD Group and its subsidiaries (including Suqian Juhe) after these entities exercise the corresponding preemptive rights is not less than that held by JD Group and its subsidiaries (including Suqian Juhe) before this additional issuance.
- 3.5 Unless otherwise unanimously agreed by the Actual Controller, JD Group and the Company, the Preemptive Right Entity shall subscribe for Additional Shares in cash by exercising their preemptive rights.

- 3.6 Where the Preemptive Right Entity proposes to exercise the preemptive rights under this article, the Preemptive Right Entity shall reply in writing within thirty (30) days after receiving the notice of issuance of additional shares sent by the Company. Such reply shall indicate that the Preemptive Right Entity wishes to subscribe for the Additional Shares at the issuance price of such Additional Shares by the Company, or specify the maximum/ minimum price at which it wishes to subscribe for such Additional Shares. When subscribing for the Additional Shares of the Company by exercising the preemptive rights, the Preemptive Right Entity shall complete the closing within sixty (60) days from the date when the Company sends the written notice to the Preemptive Right Entity, unless any government approval is otherwise needed for issuance of such Additional Shares. Where it takes longer time to apply for and obtain any government approval necessary for complete the subscription, the aforesaid sixty (60) days shall be postponed automatically, provided however that, the Preemptive Right Entity shall make all endeavors in good faith to obtain such government approval as soon as possible in accordance with applicable laws. In such case, the aforesaid duration shall expire on the fifth (5th) working day after such government approval is obtained.
- 3.7 Prior to qualified IPO of the Company, where the Company increases any securities, options, warrants or other rights to subscribe for the Company's equity interests ("**Additional Issuance of Equity Securities of the Company**"), the Preemptive Right Entity is entitled to exercise the preemptive rights in accordance with the aforesaid provisions of this article. The amount of equity securities that JD Group Preemptive Right Entity is entitled to subscribe for shall not be less than the amount multiplied by the proportion of shares of the Company held by JD Group and its subsidiaries (including Suqian Juhe) at that time by the total number of Additional Issuance of Equity Securities of the Company ("**Number of Preemptive Equity Securities**"). Where there are other entities enjoying or proposing to exercise the preemptive rights or similar rights in calculating the Number of Preemptive Equity Securities, the Number of Preemptive Equity Securities shall be recalculated and rounded off to an integer. During such recalculation, the number of equity securities that these entities have promised to subscribe should be considered, so that the proportion of shares of the Company held by JD Group and its subsidiaries (including Suqian Juhe) after these entities exercise the corresponding preemptive rights is not less than that held by JD Group and its subsidiaries (including Suqian Juhe) before this additional issuance.

4. Share Transfer

If the Actual Controller, JD Group, Suqian Juhe, Suqian Linghang Fangyuan and Suqian Dongtai wish to transfer the shares of the Company held by them, the following provisions of this article shall apply.

The Parties unanimously agree and confirm that: (i) with respect to the preemptive rights to which only the Actual Controlled and/or its designated entities and JD Group and/or its designated entities are entitled when the shareholders of the Company wish to transfer their equity as stipulated in Article 10.5 of the “Series B Investment Agreement”, procedures for transferring such preemptive rights shall be implemented by reference to the following provisions of this article. Where multiple entities with the preemptive rights claim to exercise the preemptive rights, the proportion of shares on which the preemptive rights can be exercised by such entities shall be calculated based on the relative proportion of shares of the Company such entities hold at such time, or otherwise negotiated by such entities; (ii) subject to Article 10.4 of the “Series B Investment Agreement”, where the Actual Controller, Suqian Linghang Fangyuan and Suqian Dongtai transfer shares of the Company they hold to any unrelated third parties, JD Group and Suqian Juhe may exercise the preemptive rights according to the procedures stated in Article 4.2 below, and the preemptive rights of JD Group and Suqian Juhe so exercised shall take precedence over the preemptive rights of other Investors (if any).

4.1 Transfers to subsidiaries

The Actual Controller, JD Group, Suqian Juhe and Suqian Linghang Fangyuan, Suqian Dongtai (or their respective subsidiaries) (hereinafter referred to as the “**Restricted Transferor**” or “**Proposed Transferor**”) may transfer shares of the Company they hold to their wholly-owned subsidiaries (for the avoidance of doubt, “wholly-owned subsidiaries”, with respect to a person, refer to the subordinate enterprises in which such person directly, indirectly or collectively holds 100% of the shares), the wholly-owned subsidiaries of JD Group, provided however that such transferee shall maintain its status as a wholly-owned subsidiary of the Restricted Transferor and be subject to this Agreement. Where the transferee is no longer a wholly-owned subsidiary of the Restricted Transferor at any time, it shall immediately transfer shares of the Company transferred according to this article to the Restricted Transferor. However, with respect to Suqian Dongtai, transfers made for the purpose of implementing the equity incentive shall not be subject to the aforesaid transfer restrictions applied for wholly-owned subsidiaries. For the avoidance of doubt, the transfer of shares of JD Group shall not be deemed as the transfer of shares of the Company.

- 4.2 Preemptive Rights
- 4.2.1 Where any Restricted Transferor intends to transfer shares of the Company it holds to a third party (“**Proposed Transferee**”) other than other Restricted Transferors, the Proposed Transferor shall send a written notice (“**Transfer Notice**”) to other Restricted Transferor (“**Offeree**”) before closing of such transfer, specifying the identity of the Proposed Transferee, its true intention to transfer shares of the Company to the Proposed Transferee, number and type of shares of the Company to be transferred (“**Subject Shares**”), total consideration (including amount and form) of the Proposed Transferee’s offer to subscribe for the Subject Shares or total consideration (including amount and form) of the Proposed Transferor’s offer to transfer the Subject Shares to the Proposed Transferee (“**Transfer Price**”) and other conditions of the proposed transfer.
- 4.2.2 The Transfer Notice constitutes an irrevocable exclusive offer to sell part or all of the Subject Shares to the Offeree (or any wholly-owned subsidiary designated by the Offeree) at the Transfer Price, and the validity period is fifteen (15) days from the date when the Transfer Notice is deemed to have been duly served.
- 4.2.3 Before the expiration of the Offer, the Offeree (or its wholly-owned subsidiary) may accept the Offer in the Transfer Notice by sending a notice to the Proposed Transferor, which shall specify the number of the Subject Shares that the Offeree intends to subscribe for. The Offeree may inform the Proposed Transferor that the entity who is entitled to subscribe for the shares of the Company it holds according to Article 4.1 will directly subscribe for all or part of the Subject Shares to be transferred by the Proposed Transferor.
- 4.2.4 Where the Offeree agrees to subscribe for part or all of the Subject Shares, it shall pay the consideration for the purchase of the Subject Shares in cash or immediately available funds within fifteen (15) days after the completion of procedures specified in Article 4.2.2 above (or a longer period required for obtaining necessary or appropriate third-party approval or government approval), and the Proposed Transferor shall transfer the effective Subject Shares without any encumbrance to the Offeree within the aforesaid period (but shall be subject to obtaining necessary or appropriate third-party approval or government approval).
- 4.2.5 Where the Offeree fails to agree to subscribe for all the Subject Shares as of the expiration of the Offer issued by the Proposed Transferor to the Offeree according to the aforesaid Article 4.2.2, the Proposed Transferor is entitled to enter into a final agreement with the Proposed Transferee on such transfer within thirty (30) days after the expiration of the Offer and transfer the remaining Subject Shares to the Proposed Transferee within sixty (60) days after the signing of the final agreement in cash at the transaction price not lower than the Transfer Price and transfer conditions not more favorable than those stated in the Transfer Notice, and the Proposed Transferee shall sign the necessary documents satisfying the format and content requirements of the Offeree and agree to be bound by this Agreement.

Where the Proposed Transferor fails to enter into a final agreement with the Proposed Transferee within the aforesaid thirty (30) days or the transfer is not completed within the aforesaid sixty (60) days, the Proposed Transferor shall not conduct this transfer transaction. Where the Proposed Transferor still intends to transfer the shares of the Company, all the procedures agreed in this Article 4.2 shall be repeated. Notwithstanding the foregoing, where longer time is needed to apply for and obtain the necessary government approval for the Transfer, the aforesaid sixty (60) days shall be postponed automatically, provided however that, the Proposed Transferor shall make all endeavors in good faith to obtain such government approval as soon as possible in accordance with applicable laws. In such case, the aforesaid duration shall expire on the fifth (5th) working day after such government approval is obtained.

- 4.2.6 Where Suqian Juhe or other wholly-owned subsidiaries of JD Group cannot directly exercise the preemptive rights under this Article 4.2 due to regulatory requirements, it may transfer the preemptive rights under this Article 4.2 to any third party for exercise. The Actual Controller, Suqian Linghang Fangyuan and Suqian Dongtai may transfer their preemptive rights under this Article 4.2 to any entity controlled by the Actual Controller.

5. IPO Related Matters

5.1 Reorganization

Where it is necessary to reorganize the shares or ownership structure of the Company or its subsidiaries for the purpose of qualified IPO (including share split, share consolidation, share conversion, merger and share transfer), the Company shall ensure that Suqian Juhe (or JD Group and its subsidiaries (if any)) holds the shares interests of the qualified IPO entities (and the shares interests of entities which are not subsidiaries of such entity but inherit or obtain substantial assets or operation rights of the Company in reorganization), and that the equity value and voting rights enjoyed by Suqian Juhe (or JD Group and its subsidiaries (if any)) are substantially equal to those enjoyed by Suqian Juhe before the reorganization.

5.2 Public offering of shares of the Company held by JD Group during qualified IPO

Where the Company proposes to make an IPO, the Company shall notify JD Group of its intention for qualified IPO in writing as soon as possible, but in no event later than thirty (30) working days before the Company signs a prospectus for public offering or intends to perform internal review procedures for matters regarding such qualified IPO, so that JD Group can exercise its rights under this Article 5.2 according to applicable laws. Within fifteen (15) working days from the date when JD Group received such notice, JD Group shall confirm with the Company shares of the Company directly held by JD Group or JD Group's subsidiaries ("**IPO of Existing Shares**") to be transferred during qualified IPO of the Company according to applicable laws upon the decision of JD Group's audit committee. Where the sponsor institution ("Managing Underwriter") engaged by the Company for qualified IPO puts forward opinions in good faith and believes that the Public Offering of Existing Shares will adversely affect the issuance price of the Company's qualified IPO or successful qualified IPO, the Company will publicly offer existing shares according to the number recommended by the sponsor institution (Managing Underwriter) in full consideration of the following factors in turn: (i) new share capital to be publicly issued in qualified IPO; (ii) shares to be sold by JD Group and its subsidiaries; (iii) other shareholders intending to transfer their shares in case of qualified IPO of the Company.

5.3 Cooperation

After the qualified IPO of the Company, where applicable laws or regulatory authorities governing the Company's qualified IPO request the Company's shareholders to lock up the shares of the Company they hold, the sponsor institution (Managing Underwriter) engaged by the Company shall put forward clear suggestions on the lock-up period based on the IPO of shares in the listing place and as a major shareholder of the Company according to the usual practice, and fully communicate with JD Group. JD Group will, and will cause its subsidiaries to, make relevant commitment on lock-up of relevant shares, provided however that the lock-up period suggested by the sponsor institution (Managing Underwriter) shall not exceed the lock-up period promised by other shareholders (including management shareholders) whose shares to be sold account for 20% or more of the Company's IPO shares at the time of such IPO.

5.4 Alternative Arrangement

Where JD Group and its subsidiaries have to withdraw from the Company or are prohibited from holding shares of the Company or any securities, options, warrants or other rights that can be converted into shares of the Company (“**Forced Withdrawal**”) due to changes in laws or requirements of government agencies, the Company and JD Group shall negotiate amicably and reach an alternative arrangement as soon as practicable. Under these alternative arrangements, the Company shall grant JD Group economic or other rights and interests to the extent permitted by law, so that JD Group and its subsidiaries can enjoy rights and interests substantially equal to those they can obtain as if they would not be forced to withdraw. Subject to the agreement between the Company and JD Group, the aforesaid alternative arrangements may include right to profits, compulsory payment arrangements in case of liquidation, etc.

6. Right to Agree with Specific Transaction

- 6.1 Without the prior consent of JD Group, the Company shall not issue any equity securities (except for qualified IPO), unless the pre-money valuation of the Company for this issuance is not lower than the valuation of the Company for the Company’s reorganization transaction. The aforesaid valuations are all based on the consolidated statements. For the purposes of this Article 6, “**Equity Securities**” means equity interests and any securities, options, warrants or other rights to purchase equity interests that can be converted into equity interests, regardless of voting rights.
- 6.2 Without the prior consent of JD Group, the Company shall not (and Suqian Linghang Fangyuan and Suqian Dongtai shall not allow the Company to) conduct any initial public offering except for the qualified IPO.
- 6.3 Without the prior consent of JD Group, the Company shall not (and Suqian Linghang Fangyuan and Suqian Dongtai shall not allow the Company to) conduct any transaction of liquidation events (as defined below) with the related party as the counterparty. For the purpose of this Article 6.3, with respect to any entity, the related party of such entity means (a) any person who, individually or as part of a group, beneficially owns more than 5% of the equity securities of such entity; (b) any officer or director, or individual performing an equivalent function, of such entity or any person named in clause (a); (c) any family member of any such entity or any person named in clause (a) or (b); (d) any other person in which any person named in clauses (a), (b) or (c) beneficially owns more than 20% of the equity securities. For the purpose of this Agreement, person refers to natural persons, partnerships, companies, associations, limited liability companies, joint-stock companies, trusts, joint ventures, unincorporated organizations, mass organizations, government agencies or other types of legal entities.

For the purpose of this Agreement, the liquidation event refers to any of the following circumstances:

(1) Qualified IPO;

(2) a merger, or amalgamation arrangement with other entity, or acquisition by any person or related group of persons of beneficial ownership of equity securities of the Company, or other reorganization or transaction, whether in a single transaction or in a series of transactions (whether related or unrelated), following which the Actual Controller, JD Group and their controlled affiliates do not continue to hold more than 50% of the combined voting power or economic interests of the equity securities of the Company or the surviving entity, as applicable;

(3) an issuance or sale of the securities of the Company to a person or a group of persons (other than the Actual Controller (or his successor), JD Group and their controlled affiliates, directly or indirectly), through arms-length negotiation, pursuant to which such person or group of persons acquires 40% or more of the equity securities or economic rights of the Company, whether in a single transaction or in a series of transactions (whether related or unrelated);

(4) sale and exit from the Company's business through a sale of all or substantially all of the assets of the Company (including, for the avoidance of doubt, shares or assets of the Company's subsidiaries), to a person or a group of persons (other than the Actual Controller (or his successor), JD Group and their controlled affiliates, directly or indirectly), whether in a single transaction or in a series of transactions (whether related or unrelated) through arms-length negotiation; and

(5) any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary.

7. Termination and Restoration of Rights

The Parties hereto unanimously agree and confirm that Articles 1, 3, 4, 5.4 and 6 of this Agreement shall be terminated from the day before the Company submits the application materials for listing on the capital market in China (including Shanghai Stock Exchange and Shenzhen Stock Exchange). Where the Company fails to complete the initial public offering of shares, listing or back-door listing in China (including but not limited to the rejection or withdrawal of the listing application), the aforesaid Articles 1, 3, 4, 5.4 and 6 shall be restored automatically, i.e. such articles shall come into force and bind on the Parties from the date when the Company's application for listing in China is rejected by the securities issuance examination authority or withdrawn by the Company.

8. Miscellaneous

- 8.1 The Parties hereby irrevocably agree and undertake that where a party violates any commitments and considerations made herein and thus causes losses to other parties hereto, such breaching party shall compensate for such losses arising therefrom.
- 8.2 The execution and delivery of this Agreement by the Parties represent their true intention. This Agreement will constitute a legally binding and enforceable obligation for the Parties once it comes into force. This Agreement shall bind on the Parties and their successors.
- 8.3 Execution of this Agreement implies that the Parties have completed their internal approval and authorization procedures, as well as the approval procedures of regulatory authorities (if applicable).
- 8.4 The Parties shall keep this Agreement confidential, except for the disclosure made to the professional service agency (agencies) engaged by the Parties for the purpose of this Agreement which are also subject to the confidentiality obligations specified herein, as well as disclosures made in accordance with relevant laws and regulations, and as required by the government departments and regulatory bodies. The Parties hereto are obliged to maintain the confidentiality of the trade secrets of other parties obtained due to negotiation, execution and performance of this Agreement. Without the consent of all other parties hereto, neither party shall make any public statement on this Agreement.
- 8.5 The construction, effectiveness, interpretation, performance of this Agreement and the settlement of disputes hereunder shall be governed by the laws of PRC.
- 8.6 The Parties agree that any dispute arising from this Agreement or related thereto shall be settled by the Parties through amicable negotiation. Where the dispute is not resolved within 30 days after a party sends a notice for negotiation, such party shall submit such dispute to China International Economic and Trade Arbitration Commission for arbitration in Beijing in accordance with its arbitration rules then in force.

The arbitration shall be conducted by three (3) arbitrators. The first arbitrator shall be appointed by the Claimant and the second arbitrator shall be appointed by the Respondent. The first two (2) arbitrators appointed in accordance with this provision shall appoint the third arbitrator. Where the first two arbitrators appointed fail to reach consensus on the appointment of the third arbitrator within 60 days, then the China International Economic and Trade Arbitration Commission shall appoint the third arbitrator who shall be the chief arbitrator. The arbitration language shall be Chinese and the arbitral award shall be final and binding on the Parties.

During the settlement of dispute, the Parties shall continue to perform other provisions hereunder except for the disputed matters submitted for arbitration.

- 8.7 Unless otherwise specified herein or relevant contents are changed, the terms used herein shall have the same meanings as used in the Investment Agreement.
- 8.8 This Agreement shall come into force as of the date of signature of the Parties (signature in case of natural person shareholder and official seal in case of non-natural person shareholder).
- 8.9 In case of any inconsistency between this Agreement and the Investment Agreement, this agreement shall prevail. The Parties hereto agree and confirm that the rights of Investors under the Series B Investment Agreement (including its subsequent supplements and amendments) will not be adversely affected or terminated due to the Company's restructuring into a joint-stock company and change in its articles of association.
- 8.10 JD Group and Suqian Juhe agree to join the Series B Investment Agreement as non-investor shareholders by executing this Agreement, to be subject to Article 9 and Article 10 of the Series B Investment Agreement, and to enjoy and assume the relevant rights and obligations of non-investor shareholders under Article 9 and Article 10 of the Series B Investment Agreement.
- 8.11 This Agreement is executed in several counterparts, with each party holding one copy and other copies kept by the Company. All the counterparts shall have the same legal effect.

[Signature Page, Remainder of Page Intentionally Left Blank]

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

JD.com, Inc. (Seal)

Authorized Representative: /s/ Ran Xu

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Suqian Juhe Digital Enterprise Management Co., Ltd. (Seal)

Legal Representative or Authorized Representative: /s/ Pang Zhang

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Qiangdong Liu

Signature: /s/ Qiangdong Liu

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Suqian Linghang Fangyuan Equity Investment Center (Limited Partnership) (Seal)
/s/ Suqian Linghang Fangyuan Equity Investment Center (Limited Partnership)

Managing Partner or Authorized Representative:

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Suqian Boda Heneng Fund Management Partnership (Limited Partnership) (Seal)
/s/ Suqian Boda Heneng Fund Management Partnership (Limited Partnership)

Managing Partner or Authorized Representative:

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Suqian Dongtai Jinrong Investment Management Center (Limited Partnership) (Seal)
/s/ Suqian Dongtai Jinrong Investment Management Center (Limited Partnership)

Managing Partner or Authorized Representative:

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Suqian Mingjin Chuangyuan Enterprise Management Consulting Partnership (Limited Partnership) (Seal)
/s/ Suqian Mingjin Chuangyuan Enterprise Management Consulting Partnership (Limited Partnership)

Managing Partner or Authorized Representative:

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Shengqiang Chen

Signature: /s/ Shengqiang Chen

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Shannan Xinrui Venture Capital Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Shanghai Duofangbu Sifeng Venture Capital Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Suzhou Weixin Zhonghua Venture Capital Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Ningbo Chuangshi Kangrong Equity Investment Fund Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Yu Liang

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Suqian Handing Jinxiu Investment Management Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Yunfei Zheng

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Shannan Jiashi Guotai Venture Capital Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Beijing Jiashi Yuanrui Investment Management Center (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Shannan Jiashi Hongsheng Venture Capital Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Shannan Jiashi Fengqiao Venture Capital Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Shannan Jiashi Hengyi Venture Capital Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Shannan Jiashi Kaizhuo Venture Capital Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Suqian Donghe Shengrong Equity Investment Center (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Shilin Shi

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Suqian Dongrui Yingtai Equity Investment Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Shilin Shi

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Zhoushan Qingtai Equity Investment Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Shilin Shi

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Guoxin Central Enterprises Operating (Guangzhou) Investment Fund (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Beijing Xinrunheng Equity Investment Partnership (Limited Partnership) (Seal)
/s/ Beijing Xinrunheng Equity Investment Partnership (Limited Partnership)

Managing Partner or Authorized Representative:

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Hangzhou Lingfeng Xinqi Venture Capital Partnership (Limited Partnership) (Seal)
/s/ Hangzhou Lingfeng Xinqi Venture Capital Partnership (Limited Partnership)

Managing Partner or Authorized Representative:

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Hangzhou Xuanrong Equity Investment Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Yu Zhang

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Hangzhou Hanrong Equity Investment Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Yu Zhang

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Ningbo Tianshi Renhe Equity Investment Partnership (Limited Partnership) (Seal)
/s/ Ningbo Tianshi Renhe Equity Investment Partnership (Limited Partnership)

Managing Partner or Authorized Representative:

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Dongguan Dongzheng Jinxin No. 1 Equity Investment Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Yifeng Zhou

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership) (Seal)
/s/ Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership)

Managing Partner or Authorized Representative:

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Suzhou Taiping Jingchuang Investment Management Corporation (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Yan Zhang

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Beijing Zhong'an Xincheng Investment Management Center (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Beijing Runxin Ruilong Equity Investment Management Center (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Lei Zhuang

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Beijing Rongzhi Huineng Investment Management Center (Limited Partnership) (Seal)
/s/ Beijing Rongzhi Huineng Investment Management Center (Limited Partnership)

Managing Partner or Authorized Representative:

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Beijing Sequoia Hongde Equity Investment Center (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Suzhou Yuanhe Houwang Growth Phase I Equity Investment Fund Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

CICC Qidong Equity Investment (Xiamen) Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Suzhou Chensu Jinming Investment Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Shenzhen Rongyi Investment Center (Limited Partnership) (Seal)
/s/ Shenzhen Rongyi Investment Center (Limited Partnership)

Managing Partner or Authorized Representative:

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Shanghai Chuangji Investment Center (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Zhongyin Investment Asset Management Co., Ltd. (Seal)

Managing Partner or Authorized Representative: /s/ Jian Liu

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Beijing Zhong'an Xintou Consulting Co., Ltd. (Seal)

Managing Partner or Authorized Representative: /s/ Weiming Yu

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Qijingke (Xiamen) Equity Investment Management Partnership (Limited Partnership) (Seal)

Managing Partner or Authorized Representative: /s/ Authorized Signatory

(This page is intentionally left blank) (Signature Page to the Supplementary Agreement (III) to Agreement on Investment in Beijing Jingdong Financial Technology Holding Co., Ltd.)

Jingdong Digits Technology Holding Co., Ltd. (Seal)
/s/ Jingdong Digits Technology Holding Co., Ltd.

Managing Partner or Authorized Representative:

SHARE SUBSCRIPTION AGREEMENT

by and between

Jingdong Digits Technology Holding Co., Ltd.

and

**Suqian Juhe Digital Enterprise Management
Co., Ltd.**

Dated as of March 2021

Table of Contents

Article I	Definitions	2
Article II	Transaction Scheme	3
Article III	Closing of this Transaction	3
Article IV	Closing Conditions for this Transaction	4
Article V	Information Disclosure and Confidentiality	5
Article VI	Representations and Warranties of Party A	6
Article VII	Representations and Warranties of Party B	7
Article VIII	Commitments	8
Article IX	Liabilities for Breach of Agreement	9
Article X	Effectiveness, Modification and Termination of Agreement	9
Article XI	Force Majeure	10
Article XII	Taxes	10
Article XIII	Governing Laws and Settlement of Disputes	11
Article XIV	Notice	11
Article XV	Supplementary Articles	11

SHARE SUBSCRIPTION AGREEMENT

This SHARE SUBSCRIPTION AGREEMENT (this “**Agreement**”), dated as of March 31, 2021, is made and entered into by and between the following parties in Beijing, the People’s Republic of China (“**PRC**”):

Party A:

Jingdong Digits Technology Holding Co., Ltd.

Domicile: Room 221, F/2, Block C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing, PRC

Legal Representative: Yayun Li

Party B:

Suqian Juhe Digital Enterprise Management Co., Ltd.

Domicile: Room 206, Building #2, JD Cloud East China Data Center, Hubin New Area, Suqian City, Jiangsu Province, PRC

Legal Representative: Pang Zhang

The parties hereto are referred to individually as a “**Party**” and collectively as the “**Parties**”.

WHEREAS

1. Party A is a limited liability company duly organized and validly existing under the laws of the PRC, with the current registered capital of RMB 4,842,170,150 and 4,842,170,150 shares in aggregate; and
2. The Parties desire to conduct a transaction that Party B contributes RMB 4,000,000,000 in monetary as the consideration for subscription of 104,695,571 shares issued by Party A for Party B.

NOW, THEREFORE, the Parties hereby reach the following agreement with respect to matters involved in this Transaction through amicable negotiation on an equal and voluntary basis in accordance with relevant laws, regulations and normative documents, with a bid to define the rights and obligations of the Parties in this Transaction:

Article I Definitions

Unless otherwise provided by the terms or context of this Agreement, the following terms used herein shall have the following meanings:

- (1) This Transaction means the transaction that Party A issues certain shares to Party B as agreed herein.
- (2) This Agreement means the SHARE SUBSCRIPTION AGREEMENT (including all annexes thereof), and written documents duly executed by the Parties through formal written agreements from time to time for the modification, amendment and change of the SHARE SUBSCRIPTION AGREEMENT.
- (3) Business Day means each day that is not a Statuary, Sunday and other statutory holiday, on which commercial banks incorporated and operated in China are operating normally.
- (4) Subscription Price means the payment made by Party B for subscription of shares issued hereunder.
- (5) Party A's Group means Party A and all affiliates consolidated to its financial statements.
- (6) Closing Date means the day when this Agreement is signed.
- (7) Subscribed Shares mean ordinary shares issued by Party A to Party B in this Transaction. The par value of each Subscribed Share is RMB 1.
- (8) RMB means the lawful money of the PRC.
- (9) PRC means the People's Republic of China, which, for the purpose of this Agreement, excludes Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan Region.

In this Agreement, unless the context otherwise requires:

- (1) references to the laws, regulations or relevant provisions shall include any interpretation, modification or supplementary of such laws, regulations or relevant provisions in the future, as well as relevant laws, regulations and other related supporting and/or subsidiary rules enacted to supersede such laws and regulations;
- (2) references to Articles, Clauses and Items are references to articles, clauses and items of this Agreement;
- (3) Headings of provisions of this Agreement are for convenience of reference only and shall not be deemed to limit or otherwise affect the interpretation of the text hereof;
- (4) Any discrepancy between the total count and the sum of values stated in this Agreement attributes to the rounding off.

Article II Transaction Scheme

- 2.1 The Parties agree that, in this Transaction, Party B contributes RMB 4,000,000,000 in monetary as the consideration for subscription of 104,695,571 shares issued by Party A this time based on the pricing principles in Annex I hereof.
- 2.2 Subscribed Shares issued in this Transaction are ordinary shares and the par value of each Subscribed Share is RMB 1.00.

Article III Closing of this Transaction

- 3.1 Party B shall pay the Subscription Price to the bank account designated by Party A in monetary on the Closing Date.
- 3.2 Party A shall provide Party B with the following documents on the closing date: (i) register of shareholders and registered shares serving as the evidence for shareholding, which can represent that Party B has held the Subscribed Shares; and (ii) new articles of association or amendment to the articles of association reviewed and approved by Party A for this Transaction. Party B shall legally own the Subscribed Shares and enjoy corresponding shareholders' equity and interests from the day when the Subscribed Shares are registered on Party A's register of shareholders in the name of Party B (i.e. the Closing Date).

- 3.3 Within 30 days from the closing date: Party A shall be responsible for the following to complete specific matters regarding this Transaction, including but not limited to completing capital verification regarding this Transaction, applying to the competent market regulation administration for change of registered capital and filing of amendment of articles of association.

Article IV Closing Conditions for this Transaction

- 4.1 With regard to Party B, the closing conditions for this Transaction are as follows. The Parties confirm that the following closing conditions have been satisfied on the execution date of this Agreement.
- (1) The board of directors and shareholders' meeting of Party A shall have reviewed and approved proposals regarding this Transaction, and shall have approved Party A to sign this Agreement and other relevant transaction documents.
 - (2) The board of directors of JD.com, Inc. shall have reviewed and approved proposals regarding this Transaction, and shall have approved Party B to sign this Agreement and other relevant transaction documents.
 - (3) Party A shall have signed this Agreement or any other transaction documents required by this Agreement (if necessary).
 - (4) On the execution date and Closing Date, representations and warranties made by Party A are true and accurate in all material aspects.
- 4.2 With regard to Party A, the closing conditions for this Transaction are as follows. The Parties confirm that the following closing conditions have been satisfied on the execution date of this Agreement.
- (1) The board of directors and shareholders' meeting of Party A shall have reviewed and approved proposals regarding this Transaction, and shall have approved Party A to sign this Agreement and other relevant transaction documents.

- (2) The board of directors of JD.com, Inc. shall have reviewed and approved proposals regarding this Transaction, and shall have approved Party B to sign this Agreement and other relevant transaction documents.
- (3) Party B shall have signed this Agreement or any other transaction documents required by this Agreement (if necessary).
- (4) On the execution date and Closing Date, representations and warranties made by Party B are true and accurate in all material aspects.

Article V Information Disclosure and Confidentiality

5.1 The Parties agree to keep the following information or documents confidential:

- (1) all information related to this Agreement obtained by the Parties before and during the execution and delivery of this Agreement, including but not limited to transaction schemes, commercial conditions (intention), negotiation processes and contents, etc.
- (2) all documents and materials related to this Agreement, including but not limited to any documents, materials, data, contracts, financial statements, etc.
- (3) other information and documents that may result in market rumors and/or other abnormalities once disclosed or divulged.

5.2 Neither Party shall disclose or divulge the aforesaid information and documents to any third party other than the Parties thereto by any means without the prior consent of the other party. The Parties shall take necessary measures to ensure that personnel can only access to or understand the aforesaid information and documents on a need-to-know basis for this Transaction, and shall require all relevant personnel to observe provisions of this article.

5.3 The confidentiality clause shall not apply to the following circumstances:

- (1) the information and documents have been public known before disclosure;

- (2) the information and documents are disclosed as per the mandatory regulations of the laws, regulations and normative documents, or decisions, orders or requirements of governmental authorities or security exchanges having jurisdiction over the Parties, or the judgment, ruling or awards of the court and/or arbitration organizations;
- (3) the information and documents are disclosed to the intermediary agencies before and/or after engagement of such agencies (including independent financial advisor, auditor, appraiser and lawyer) for the purpose of execution and delivery of this Agreement.

Article VI Representations and Warranties of Party A

Party A hereby makes the representations and warranties set forth in this Article VI to Party B on the execution date of this Agreement, and confirms that all the representations and warranties set forth below are true and accurate in all material aspects on the execution date and Closing Date:

- 6.1 Party A has obtained or will obtain all approvals, consents, authorizations and permissions necessary for executing and performing this Agreement (including completing this Transaction) before the Closing Date (except for the industrial and commercial registration/filing procedures of this Transaction and other matters agreed in this Agreement to be obtained after the Closing Date), and Party A undertakes that it has the legal capacity and rights to execute and fully perform this Agreement.
- 6.2 The execution and delivery of this Agreement (including completing this Transaction) will not violate:
 - (1) laws and regulations of the PRC, and relevant regulations of competent government authorities.
 - (2) Party A's articles of association and any important commitments, agreements and contracts binding on itself or its assets it makes or executes. In case of any violation, it has obtained the written consent, permission or waiver from the counterparty or beneficiary of such commitments, agreements and contracts before executing this Agreement.

- 6.3 The issuance of Subscribed Shares do not involve any occurred, pending or potential litigations, arbitrations, or administrative investigations, punishment or other procedures.
- 6.4 With respect to the subject qualification, business and other aspects of Party A's Group, Party A further makes the representatives and warranties set forth in Annex II hereof.

Article VII Representations and Warranties of Party B

Party B hereby makes the representations and warranties set forth in this Article VII to Party A on the execution date of this Agreement, and confirms that all the representations and warranties set forth below are true and accurate in all material aspects on the execution date and Closing Date:

- 7.1 Party B has obtained or will obtain all approvals, consents, authorizations and permissions that can be obtained until the execution date or the Closing Date and are necessary for executing and performing this Agreement before the Closing Date , and Party B undertakes that it has the legal capacity and rights to execute and fully perform this Agreement.
- 7.2 The execution and delivery of this Agreement will not violate:
- (1) laws and regulations of the PRC, and relevant regulations of competent government authorities.
 - (2) Party B's articles of association and any important commitments, agreements and contracts binding on itself or its assets it makes or executes. In case of any violation, it has obtained the written consent, permission or waiver from the counterparty or beneficiary of such commitments, agreements and contracts before executing this Agreement.

Article VIII Commitments

- 8.1 The Parties hereto shall make all reasonable endeavors stipulated by the laws to take (or urge others to take) all necessary or appropriate measures, handle (or urge others to handle) all related matters stated hereunder, sign and deliver all necessary documents and other materials for enforcing provisions agreed herein and accomplishing the transaction proposed herein.
- 8.2 With respect to equity incentives for personnel engaged in cloud and AI businesses, the Parties agree to take the following measures:
- (1) 50% of incentive shares of JD.com. Inc. ("**JD Group**") that have been granted but not vested as of January 31, 2021 and planned to be granted as of the Closing Date (collectively, the "**Group Incentive Shares**", a total of 14,919,807 shares) will no longer be issued by JD Group since the Closing Date. Party A will grant certain awards under Party A's employees equity ownership plan to relevant personnel pursuant to Party A's equity ownership plan system.
 - (2) As for the remaining 50% (a total of 7,459,904 shares) of Group Incentive Shares, Party B agrees to ensure that JD Group can continue granting such Group Incentive Shares from the Closing Date to July 2, 2029 (the "**Expiration Date**"), provided that Party A shall pay the advance payment in amount of RMB 2,200,000,141 to the entity designated by JD Group at a price of RMB 294.91 per share within 15 days from the Closing Date (calculated based on the closing price of JD Group's shares on February 1, 2021 which was USD 91.27/ADS and the median price of USD/RMB exchange rate announced by the People's Bank of China on such day which was 6.4623, where one ADS=2 shares) in consideration of the costs of such Group Incentive Shares. If any Group Incentive Shares are not actually granted and distributed after the Expiration Date (the "**Remaining Group Incentive Shares**"), Party B shall ensure that the entity designated by JD Group will refund Party A the overpayment (the "**Refund Amount**"). For the avoidance of doubt, the Refund Amount shall be calculated as the following formula: the Refund Amount = the number of Remaining Group Incentive Shares * price per share (RMB 294.91). The Parties will check the number of the Remaining Group Incentive Shares within 30 days after the Expiration Date, and Party B shall ensure that the entity designated by JD Group shall pay the Refund Amount within 15 days after being confirmed by the Parties.

Article IX Liabilities for Breach of Agreement

- 9.1 Where a Party fails to fulfill its obligations or commitments hereunder, or representations or warranties such Party makes under this Agreement are untrue or seriously wrong, such Party shall be deemed as constituting breach of agreement, unless such Party is affected by force majeure factors.
- 9.2 The Defaulting Party shall save, defend, indemnify and hold harmless the Non-Defaulting Party from and against all the losses arising out of or resulting from the Defaulting Party's breach behaviors (including reasonable expenses incurred for avoidance of loss).
- 9.3 Notwithstanding the foregoing, neither Party shall be liable for any breach of agreement disclosed in the written documents provided to the other Party before the closing date.

Article X Effectiveness, Modification and Termination of Agreement

10.1 This Agreement comes into force upon being signed by the Parties.

10.2 Modification

Any modification to this Agreement shall be subject to the consensus and written agreement of the Parties.

10.3 Termination

This Agreement may be terminated upon the unanimous consent of the Parties in writing.

Article XI Force Majeure

- 11.1 For the purpose of this Agreement, the force majeure event means any event that cannot be reasonably controlled, unpredictable, or inevitable and insurmountable even if predictable and occurs after the execution date of this Agreement, which makes it objectively impossible or impractical for the affect Party to perform this Agreement in whole or in part, including but not limited to floods, fires, droughts, typhoons, earthquakes and other natural disasters, traffic accidents, strikes, riots, and wars (whether declared or not), amongst others.
- 11.2 Where a Party fails to perform or cannot fully perform this Agreement due to a force majeure event, such Party shall immediately notify the other Party of such situation in writing and provide details thereof within 15 days after occurrence of such situation, as well as valid supporting documents to prove the failure in performing this Agreement in whole or in part, or any delay in such performance.
- 11.3 Where a Party cannot fulfill its obligations hereunder, in whole or in part, due to force majeure event, such Party shall not be deemed as constituting the breach of agreement and the performance of such obligations shall be suspended when the force majeure event exists. Such Party shall immediately fulfill all obligations hereunder after the force majeure event and/or its impacts are mitigated. Where the force majeure event and/or its impacts last for 30 days or even longer and either Party becomes unable to perform this Agreement as a result of such force majeure event, either Party is entitled to terminate this Agreement.
- 11.4 Where the performance of this Agreement is directly affected or this Agreement cannot be performed as agreed due to any adjustment in the policies, laws, regulations or normative documents of the PRC after this Agreement is signed and neither Party constitutes any fault, neither Party shall be held liable for the non-performance of this Agreement after the occurrence of such adjustment. The Parties may negotiate to dissolve this Agreement or extend the duration for performance of this Agreement considering the degree of its impact on the performance of this Agreement.

Article XII Taxes

- 12.1 The Parties agree to respectively bear the taxes payable by each Party arising from this Transaction in accordance with the laws and regulations of the PRC.

Article XIII Governing Laws and Settlement of Disputes

- 13.1 The construction, effectiveness, interpretation, performance of this Agreement and the settlement of disputes hereunder shall be governed by the laws of PRC.
- 13.2 Any dispute concerning this Agreement shall be settled by the Parties through amicable negotiation. Should such negotiation be failed, either party shall be entitled to submit the relevant dispute to Beijing Arbitration Commission for arbitration in Beijing in accordance with its arbitration rules then in force.
- 13.3 The arbitration award shall be final and binding on the Parties hereto. Unless otherwise specified in the arbitration award, the arbitration fees shall be borne by the losing party.
- 13.4 During the settlement of dispute, the Parties shall continue to perform other provisions hereunder except for the disputed matters submitted for arbitration.

Article XIV Notice

- 14.1 All notices, requirements and other communications hereunder shall be in writing, and shall be delivered or mailed to the designated address of the related party or sent to its e-mail address.
- 14.2 All notices, requirements or other communications hereunder shall be deemed received: (1) upon the signature of the notified party if delivered personally, provided that the notice shall not be deemed as being duly received without the notified party's signature; (2) on the third (3rd) day after delivery if delivered by post (only express mail service acceptable); and (3) on the date of receipt of the notified party's mail server if delivered by e-mail.

Article XV Supplementary Articles

- 15.1 Invalidity, illegality or unenforceability of any provision of this Agreement as a result of any laws or provisions hereof shall not affect the validity, legality or enforceability of any other provisions hereof.

- 15.2 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, statements, memorandums, correspondences, or any other documents with respect to such matters between the Parties before the execution of this Agreement.
- 15.3 Unless otherwise agreed in this Agreement, no Party to this Agreement may assign any or all of its rights, interests, responsibilities or obligations under this Agreement by any means without the prior written consent of the other Party.
- 15.4 Unless otherwise provided by the laws and regulations, no failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.
- 15.5 Matters not covered herein shall be defined by the Parties in specific transaction agreement, supplementary agreement, and other written documents signed by the Parties, which shall have the same legal effect with this Agreement.
- 15.6 This Agreement is executed in quadruplicate, with each Party holding one copy and other copies kept by Party A for filing and/or submitted to the competent authority for registration or filing (if necessary). Each original shall have the same legal effect.

[Remainder of Page Intentionally Left Blank]

(This page is intentionally left blank) (Signature Page to the SHARE SUBSCRIPTION AGREEMENT)

Party A: Jingdong Digits Technology Holding Co., Ltd. (Official Seal)

Legal Representative or Entrusted Agent (Signature): /s/ Authorized Signatory.

Signature Page

(This page is intentionally left blank) (Signature Page to the SHARE SUBSCRIPTION AGREEMENT)

Party B: Suqian Juhe Digital Enterprise Management Co., Ltd. (Official Seal)

Legal Representative or Entrusted Agent (Signature): /s/ Authorized Signatory

Signature Page

AGREEMENT ON PURCHASE OF ASSETS BY SHARE ISSUANCE

by and between

Jingdong Digits Technology Holding Co., Ltd.

and

Suqian Juhe Digital Enterprise Management Co., Ltd.

Dated as of March 31, 2021

Table of Contents

Article I	Definitions	2
Article II	Transaction Scheme	4
Article III	Pricing of the Target Equity	4
Article IV	Purchase of Assets by Share Issuance	4
Article V	Closing Conditions for this Transaction	5
Article VI	Information Disclosure and Confidentiality	6
Article VII	Representations and Warranties of Party A	7
Article VIII	Representations and Warranties of Party B	8
Article IX	Commitments	9
Article X	Liabilities for Breach of Agreement	10
Article XI	Effectiveness, Modification and Termination of Agreement	10
Article XII	Force Majeure	10
Article XIII	Taxes	11
Article XIV	Governing Laws and Settlement of Disputes	11
Article XV	Notice	12
Article XVI	Supplementary Articles	12

AGREEMENT ON PURCHASE OF ASSETS BY SHARE ISSUANCE

This AGREEMENT ON PURCHASE OF ASSETS BY SHARE ISSUANCE (this “**Agreement**”), dated as of March 31, 2021, is made and entered into by and between the following parties in Beijing, the People’s Republic of China (“**PRC**”):

Party A:

Jingdong Digits Technology Holding Co., Ltd.

Domicile: Room 221, F/2, Block C, No. 18, Kechuang 11 Street, Beijing Economic and Technological Development Zone, Beijing, PRC

Legal Representative: Yayun Li

Party B:

Suqian Juhe Digital Enterprise Management Co., Ltd.

Domicile: Room 206, Building #2, JD Cloud East China Data Center, Hubin New Area, Suqian City, Jiangsu Province, PRC

Legal Representative: Pang Zhang

The parties hereto are referred to individually as a “**Party**” and collectively as the “**Parties**”.

WHEREAS

1. Party A is a limited liability company duly organized and validly existing under the laws of the PRC, with the current registered capital of RMB 4,842,170,150 and 4,842,170,150 shares in aggregate;
2. Party B, a limited liability company duly organized and validly existing under the laws of the PRC, holds 100% equity of Beijing Huijun Technology Co., Ltd. (the “**Target Company**”);

3. The Target Company, a limited liability company duly organized and validly existing under the laws of the PRC, with the equity structure as of the date hereof as follows:

<u>Shareholder</u>	<u>Contribution (RMB ten thousand)</u>	<u>Shareholding Ratio</u>
Suqian Juhe Digital Enterprise Management Co., Ltd.	50,000	100%
Total	50,000	100%

4. The Parties unanimously agree that Party A will purchase 100% equity of the Target Company held by Party B by issuing certain shares.

NOW, THEREFORE, the Parties hereby reach the following agreement with respect to matters involved in this Transaction through amicable negotiation on an equal and voluntary basis in accordance with relevant laws, regulations and normative documents, with a bid to define the rights and obligations of the Parties in this Transaction:

Article I Definitions

1.1 Unless otherwise provided by the terms or context of this Agreement, the following terms used herein shall have the following meanings:

- | | |
|----------------------|--|
| (1) This Issuance | means the behavior that Party A issues certain new shares to Party B. |
| (2) This Transaction | means the transaction that Party A issues certain shares to Party B for the purpose of purchasing 100% equity of the Target Company. |
| (3) This Agreement | means the AGREEMENT ON PURCHASE OF ASSETS BY SHARE ISSUANCE (including all annexes thereof), and written documents duly executed by the Parties through formal written agreements from time to time for the modification, amendment and change of the AGREEMENT ON PURCHASE OF ASSETS BY SHARE ISSUANCE. |

- | | | |
|------|-------------------|---|
| (4) | Target Company | means Beijing Huijun Technology Co., Ltd. |
| (5) | Target Group | means the Target Company and all affiliates consolidated to its financial statements. |
| (6) | Target Equity | means 100% equity of the Target Company held by Party B. |
| (7) | Business Day | means each day that is not a Statuary, Sunday and other statutory holiday, on which commercial banks incorporated and operated in PRC are operating normally. |
| (8) | Party A's Group | means Party A and all affiliates consolidated to its financial statements. |
| (9) | Closing Date | means the day when this Agreement is signed. |
| (10) | JD Group | means JD.com, Inc. and all affiliates consolidated to its financial statements. |
| (11) | Subscribed Shares | mean ordinary shares issued by Party A to Party B in this Issuance. The par value of each Subscribed Share is RMB 1. |
| (12) | RMB | means the lawful money of the PRC. |
| (13) | PRC | means the People's Republic of China, which, for the purpose of this Agreement, excludes Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan Region. |

1.2 In this Agreement, unless the context otherwise requires:

- (1) references to the laws, regulations or relevant provisions shall include any interpretation, modification or supplementary of such laws, regulations or relevant provisions in the future, as well as relevant laws, regulations and other related supporting and/or subsidiary rules enacted to supersede such laws and regulations;
- (2) references to Articles, Clauses and Items are references to articles, clauses and items of this Agreement;
- (3) Headings of provisions of this Agreement are for convenience of reference only and shall not be deemed to limit or otherwise affect the interpretation of the text hereof;

(4) Any discrepancy between the total count and the sum of values stated in this Agreement attributes to the rounding off.

Article II Transaction Scheme

- 2.1 The overall scheme for this Transaction is that Party B proposes to transfer 100% equity of the Target Company it holds (corresponding to the Target Company's registered capital of RMB 500 million) and that Party A purchases the aforesaid Target Equity held by Party B by issuing Subscribed Shares.
- 2.2 Party A will hold 100% equity of the Target Company, and exercise the shareholders' rights, fulfill the shareholders' obligations and assume the shareholders' responsibilities as the sole shareholder of the Target Company since the Closing Date.

Article III Pricing of the Target Equity

- 3.1 The Parties agree the scheme for pricing of the Target Equity in this Transaction set forth in Annex I hereof.

Article IV Purchase of Assets by Share Issuance

- 4.1 Party A confirms that the total share capital of Party A before this Transaction is 4,842,170,150 shares. The Parties agree that Party A will purchase 100% equity of the Target Company held by Party B (corresponding to the Target Company's registered capital of RMB 500 million) by issuing 306,234,544 shares to Party B.
- 4.2 Subscribed Shares issued in this Issuance are ordinary shares and the par value of each Subscribed Share is RMB 1.00.
- 4.3 Party A shall provide Party B with the following documents on the Closing Date: (i) register of shareholders and registered shares serving as the evidence for shareholding, which can represent that Party B has held the Subscribed Shares; and (ii) new articles of association or amendment to the articles of association reviewed and approved by Party A for this Transaction. Party B shall legally own the Subscribed Shares and enjoy corresponding shareholders' equity and interests from the day when the Subscribed Shares it subscribes are registered on Party A's register of shareholders in the name of Party B (i.e. the Closing Date).

- 4.4 Party B shall provide Party A with the following documents on the Closing Date: (i) register of shareholders and capital contribution certificate that can represent that Party A has held 100% equity of the Target Company; and (ii) new articles of association or amendment to the articles of association reviewed and approved by the Target Company for transfer of the Target Equity. Party A shall legally own the Target Equity and enjoy corresponding shareholders' equity and interests of the Target Company from the day when the Target Equity is registered on the Target Company's register of shareholders in the name of Party A (i.e. the Closing Date).
- 4.5 Within 30 days from the Closing Date: (i) Party A shall be responsible for the following matters to complete specific matters regarding this issuance, including but not limited to, completing capital verification regarding this Issuance, applying to the competent market regulation administration for change of registered capital and filing of amendment of articles of association; and (ii) the Parties shall handle the industrial and commercial registration/filing regarding the transfer of the Target Company's equity with the competent market regulation administration governing the Target Company.

Article V Closing Conditions for this Transaction

- 5.1 With regard to Party B, the closing conditions for this Transaction are as follows. The Parties confirm that the following closing conditions have been satisfied on the execution date of this Agreement.
- (1) The board of directors and shareholders' meeting of Party A shall have reviewed and approved proposals regarding this Transaction, and shall have approved Party A to sign this Agreement and other relevant transaction documents.
 - (2) The board of directors of JD.com, Inc. shall have reviewed and approved proposals regarding this Transaction, and has approved Party B to sign this Agreement and other relevant transaction documents.

- (3) Party A shall have signed this Agreement or any other transaction documents required by this Agreement (if necessary).
 - (4) On the execution date and Closing Date, representations and warranties made by Party A are true and accurate in all material aspects.
- 5.2 With regard to Party A, the closing conditions for this Transaction are as follows. The Parties confirm that the following closing conditions have been satisfied on the execution date of this Agreement.
- (1) The board of directors and shareholders' meeting of Party A shall have reviewed and approved proposals regarding this Transaction, and shall have approved Party A to sign this Agreement and other relevant transaction documents.
 - (2) The board of directors of JD.com, Inc. shall have reviewed and approved proposals regarding this Transaction, and shall have approved Party B to sign this Agreement and other relevant transaction documents.
 - (3) The Target Company has agreed with this transaction as per its internal decision procedures.
 - (4) Party B shall have signed this Agreement or any other transaction documents required by this Agreement (if necessary).
 - (5) On the execution date and Closing Date, representations and warranties made by Party B are true and accurate in all material aspects.

Article VI Information Disclosure and Confidentiality

- 6.1 The Parties agree to keep the following information or documents confidential:
- (1) all information related to this Agreement obtained by the Parties before and during the execution and delivery of this Agreement, including but not limited to transaction schemes, commercial conditions (intention), negotiation processes and contents, etc.

- (2) all documents and materials related to this Agreement, including but not limited to any documents, materials, data, contracts, financial statements, etc.
 - (3) other information and documents that may result in market rumors and/or other abnormalities once disclosed or divulged.
- 6.2 Neither Party shall disclose or divulge the aforesaid information and documents to any third party other than the Parties thereto by any means without the prior consent of the other party. The Parties shall take necessary measures to ensure that personnel can only access to or understand the aforesaid information and documents on a need-to-know basis for this Transaction, and shall require all relevant personnel to observe provisions of this article.
- 6.3 The confidentiality clause shall not apply to the following circumstances:
- (1) the information and documents have been public known before disclosure;
 - (2) the information and documents are disclosed as per the mandatory regulations of the laws, regulations and normative documents, or decisions, orders or requirements of governmental authorities or security exchanges having jurisdiction over the Parties, or the judgment, ruling or awards of the court and/or arbitration organizations;
 - (3) the information and documents are disclosed to the intermediary agencies before and/or after engagement of such agencies (including independent financial advisor, auditor, appraiser and lawyer) for the purpose of execution and delivery of this Agreement.

Article VII Representations and Warranties of Party A

Party A hereby makes the representations and warranties set forth in this Article VII to Party B on the execution date of this Agreement, and confirms that all the representations and warranties set forth below are true and accurate in all material aspects on the execution date and Closing Date:

- 7.1 Party A has obtained or will obtain all approvals, consents, authorizations and permissions necessary for executing and performing this Agreement (including completing this issuance) before the Closing Date (except for the industrial and commercial registration/filing procedures of this Issuance and other matters agreed in this Agreement to be obtained after the Closing Date), and undertakes that it has the legal capacity and rights to execute and fully perform this Agreement.
- 7.2 The execution and delivery of this Agreement (including completing this Issuance) will not violate:
- (1) laws and regulations of the PRC, and relevant regulations of competent government authorities.
 - (2) Party A's articles of association and any important commitments, agreements and contracts binding on itself or its assets it makes or executes. In case of any violation, it has obtained the written consent, permission or waiver from the counterparty or beneficiary of such commitments, agreements and contracts before executing this Agreement.
- 7.3 The issuance of Subscribed Shares do not involve any occurred, pending or potential litigations, arbitrations, or administrative investigations, punishment or other procedures.
- 7.4 With respect to the subject qualification, business and other aspects of Party A's Group, Party A further makes the representatives and warranties set forth in Annex II hereof.

Article VIII Representations and Warranties of Party B

Party B hereby makes the representations and warranties set forth in this Article VIII to Party A on the execution date of this Agreement, and confirms that all the representations and warranties set forth below are true and accurate in all material aspects on the execution date and Closing Date:

- 8.1 Party B has obtained or will obtain all approvals, consents, authorizations and permissions necessary for executing and fulfilling this Agreement before the closing date (except for the industrial and commercial registration/filing procedures of the equity transfer and others agreed in this Agreement to be obtained after the Closing Date), and undertakes that it has the legal capacity and rights to execute and fully perform this Agreement.
- 8.2 The execution and delivery of this Agreement will not violate:
- (1) laws and regulations of the PRC, and relevant regulations of competent government authorities.
 - (2) Party B and the Target Company's articles of association and any important commitments, agreements and contracts binding on itself or its assets it makes or executes. In case of any violation, it has obtained the written consent, permission or waiver from the counterparty or beneficiary of such commitments, agreements and contracts before executing this Agreement.
- 8.3 Party B's capital contribution to the Target Company does not violate the requirements on capital contribution period provided in the articles of association of the Target Company. There is no false capital contribution or withdrawal of capital contribution, and there are no any guarantee, mortgage or other security interests on such capital contribution. The equity is not subject to any judicial seizure or freezing, and can be legally transferred to Party A according to the laws of PRC.
- 8.4 Representations and warranties in Annex III hereof are further made with respect to the subject qualification, business operation and other aspects of the Target Group.

Article IX Commitments

- 9.1 The Parties hereto shall make all reasonable endeavors stipulated by the laws to take (or urge others to take) all necessary or appropriate measures, handle (or urge others to handle) all related matters stated hereunder, sign and deliver all necessary documents and other materials for enforcing provisions agreed herein and accomplishing the transaction proposed herein.

Article X Liabilities for Breach of Agreement

- 10.1 Where a Party fails to fulfill its obligations or commitments hereunder, or representations or warranties such Party makes under this Agreement are untrue or seriously wrong, such Party shall be deemed as constituting breach of agreement, unless such Party is affected by force majeure factors.
- 10.2 The Defaulting Party shall save, defend, indemnify and hold harmless the Non-Defaulting Party from and against all the losses arising out of or resulting from the Defaulting Party's breach behaviors (including reasonable expenses incurred for avoidance of loss).
- 10.3 Notwithstanding the foregoing, neither Party shall be liable for any breach of agreement disclosed in the written documents provided to the other Party before the closing date.

Article XI Effectiveness, Modification and Termination of Agreement

- 11.1 This Agreement comes into force upon being signed by the Parties.
- 11.2 Modification
Any modification to this Agreement shall be subject to the consensus and written agreement of the Parties.
- 11.3 Termination
This Agreement may be terminated upon the unanimous consent of the Parties in writing.

Article XII Force Majeure

- 12.1 For the purpose of this Agreement, the force majeure event means any event that cannot be reasonably controlled, unpredictable, or inevitable and insurmountable even if predictable and occurs after the execution date of this Agreement, which makes it objectively impossible or impractical for the affect Party to perform this Agreement in whole or in part, including but not limited to floods, fires, droughts, typhoons, earthquakes and other natural disasters, traffic accidents, strikes, riots, and wars (whether declared or not), amongst others.

- 12.2 Where a Party fails to perform or cannot fully perform this Agreement due to a force majeure event, such Party shall immediately notify the other Party of such situation in writing and provide details thereof within 15 days after occurrence of such situation, as well as valid supporting documents to prove the failure in performing this Agreement in whole or in part, or any delay in such performance.
- 12.3 Where a Party cannot fulfill its obligations hereunder, in whole or in part, due to force majeure event, such Party shall not be deemed as constituting the breach of agreement and the performance of such obligations shall be suspended when the force majeure event exists. Such Party shall immediately fulfill all obligations hereunder after the force majeure event and/or its impacts are mitigated. Where the force majeure event and/or its impacts last for 30 days or even longer and either Party becomes unable to perform this Agreement as a result of such force majeure event, either Party is entitled to terminate this Agreement.
- 12.4 Where the performance of this Agreement is directly affected or this Agreement cannot be performed as agreed due to any adjustment in the policies, laws, regulations or normative documents of the PRC after this Agreement is signed and neither Party constitutes any fault, neither Party shall be held liable for the non-performance of this Agreement after the occurrence of such adjustment. The Parties may negotiate to dissolve this Agreement or extend the duration for performance of this Agreement considering the degree of its impact on the performance of this Agreement.

Article XIII Taxes

- 13.1 The Parties agree to respectively bear the taxes payable by each Party arising from this Transaction in accordance with the laws and regulations of the PRC.

Article XIV Governing Laws and Settlement of Disputes

- 14.1 The construction, effectiveness, interpretation, performance of this Agreement and the settlement of disputes hereunder shall be governed by the laws of PRC.

- 14.2 Any dispute concerning this Agreement shall be settled by the Parties through amicable negotiation. Should such negotiation be failed, either party shall be entitled to submit the relevant dispute to Beijing Arbitration Commission for arbitration in Beijing in accordance with its arbitration rules then in force.
- 14.3 The arbitration award shall be final and binding on the Parties hereto. Unless otherwise specified in the arbitration award, the arbitration fees shall be borne by the losing party.
- 14.4 During the settlement of dispute, the Parties shall continue to perform other provisions hereunder except for the disputed matters submitted for arbitration.

Article XV Notice

- 15.1 All notices, requirements and other communications hereunder shall be in writing, and shall be delivered or mailed to the designated address of the related party or sent to its e-mail address.
- 15.2 All notices, requirements or other communications hereunder shall be deemed received: (1) upon the signature of the notified party if delivered personally, provided that the notice shall not be deemed as being duly received without the notified party's signature; (2) on the third (3rd) day after delivery if delivered by post (only express mail service acceptable); and (3) on the date of receipt of the notified party's mail server if delivered by e-mail.

Article XVI Supplementary Articles

- 16.1 Invalidity, illegality or unenforceability of any provision of this Agreement as a result of any laws or provisions hereof shall not affect the validity, legality or enforceability of any other provisions hereof.
- 16.2 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, statements, memorandums, correspondences, or any other documents with respect to such matters between the Parties before the execution of this Agreement.

- 16.3 Unless otherwise agreed in this Agreement, no Party to this Agreement may assign any or all of its rights, interests, responsibilities or obligations under this Agreement by any means without the prior written consent of the other Party.
- 16.4 Unless otherwise provided by the laws and regulations, no failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.
- 16.5 Matters not covered herein shall be defined by the Parties in specific transaction agreement, supplementary agreement, and other written documents signed by the Parties, which shall have the same legal effect with this Agreement.
- 16.6 This Agreement is executed in quadruplicate, with each Party holding one copy and other copies kept by Party A for filing and/or submitted to the competent authority for registration or filing (if necessary). Each original shall have the same legal effect.

[Remainder of Page Intentionally Left Blank]

(This page is intentionally left blank) (Signature Page to the AGREEMENT ON PURCHASE OF ASSETS BY SHARE ISSUANCE)

Party A: Jingdong Digits Technology Holding Co., Ltd. (Official Seal)

Legal Representative or Entrusted Agent (Signature): /s/ Authorized Signatory.

Signature Page

(This page is intentionally left blank) (Signature Page to the AGREEMENT ON PURCHASE OF ASSETS BY SHARE ISSUANCE)

Party B: Suqian Juhe Digital Enterprise Management Co., Ltd. (Official Seal)

Legal Representative or Entrusted Agent (Signature): /s/ Authorized Signatory.

Signature Page

On August 12, 2020, the Registrant, through a subsidiary, entered into an equity transfer and capital increase agreement (this “Agreement”) in Chinese with Kuayue-Express Group Co., LTD. and other parties named thereto. Set forth below is an English summary of this Agreement. The conditions precedent to the closing of the transactions contemplated under this Agreement were met in August 2020 and the transactions contemplated under this Agreement were closed in August 2020.

1. Parties to the Kuayue Agreement

This Agreement is made and entered into by the following parties on August 12, 2020:

- (1) Kuayue-Express Group Co., Ltd., a limited liability company incorporated under the laws of the PRC, domiciled at 1-8/F, Tower A, Lufthansa Park, Shenzhen Airport Terminal Quad, Hourui Community, Hangcheng Street, Bao’an District, Shenzhen (“**Target Company**” or “**Company**”);
- (2) Hu Haijian, a natural person of Chinese nationality;
- (3) Xu Lifeng, a natural person of Chinese nationality (the “**Founder**”, individually or collectively with Hu Haijian);
- (4) Lishui Haihuanmin Enterprise Management Consulting Partnership (Limited Partnership), a limited partnership incorporated under the laws of the PRC, domiciled at Room 501-23, 5/F, No. 82, Huiming Road, Hongxing Street, Jingning She Autonomous County, Lishui, Zhejiang (“**Lishui Haihuanmin**”);
- (5) Shanghai Hailu Enterprise Management Consulting Partnership (Limited Partnership), a limited partnership incorporated under the laws of the PRC, domiciled at No. 311, Nanqiao Road, Nanqiao Town, Fengxian District, Shanghai (“**Shanghai Hailu**”, the “**Founder Shareholding Platform**” individually or collectively with Lishui Haihuanmin; the Founder and Founder Shareholding Platform are referred to as the “**Founding Shareholder**” individually or collectively);
- (6) Ningbo Hairui Innovation Investment Partnership (Limited Partnership), a limited partnership incorporated under the laws of the PRC, domiciled at Room 110-40, Bldg. 39, No. 128, Yongfeng Road, Daxie Development Zone, Ningbo, Zhejiang (“**Ningbo Hairui**”);
- (7) Ningbo Kuahang Investment Partnership (Limited Partnership), a limited partnership incorporated under the laws of the PRC, domiciled at Room 109-58, Bldg. 39, No. 128, Yongfeng Road, Daxie Development Zone, Ningbo, Zhejiang (“**Ningbo Kuahang**”);
- (8) Ningbo Qiaohao Investment Partnership (Limited Partnership), a limited partnership incorporated under the laws of the PRC, domiciled at Room 110-41, Bldg. 39, No. 128, Yongfeng Road, Daxie Development Zone, Ningbo, Zhejiang (“**Ningbo Qiaohao**”, the “**Employee Shareholding Platform**” individually or collectively with Ningbo Hairui and Ningbo Kuahang; the Employee Shareholding Platform and Founding Shareholder are referred to as the “**Management Shareholder**” individually or collectively);

- (9) Ningbo Sequoia Xinsheng Equity Investment Partnership (Limited Partnership), a limited partnership incorporated under the laws of the PRC, domiciled at G0249, Area B, Room 401, Bldg. 1, No. 88, Meishan Qixing Road, Beilun District, Ningbo, Zhejiang (“**Sequoia**”);
- (10) Ningbo Puyue Enterprise Management Partnership (Limited Partnership), a limited partnership incorporated under the laws of the PRC, domiciled at Room 104-14, Bldg. 39, No. 128, Yongfeng Road, Daxie Development Zone, Ningbo, Zhejiang (a pilot area of domicile declaration commitment system) (“**GLP**”);
- (11) Suzhou Eastern Bell V Equity Investment Fund Partnership (Limited Partnership), a limited partnership incorporated under the laws of the PRC, domiciled at Room 207, Bldg. 14, Dongsha Lake Equity Investment Center, No. 183 Suhong Road East, Suzhou Industrial Park (“**Eastern Bell V**”);
- (12) Suzhou Eastern Bell Zhanlan Equity Investment Fund Partnership (Limited Partnership), a limited partnership incorporated under the laws of the PRC, domiciled at Room 207, Bldg. 14, Dongsha Lake Equity Investment Center, No. 183 Suhong Road East, Suzhou Industrial Park (“**Eastern Bell Zhanlan**”);
- (13) Tianyuan Aowei Equity Investment Partnership (Limited Partnership) in Ningbo Meishan Bonded Port Area, a limited partnership incorporated under the laws of the PRC, domiciled at E0226, Area A, Room 401, Bldg. 1, No. 88, Meishan Qixing Road, Beilun District, Ningbo, Zhejiang (“**Tianyuan Aowei**”, the “**Series A Investor**” individually or collectively with Sequoia, GLP, Eastern Bell V and Eastern Bell Zhanlan; the Series A Investor, Lishui Haihuanmin and Ningbo Hairui are referred to as the “**Transferor**” individually or collectively; the Series A Investor and Management Shareholder are referred to as the “**Existing Shareholder**” individually or collectively);
- (14) Suqian Jingdong Bohai Enterprise Management Co., Ltd., a limited liability company incorporated under the laws of the PRC, domiciled at Room 305, Hengtong Building, No. 19, Hongzehu Road East, Suyu District, Suqian (the “**Investor**”).

The parties to this Agreement are hereinafter referred to individually as a “**Party**” and collectively as the “**Parties**”

2. The Transaction

- (1) As of the date of this Agreement, the registered capital of the Target Company is RMB FIVE HUNDRED AND SIXTY-SIX MILLION EIGHT HUNDRED AND FOUR THOUSAND ONE HUNDRED AND THIRTY-NINE ONLY (RMB 566,804,139.00), and the Existing Shareholders collectively hold 100% of the equity in the Target Company; and

- (2) The Transferor wishes to transfer to the Investor, and the Investor wishes to assign from the Transferor, 47.62% of the equity of the Target Company (corresponding to the registered capital of RMB 269,906,732.86) held by the Transferor prior to the Closing of this Transaction (as defined below); meantime, subject to the terms and conditions hereunder, the Investor wishes to subscribe to the Company and the Company agrees to subscribe to the Investor for 14.29% of the Company's equity (corresponding to the registered capital of RMB 94,467,356.50) upon the Closing of this Transaction. Upon completion of this Transaction, the Investor intends to hold a total of 55.10% of the equity (corresponding to the registered capital of RMB 364,374,089.36).
- (3) The Parties agree that the Investor shall assign from the Transferor a total of 47.62% of the equity of the Target Company (corresponding to the registered capital of RMB 269,906,732.86) and all rights and interests attached thereto (the "**Target Old Shares**") for the consideration of RMB 1.85 billion (the "**Equity Transfer Price**", such transaction is hereinafter referred to as "**this Transfer of Old Shares**"). The Target Old Shares transferred by the Transferor shall not carry any encumbrances, options or other third party rights and claims of any nature. The Transferor undertakes to report and pay the income tax and other taxes ("**Tax Payable**") related to this Transfer of Old Shares to the relevant tax authorities in accordance with the applicable laws.
- (4) The Parties have, in this Transfer of Old Shares, agreed that the Investor subscribes for the increased registered capital of RMB 94,467,356.50 at the consideration of RMB 1 billion (the "**Capital Increase Price**"), corresponding to a total of 14.29% of the Company's equity on a fully diluted basis (i.e., any Existing Shareholder or any other party has exercised its options, convertible creditor's rights or other rights convertible into shares of the Company) after the Closing of this Transaction ("**Target New Shares**", the "**Target Equity**" collectively with the Target Old Shares; This Transaction is hereinafter referred to as '**this Capital Increase**'. This Capital Increase and this transfer of old shares are collectively referred to as '**this Transaction**'). The target new shares shall not carry any encumbrances, options or other third party rights and claims of any nature. In the capital increase price, RMB 94,467,356.50 shall be subscribed as the increased registered capital of the Company, and RMB 905,532,643.50 shall be subscribed as the premium and included in the capital reserve.
- (5) Existing Shareholders of the Company hereby agree with this Transaction, and hereby waive any preemptive right, right of first refusal, anti-dilution right or similar rights for this Transaction under the applicable law and the applicable Articles of Association, Shareholders' Agreement and other relevant documents of the Target Company.
- (6) When the conditions precedent to closing are fully satisfied or exempted in written by the Investee, the Investor shall pay the equity transfer price for Series A Investor to Series A Investor in accordance with the following time and arrangement:

- (i) The Investor shall pay the equity transfer price of Series A Investor on the Closing Date to Series A Investor in the bank account stipulated under the Notice of Payment. Each Series A Investor shall provide the bank account information to the Investor in the form of Notice of Payment at least 10 working days prior to the Closing Date.
- (7) When the conditions precedent to closing are fully satisfied or exempted in written by the Investee, the Investor shall pay the equity transfer price for Lishui Haihuanmin and Ningbo Hairui in accordance with the following time and arrangement:
- (i) The Investor shall pay the equity transfer price of RMB 653,600,000 to Lishui Haihuanmin in the bank account stipulated under the Notice of Payment on the Closing Date. Lishui Haihuanmin shall provide the bank account information to the Investor in the form of Notice of Payment at least 10 working days prior to the Closing Date.
 - (ii) The Investor shall pay the equity transfer price of RMB 18,200,000.00 to Ningbo Hairui in the bank account stipulated under the Notice of Payment on the Closing Date. Ningbo Hairui shall provide the bank account information to the Investor in the form of Notice of Payment at least 10 working days prior to the Closing Date.
 - (iii) Within one (1) working day after the completion of registration of equity pledge under the Equity Pledge Agreement (defined as below) and payment of shareholder loan, the Investor shall pay the equity transfer price of RMB 300,000,000 to Lishui Haihuanmin in the bank account stipulated under the Notice of Payment.
- (8) When the conditions precedent to closing are fully satisfied or exempted in written by the Investee, the Investor shall pay the Capital Increase Price of RMB 1,000,000,000 to the Target Company on the Closing Date. The Target Company shall provide the bank account information to the Investor in the form of Notice of Payment at least 10 working days prior to the Closing Date.
- (9) Full and timely payment of equity transfer price and Capital Increase Price by the Investor as per the Agreement shall be deemed as that the obligation of the Investor under this Agreement has been fulfilled. For the avoidance of doubt, the target equity and all rights and obligation thereunder shall be transferred to the Investor since the Closing Date.
- (10) All parties hereby acknowledge and agree that, (A) any other profits, income, bonuses and dividends generated by the Target Company from the balance sheet date to the Closing Date and past profits, income, bonuses and dividends of the Target Company not distributed on the date of signing of this Agreement have been considered in the equity transfer price and Capital Increase Price, and (B) the Target Company shall not distribute such profits, income, bonuses and dividends prior to the Closing Date, and all the shareholders of the Target Company after the completion of this transaction shall share such profits, income, bonuses and dividends in accordance with the profit distribution plan approved by the Board of Shareholders of the Company following the Closing Date. For the avoidance of doubt, the Target Company may use the capital of the Target Company from the balance sheet date to the Closing Date in accordance with the provisions of this Agreement.

3. Conditions Precedent to Closing for this Transaction

The Investor is obliged to pay the equity transfer price and capital increase price on the Closing Date only when customary conditions precedent to closing (“**Investor’s Conditions Precedent to Closing**”) are met or waived by the Investee on or prior to the Closing Date. All the conditions precedent have been met.

4. Closing and Payment of This Transaction

The closing of this Transaction occurred in August 2020.

5. Representations and Warranties

Each of the Transferor, the Guarantors and the Investor have made customary representations and warranties and confirm that the representations and warranties they make are true, accurate, complete in all respects and not misleading on the date of signing of this Agreement and on the Closing Date, and the other parties can rely on the representations and warranties they make.

6. Undertakings

(1) Notice of Event of Default

The Guarantor or the Transferor shall timely, accurately and completely disclose to the Investor any event, circumstance, fact and circumstance that are occurred before the Closing Date and may result in a material adverse change in the Group Company, or may cause the Guarantor or the Transferor to breach any of the representations, warranties, undertakings and obligations of the Guarantor or the Transferor herein, or its effect may cause the representations, warranties, undertakings and other obligations of the Guarantor or the Transferor herein to be untrue or incorrect in any respect.

(2) Exclusivity

From the date of this Agreement to the Closing Date or the date on which this Agreement is terminated, without the consent of the Investor, all Guarantors, the Company and Series A Investors shall not directly or indirectly (or through any third party), and shall ensure that its respective affiliate, Group Company and Existing Shareholder, and the Group Company and affiliate’s respective directors, supervisors, senior management, representatives and agents shall not directly or indirectly (or through any third party) (i) solicit, initiate, consider, encourage or accept any proposal or offer made by any person or any entity in respect of the following matters (i.e. matters referred to in (A), (B) and (C), collectively referred to as “**Conflicting Transaction**”): (A) acquire or purchase all or part of the equity of any Group Company, or acquire or purchase the material assets of any Group Company, (B) enter into any merger, consolidation or other business combination with any Group Company, (C) enter into capital restructuring, structural restructuring or any other business transaction (which is not necessary for the operation in a consistent manner with the past) with any Group Company, or (ii) participate in any discussion, conversation, negotiation or other communication with respect to the Conflicting Transaction, or provide any information related to the above matters to any other entity, or cooperate, assist, participate in or encourage any efforts or attempts of any other entity to conduct the Conflicting Transaction in any other way. The Guarantor, the Company and the Series A Investor shall immediately cease it (and shall cause the Group Company to cease it immediately) and shall cause the termination of all discussions, conversations, negotiations or other communications on any conflicting transactions initiated prior to the execution of this Agreement. The Guarantor, the Company and the Series A Investor shall promptly notify the Investor of any proposal, offer, inquiry or other contacts made by any entity with respect to conflicting transactions.

(3) Investors' Right to Know

The Parties agree that, in order to ensure the normal operation and smooth transition of the Group Company, the Investor may appoint representatives to understand and supervise the management and operation of the Group Company during the transition period. The Guarantor shall, and shall cause the Group Company to cooperate with and support the Investor's representatives in understanding and supervising the management of the Group Company and to provide the Investor's representative with documents and information relating to the operation and management of the Group Company, including but not limited to the monthly Financial Statement of the Group Company.

Notwithstanding other provisions to the contrary, the Group Company may refuse to provide the following information: (1) Name, contact details, address and other information that can directly identify or contact customers; (2) Personal information of all employees such as roster, contact details and detailed salary (but the name and ID Card No. of employees can be provided); (3) Specific information such as the quantity and price of each airline or special line (but the overall quantity and amount of goods can be provided); 4) The database permissions and accounts of the sword-casting system and related ERP software; (5) Any personal privacy of customers.

(4) Full-time Services of Founders and Key Employees

Founders agree and promise that they should work full-time in the Group Company and devote all their working time and energy to the operation and management of the Group Company, and should try their best to develop the business and protect the interests of the Group Company. Without the prior written consent of the Investor, they may not, within five (5) years after the Closing Date, terminate the employment with the Group Company.

The Guarantor shall make reasonable commercial efforts to cause each key employee to work full-time in the Group Company and devote all their working time and energy to the operation and management of the Group Company within three (3) years after the Closing Date. The Guarantor shall also make reasonable commercial efforts to develop the business of the Group Company and protect the interests of the Target Company, and shall cause the Group Company not to voluntarily terminate employment with key employees for a period of three (3) years after the Closing Date (except with the prior written consent of the Investor).

(5) Non-competition and Confidentiality Obligations of the Founding Shareholder

The Founding Shareholder hereby acknowledges and undertakes that during employment period of the founders, their spouse or their immediate family in the Group Company and within 5 years after the founders, their spouse or their immediate family becomes no longer employed as director or officer, without the prior written consent of the Investor, will not directly or indirectly (including but not limited to through its affiliates and respective directors, supervisors, senior management, representatives, agents, or any other third parties of its affiliates):

- (i) Compete with the main business of the Group Company, or engaging in any business operation competing with the main business of the Group Company as an investor, joint venture partner, technology licensor, technology licensee, principal, client, distributor, consultant or in any other capacity other than as a party to this Agreement;
- (ii) Solicit or entice the resignation from the Group Company, or attempt to solicit or entice the resignation of any person or entity as customers of the Group Company;
- (iii) Solicit or entice the resignation from the Group Company, or attempt to solicit or entice the resignation of any employees or any person employed by the Group Company as directors or in a managerial or technical capacity in the Group Company.

For the purpose of this Agreement, “**Competition**” means to engage in or be employed or have an interest in or other interests in any business undertaking (including those consistent with or similar to the main business of the Group Company) competing with the main business of the Group Company Engage (whether alone or with others (including their affiliates), whether as an investor, joint venture partner, technology licensor, technology licensee, client, agent, distributor, consultant or in any other capacity, and for their own benefits or for the benefit of others). For the avoidance of doubt, in the event of a future shift or adjustment in the Group Company’s business direction, the scope of the main business covered by the non-competition obligation of each Founding Shareholder shall also be adjusted accordingly to cover the scope of the main business of the Group Company as adjusted.

Each Guarantor hereby acknowledges and undertakes that, since the date of signing this Agreement, it will keep in strict confidence the confidential information obtained concerning the Target Company, and will not disclose any confidential information or allow any confidential information to be disclosed to any third party, and not disclose, copy or otherwise use any confidential information for any other purpose.

After the Closing Date, if the Board of Directors of the Company removes Mr. Hu Haijian from the position of General Manager without justifiable reasons, the above other provisions shall no longer apply; but if the Founding Shareholder directly or indirectly (including but not limited to through their affiliates and the respective directors, supervisors, senior management, representatives, agents, or any other third parties of their affiliate) performs the acts described above, the Founding Shareholder shall automatically be forfeited the right to appoint directors to the Company and to receive any information from the Company. The parties agree that they shall sign all necessary documents and take all necessary actions (including, but not limited to, amending the Shareholders' Agreement and the Articles of Association), to ensure that the above mechanism can be successfully implemented.

(7) Non-competition Obligations in Warehousing

The Guarantor and the Company hereby confirm and undertake that, after the Closing Date, without the prior written consent of the Investor, they shall not, directly or indirectly (including, but not limited to, through their affiliates (but the Investor is not included in such affiliates)), and shall procure the Group Companies, not to directly or indirectly (including, but not limited to, through their affiliates), engage in the warehousing business (including, but not limited to, directly conducting the warehousing business or participating in the warehousing business as an investor, joint venture, technology licensor, technology licensee, client, agent, distributor, consultant or in any other role).

7. Liabilities for Breach of Contract and Compensation Commitment

- (1) The occurrence of any of the following constitutes an event of default under this Agreement (“**Event of Default**”): (x) a representation made by either party under this Agreement or the other transaction documents proves to be untrue, inaccurate, incomplete or misleading, (y) a breach by either party of its undertakings and warranties, or (z) any party fails to perform its obligations under this Agreement or the other transaction documents as agreed herein.
- (2) If either Guarantor occurs an Event of Default, or if the Guarantor’s default results in any claim or other assertion (excluding claims or assertions arising from the Investor’s own breach of its agreement with the third party) by a third party against the Investor Indemnified Party, the Guarantor shall jointly and severally compensate or indemnify and hold harmless the Investor Indemnified Party, in which case Guarantor shall jointly and severally compensate or indemnify the Investor Indemnified Party for any losses incurred in connection with this Transaction (including, for the avoidance of doubt, this transfer of old shares occurring between the Investor and each Transferor and this Capital Increase occurring between the Investor and the Target Company) as a result of such event of default. For the avoidance of doubt, if the default of any Guarantor also causes damage (including, but not limited to, causing a Group Company to pay any fees, expenses or bear any costs) to any Group Company, the parties agree that, in addition to any other means of proof, the Investor Indemnified Party shall be entitled (but not obliged) to calculate, at its option, the amount of its damages by applying the following formula: the amount required to restore the Group Company to the situation it would have been in had such Event of default not occurred (including the losses suffered and the fees and costs paid by the Group Company as a result of such breach) multiplied by the Investor’s shareholding in the Company at that time.
- (3) If either Series A Investor commits an Event of Default, or if the Series A Investor’s default results in any claim or other assertion by a third party against the Investor Indemnified Party, the Series A Investor shall jointly and severally compensate or indemnify and hold harmless the Investor Indemnified Party, in which case Series A Investor shall compensate or indemnify the Investor Indemnified Party for any losses incurred in connection with this transfer of old shares between such Series A Investors as a result of such event of default.
- (4) If either Investor occurs an Event of Default, or the Investor’s default results in any claim or other assertion by a third party against the Guarantor Indemnified Party or the Series A Investor Indemnified Party, the Investor shall compensate or indemnify and hold harmless the Guarantor Indemnified Party or the Series A Investor Indemnified Party, in which case Investor shall compensate or indemnify the Guarantor Indemnified Party or the Series A Investor Indemnified Party for any losses incurred in connection with this Transaction between Investors as a result of such event of default.

- (5) If, after the Closing Date, the following events cause damages to the Investor Indemnified Parties (whether such damages occur before or after the Closing Date) as a result of events occurring prior to the Closing or as a result of circumstances existing prior to the Closing, no matter what form such events are disclosed, the Guarantors shall jointly and severally compensate and hold harmless the Investor Indemnified Party for the damages (for the avoidance of doubt, this does not cover claims that have been closed or settled and payment completed and disclosed in writing to the Investor prior to the Closing (or, if a claim is severable into separate parts for closing or settlement and payment, those parts that have been closed or settled and payment completed and disclosed to the Investor are also not covered by this provision)):
- (i) The Group Company fails to obtain the courier service operation license in accordance with the requirements of applicable laws, or fails to engage in business in accordance with the requirements of applicable laws related to courier service, or is required to rectify by government agencies related to courier service;
 - (ii) The Group Company fails to pay or fails to pay in full of the employees' wages, overtime pay, social insurance premium and housing provident fund before the Closing Date (including but not limited to the Group Company paying back the relevant expenses before the Closing according to the requirements of the Competent Department after the Closing Date, and the Group Company voluntarily paying back the relevant expenses before the Closing to the Competent Department after the Closing Date), and / or other situations in violation of Chinese labor laws (including employees' working time arrangement and failure to sign a written labor contract with all employees in accordance with the requirements of applicable laws) (including any fines and overdue fines arising therefrom). The labor outsourcing behavior of the Group Company before the Closing Date is recognized by the relevant government agencies as labor dispatch in the form of labor outsourcing, or the labor outsourcing behavior of the Group Company before the Closing Date does not meet the requirements of the applicable law on labor outsourcing;
 - (iii) The Group Company fails to declare or pay (including withholding) taxes (including any fines and overdue fines arising therefrom) in accordance with applicable laws, or violates applicable laws related to taxes in any other respect. For any equity transfer in the history of the Group Company, the relevant seller fails to declare or pay taxes in accordance with applicable laws, including but not limited to the tax declaration and tax payment related to this transfer of old shares;

-
- (iv) The internal control system (including but not limited to operation and financial control) of the Group Company before the Closing Date is weak or does not comply with the provisions of applicable laws, including but not limited to the internal control system of the Group Company or the behavior of the Group Company's employees in implementing the internal control system in violation of the provisions of applicable laws;
 - (v) Any outstanding claim of the Group Company up to the Closing Date shall ultimately be borne by the Group Company; and
 - (vi) The Guarantor or the Group Company violates any anti-corruption provisions of this Agreement.

8. Effectiveness and Termination

- (1) This Agreement shall come into force upon the signature of the Parties.
- (2) This Agreement may be terminated by relevant parties in the following ways:
 - (i) If the closing does not occur prior to the Long Stop Date, the Investor is entitled to terminate this Agreement after notifying the Target Company in writing, provided that the Transferor and Company's Conditions Precedent to Closing have all been met;
 - (ii) If the closing does not occur prior to the Long Stop Date, the Guarantor and Series A Investor are entitled to terminate this Agreement after notifying the Target Company in writing, provided that the investor's conditions precedent to closing have all been met;
 - (iii) If either of Guarantor and Series A Investor (as the Parties together) violates the material statement, guarantee, obligation or commitment contained herein, and such violation cannot be corrected or is not corrected within thirty (30) days after the Investor sends a written notice to the defaulting party, the Investor shall have the right to terminate this Agreement after notifying the defaulting party in writing;
 - (iv) If the Investor violates the material statements, guarantees, obligations or commitments contained herein, and such violation cannot be corrected or is not corrected within thirty (30) days after the Guarantor and Series A Investor send a written notice to the Investor, the Guarantor and the Series A Investor are entitled to terminate this Agreement after notifying the defaulting party in writing; and
 - (v) This Agreement may be terminated by the unanimous written consent of all parties.

9. Confidentiality

Without prior written approval of the Investor, any party of this Agreement or its affiliate shall not, in any way, use or mention "JD", "京东",

"Jingdong", "京东物流", "JD Logistics", "", "", or other trademarks used by the Investor and its affiliates, as well as names, trade names, trademarks or identifiers similar to the above-mentioned names, trade names, trademarks or identifiers.

10. Taxes and Expenses

Unless otherwise agreed herein, the Parties shall bear its own taxes and expenses incurred by the performance and completion of the transactions described in this Agreement.

11. Applicable Law and Dispute Resolution

The conclusion, validity, interpretation and performance of this Agreement, as well as any dispute arising hereunder shall all be governed by the laws of the People's Republic of China. In the event of any dispute, controversy, contradiction or claim arising out of or in connection with this Agreement, including the existence, validity, interpretation, performance, breach or termination hereof or any dispute regarding non-contractual obligations arising out of or in connection with this Agreement ("**Dispute**"), the Parties concerned shall attempt in the first instance to resolve such Dispute through amicable negotiation. Should negotiation fails, either Party shall have the right to submit such Dispute to Shanghai Arbitration Commission ("**Shanghai Arbitration Commission**") for arbitration in accordance with the arbitration rules in force at the time of applying for arbitration. The language of arbitration shall be Chinese. The arbitration shall take place in Shanghai. The arbitration award shall be final and binding on the Parties, and the Parties agree to be bound thereby and to act accordingly. The costs of arbitration and enforcement of the arbitration award (including witness fees and reasonable attorney fees) shall be borne by the losing party, unless otherwise agreed in the arbitration award. When a dispute occurs and such dispute has been submitted to arbitration, the Parties shall continue to exercise and perform its remaining rights and obligations under this Agreement except for the matters in dispute.

12. Miscellaneous Provisions

(1) Transfer

Without the prior written consent of the other Parties, any party shall never transfer any of its rights or obligations under this Agreement prior to the delivery. If any shareholder of the Company transfers its equity in the target company after the delivery in accordance with the Shareholders' Agreement, any rights or obligations under the transaction documents related to the transferred equity of the target company shall be transferred together.

(2) Waiver

A waiver by any Party of any of its rights, powers or remedies under this Agreement shall only be effective with related written documents signed by such Party. Any party's failure to exercise or its delay in exercising any right, power or remedy under this Agreement shall never be deemed as a waiver, and any single or partial exercise of such right, power or remedy shall not prevent the further exercise of such right, power or remedy or the exercise of any other right, power or remedy.

(3) Entire Agreement

This Agreement constitutes the entire agreement between the parties on the matters described in this Agreement and supersedes any previous letter of intent, agreement, statement, commitment or understanding reached by the parties on such matters. In the event of any conflict or inconsistency between such letter of intent, agreement, statement, commitment or understanding and this Agreement, this Agreement shall prevail.

(4) Severability

If any one or more of the provisions of this Agreement is held to be invalid, illegal or unenforceable in any respect under applicable law, the validity, legality and enforceability of the other provisions of this Agreement shall not be affected or prejudiced in any respect. The Parties shall, through consultation in good faith, strive to replace those invalid, illegal or unenforceable provisions with valid, legal and enforceable ones, and the economic effect of such valid, legal and enforceable provisions shall be as similar as possible to that of those invalid, illegal or unenforceable provisions. The non-enforceability of this Agreement against one party shall not affect its enforceability against other Parties.

(5) Amendment

Any amendment to this Agreement may be effective only upon a written agreement signed by the Parties.

(6) Text

This Agreement may be executed in several copies; the executed copies shall include those sent by paper, fax, or electronic means, each of which shall be deemed as an original, but all the executed copies shall be deemed to be a complete document.

(7) Further Assurance

Upon reasonable request by any party, without further consideration, each other party shall execute and deliver such additional instruments and take such further legal actions as may be necessary or required to complete and effect the transactions envisaged in this Agreement in the most expeditious manner possible. Each party shall promptly consult with the other Parties and provide any necessary information and materials with respect to all documents submitted by such party to any government department in connection with this Agreement and the transactions envisaged in this Agreement. Specifically (but not limited to) each party shall use its reasonable best efforts and cooperate with each other to obtain all consents required to implement the transactions envisaged in this Agreement.

(8) Joint and Several Liability

Unless otherwise specified in this Agreement, each Guarantor shall be jointly and severally liable for its respective representations, warranties, commitments, obligations, compensations, indemnifications and other liabilities under this Agreement. If a matter under this Agreement requires the Group Company to perform or assist in the performance before delivery, each Guarantor agrees to jointly and severally cause the Group Company to perform or assist in the performance of such the matter.

(9) No Third Party Beneficiaries

Except otherwise stipulated in this Agreement and the Investor Indemnified Party, this Agreement shall be binding only on and entered into only for the benefit of the parties to this Agreement and their respective successors and licensed transferees.

(10) Government Format Text

Where the Parties need to sign a simplified version of the agreement for this transaction for government approval or similar purposes, this Agreement shall take precedence over the simplified version of the agreement, and such the simplified version of the agreement shall only be used for the above-mentioned government approval or similar purposes, but not to establish and prove the rights and obligations of the relevant parties on the matters stipulated in such the agreement.

List of Principal Subsidiaries and Consolidated Variable Interest Entities

<u>Subsidiaries:</u>	<u>Place of Incorporation</u>
Jingdong Technology Group Corporation	Cayman Islands
JD Property Group Corporation	Cayman Islands
JD Logistics, Inc.	Cayman Islands
JD Property Holding Limited	Cayman Islands
JD Assets Holding Limited	Cayman Islands
JD.com Asia Investment Corporation	Cayman Islands
JD Health International Inc.	Cayman Islands
JD.com Investment Limited	British Virgin Islands
JD Asia Development Limited	British Virgin Islands
JD Jiankang Limited	British Virgin Islands
JD Logistics Holding Limited	Hong Kong
Jingdong E-Commerce (Trade) Hong Kong Co., Ltd.	Hong Kong
JD Property 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
Beijing Wodong Tianjun Information Technology Co., Ltd.	PRC
Jingdong Logistics Supply Chain Co., Ltd.	PRC
Jingdong Five Star Group Appliance 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
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 16, 2021

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, Sandy Ran Xu, 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 16, 2021

By: /s/ Sandy Ran Xu
Name: Sandy Ran Xu
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, 2020 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 16, 2021

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, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sandy Ran Xu, 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 16, 2021

By: /s/ Sandy Ran Xu
Name: Sandy Ran Xu
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. 333-198578 and No. 333-229957) and Form F-3 (No. 333-235338 and No. 333-238952), of our reports dated April 16, 2021, 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, 2020.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, People's Republic of China

April 16, 2021

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 and No. 333-238952), 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 16, 2021

April 16, 2021
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, 2020 (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 Statements on Form F-3 (No. 333-235338 and No. 333-238952) 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/ Shihui Partners

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 and No. 333-238952) of JD.com, Inc. of our report dated March 31, 2021 relating to the financial statements of Dada Nexus Limited, appearing in Exhibit 99.1 to the Annual Report on Form 20-F of JD.com, Inc. for the year ended December 31, 2020.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, the People's Republic of China
April 16, 2021

DADA NEXUS LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2019 and 2020	F-3
Consolidated Statements of Operations and Comprehensive Loss for the Years Ended December 31, 2018, 2019 and 2020	F-5
Consolidated Statements of Changes in Shareholders' (Deficit) Equity for the Years Ended December 31, 2018, 2019 and 2020	F-6
Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2019 and 2020	F-7
Notes to the Consolidated Financial Statements	F-9
Financial Statements Schedule I—Financial Information of Parent Company	F-45

To the Shareholders and the Board of Directors of Dada Nexus Limited:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Dada Nexus Limited and its subsidiaries (the “Company”) as of December 31, 2019 and 2020, and the related consolidated statements of operations and comprehensive loss, changes in shareholders’ (deficit) equity, and cash flows, for each of the three years in the period ended December 31, 2020 and the related notes and the schedule listed in the Index at Item 18 (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 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Convenience Translation

Our audits also comprehended the translation of Renminbi amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside the People’s Republic of China.

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 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 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

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.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, the People’s Republic of China

March 31, 2021

We have served as the Company’s auditor since 2019.

DADA NEXUS LIMITED
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 and 2020
(Amounts in thousands, except share data and otherwise noted)

	Note	As of December 31,		
		2019	2020	
		RMB	RMB	US\$ (Note 2)
ASSETS				
Current assets:				
Cash and cash equivalents		1,154,653	5,461,264	836,975
Restricted cash		1,480	59,791	9,163
Short-term investments	4	957,370	770,000	118,008
Accounts receivable, net of allowance for doubtful accounts of nil and nil as of December 31, 2019 and 2020, respectively		38,234	403,584	61,852
Inventories, net		3,886	5,410	829
Amount due from related parties	16	308,682	646,341	99,056
Prepayments and other current assets	5	100,354	175,592	26,911
Total current assets		2,564,659	7,521,982	1,152,794
Property and equipment, net	6	42,044	39,640	6,075
Goodwill		957,605	957,605	146,759
Intangible assets, net	7	715,877	507,964	77,849
Operating lease right-of-use assets		—	107,120	16,417
Long-term time deposits		—	400,000	61,303
Other non-current assets		5,930	12,715	1,949
Total non-current assets		1,721,456	2,025,044	310,352
TOTAL ASSETS		4,286,115	9,547,026	1,463,146
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY				
Current liabilities (including amounts of the consolidated VIE without recourse to the Company. See Note 2.2):				
Short-term loan	8	—	600,000	91,954
Accounts payable		9,924	13,846	2,122
Notes payable		—	170,000	26,054
Payable to riders and drivers		381,341	717,496	109,961
Amount due to related parties	16	82,800	52,918	8,110
Accrued expenses and other current liabilities	9	366,285	814,991	124,903
Operating lease liabilities		—	41,737	6,396
Total current liabilities		840,350	2,410,988	369,500
Deferred tax liabilities	14	43,701	38,558	5,909
Non-current operating lease liabilities		—	69,525	10,655
Total non-current liabilities		43,701	108,083	16,564
TOTAL LIABILITIES		884,051	2,519,071	386,064
Contingencies	18			

DADA NEXUS LIMITED
CONSOLIDATED BALANCE SHEETS (CONTINUED)
AS OF DECEMBER 31, 2019 and 2020
(Amounts in thousands, except share data and otherwise noted)

	Note	As of December 31,		
		2019	2020	
		RMB	RMB	US\$
				(Note 2)
MEZZANINE EQUITY	11	10,593,026	—	—
SHAREHOLDERS' (DEFICIT) EQUITY				
Ordinary shares (US\$0.0001 par value, 1,499,945,349 and 2,000,000,000 shares authorized, 369,290,629 and 941,450,185 shares issued and outstanding as of December 31, 2019 and 2020, respectively)	12	237	639	98
Additional paid-in capital		309,102	16,442,721	2,519,958
Subscription receivable		(35)	—	—
Accumulated deficit		(7,639,926)	(9,345,102)	(1,432,200)
Accumulated other comprehensive income (loss)		139,660	(70,303)	(10,774)
TOTAL SHAREHOLDERS' (DEFICIT) EQUITY		(7,190,962)	7,027,955	1,077,082
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' (DEFICIT) EQUITY		4,286,115	9,547,026	1,463,146

The accompanying notes are an integral part of these consolidated financial statements

DADA NEXUS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 and 2020
(Amounts in thousands, except share and per share data and otherwise noted)

	Note	Years ended December 31,			
		2018 RMB	2019 RMB	2020 RMB	US\$ (Note 2)
Net revenues (including related party revenues of RMB1,032,455, RMB1,967,723 and RMB3,008,947 for the years ended December 31, 2018, 2019 and 2020, respectively)		1,922,015	3,099,698	5,739,989	879,692
Costs and expenses					
Operations and support		(2,044,139)	(2,845,872)	(4,721,311)	(723,573)
Selling and marketing		(1,223,345)	(1,414,540)	(1,848,730)	(283,331)
General and administrative		(282,539)	(281,376)	(498,826)	(76,448)
Research and development		(270,163)	(333,844)	(428,849)	(65,724)
Other operating expenses		(97,179)	(49,669)	(67,137)	(10,289)
Total costs and expenses		(3,917,365)	(4,925,301)	(7,564,853)	(1,159,365)
Other operating income		18,875	75,884	60,779	9,315
Loss from operations		(1,976,475)	(1,749,719)	(1,764,085)	(270,358)
Other income (expenses)					
Interest income		53,111	84,276	65,596	10,053
Interest expenses		(3,122)	—	(11,830)	(1,813)
Foreign exchange gain (loss)		7,151	(13,370)	—	—
Fair value change in foreign currency forward contract		13,463	—	—	—
Total other income		70,603	70,906	53,766	8,240
Loss before income tax benefits		(1,905,872)	(1,678,813)	(1,710,319)	(262,118)
Income tax benefits	14	27,497	9,032	5,143	788
Net loss and net loss attributable to the Company		(1,878,375)	(1,669,781)	(1,705,176)	(261,330)
Accretion of convertible redeemable preferred shares		(511,646)	(795,015)	(375,649)	(57,571)
Net loss available to ordinary shareholders		(2,390,021)	(2,464,796)	(2,080,825)	(318,901)
Net loss per ordinary share:					
Basic and diluted	13	(6.64)	(6.80)	(3.12)	(0.48)
Weighted average shares used in calculating net loss per ordinary share:					
Basic and diluted		360,002,151	362,644,898	667,844,843	667,844,843
Net loss		(1,878,375)	(1,669,781)	(1,705,176)	(261,330)
Other comprehensive income (loss)					
Foreign currency translation adjustments, net of tax of nil for each of the years ended December 31, 2018, 2019 and 2020		36,974	(446)	(209,963)	(32,178)
Total comprehensive loss		(1,841,401)	(1,670,227)	(1,915,139)	(293,508)

The accompanying notes are an integral part of these consolidated financial statements

DADA NEXUS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020
(Amounts in thousands, except share data and otherwise noted)

	Note	Ordinary shares		Additional paid-in capital	Subscription receivables	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' (deficit) equity
		Numbers of Shares	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2018		355,105,296	227	1,513,420	(35)	(4,091,770)	103,132	(2,475,026)
Issuance of ordinary shares for vested restricted share units	12	7,092,667	5	(5)	—	—	—	—
Share-based compensation	10	—	—	51,185	—	—	—	51,185
Net loss		—	—	—	—	(1,878,375)	—	(1,878,375)
Accretion of convertible redeemable preferred shares	11	—	—	(511,646)	—	—	—	(511,646)
Foreign currency translation adjustments		—	—	—	—	—	36,974	36,974
Balance as of December 31, 2018		362,197,963	232	1,052,954	(35)	(5,970,145)	140,106	(4,776,888)
Issuance of ordinary shares for vested restricted share units	12	7,092,666	5	(5)	—	—	—	—
Share-based compensation	10	—	—	51,168	—	—	—	51,168
Net loss		—	—	—	—	(1,669,781)	—	(1,669,781)
Accretion of convertible redeemable preferred shares	11	—	—	(795,015)	—	—	—	(795,015)
Foreign currency translation adjustments		—	—	—	—	—	(446)	(446)
Balance as of December 31, 2019		369,290,629	237	309,102	(35)	(7,639,926)	139,660	(7,190,962)
Issuance of ordinary shares for public offerings, net of issuance costs of RMB39,316	12	125,491,548	87	5,173,926	—	—	—	5,174,013
Conversion of preferred shares upon completion of initial public offering ("IPO")	11	439,646,388	311	10,968,364	—	—	—	10,968,675
Share issued for exercise of stock options and vested restricted share units	10	7,021,620	4	6,900	—	—	—	6,904
Collection of subscription receivable		—	—	—	35	—	—	35
Share-based compensation	10	—	—	360,078	—	—	—	360,078
Net loss		—	—	—	—	(1,705,176)	—	(1,705,176)
Accretion of convertible redeemable preferred shares	11	—	—	(375,649)	—	—	—	(375,649)
Foreign currency translation adjustments		—	—	—	—	—	(209,963)	(209,963)
Balance as of December 31, 2020		941,450,185	639	16,442,721	—	(9,345,102)	(70,303)	7,027,955

The accompanying notes are an integral part of these consolidated financial statements.

DADA NEXUS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 and 2020
(Amounts in thousands and otherwise noted)

	Years ended December 31,			
	2018 RMB	2019 RMB	2020 RMB	US\$ (Note 2)
Cash flows from operating activities:				
Net loss	(1,878,375)	(1,669,781)	(1,705,176)	(261,330)
<i>Adjustments to reconcile net loss to net cash used in operating activities</i>				
Depreciation and amortization	212,241	215,664	201,272	30,846
Share-based compensation	51,185	51,168	360,078	55,184
Loss (gain) from disposal of property and equipment	3,639	(1,442)	82	13
Valuation allowance for inventories	1,632	—	413	63
Foreign exchange (gain) loss	(7,151)	13,370	—	—
Allowance (reversal) for doubtful accounts	316	(316)	—	—
Impairment provision for other non-current assets	5,432	—	—	—
Impairment provision for property and equipment	8,481	—	—	—
Fair value change in foreign currency forward contract	(13,463)	—	—	—
<i>Changes in operating assets and liabilities:</i>				
Accounts receivable	(23,714)	(7,574)	(365,350)	(55,992)
Inventories	(3,634)	4,001	(1,937)	(297)
Amount due from related parties	(110,603)	(149,319)	(337,659)	(51,749)
Prepayments and other current assets	(42,273)	(3,261)	(84,995)	(13,026)
Operating lease right-of-use assets	—	—	17,890	2,742
Other non-current assets	35	187	(6,785)	(1,040)
Accounts payable	1,516	1,262	3,922	601
Notes payable	—	—	170,000	26,054
Amount due to related parties	16,012	28,498	(29,882)	(4,580)
Payable to riders and drivers	15,082	101,244	336,155	51,518
Accrued expenses and other current liabilities	(28,174)	127,493	357,773	54,831
Deferred tax liabilities	(27,539)	(9,032)	(5,143)	(788)
Operating lease liabilities	—	—	(18,865)	(2,891)
Net cash used in operating activities	(1,819,355)	(1,297,838)	(1,108,207)	(169,841)
Cash flows from investing activities:				
Proceeds from disposal of short-term investments	7,489,577	4,444,043	7,313,119	1,120,785
Purchase of short-term investments	(7,909,057)	(4,680,033)	(7,119,080)	(1,091,047)
Purchase of long-term time deposits	—	—	(400,000)	(61,303)
Purchase of property and equipment and intangible assets	(32,861)	(31,762)	(23,890)	(3,661)
Proceeds from disposal of property and equipment	649	292	94	14
Proceeds from disposal of foreign currency forward contract	36,310	—	—	—
Net cash used in investing activities	(415,382)	(267,460)	(229,757)	(35,212)

DADA NEXUS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 and 2020
(Amounts in thousands and otherwise noted)

	Note	Years ended December 31,			
		2018	2019	2020	
		RMB	RMB	RMB	US\$
					(Note 2)
Cash flows from financing activities:					
Proceeds from short-term loan		—	—	600,000	91,954
Repayment of short-term loan		(354,499)	—	—	—
Proceeds from public offerings, net of issuance costs paid of RMB38,821		—	—	5,174,508	793,029
Proceeds from exercise of share options		—	—	6,904	1,058
Proceeds from subscription receivable		—	—	35	5
Proceeds from stock sold on behalf of employees		—	—	110,103	16,874
Proceeds from issuance of convertible redeemable preferred shares, net of issuance costs paid of RMB9,689		3,402,611	—	—	—
Net cash provided by financing activities		3,048,112	—	5,891,550	902,920
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash		11,363	(22,575)	(188,664)	(28,914)
Net increase (decrease) in cash, cash equivalents and restricted cash		824,738	(1,587,873)	4,364,922	668,953
Cash and cash equivalents and restricted cash, beginning of the year		1,919,268	2,744,006	1,156,133	177,185
Cash and cash equivalents and restricted cash, end of the year		<u>2,744,006</u>	<u>1,156,133</u>	<u>5,521,055</u>	<u>846,138</u>

The following table provides a reconciliation of cash and cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows.

	As of December 31,		
	2019	2020	
	RMB	RMB	US\$
			(Note 2)
Cash and cash equivalents	1,154,653	5,461,264	836,975
Restricted cash	1,480	59,791	9,163
Total cash, cash equivalents, and restricted cash	1,156,133	5,521,055	846,138

	Years ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
				(Note 2)
Supplemental disclosure for cash flow information				
Cash paid for interest		6,516	—	21,718
Cash paid for income taxes		42	—	—
Supplemental disclosure of non-cash investing and financing activities:				
Accretion of convertible redeemable preferred shares		511,646	795,015	375,649
Payables related to property and equipment		—	(8,852)	(1,321)
				(202)

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands, except share and per share data)

1. ORGANIZATION AND NATURE OF OPERATIONS

Dada Nexus Limited (the “Company”) was incorporated under the laws of the Cayman Islands on July 8, 2014. The Company through its wholly-owned subsidiaries, variable interest entity (“VIE”) and VIE’s subsidiaries (collectively, the “Group”) primarily provides delivery service and marketplace service to its customers through its mobile platforms, websites and mini programs. The Group’s principal operations and geographic markets are in the People’s Republic of China (“PRC”). In June 2020, the Company completed its Initial Public Offering and is listed on the Nasdaq Global Select Market under the symbol “DADA”.

As of December 31, 2020, the Company’s major subsidiaries and consolidated VIE are as follows:

<u>Name of Company</u>	<u>Place of incorporation</u>	<u>Date of incorporation / Acquisition</u>	<u>Percentage of direct or indirect economic ownership</u>	<u>Principal activities</u>
<i>Subsidiaries</i>				
Dada Group (HK) Limited (“Dada HK”)	Hong Kong	July 24, 2014	100%	Investment holding
Dada Glory Network Technology (Shanghai) Co., Ltd. (“Dada Glory”)	PRC	November 7, 2014	100%	Providing services in connection with on-demand delivery platform (“Dada Now”)
Shanghai JD Daojia Yuanxin Information Technology Co., Ltd. (“Shanghai JDDJ”)	PRC	April 26, 2016	100%	Providing services in connection with on-demand retail platform (“JDDJ”)
<i>VIE</i>				
Shanghai Qusheng Internet Technology Co. Ltd. (“Shanghai Qusheng”)	PRC	July 2, 2014	100%	Holding value-added telecommunications services license of Dada Now and maintaining Dada Now website
<i>VIE’s Subsidiary</i>				
Shanghai JD Daojia Youheng E-Commerce Information Technology Co., Ltd. (“JDDJ Youheng”)	PRC	December 3, 2015	100%	Holding value-added telecommunications services license of JDDJ and maintaining JDDJ website

2. PRINCIPAL ACCOUNTING POLICIES**2.1 Basis of presentation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for the years presented.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, VIE and VIE's subsidiaries in which it has a controlling financial interest. The financial statements of the subsidiaries, VIE and VIE's subsidiaries are consolidated from the date on which the Company obtained control and continue to be consolidated until the date that such control ceases. All intercompany balances and transactions between the Company, its subsidiaries, VIE and VIE's subsidiaries have been eliminated in consolidation.

VIE Arrangements

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 Shanghai Qusheng, whose equity interests are held by certain management members and shareholders of the Group ("Nominee Shareholders"), and its wholly-owned subsidiary, JDDJ Youheng. On November 14, 2014, Dada Glory entered into a series of contractual agreements with Shanghai Qusheng and its shareholders, which were amended subsequently primarily for change of nominee shareholders. The following is a summary of the agreements which allow Dada Glory to exercise effective control over Shanghai Qusheng:

Share Pledge Agreements

Pursuant to the share pledge agreements, each of the shareholders of the VIE has pledged the security interest in their respective equity interests in the VIE, representing 100% equity interests in the VIE in aggregate to Dada Glory, to guarantee performance by the shareholders of their obligations under the powers of attorney, the exclusive business cooperation agreement and the exclusive option agreement, as well as the performance by the VIE of its obligations under the exclusive business cooperation agreement and the exclusive option agreement. In the event of a breach by the VIE or any of its shareholders of contractual obligations under these contractual arrangements, Dada Glory, as pledgee, will have the right to take possession of and dispose of the pledged equity interests in the VIE and will have priority in receiving the proceeds from such disposal. The shareholders of the VIE also covenant that, without the prior written consent of Dada Glory, they shall not transfer or agree to other's transfer of the pledged equity interests, create or allow any new pledge or any other encumbrance on the pledged equity interests. The equity interest pledge agreement will remain effective until the contractual obligations are fully fulfilled and terminated. During the equity pledge period, Dada Glory is entitled to all dividends and other distributions generated by the VIE.

Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement between Dada Glory and the VIE, Dada Glory has the exclusive right to provide the VIE with complete business support and technical and consulting services, including but not limited to technical services, network support, business consultations, intellectual property licenses, equipment or leasing, marketing consultancy, system integration, product research and development, and system maintenance. Without Dada Glory's prior written consent, the VIE may not accept any consultations and/or services regarding the matters contemplated by this agreement provided by any third party during the term of the agreement. The VIE agrees to pay Dada Glory service fees at an amount equals to 100% of the net income generated by the VIE, which should be paid on a monthly basis. Dada Glory has the exclusive ownership of all the intellectual property rights created as a result of the performance of the exclusive business cooperation agreement. To guarantee the VIE's performance of its obligations thereunder, the shareholders of the VIE have pledged all of their equity interests in the VIE to Dada Glory pursuant to the share pledge agreement. The exclusive business cooperation agreement has an initial term of 10 years and shall be extended if confirmed in writing by Dada Glory prior to the expiration. The extended term shall be determined by Dada Glory, and the VIE shall accept such extended term unconditionally.

Exclusive Option Agreements

Pursuant to the exclusive option agreements, each of the shareholders of the VIE has irrevocably granted Dada Glory, or any person designated by Dada Glory, an exclusive option to purchase all or part of its equity interests in the VIE. Dada Glory may exercise such options at a price equal to the lowest price as permitted by applicable PRC laws at the time of transfer of equity. The VIE and the shareholders of the VIE covenant that, without Dada Glory's prior written consent, they will not, among other things, (i) supplement, change or amend the VIE's articles of association and bylaws, (ii) increase or decrease the VIE's registered capital or change its structure of registered capital, (iii) create any pledge or encumbrance on their equity interests in the VIE, other than those created under the equity interest pledge agreement, (iv) sell, transfer, mortgage, or dispose of their legal or beneficial interests in and any assets of the VIE and any legal or beneficial interests, (v) enter into any material contract by the VIE, except in the ordinary course of business, or (vi) merge or consolidate the VIE with any other entity. The exclusive option agreement has an initial term of ten years, and at the end of the initial term shall be renewed for a further term as specified by Dada Glory or terminated by Dada Glory in its sole discretion.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

VIE Arrangements (Continued)

Powers of Attorney

Pursuant to the power of attorney, each of the shareholders of the VIE has executed a power of attorney to irrevocably authorize Dada Glory, or any person designated by Dada Glory, to act as its attorney-in-fact to exercise all of its rights as a shareholder of the VIE, including, but not limited to, the right to propose, convene and attend shareholders' meetings, (ii) vote on any resolution on behalf of the shareholders that require the shareholders to vote under PRC law and the VIE's articles of association, such as the sale, transfer, pledge and disposal of all or part of a shareholder's equity interest in the VIE, and designate and appoint the VIE's legal representative, director, supervisor, chief executive officer and other senior management members on behalf of the shareholders. The powers of attorney will remain effective until such shareholder ceases to be a shareholder of the VIE or otherwise instructed by Dada Glory.

U.S. GAAP provides guidance on the identification of VIE and financial reporting for entities over which control is achieved through means other than voting interests. The Group evaluates each of its interests in an entity to determine whether the investee is a VIE and, if so, whether the Group is the primary beneficiary of such VIE. In determining whether the Group is the primary beneficiary, the Group considers if the Group (1) has power to direct the activities that most significantly affect the economic performance of the VIE, and (2) receives the economic benefits of the VIE that could be significant to the VIE. If deemed the primary beneficiary, the Group consolidates the VIE.

The irrevocable powers of attorney described above have conveyed all shareholder rights held by the VIE's shareholders to Dada Glory, including the right to appoint board members who nominate the general managers of the VIE to conduct day-to-day management of the VIE's businesses, and to approve significant transactions of the VIE. The exclusive option agreements provide Dada Glory with a substantive kick-out right of the VIE shareholders through an exclusive option to purchase all or any part of the shareholders' equity interest in the VIE at the lowest price permitted under the PRC laws then in effect. In addition, through the exclusive business cooperation agreement, Dada Glory has established the right to receive benefits from the VIE that could potentially be significant to the VIE, and through the share pledge agreement, Dada Glory has, in substance, an obligation to absorb losses of the VIE that could potentially be significant to the VIE. As these contractual arrangements allow the Group to effectively control the VIE and to derive substantially all of the economic benefits from it, the Group has consolidated the VIE.

Risks in relation to the VIE structure

The Company believes that the contractual arrangements amongst Dada Glory, Shanghai Qusheng and their respective shareholders are in compliance with PRC law and are legally enforceable. The shareholders of Shanghai Qusheng are also shareholders of the Company and therefore have no current interest in seeking to act contrary to the contractual arrangements. However, Shanghai Qusheng and their shareholders may fail to take certain actions required for the Company's business or to follow the Company's instructions despite their contractual obligations to do so. Furthermore, if Shanghai Qusheng or their shareholders do not act in the best interests of the Company under the contractual arrangements and any dispute relating to these contractual arrangements remains unresolved, the Company will have to enforce its rights under these contractual arrangements through the operations of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. All of these contractual arrangements are governed by PRC law and provided for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. As a result, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements, which may make it difficult to exert effective control over Shanghai Qusheng, and its ability to conduct the Company's business may be adversely affected.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

VIE Arrangements (Continued)

The following amounts and balances of the consolidated VIE were included in the Group's consolidated financial statements after the elimination of intercompany balances and transactions:

	As of	
	2019	2020
	RMB	RMB
Cash and cash equivalents	36	512
Short-term investments	337	—
Accounts receivable, net	—	367
Amount due from related parties	—	1,956
Prepayments and other current assets	3,607	6,851
Property and equipment, net	32	461
Intangible assets, net	14,018	12,774
Operating lease right-of-use assets	—	2,255
Total assets	18,030	25,176
Payable to riders and drivers	—	1,313
Amount due to related parties	—	32
Accrued expenses and other current liabilities	8,664	13,885
Current operating lease liabilities	—	830
Non-current operating lease liabilities	—	1,053
Total liabilities	8,664	17,113

	Years ended December 31,		
	2018	2019	2020
	RMB	RMB	RMB
Net revenues	6,621	3,183	3,293
Net loss	(15,263)	(38,674)	(49,741)
Net cash (used in)/provided by operating activities	(925)	14,612	535
Net cash used in investing activities	—	(14,604)	(59)

The VIE contributed approximately 0.3%, 0.1% and 0.1% of the Group's consolidated net revenues for the years ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2019 and 2020, the VIE accounted for approximately 0.4% and 0.3% of the consolidated total assets, and approximately 1.0% and 0.7% of the consolidated total liabilities, respectively.

There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests that require the Group or its subsidiaries to provide financial support to the VIE. However, if the VIE was ever to need financial support, the Group or its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to its VIE through loans to the shareholders of the VIE or entrustment loans to the VIE.

The Group believes that there are no assets held in the consolidated VIE that can be used only to settle obligations of the VIE, except for paid-in capital, additional paid-in capital ("APIC") and the PRC statutory reserves. As the consolidated VIE is incorporated as a limited liability company under the PRC Company Law, creditors of the VIE do not have recourse to the general credit of the Group for any of the liabilities of the consolidated VIE.

Relevant PRC laws and regulations restrict the VIE from transferring a portion of their net assets, equivalent to the balance of their paid-in capital, APIC and PRC statutory reserve, to the Group in the form of loans and advances or cash dividends.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Use of estimates

The preparation of 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, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, the Group's management reviews these estimates based on information that is currently available. Changes in facts and circumstances may cause the Group to revise its estimates. Significant accounting estimates reflected in the Group's consolidated financial statements mainly include the useful lives of property and equipment and intangible assets, assumptions used to measure the impairment of goodwill, property and equipment and intangible assets, assumptions impacting the valuation of ordinary shares and share options, and realization of deferred tax assets.

2.4 Functional currency and foreign currency translation

The Group uses Renminbi ("RMB") as its reporting currency. The functional currency of the Company is the United States dollar ("US\$" or "USD"). The functional currency of the Company's subsidiaries, VIE and VIE's subsidiaries is RMB or USD as determined based on the economic facts and circumstances.

Transactions denominated in other than the functional currencies are re-measured into the functional currency of the entity at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are re-measured at the balance sheet date exchange rate. The resulting exchange differences are included in the comprehensive loss.

Assets and liabilities of the Company and its subsidiaries with functional currency other than RMB are translated into RMB at fiscal year-end exchange rates. Income and expense items are translated at average exchange rates during the fiscal year. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as accumulated other comprehensive loss.

2.5 Convenience translation

The Group's business is primarily conducted in PRC and almost all of its revenues are denominated in RMB. However, periodic reports made to shareholders will include current period amounts translated into USD using the then current exchange rates, for the convenience of the readers. Translations of balances in the consolidated balance sheets, consolidated statements of operations and comprehensive loss and consolidated statements of cash flows from RMB into USD as of and for the year ended December 31, 2020 are solely for the convenience of the readers outside PRC and were calculated at the rate of US\$1.00=RMB6.525 representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 31, 2020. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into USD at that rate on December 31, 2020, or at any other rate.

2.6 Cash and cash equivalents

Cash and cash equivalents primarily consist of cash on hand and cash in bank which is highly liquid and unrestricted as to withdrawal and use.

2.7 Restricted cash

The Group's restricted cash mainly represents cash received from consumers and reserved in bank supervised accounts for payments to retailers on the on-demand retail platform.

2.8 Short-term investments

Short-term investments include (i) wealth management products issued by commercial banks or other financial institutions with non-guaranteed principal and variable interest rates indexed to the performance of underlying assets within one year; (ii) time deposits with original maturities longer than three months but less than one year. The Group classifies wealth management products as trading securities given the securities are purchased for the purpose of selling them in the near term. Changes in fair values of wealth management products are included in interest income in the consolidated statements of operations and comprehensive loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.9 Accounts receivable, net

Accounts receivable mainly consists of amount due from the Group's customers, which is recorded net of allowance for doubtful accounts. The Group performs ongoing credit evaluation of its customers, and assesses allowance for doubtful accounts based on the age of the receivables and factors surrounding the credit risk of specific customers.

2.10 Inventories, net

Inventories, consisting of products available for sale, are stated at the lower of cost or market 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 market value due to slow-moving merchandise and damaged goods, which is determined based upon factors such as historical and forecasted consumer demand, and promotional environment.

2.11 Property and equipment, net

Property and equipment is stated at cost less accumulated depreciation and impairment. Property and equipment is depreciated at rates sufficient to write off its 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>
Computer equipment	3 years
Office facilities	3-5 years
Vehicles	8 years
Software	3-5 years
Leasehold improvement	Over the shorter of the expected useful life or the lease term

Repairs and maintenance costs are charged to operating expenses as incurred, whereas the costs of renewals and betterment that extends the useful lives of property and equipment 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 other operating income or expenses of consolidated statements of operations and comprehensive loss.

2.12 Intangible assets, net

Intangible assets purchased are recognized and measured at cost upon acquisition. Intangible assets arising from the Group's acquisition of JDDJ business from JD.com, Inc. ("JD") including Business Cooperation Agreement ("BCA"), Non-Compete Commitment ("NCC"), technology, trademark and domain name are recognized and measured at fair value based on a valuation upon acquisition. The Group made estimates and judgments in determining the fair value of JDDJ business, BCA and NCC with assistance from an independent valuation firm. Following the initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The identifiable intangible assets acquired are amortized on a straight-line basis over the respective useful lives as follows:

<u>Category</u>	<u>Amortization Years</u>
BCA	7
NCC	7
Technology	3.7
Trademark and Domain Name	9-9.7

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.13 Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of the Group's acquisition of JDDJ business from JD occurred in 2016 and there is no change to the carrying amount of goodwill for the years ended December 31, 2019 and 2020. Goodwill is not amortized but is reviewed at least annually for impairment or earlier, if any indication of impairment exists.

In evaluation of goodwill impairment, the Group performs a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Prior to January 1, 2020, based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the Group performed a two-step test to determine the amount of goodwill impairment. In Step 1, the Group compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the Group performs Step 2 and compares the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equals to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. Starting from January 1, 2020, the Group adopted ASU 2017-04, which simplifies the accounting for goodwill impairment by eliminating Step 2 from the goodwill impairment test. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, versus determining an implied fair value in Step 2 to measure the impairment loss.

The Group has determined it has only one reporting unit and applied quantitative assessment in its annual goodwill impairment analysis as of December 31 of each year. No goodwill impairment was recorded for 2018, 2019 and 2020 as the fair value of the reporting unit significantly exceeded its carrying value at each assessment date.

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.

2.14 Other non-current assets

Other non-current assets mainly consist of long-term lease deposits, a convertible loan to a private company, and equity investments without readily determinable fair values. 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 Accounting Standards Update ("ASU") 2016-01 (the "Measurement Alternative"). Under the Measurement Alternative, the carrying value is measured at cost, less any impairment, plus and minus changes resulting from observable price changes in orderly transactions for identical or similar investments. The Group recognized RMB3,432 and RMB2,000 of impairment losses to write off a loan receivable and an equity investment without a readily determinable fair value, respectively, for the year ended December 31, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.15 Fair value measurement

Fair value reflects 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 measurements 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 transacts and considers assumptions that market participants use when pricing the asset or liability.

The Group applies 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. The hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable, market-based inputs, other than quoted prices, in active markets for identical assets or liabilities.

Level 3: Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The fair value guidance describes three main approaches to measure 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.

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.

2.16 Revenue recognition

The Group derives its revenues principally from merchants', individual senders' and retailers' use of the Group's core platforms in connection with on-demand retail platform services and on-demand delivery services. Revenue is stated net of value added tax ("VAT"), discounts and return allowances.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition (Continued)

Services

The Group arranges for on-demand delivery services to be provided through Dada Now platform where it assists the customer, a merchant or an individual sender, in finding a rider to complete a delivery requested by the customer. The Group concludes that it acts as an agent in these transactions as it is not responsible for fulfilling the promise to provide the delivery services, nor does the Group have the ability to control the related services. The Group does not have the ability to control the services provided by riders due to the following: (i) the Group does not pre-purchase or otherwise obtain control of the riders' services prior to their transfer to the customers; (ii) the Group does not guarantee an order could be taken by a rider; (iii) the Group cannot direct the riders to accept, decline or disregard a transaction request and (iv) the Group's platform services do not include the delivery services provided to the customers by the riders. The service fee earned by the Group is the difference between the amount paid by the customer based on an upfront quoted fare and the amount earned by the rider based on expected delivery time, distance and other factors, which are both fixed at the time a transaction is entered into with a customer. The Group may record a loss from a transaction when an upfront quoted fare offered to the customer is less than the amount the Group is committed to paying to the rider. The revenue is recognized on a net basis at the point of delivery of merchandise. The loss on this type of transactions is recorded in operations and support costs in the consolidated statements of operations and comprehensive loss, as it is not related to any other current, previous or future transactions with the customer and in substance, is an expense paid to the rider. The losses included in operations and support costs were RMB133,241, RMB96,131 and RMB76,989 for the years ended December 31, 2018, 2019 and 2020, respectively.

The Group also provides on-demand retail platform services on JDDJ platform. The service revenues primarily consist of commission fees charged to retailers for participating in the Group's online marketplace, where the Group acts as an agent and its performance obligation is to facilitate the retailers' online sales of their goods and services through JDDJ. The Group is not primarily obligated to the consumers, does not take inventory risk, and does not have latitude over pricing of the merchandise. Upon successful sales, the Group charges the retailer 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 merchandise.

In addition, the Group fulfills the delivery needs of retailers on JDDJ and other business customers on Dada Now by utilizing the Group's network of registered riders on Dada Now. Under this type of services, the Group enters into agreements with retailers and other business customers, which enforce the Group's acceptance of all the related delivery requests at the prices stipulated in the agreements. The Group has determined that it acts as the principal in these transactions as the Group is primarily responsible for the delivery of merchandise and has the ability to control the related services. The Group has the ability to control the services provided by riders as it is responsible for and guarantees identifying and directing riders that meet the quality criteria stipulated in the agreements to complete the deliveries requested by retailers or other business customers. Additionally, the Group has ultimate control over the amounts charged to the customers. Although in this type of services, the riders still have the ability to accept, decline or disregard a delivery assignment, it is the Group's responsibility to find a replacement and complete the delivery timely. Revenues resulting from these services are recognized on a gross basis at a fixed rate or a pre-determined amount for each completed delivery, with the amounts paid to the riders recorded in operations and support costs. From September 2020, the Group started to engage truckers to provide freight services to logistics companies or merchants on Dada Now and JDDJ. The Group has determined that it acts as the principal in these freight transactions as it has the ability to control the freight services provided by truckers and primarily responsible for fulfillment of the freight services. The related revenue is included in service revenue under Dada Now as presented in the following table of disaggregation of revenues.

Other services provided by the Group comprise packaging services provided to retailers on JDDJ, online marketing services provided to brand owners on JDDJ, and front-end warehouses services. Revenue is recognized when service is rendered.

Goods Sales

The Group operates its own e-commerce business and sells delivery equipment and other merchandise on Dada Now. The Group also sells merchandise through unmanned retail shelves. Revenue is recognized on a gross basis as the Group is acting as a principal in these transactions, is responsible for fulfilling the promise to provide the specified merchandise and also has pricing discretion. The Group recognizes revenues net of discounts and return allowances when the goods are delivered to the customers.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition (Continued)

Incentive programs

Customer incentives

The Group offers various incentive programs to merchants, individual senders and business customers in the form of coupons or volume-based discounts that are recorded as reduction of revenue as the Group does not receive a distinct good or service in consideration.

Rider incentives

The Group offers various incentive programs to riders, primarily in the form of volume-based incentives. The riders are not the Group's customers as they do not pay for their use of the Group's platform in any form. Therefore, for transactions where the Group acts as an agent and recognizes revenue on a net basis, the related rider incentives are recorded as a reduction of revenue. The incentive amount in excess of the related revenue is included in operations and support costs. For transactions where the Group acts as a principal and recognizes revenue on a gross basis, the related rider incentives are included in operations and support costs. For the years ended December 31, 2018, 2019 and 2020, incentives to riders recorded in operations and support costs were RMB223,664, RMB192,243 and RMB143,916, respectively, including incentives attributable to transactions where the Group acts as the principal of RMB155,007, RMB158,763 and RMB114,229, respectively.

Consumer incentives

The consumer incentives are offered to promote the Group's platform in the form of promotion coupon on the JDDJ, which are valid only during a limited period of time. These incentives are provided at the Group's discretion and are not contractually required by the retailers. These incentives also do not reduce the overall pricing of the services provided by the Group. As the Group has no performance obligation to consumers who are not the Group's customers, incentives to consumers are recognized as selling and marketing expenses. For the years ended December 31, 2018, 2019 and 2020, consumer incentives that were recorded as selling and marketing expenses were RMB782,479, RMB937,713 and RMB1,166,032, respectively.

All the incentives granted can be categorized into (i) incentives granted concurrent with a purchase transaction and (ii) incentives granted not concurrent with a purchase transaction. When the incentive is granted concurrent with a purchase transaction, expenses or reduction of revenue are accrued, in the most likely amount to be earned, as the related transactions are recorded. Since such incentives are generally earned over a very short period of time, there is limited uncertainty when estimating the expenses to be accrued or variable consideration to be recorded as a reduction of revenue. When the incentive (i.e., a coupon) is granted not concurrent with a purchase transaction, expenses or reduction of revenue are recognized upon the redemption of such incentive.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition (Continued)

Disaggregation of revenues

For the years ended December 31, 2018, 2019 and 2020, all of the Group's revenues were generated in the PRC. The disaggregated revenues by revenue streams were as follows:

	Years ended December 31,		
	2018 RMB	2019 RMB	2020 RMB
Dada Now: (1)			
Services	1,062,552	1,954,834	3,377,653
Sales of goods	48,887	41,951	56,925
Subtotal	1,111,439	1,996,785	3,434,578
JDDJ: (2)			
Services	754,162	1,102,913	2,305,411
Others: (3)			
Services	23,402	—	—
Sales of goods	33,012	—	—
Subtotal	56,414	—	—
Total	1,922,015	3,099,698	5,739,989

Notes:

- (1) Includes net revenue from on-demand delivery services provided through Dada Now, and Dada Now related services such as freight service to logistics companies and merchants on Dada Now and JDDJ, which did not operate through Dada Now.
- (2) Includes net revenues from delivery services provided to retailers on JDDJ of RMB448,014, RMB588,752 and RMB970,697, and commission fee revenues from retailers on JDDJ of RMB225,884, RMB347,870 and RMB687,789 for the years ended December 31, 2018, 2019 and 2020, respectively
- (3) Includes net revenue from front-end warehouses business and unmanned retail shelves businesses which were immaterial and terminated in 2019.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition (Continued)

Contract balances

The remaining unsatisfied performance obligation as of December 31, 2018, 2019 and 2020 was immaterial.

Timing of revenue recognition may differ from the timing of invoicing customers. Accounts receivable represents amounts invoiced and revenues recognized prior to invoicing when the Group has satisfied its performance obligation and has the unconditional right to payment.

The Group receives advance payments from customers pursuant to the agreements with certain customers before the services or products are provided, which is recorded as advance for marketing services or goods sale included in the accrued expenses and other current liabilities on the consolidated balance sheets. The opening and closing balances of the Group's advances from customers are as follows:

	Advances from Customers RMB
Opening Balance as of January 1, 2018	331
Increase, net	3,061
Ending Balance as of December 31, 2018	3,392
Increase, net	11,965
Ending Balance as of December 31, 2019	15,357
Increase, net	10,894
Ending Balance as of December 31, 2020	26,251

The opening balances of RMB331, RMB3,392 and RMB15,357 were recognized in the years ended December 31, 2018, 2019 and 2020, respectively.

Practical expedients and exemptions

The Group elects not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

2.17 Operations and support

Operations and support costs primarily consist of (i) riders' and drivers' remuneration and incentives to fulfil the Group's delivery orders, (ii) expenses incurred in providing customer and rider care services or the service fee charged by external customer service providers, (iii) expenses charged by outsourced delivery agencies, (iv) transaction fees charged by third-party payment platform, and (v) packaging cost as well as other operations and support costs directly attributed to the Group's principal operations.

2.18 Selling and marketing

Selling and marketing expenses primarily consist of incentive payments to consumers, advertising and marketing expenses, payroll and related expenses for employees involved in selling and marketing functions, as well as the associated expenses of facilities and equipment, such as depreciation expenses, rental and others. The advertising and marketing expenses amounted to RMB118,829, RMB133,669 and RMB247,858 for the years ended December 31, 2018, 2019 and 2020, respectively.

2.19 Research and development

Research and development expenses primarily consist of technology infrastructure expenses, payroll and related expenses for employees involved in platform development and internal system support, charges for the usage of the server and computer equipment, and editorial content.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.20 Other operating expenses

Other operating expenses primarily consist of purchase price of merchandise sold on Dada Now and through unmanned retail shelves.

2.21 Leases

As a lessee

The Group leases office space and warehouse facilities in different cities in PRC under non-cancellable operating lease agreements that expire at various dates through October 2024. Prior to January 1, 2020, under ASC Topic 840 “Leases” (ASC 840), each lease was classified at the inception date as either a capital lease or an operating lease. All the Group’s leases were classified as operating lease. The Group’s amounts for periods prior to January 1, 2020 have not been adjusted and continue to be reported in accordance with ASC 840.

Effective January 1, 2020, the Group early adopted ASU No. 2016-02 “Leases” (ASC 842) using the modified retrospective approach. The Group elected the transition package of practical expedients permitted within the standard, which allowed it not to reassess initial direct costs, lease classification, or whether the contracts contain or are leases for any leases that existed prior to January 1, 2020. The Group also elected the short-term lease exemption for all contracts with an original lease term of 12 months or less. Upon the adoption, the Group recognized operating lease right of use (“ROU”) assets of RMB125,010 with corresponding lease liabilities of RMB130,127 on the consolidated balance sheets. The operating lease ROU assets include adjustments for prepayments and accrued lease payments. The adoption did not impact the Group’s beginning retained earnings as of January 1, 2020, or the Group’s prior years’ consolidated financial statements.

Under ASC 842, the Group determines whether an arrangement constitutes a lease and records lease liabilities and ROU assets on its consolidated balance sheets at the lease commencement. The Group measures the operating lease liabilities at the commencement date based on the present value of remaining lease payments over the lease term, which is computed using the Group’s incremental borrowing rate, an estimated rate the Group would be required to pay for a collateralized borrowing equal to the total lease payments over the lease term. The Group measures the operating lease ROU assets based on the corresponding lease liability adjusted for payments made to the lessor at or before the commencement date, and initial direct costs it incurs under the lease. The Group begins recognizing operating lease expense based on lease payments on a straight-line basis over the lease term after the lessor makes the underlying asset available to the Group. Some of the Group’s lease contracts include options to extend the leases for an additional period which has to be agreed with the lessors based on mutual negotiation. After considering the factors that create an economic incentive, the Group does not include renewal option periods in the lease term for which it is not reasonably certain to exercise.

For the years ended December 31, 2018, 2019 and 2020, the Group incurred operating lease costs amounting to RMB40,519, RMB58,713 and RMB47,915 (excluding RMB13,548 for short-term leases not capitalized as ROU assets), respectively.

Supplemental cash flow information related to operating leases included in operating lease assets and liabilities was as follows:

	For the Year Ended December 31, 2020
	RMB
Cash payments	48,890
New operating lease assets obtained in exchange for operating lease liabilities	24,688

As of December 31, 2020, the Group’s operating leases had a weighted average remaining lease term of 3.12 years and a weighted average discount rate of 4.8%.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

As a lessee (Continued)

Future lease payments under operating leases, excluding short-term leases not capitalized, as of December 31, 2020 were as follows:

	<u>Operating leases</u> <u>RMB</u>
2021	46,050
2022	31,381
2023	23,813
2024	18,607
Total future lease payments	119,851
Less: imputed interest	(8,589)
Total lease liability balance	111,262
Less: Current operating lease liabilities	41,737
Non-current operating lease liabilities	69,525

The future lease payments for short-term leases not capitalized as ROU assets were RMB2,327 as of December 31, 2020, which will be paid within one year.

As of December 31, 2019, 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, 2019</u> <u>RMB</u>
2020	49,501
2021	37,812
2022	22,711
2023	17,125
2024 and after	15,440
Total lease commitment	142,589

Sublease

The Group subleases warehouses to its merchants on Dada Now platform under operating leases. Prior to January 1, 2020, under ASC 840, the Group, as a sublessor, accounted for the sublease as operating leases as the Group was not relieved of the primary obligation under the original operating leases. After January 1, 2020, in accordance with ASC 842, since the Group has not been relieved of the primary obligation of the original operating leases, the Group cannot net the sublease income against its lease payment to calculate the lease liability and ROU asset. The Group has recorded, and will continue to record sub-lease income on a straight-line basis over the term of the sublease. For the years ended December 31, 2018, 2019 and 2020, sublease income of the Group was RMB2,814, RMB13,108, and RMB16,086, respectively, which was included in net revenues in the consolidated statements of operations and comprehensive loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.22 Share-based compensation

The Group accounts for share options granted to employees in accordance with ASC 718, “Stock Compensation”. The Group grants options and restricted share units to the Group’s employees, directors, and consultants. In accordance with the guidance, the Group determines whether a share-based compensation should be classified and accounted for as a liability award or an equity award.

Options and restricted share units granted to employees, including directors, vest upon satisfaction of a service condition, which is generally satisfied over four years, and are measured at fair value as of the grant date.

Options granted to non-employees with a service condition are accounted for based on the fair value of the equity instrument issued, as this has been determined to be more reliably measurable. Prior to January 1, 2019, the Group accounted for share-based awards issued to non-employees in accordance with ASC 505-50, “Equity-Based Payments to Non-Employees”, under which the fair value of each option granted to non-employees was estimated on the date of grant using the same option valuation model used for options granted to employees, and then re-measured at each period end. The final measurement date of the fair value of the equity instrument issued was the date on which the non-employee’s performance was completed. On January 1, 2019, the Group adopted ASU 2018-07, “Compensation-Stock Compensation (Topic 718), Improvements to Non-employee Share-Based Payment Accounting”, under which the accounting treatment of the stock compensation payments to non-employees is aligned with the requirements for share-based payments granted to employees. Upon adoption, only liability-classified awards that have not been settled and equity-classified awards for which a measurement date has not been established should be remeasured through a cumulative-effect adjustment to retained earnings as of January 1, 2019. The adoption of this new standard did not have a material impact on the Group’s consolidated financial statements. Therefore, no cumulative-effect adjustment to retained earnings as of January 1, 2019 was made.

Additionally, the Group’s incentive plan provides an exercisability clause where employees or non-employees can only exercise vested options upon the occurrence of the event that the Group’s ordinary shares are publicly traded. The satisfaction of the performance condition becomes probable only upon the completion of the Group’s initial public offering (“IPO”). Therefore, with the Company’s completion of IPO in June 2020, the Group has recorded the cumulative share-based compensation expenses for these options.

According to ASC 718, a change in any of the terms or conditions of equity-based awards shall be accounted for as a modification of the award. Therefore, the Group calculates incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified. For vested options, the Group would recognize incremental compensation cost on the date of modification and for unvested options, the Group would recognize, prospectively and over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award.

2.23 Loss per share

Basic loss per share are computed by dividing net loss available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The Company’s convertible redeemable preferred shares are participating securities as the preferred shares participate in undistributed earnings on an as-if-converted basis. Accordingly, the Group uses the two-class method of computing earnings per share, whereby undistributed net income is allocated on a pro rata basis to each participating share to the extent that each class may share net income for the period. Undistributed net loss is not allocated to preferred shares because they are not contractually obligated to participate in the loss of the Group.

Diluted loss per ordinary share reflects the potential dilution that could occur if securities were exercised or converted into ordinary shares. The Group had convertible redeemable preferred shares, share options, restricted share units and warrants, which could potentially dilute basic earnings per share in the future. To calculate the number of shares for diluted loss per share, the effect of the convertible redeemable preferred shares is computed using the as-if-converted method; the effect of the stock options, restricted share units and warrant are computed using the treasury stock method.

2.24 Government grants

Government grants are primarily referred to the amounts received from various levels of local governments from time to time which are granted for general corporate purposes and to support the Group’s ongoing operations in the region. The grants are determined at the discretion of the relevant government authorities and there are no restrictions on their use. The government grants were RMB18,822, RMB72,660 and RMB58,520 for the years ended December 31, 2018, 2019 and 2020, respectively, which were recorded as other operating income in the period the cash is received.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.25 Taxation

Deferred income taxes are recognized for temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements, net operating loss carry forwards and credits. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided in accordance with the laws of the relevant taxing authorities. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in which temporary differences are expected to be received or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the consolidated statements of operations and comprehensive loss in the period of the enactment of the change.

2.26 Segment reporting

The Group uses management approach to determine operating segment. The management approach considers the internal organization and reporting used by the Group's chief operating decision maker ("CODM") for making decisions in allocation of resource and assessing performance.

The Group's CODM has been identified as the chief executive officer who reviews the consolidated results of operations when making decisions about allocating resources and assessing performance of the Group. The Group operates and manages its business as a single operating segment.

The Group's long-lived assets are all located in the PRC and all of the Group's revenues are derived from the PRC. Therefore, no geographic information is presented.

2.27 Comprehensive loss

Comprehensive loss is defined as the change in equity of the Group during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Comprehensive loss is reported in the consolidated statements of operations and comprehensive loss. Accumulated other comprehensive loss, as presented in the accompanying consolidated balance sheets, represents accumulated foreign currency translation adjustments.

2.28 Recent accounting pronouncements

New accounting pronouncements recently adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize a right-of-use asset and lease liability on their balance sheet for all leases with terms beyond twelve months. Effective January 1, 2020, the Group early adopted the requirements of this ASU using the modified retrospective approach with comparative periods continuing to be reported under Topic 840. See Note 2.21 for disclosures required by this ASU.

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350), which simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. A goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The Group early adopted this ASU on January 1, 2020 and the adoption of this ASU did not have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement which eliminates, adds and modifies certain disclosure requirements for fair value measurements. Under the guidance, public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The Group adopted this ASU on January 1, 2020 and the adoption of this ASU did not have a material impact on its consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.28 Recent accounting pronouncements (Continued)

New accounting pronouncements recently adopted (Continued)

In October 2018, the FASB issued ASU 2018-17, Consolidation (Topic 810), which amends two aspects of the related-party guidance in ASC 810. Specifically, the ASU (1) adds an elective private-company scope exception to the variable interest entity guidance for entities under common control, and (2) amends the guidance for determining whether a decision-making fee is a variable interest. The amendments require organizations to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety (as currently required in GAAP). The Group early adopted this ASU on January 1, 2020 and the adoption of this ASU does not have a material impact on its consolidated financial statements.

New accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU 2016-13, Credit Losses, Measurement of Credit Losses on Financial Instruments. This ASU provides more useful information about expected credit losses to financial statement users and changes how entities will measure credit losses on financial instruments and timing of when such losses should be recognized. The ASU is effective for the Group for fiscal years beginning after December 15, 2022, including interim periods within that fiscal year. Early adoption is permitted. In May 2019, the FASB issued ASU 2019-05, Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief. This update adds optional transition relief for entities to elect the fair value option for certain financial assets previously measured at amortized cost basis to increase comparability of similar financial assets. The updates should be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified retrospective approach). The Group is in the process of evaluating the impact on its consolidated financial statements upon adoption.

3. FAIR VALUE MEASUREMENTS

The Group's financial instruments mainly include cash and cash equivalent, restricted cash, short-term investments, accounts receivable, prepayments and other current assets, amount due from and due to related parties, long-term time deposit, accounts payable, short-term loan, payable to riders and drivers, and notes payable. The carrying amounts of these short-term financial instruments approximate their fair value due to their short-term nature. The carrying values of long-term time deposits approximate their fair values as their interest rates are comparable to the prevailing interest rates in the market.

As of December 31, 2019 and 2020, the Group's wealth management products that are measured at fair value on a recurring basis subsequent to their initial recognition amounted to RMB242,567 and RMB470,000, respectively. The fair values of wealth management products are measured based on market-based redemption prices which are level 2 inputs provided by the bank that sells such wealth management products. The gains from the change in fair values of wealth management products recorded in interest income in consolidated statements of operations and comprehensive loss are RMB12,263, RMB6,928, and RMB7,855 for the years ended December 31, 2018, 2019 and 2020, respectively.

Certain non-financial assets are measured at fair value on a nonrecurring basis, including property and equipment, operating lease right-of-use assets, goodwill and intangible assets and they are recorded at fair value only when impairment is recognized by applying unobservable inputs such as forecasted financial performance and discount rate to the discounted cash flow valuation methodology. During the year ended December 31, 2018, the Group terminated its unmanned retail shelves business and wrote off the related property and equipment of RMB8,481. The Group did not recognize any impairment of property and equipment during the years ended December 31, 2019 and 2020.

4. SHORT-TERM INVESTMENT

	As of December 31,	
	2019	2020
	RMB	RMB
Wealth management products	242,567	470,000
Time deposits	714,803	300,000
Total	957,370	770,000

5. PREPAYMENTS AND OTHER CURRENT ASSETS

	As of December 31,	
	2019	2020
	RMB	RMB
Funds receivable from third party mobile and online payment platforms	39,080	51,370
Advance to suppliers mainly for cloud computing service	24,045	32,120
VAT receivable	6,334	32,031
Interest receivable	10,761	27,168
Prepaid interest expense	—	10,082
Deposits mainly for lease of premises	9,046	3,676
Other receivables	11,088	19,145
Prepayments and other current assets	100,354	175,592

6. PROPERTY AND EQUIPMENT, NET

Property and equipment and its related accumulated depreciation are as follows:

	As of December 31,	
	2019	2020
	RMB	RMB
Office facilities	4,256	4,864
Software	9,289	15,871
Computer equipment	12,679	10,492
Vehicles	21	1,186
Leasehold improvement	37,896	46,513
Total cost	64,141	78,926
Less: Accumulated depreciation	(22,097)	(39,286)
Property and equipment, net	42,044	39,640

Depreciation expenses related to property and equipment were RMB10,380, RMB7,390 and RMB17,189 for the years ended December 31, 2018, 2019 and 2020, respectively.

7. INTANGIBLE ASSETS, NET

Gross carrying amount, accumulated amortization and net book value of the intangible assets are as follows:

	As of December 31,	
	2019 RMB	2020 RMB
BCA	467,229	437,003
NCC	581,645	544,018
Trademark and domain name	338,920	339,471
Technology	96,000	96,000
Less: Accumulated amortization	(767,917)	(908,528)
Intangible assets, net	715,877	507,964

Amortization expenses related to intangible assets were RMB201,861, RMB208,274 and RMB184,083 for the years ended December 31, 2018, 2019 and 2020, respectively.

The estimated aggregate amortization expenses for each of the five succeeding fiscal years and thereafter are as follows:

	Future Amortization Expense RMB
For the years ending December 31,	
2021	176,519
2022	176,519
2023	79,771
2024	35,267
2025 and thereafter	39,888
Total	507,964

8. SHORT-TERM LOAN

	As of December 31,	
	2019 RMB	2020 RMB
Short-term bank borrowings	—	600,000

The Group borrowed short-term loans with a total amount of RMB600,000 as of December 31, 2020. The weighted average interest rate is 3.09%. The borrowings have maturities ranging from six months to one year. RMB400,000 of short-term loans were collateralized by RMB400,000 of long-term time deposits.

The interest expense incurred for the above mentioned loans for the year ended December 31, 2020 amounted to RMB11,830.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As of	
	December 31,	
	2019	2020
	RMB	RMB
Tax payables	20,591	205,303
Payables to retailers on JDDJ(1)	85,452	168,484
Salaries and welfare payables	87,137	111,344
Proceeds payable to employees in connection with their sale of ordinary shares	—	110,103
Accrued marketing expenses for JDDJ	34,918	73,313
Deposits from retailers and outsourced agencies	24,596	44,751
Advance for delivery service(2)	33,371	29,604
Advance for online marketing services	14,021	24,816
Others	66,199	47,273
Total	366,285	814,991

Notes:

- (1) Payables to retailers on JDDJ represent cash collected on behalf of retailers for goods sold through JDDJ.
- (2) Advance for delivery service represents the prepayments for on-demand delivery services. The amount is refundable if no service is provided.

10. SHARE-BASED COMPENSATION

In February 2015, the Group adopted the 2015 Incentive Compensation Plan (“2015 Plan”), which permits the granting of share options, restricted share units and other equity incentives to employees, directors and consultants of the Group. The 2015 plan administrator is the Group’s board of directors. The board may also authorize one or more of the Group’s officers to grant awards under the plan. The Group has authorized 61,605,996 ordinary shares for issuance under the 2015 Plan. The options expire in ten years from the date of grant.

In June 2020, the Group adopted the 2020 Incentive Compensation Plan (“2020 Plan”), which permits the granting of share options, restricted share units and other equity incentives to employees, directors and consultants of the Group. The 2020 plan administrator is the Group’s board of directors. The board may also authorize one or more of the Group’s officers to grant awards under the plan. The Group has authorized 45,765,386 ordinary shares for issuance under the 2020 Plan. The options expire in ten years from the date of grant.

Under the 2015 Plan and 2020 Plan, options granted to employees vest upon satisfaction of a service condition, which is generally satisfied over four years. Additionally, the 2015 Plan includes a condition where employees can only exercise vested options upon the occurrence of the Company’s ordinary shares becoming listed securities, which substantially creates a performance condition (“IPO Condition”) that had not been met prior to the Company’s IPO. Therefore, the stock compensation expenses related to those options were not recognized until June 5, 2020. The Group recognized RMB131,344 of stock-based compensation expenses for the year ended December 31, 2020.

Under the 2015 Plan, options granted to non-employees are also subject to a four-year service period and the IPO condition. Therefore, the Group did not recognize any stock-based compensation expenses related to such non-employee options until June 2020. The Group recognized RMB34,285 of stock-based compensation expenses for the year ended December 31, 2020. The Group did not grant any share options to non-employees in 2018, 2019 and 2020.

The Group adopted ASU 2018-07 on January 1, 2019 and the stock-based compensation expense for non-employee grants for which a measurement date had not been established was remeasured based on the estimated fair value of the Company’s ordinary share of US\$2.26 on January 1, 2019.

In determining the fair value of the stock options, the binomial option pricing model was applied. The key assumptions used to determine the fair value of the options at the respective grant dates in 2018, 2019 and 2020 were as follows:

	As of December 31,		
	2018	2019	2020
	RMB	RMB	RMB
Expected volatility	36%~38%	37%~40%	37%~41%
Risk-free interest rate (per annum)	3.5%~3.7%	2.4%~3.6%	1.7%~2.3%
Exercise multiples	2.2	2.2	2.2
Expected dividend yield	0.00%	0.00%	0.00%
Fair value of underlying ordinary shares	US\$2.01~2.26	US\$2.26~3.87	US\$4.08~5.79
Fair value of share option	US\$1.35~1.59	US\$1.59~3.14	US\$3.32~5.03

The Group estimated expected volatility by reference to the historical price volatilities of ordinary shares of comparable companies over a period close to the contract term of the options. The Group estimated the risk-free interest rate based on the yield to maturity of U.S. government bonds at grant date with a maturity period close to the contract term of options, adjusted by country risk differential between U.S. and China. As the Group has very limited option exercise history, it estimated exercise multiples based on empirical research on typical employee stock option exercising behavior. The dividend yield was estimated as zero based on the plan to retain profit for corporate expansion and no dividend will be distributed in the near future. Prior to the completion of IPO, the Group determined the fair value of ordinary shares underlying each share option grant based on estimated equity value and allocation of it to each element of its capital structure. The assumptions used in share-based compensation expenses recognition represent the Group’s best estimates, but these estimates involve inherent uncertainties and the application of judgment. If factors change or different assumptions are used, the share-based compensation expenses could be materially different for any period. After IPO, the Company has used the closing price of ordinary shares on the grant date as the fair value of ordinary share. The Group elects to recognize forfeitures when they occur.

10. SHARE-BASED COMPENSATION (CONTINUED)

The following table summarized the Group's share option activities under the Option Plans:

	Number	Weighted Average Exercise	Weighted Average Remaining Contract Life (years)	Weighted Average Grant Date	Aggregate Intrinsic
	<u>of Options</u>	<u>Price</u>		<u>Fair Value</u>	<u>Value</u>
		US\$		US\$	US\$
Outstanding at January 1, 2020	39,143,483	0.33	6.32	0.74	138,520
Granted	4,936,000	0.80		4.19	
Exercised	(6,583,436)	0.16		0.35	
Forfeited	(916,799)	0.80		2.64	
Outstanding at December 31, 2020	36,579,248	0.37	5.63	1.13	318,660
Expect to vest at December 31, 2020	9,445,896	0.80	8.68	3.22	78,637
Exercisable at December 31, 2020	27,133,352	0.28	4.94	0.59	240,023

As of December 31, 2020, there was RMB163,060 of total unrecognized compensation expense related to options, which is expected to be recognized over a weighted-average period of 2.63 years.

10. SHARE-BASED COMPENSATION (CONTINUED)

Restricted share units

On January 20, 2020, the Group granted 15,836,326 restricted share units to employees and non-employees subject to vesting schedules of one year, four years or six years under the 2015 Plan. The estimated fair value on the grant date of each restricted share unit was US\$4.08 (RMB26.62).

On June 5, 2020, the Group granted 100,000 restricted share units to employees, subject to a four-year service vesting schedule under the 2015 Plan. The estimated fair value on the grant date of each restricted share unit was US\$4.00 (RMB26.10).

On October 1, 2020, the Group granted 2,059,300 restricted share units to employees, subject to a four-year service vesting schedule under the 2020 Plan. The estimated fair value on the grant date of each restricted share unit was US\$6.49 (RMB42.35).

The following table summarized the Group's restricted share unit activities under the 2015 and 2020 Plan:

	<u>Number of Restricted Share Units</u>	<u>Weighted Average Grant Date Fair Value US\$</u>
Unvested at December 31, 2019	2,187,500	2.26
Granted	17,995,626	4.36
Vested	(3,750,000)	3.72
Forfeited	(30,000)	6.49
Unvested at December 31, 2020	16,403,126	4.22
Expected to vest at December 31, 2020	16,403,126	4.22

Restricted share units granted to employees and non-employees are measured based on the closing price of ordinary shares on the grant date and recognized as compensation cost on a straight-line basis over the requisite service period. Total share-based compensation expenses recognized for these restricted share units in 2018, 2019 and 2020 were RMB26,197, RMB38,272 and RMB185,138, respectively. As of December 31, 2020, there were RMB368,252 of unrecognized compensation expenses related to unvested restricted share units which is expected to be recognized over a weighted-average period of 3.98 years.

JD's Share Incentive Plan (the "JD Employee Awards")

On April 26, 2016, the Group consummated the acquisition of JDDJ business from JD. The acquisition involved the transfer of certain employees from JD to the Group. These employees were granted with unvested restricted share units by JD (the "JD Employee Awards") when they were employed by JD. The JD Employee Awards which are generally vested annually over six years continued in effect after the acquisition for the employees transferred to the Group, provided that these employees continue their employment with the Group or any subsidiaries of JD.

The Group recognizes the entire cost of JD Employee Awards incurred by JD, the Group's shareholder, as compensation cost with a corresponding amount as a capital contribution according to ASC 505-10-25-3. Prior to January 1, 2019, the Group re-measured the awards at a fair-value-based amount as of the end of each reporting period until performance was completed. On January 1, 2019, the Group adopted ASU 2018-07, under which the stock-based compensation for which a measurement date had not been established was re-measured based on the fair value of the JD's ordinary share of US\$20.93 on January 1, 2019. The share-based compensation amounts related to JD's share were RMB15,195, RMB12,896 and RMB9,311 for the years ended December 31, 2018, 2019 and 2020, respectively. The total amount of unrecognized compensation expenses based on the fair value of unvested restricted share units as of December 31, 2020 was RMB12,489, and is expected to be recognized over a weighted-average period of 1.42 years.

10. SHARE-BASED COMPENSATION (CONTINUED)

JD's Share Incentive Plan (the "JD Employee Awards") (Continued)

	Number of Restricted Share Units	Weighted Average Fair Value US\$
Unvested at January 1, 2020	150,085	20.93
Vested	(64,525)	20.93
Unvested at December 31, 2020	<u>85,560</u>	<u>20.93</u>
Expected to vest at December 31, 2020	<u>85,560</u>	<u>20.93</u>

11. CONVERTIBLE REDEEMABLE PREFERRED SHARES

As of December 31, 2019, a summary of convertible redeemable preferred shares are as follows:

Series	Average Issue Price per Share	Issuance Date	Shares Issued	Shares Outstanding	Proceeds from Issuance, net of Issuance Costs	Carrying/ Redemption Amount
	US\$				US\$	RMB
A	0.2307	11/11/2014	77,000,000	77,000,000	1,777	16,606
B	0.5881	13/02/2015	37,748,300	37,748,300	22,200	203,810
C	2.1451	22/05/2015	44,286,448	44,286,448	95,000	850,436
D	4.1874	23/09/2015	58,508,525	58,508,525	245,000	2,198,698
D	4.1874	05/04/2016	5,492,637	5,492,637	23,000	200,260
E	4.2787	26/04/2016	46,743,137	46,743,137	198,378	1,733,692
E	4.2787	20/10/2016	11,685,784	11,685,784	50,000	432,535
E	4.2787	28/12/2017	35,151,665	35,151,665	150,403	1,153,636
F	4.2787	08/08/2018	116,857,842	116,857,842	498,582	3,803,353
			<u>433,474,338</u>	<u>433,474,338</u>	<u>1,284,340</u>	<u>10,593,026</u>

No convertible redeemable preferred shares were issued in 2020.

11. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

The key terms of the Series A, B, C, D, E and F convertible redeemable preferred shares are as follows:

Conversion

Each holder of preferred shares shall have the right, at such holder's sole discretion, to convert all or any portion of the preferred shares into ordinary shares on a one-for-one basis at any time. The initial conversion price is the issuance price of preferred shares, subject to adjustment in the event of (1) stock splits, share combinations, share dividends and distribution, recapitalizations and similar events, and (2) issuance of new securities at a price per share less than the conversion price in effect on the date of or immediately prior to such issuance. In that case, the conversion price shall be reduced concurrently to the subscription price of such issuance. Additionally, the Series E conversion price shall be reduced, upon the earlier to occur of: (i) January 1, 2018 and (ii) the Company raising gross proceeds of at least US\$100,000 in the aggregate through next equity financing (taking into account all closings of such financing if there is more than one closing).

Each preferred share shall automatically be converted by way of repurchase of such preferred share and the issuance of the corresponding number of ordinary shares, based on the then applicable effective conversion price, upon the earlier of (i) the closing of a qualified IPO and (ii) the date specified by written consent or agreement of, collectively and each voting as a separate class, the holders holding a majority of the then outstanding preferred shares.

Redemption

At any time after the earliest of (i) the fifth (5th) anniversary of August 08, 2018, if a qualified IPO has not been consummated by then, (ii) the date that the Company and the Founder are engaged in any material fraudulent activities aiming at the holders of preferred shares, (iii) any important license, permit or government approvals necessary for the business of any group being suspended, rejected to be issued or renewed or revoked, to the extent that the Company's main business is materially and adversely affected as a result of such suspension, rejection or revocation, (iv) the validity, legality or enforceability of the VIE documents being outlawed by the PRC law, and (v) the date that any governmental authority prohibits any group from distributing all or any part of its distributable earnings or cash or other assets thereof to an offshore shareholder of any Company's subsidiaries, the Company shall, at the written request of any holder of the preferred shares, redeem the preferred shares at a price equal to one hundred percent (100%) of the issue price with an eight percent (8%) compound per annum return (if the period is less than one year, such return shall be calculated pro rata) calculating from the applicable issue date to the redemption price payment date, plus any accrued but unpaid dividends on such share and shall be exclusive of any liquidity or minority ownership discount, with payment on the twentieth (20th) business day after the date of written request by the holders of preferred shares.

In the case of the Series E Preferred Shares and the Series F Preferred Shares owned by Azure Holdings S.a.r.l. ("Walmart"), without limitation of any other rights of redemption of the Series E Preferred Shares or Series F Preferred Shares hereunder, in the event of an uncured key breach by any Company's subsidiaries of the Revised Business Cooperation Agreement as determined in the Redemption Condition, so long as the redemption conditions are satisfied, the Company shall, at the written request of Walmart, redeem all or part of the outstanding Preferred Shares held by Walmart and/or its Affiliates, at a price per Preferred Share equal to one hundred percent (100%) of the applicable Series E issue price or one hundred percent (100%) of the applicable Series F issue price, plus any accrued but unpaid dividends on such share and shall be exclusive of any liquidity or minority ownership discount, with payment on the twentieth (20th) business day after the date of written request by Walmart.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the members (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the members of the Company as follows:

- (1) Amount to one hundred percent (100%) of Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares, Series E Preferred Shares or Series F Preferred Shares holder (collectively, the "Senior Preferred Shares"), plus all declared but unpaid dividends on such Senior Preferred Shares. If the assets and funds thus distributed among the holders of the Senior Preferred Shares shall be insufficient to permit the payment to such holders of the full Series B, Series C, Series D, Series E and Series F Preference Amount (collectively, the "Senior Preference Amount"), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Senior Preferred Shares in proportion to the aggregate Senior Preference Amount each such holder is otherwise entitled to receive pursuant to this term;
- (2) If there are any assets or funds remaining after distribution according to above term (1), the holders of the Series A Preferred Shares shall be entitled to receive for each Series A Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the ordinary shares by reason of their ownership of such shares, the amount equal to one hundred percent (100%) of the Series A issue price ("Series A Preference Amount"). If the assets and funds thus distributed among the holders of the Series A Preferred Shares shall be insufficient to permit the payment to such holders of the full Series A Preference Amount, then the entire assets and funds of the Company legally available for distribution to the Series A Preferred Shares shall be distributed ratably among the holders of the Series A Preferred Shares in proportion to the aggregate Series A Preference Amount each such holder is otherwise entitled to receive pursuant to this term;
- (3) If there are any assets or funds remaining after the aggregate Senior Preference Amount and the aggregate Series A Preference Amount has been distributed or paid in full to the applicable holders of Preferred Shares pursuant to term (1) and (2), the remaining assets and funds of the Company available for distribution to the members shall be ratably distributed among all members according to the relative number of ordinary shares held by such member (including the holders of the Series A Preferred Shares, the Series B Preferred Shares, the Series C Preferred Shares, the Series D Preferred Shares, the Series E Preferred Shares and the Series F Preferred Shares).

Dividends

- (1) Each holder of a Preferred Share shall be entitled to receive noncumulative dividend at the rate of eight percent (8%) of the applicable Series A issue price, Series B issue price, Series C issue price, Series D issue price, Series E issue price or Series F issue price as the case may be, per annum for each such share held by such holder, payable out of funds or assets when and as such funds or assets become legally available therefore on parity with each other, prior and in preference to, and satisfied before, any dividend on any other class or series of shares. Such dividends shall be payable only when, as, and if declared by the Board of Directors.
- (2) No dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless all accrued but unpaid dividends on the Preferred Shares set forth in term (1), if any, have been paid in full, and a distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each outstanding Preferred Share such that the dividend or distribution declared, paid, set aside or made to the holder thereof shall be equal to the dividend or distribution that such holder would have received pursuant to this term if such Preferred Share had been converted into ordinary shares immediately prior to the record date for such dividend or distribution, or if no such record date is established, the date such dividend or distribution is made, and if such share then participated in and the holder thereof received such dividend or distribution.

11. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Voting Rights

The holder of a preferred share shall be entitled to such number of votes as equals the whole number of ordinary share into which such holder's collective preferred shares are convertible immediately after the close of business on the record date of the determination of the Company's members entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Company's members is first solicited.

Accounting for the Preferred Shares

The Company has classified the preferred shares as mezzanine equity as these preferred shares are redeemable upon the occurrence of an event not solely within the control of the Company. The holders of the preferred shares have a redemption right and liquidation preference and will not receive the same form of consideration upon the occurrence of the conditional event as the ordinary shareholders would.

The Company recorded the initial carrying amount of the preferred shares with its issuance price, which approximated the issuance date fair value, after the reduction of the issuance cost. The Company uses interest method to accrete the carrying value of the preferred shares to their maximum redemption price at the end of each reporting period. The change in redemption value is recorded against retained earnings, or in the absence of retained earnings, against APIC. Once APIC has been exhausted, additional charges are recorded by increasing the accumulated deficit.

The Company did not identify any derivatives embedded in the preferred shares that were subject to bifurcation and fair value accounting. The Group also determined that there was no beneficial conversion feature attributable to the preferred shares, as the effective conversion price was not less than the fair value of the ordinary shares on the respective commitment date.

The following table summarized the rollforward of the carrying amount of the preferred equity for the years of 2018, 2019, and 2020:

	<u>Series A</u>	<u>Series B</u>	<u>Series C</u>	<u>Series D</u>	<u>Series E</u>	<u>Series F</u>	<u>Total</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
January 1, 2018	14,064	172,655	720,028	2,041,281	2,935,726	—	5,883,754
Issuance	—	—	—	—	—	3,402,611	3,402,611
Accretion	1,196	14,661	61,371	168,323	149,445	116,650	511,646
December 31, 2018	15,260	187,316	781,399	2,209,604	3,085,171	3,519,261	9,798,011
Accretion	1,346	16,494	69,037	189,354	234,692	284,092	795,015
December 31, 2019	16,606	203,810	850,436	2,398,958	3,319,863	3,803,353	10,593,026
Accretion	618	7,574	31,703	86,955	118,336	130,463	375,649
Conversion	(17,224)	(211,384)	(882,139)	(2,485,913)	(3,438,199)	(3,933,816)	(10,968,675)
December 31, 2020	—	—	—	—	—	—	—

On June 9, 2020, all of the preferred shares were converted to 439,646,388 ordinary shares immediately upon the completion of the Company's IPO. As the initial offering price per ordinary share is lower than the conversion prices of Series D, E and F preferred shares immediately prior to the IPO, the holders of these series of preferred shares are entitled to anti-dilution protection pursuant to the effective memorandum and articles of association. Each Series D preferred share, each Series E preferred share, and each Series F preferred share were converted into 1.00733, 1.05405 and 1.00552 ordinary shares of the Company, respectively.

12. ORDINARY SHARES

In 2018 and 2019, the Company issued 7,092,667 and 7,092,666 ordinary shares for vested restricted share units of the founder and the co-founder, respectively.

Upon the completion of IPO in June 2020, the Company issued 89,491,548 ordinary shares with the price of \$4.00 per share, and received proceeds of RMB2,357,823 net of the underwriting discounts and commission and expenses related to IPO.

Upon the completion of a follow-on public offering in December 2020, the Company issued 36,000,000 ordinary shares with the price of \$12.50 per share, and received proceeds of RMB2,816,190 net of the underwriting discounts and commission and expenses related to the offering.

13. LOSS PER SHARE

Loss per share was computed by dividing net loss available to ordinary shareholders by the weighted average number of ordinary shares outstanding for the years ended December 31, 2018, 2019 and 2020:

	Years ended December 31,		
	2018	2019	2020
	RMB	RMB	RMB
Numerator:			
Net loss available to ordinary shareholders of the Company — basic and diluted	(2,390,021)	(2,464,796)	(2,080,825)
Denominator:			
Weighted average number of ordinary shares outstanding	360,002,151	362,644,898	667,844,843
Basic and diluted loss per share	(6.64)	(6.80)	(3.12)

As a result of the Group's net loss for the three years ended December 31, 2018, 2019 and 2020, the following weighted average numbers of the Company's preferred shares, share options, and restricted share units outstanding in the respective periods were excluded from the calculation of diluted loss per share as their inclusion would have been anti-dilutive.

	Years ended December 31,		
	2018	2019	2020
	RMB	RMB	RMB
Series A convertible redeemable preferred shares	77,000,000	77,000,000	—
Series B convertible redeemable preferred shares	37,748,300	37,748,300	—
Series C convertible redeemable preferred shares	44,286,448	44,286,448	—
Series D convertible redeemable preferred shares	64,001,162	64,001,162	—
Series E convertible redeemable preferred shares	93,580,586	93,580,586	—
Series F convertible redeemable preferred shares	46,422,978	116,857,842	—
Share options	34,158,863	37,951,132	42,253,493
Restricted share units	5,676,866	4,505,362	16,188,798

14. TAXATION

Income Taxes

Cayman Islands

Under the current laws of the Cayman Islands, the Company incorporated in the Cayman Islands are not subject to tax on income or capital gain.

Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% since January 1, 2010. Operations in Hong Kong have incurred net accumulated operating losses for income tax purpose and no income tax provisions are recorded for the period presented. Under the current Hong Kong Inland Revenue Ordinance, the Group's subsidiary domiciled in Hong Kong has been subject to a two-tiered profits tax rate regime which is applicable to any year of assessment commencing on or after April 1, 2018. The profits tax rate for the first HK dollar 2,000 of profits of corporations will be lowered to 8.25%, while profits above that amount will continue to be subject to the tax rate of 16.5%.

14. TAXATION (CONTINUED)

Income Taxes (Continued)

China

On March 16, 2007, the National People's Congress of the PRC introduced Corporate Income Tax Law ("CIT Law"), under which Foreign Investment Enterprises ("FIEs") and domestic companies are subject to corporate income tax at a uniform rate of 25%. Certain enterprises benefit from a preferential tax rate of 15% under the CIT Law if they qualify as high and new technology enterprises ("HNTE"). Under such regulation, Dada Glory and Shanghai JDDJ are qualified for HNTE status and are eligible to a reduced income tax rate of 15% for the years ended 2018, 2019 and 2020.

Withholding tax on undistributed dividends

The CIT 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 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 CIT 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 a resident enterprise for PRC tax purposes.

The CIT law also imposes a withholding income tax of 10% on dividends distributed by an 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. The Cayman Islands, where the Company is incorporated, does not have such tax treaty with China. According to the arrangement between the 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, as it has no retained earnings for any of the periods presented.

Loss by tax jurisdictions:

	As of December 31,		
	2018 RMB	2019 RMB	2020 RMB
Loss from PRC operations	1,771,273	1,517,437	1,215,179
Loss from non-PRC operations	134,599	161,376	495,140
Total losses before tax	1,905,872	1,678,813	1,710,319

The current and deferred portion of income tax expenses included in the consolidated statements of operations and comprehensive loss are as follows:

	As of December 31,		
	2018 RMB	2019 RMB	2020 RMB
Current tax expenses	42	—	—
Deferred tax benefits	(27,539)	(9,032)	(5,143)
Income tax benefits	(27,497)	(9,032)	(5,143)

14. TAXATION (CONTINUED)

Income Taxes (Continued)

Reconciliation of the difference between PRC statutory income tax rate and the Group's effective income tax rate for the years ended December 31, 2018, 2019 and 2020 are as follows:

	Years ended December 31,		
	2018 RMB	2019 RMB	2020 RMB
Statutory tax rate	25.0%	25.0%	25.0%
Effect of different tax rate of subsidiary operation in other jurisdiction	(1.8)%	(2.4)%	(7.3)%
Changes in valuation allowance	(24.7)%	(26.0)%	(20.7)%
Super deduction of research and development expenses	2.4%	3.4%	3.9%
Expired tax loss	—	—	(0.2)%
True up	—	—	(0.2)%
Other expenses not deductible for tax purposes	0.5%	0.5%	(0.2)%
Effective tax rate	1.4%	0.5%	0.3%

Deferred tax assets and deferred tax liabilities

	Years ended December 31,		
	2018 RMB	2019 RMB	2020 RMB
Deferred tax assets			
- Net operating loss carry forwards	1,384,440	1,805,739	2,156,396
- Allowance for doubtful accounts	79	—	—
- Inventories valuation allowance	408	75	149
- Impairment provision for property and equipment	2,120	—	—
- Impairment provision for other non-current assets	1,039	1,039	1,039
- Accrued expenses	16,168	34,372	33,538
- Advertising expenses	—	—	4,748
Less: Valuation allowance	(1,404,254)	(1,841,225)	(2,195,870)
Net deferred tax assets	—	—	—
Deferred tax liabilities			
- Identifiable intangible assets from business combination	52,733	43,701	38,558
Total deferred tax liabilities	52,733	43,701	38,558

As of December 31, 2018, 2019 and 2020, the Group had net operating loss carry forwards of approximately RMB5,537,754, RMB7,222,966 and RMB8,625,584, respectively, which arose from the subsidiaries, VIE and VIE's subsidiaries established in the PRC. The loss carry forwards will expire during the period from 2021 to 2029.

The Group believes that it is more likely than not that the net accumulated operating losses and other deferred tax assets will not be utilized in the future based on an evaluation of a variety of factors including the Group's operating history, accumulated deficit, existence of taxable temporary differences and reversal periods. Therefore, the Group provided full valuation allowances for the deferred tax assets as of December 31, 2019 and 2020, respectively.

14. TAXATION (CONTINUED)

Movement of valuation allowance

	Years ended December 31,		
	2018	2019	2020
	RMB	RMB	RMB
Balance at beginning of the year	934,327	1,404,254	1,841,225
Addition	469,927	436,971	354,645
Balance at end of the year	1,404,254	1,841,225	2,195,870

According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of income taxes is due to computational errors made by the taxpayer. The statute of limitations will be extended to five years under special circumstances, which are not clearly defined, but an underpayment of income tax liability exceeding RMB100 is specifically listed as a special circumstance. In the case of a transfer pricing related adjustment, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. The Group's PRC subsidiaries are therefore subject to examination by the PRC tax authorities from 2015 through 2020 on non-transfer pricing matters and transfer pricing matters.

15. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially expose the Group to concentration of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, amount due from related parties and prepayments and long-term time deposits. The Group places its cash and cash equivalents, restricted cash, short-term investments and long-term time deposits with financial institutions with high-credit ratings and quality. Accounts receivable mainly consist of amounts receivable from merchants and brand owners. The risk with respect to accounts receivable is mitigated by credit evaluations the Group performs in its customers and its ongoing monitoring process of outstanding balances. With respect to prepayments, the Group performs on-going credit evaluations of the financial condition of the suppliers. The Group has not noted any significant credit risk.

Concentration of customers

The following customers accounted for 10% or more of revenues for the years ended December 31, 2018, 2019 and 2020, respectively.

	Years ended December 31,		
	2018	2019	2020
	RMB	RMB	RMB
Customer A	943,084	1,564,436	2,214,262
Customer B	*	403,287	794,685

* Less than 10%

The following customers accounted for 10% or more of accounts receivable as of December 31, 2019 and 2020, respectively.

	As of December 31,	
	2019	2020
	RMB	RMB
Customer C	*	107,153
Customer D	*	48,172
Customer E	*	45,525
Customer F	9,275	*
Customer G	7,517	*
Customer H	6,073	*

* Less than 10%

15. CONCENTRATION OF CREDIT RISK (CONTINUED)

Foreign currency risk

RMB is not a freely convertible currency. The State Administration of Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. The cash and cash equivalents of the Group included aggregated amounts of RMB1,114,076 and RMB137,106 denominated in RMB as of December 31, 2019 and 2020, respectively.

16. RELATED PARTY TRANSACTIONS

The table below sets forth the major related parties and their relationships with the Group as of December 31, 2020:

Name of related parties	Relationship with the Group
JD, its subsidiaries and affiliates ("JD Group")	Shareholder of the Company
Walmart, its subsidiaries and affiliates ("Walmart Group")	Shareholder of the Company

(a) The Group entered into the following transactions with the major related parties:

	Years ended December 31,		
	2018	2019	2020
	RMB	RMB	RMB
Revenues			
Services to JD Group(1)	943,084	1,564,436	2,214,262
Services to Walmart Group(2)	89,371	403,287	794,685
Operating expenses			
Operational support services from JD Group	32,862	25,376	79,038
Purchases from JD Group	26,908	47,179	46,407

-
- (1) The services revenues from JD Group primarily consist of delivery service revenues. The Group fulfills the delivery needs of JD Group by utilizing the Group's network of riders on Dada Now where the Group acts as a principal. Revenues are recognized on a gross basis at a pre-determined amount for each completed delivery with the related volume-discount recorded as a reduction of revenue and the fee is settled monthly or weekly. The service agreement has an initial term of one year and remains valid till other replacement agreement is signed by both parties.

JD Group also provides certain operational supporting services to the Group, such as cloud server services and customer and rider care services, the service fee is charged based on the actual cost incurred by JD Group as confirmed with the Group on a monthly basis. The service agreements have terms ranging from one to three years and have been renewed upon expiration.

In addition, the Group entered into the purchase agreement with JD Group in August 2016 to purchase goods from JD Group for sale on Dada Now. The purchase agreement has an initial term of one year, and remains valid till other replacement agreement is signed by both parties.

- (2) Walmart Group became a related party in August 2018, therefore, only transactions occurred after August 2018 were presented as related party transactions. The services revenues from Walmart Group primarily consist of on-demand retail platform service revenues and delivery service revenues under the business cooperation agreement and service agreement with Walmart Group. The on-demand retail platform service revenues primarily consist of commission fees based on a pre-determined percentage charged to Walmart Group for participating in the Group's online marketplace. The Group also fulfills the delivery needs of Walmart Group on JDDJ where the Group acts as a principal. Revenues are recognized on a gross basis at a pre-determined amount for each completed delivery. The Group entered into the business cooperation agreement with Walmart Group in June 2016, which was amended and restated in August 2018. The amended and restated business cooperation agreement has a term of six years. The service agreement has an initial term of one year, and remains valid till the termination of the business cooperation agreement.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The Group had the following balances with the major related parties:

	As of December 31,	
	2019	2020
	RMB	RMB
Current assets:		
Amount due from JD Group	236,196	562,194
Amount due from Walmart Group	72,486	84,147
Total	308,682	646,341
Current liabilities:		
Amount due to JD Group ⁽¹⁾	19,350	26,545
Amount due to Walmart Group ⁽²⁾	63,450	26,373
Total	82,800	52,918

- (1) The Group provides collection of cash on delivery service when performing delivery services for JD Group. Amount due to JD Group includes cash collected from consumers on behalf of JD.COM when merchandises are delivered to them.
- (2) Amount due to Walmart includes cash collected from consumers on behalf of Walmart when the Group performs on-demand retail platform services to the Walmart Group.

17. EMPLOYEE BENEFIT

As stipulated by the regulations of the PRC, full-time employees of the Group are entitled to various government statutory employee benefit plans, including medical insurance, maternity insurance, workplace injury insurance, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. The Group is required to make contributions to the plan based on certain percentages of employees' salaries. The total expenses the Group incurred for the plan were RMB85,328, RMB103,600 and RMB77,708 for the years ended December 31, 2018, 2019 and 2020, respectively, which are recorded in expenses based on the function of employees.

18. CONTINGENCIES

The Group is subject to a number of legal or administrative proceedings that generally arise in the ordinary course of its business. The Group does not believe that any currently pending legal or administrative proceeding to which the Group is a party will have a material adverse effect on the consolidated financial statements.

19. RESTRICTED NET ASSETS

Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises and local enterprises, the Group's entities in the PRC must make appropriation from after-tax profit to non-distributable reserve funds as determined by the Board of Directors of the Company.

PRC laws and regulations permit payments of dividends by the Company's subsidiaries and VIE incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries and VIE incorporated in the PRC are required to annually appropriate 10% of their net income to the statutory reserve prior to payment of any dividends, unless such reserve has reached 50% of their respective registered capital. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC.

As a result of these PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with the PRC accounting standards and regulations, the PRC entities are restricted from transferring a portion of their net assets to the Group. Amounts restricted include paid-in capital, APIC and the statutory reserves of the Company's PRC subsidiaries, VIE and VIE's subsidiaries. As of December 31, 2019 and 2020, the total of restricted net assets were RMB7,317,215 and RMB8,612,691, respectively.

20. SUBSEQUENT EVENTS

On March 22, 2021, the Company entered into a share subscription agreement with JD.com and will issue ordinary shares for a total proceed of US\$800 million at a per share purchase price equal to the closing price of the Company's ordinary shares on March 19, 2021, the last trading day prior to the date of the share subscription agreement. The closing of the transaction is subject to satisfaction of customary closing conditions and procedures, including applicable governmental filings. Upon the closing, JD.com is expected to become the controlling shareholder of the Company.

ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY
FINANCIAL STATEMENTS SCHEDULE I
DADA NEXUS LIMITED

FINANCIAL INFORMATION OF PARENT COMPANY
CONDENSED BALANCE SHEETS

(Amounts in thousands, except for share and per share data)

	As of December 31,		
	2019 RMB	2020 RMB	US\$ (Note 2)
ASSETS			
Current assets:			
Cash and cash equivalents	40,573	5,029,806	770,851
Short-term investments	714,803	—	—
Prepayments and other current assets	10,797	15,320	2,348
Total current assets	766,173	5,045,126	773,199
Investment in and amount due from subsidiaries, VIE and VIE's subsidiaries	2,145,167	1,657,347	253,999
Intangible assets, net	499,464	327,007	50,116
Total non-current assets	2,644,631	1,984,354	304,115
TOTAL ASSETS	3,410,804	7,029,480	1,077,314
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY			
Accrued expenses and other current liabilities	8,740	1,525	232
TOTAL LIABILITIES	8,740	1,525	232
MEZZANINE EQUITY	10,593,026	—	—
SHAREHOLDERS' (DEFICIT) EQUITY			
Ordinary shares (US\$0.0001 par value, 1,499,945,349, and 2,000,000,000 shares authorized, 369,290,629 and 941,450,185 shares issued and outstanding as of December 31, 2019 and 2020, respectively)	237	639	98
Additional paid-in capital	309,102	16,442,721	2,519,958
Subscription receivable	(35)	—	—
Accumulated deficit	(7,639,926)	(9,345,102)	(1,432,200)
Accumulated other comprehensive income (loss)	139,660	(70,303)	(10,774)
TOTAL SHAREHOLDERS' (DEFICIT) EQUITY	(7,190,962)	7,027,955	1,077,082
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' (DEFICIT) EQUITY	3,410,804	7,029,480	1,077,314

ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY
FINANCIAL STATEMENTS SCHEDULE I
DADA NEXUS LIMITED
FINANCIAL INFORMATION OF PARENT COMPANY
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Amounts in thousands, except for share and per share data)

	Years ended December 31,			
	2018	2019	2020	US\$
	RMB	RMB	RMB	(Note 2)
Expenses and income/(loss)				
Sales and marketing	—	—	(48,435)	(7,423)
General and administrative	(197,983)	(203,191)	(464,972)	(71,260)
Interest income	21,524	25,327	18,955	2,905
Foreign exchange loss	(175)	—	—	—
Other operating income	—	—	101	15
Equity in losses of subsidiaries, VIE and VIE's subsidiaries	(1,701,741)	(1,491,917)	(1,210,825)	(185,567)
Net loss and net loss attributable to the Company	(1,878,375)	(1,669,781)	(1,705,176)	(261,330)
Accretion of convertible redeemable preferred shares	(511,646)	(795,015)	(375,649)	(57,571)
Net loss available to ordinary shareholders	(2,390,021)	(2,464,796)	(2,080,825)	(318,901)
Net Loss	(1,878,375)	(1,669,781)	(1,705,176)	(261,330)
Other comprehensive income/(loss)				
Foreign currency translation adjustments	36,974	(446)	(209,963)	(32,178)
Total comprehensive loss	(1,841,401)	(1,670,227)	(1,915,139)	(293,508)

ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY
FINANCIAL STATEMENTS SCHEDULE I
DADA NEXUS LIMITED

FINANCIAL INFORMATION OF PARENT COMPANY
CONDENSED STATEMENTS OF CASHFLOW
(Amounts in thousands, except for share and per share data)

	Years ended December 31,			
	2018 RMB	2019 RMB	2020 RMB	US\$ (Note 2)
Net cash (used in)/provided by operating activities	(126,428)	10,460	1,571	244
Net cash used in investing activities	(2,791,032)	(1,586,628)	(20,652)	(3,169)
Net cash provided by financing activities	3,402,611	—	5,181,447	794,092
Effect of foreign exchange rate changes on cash and cash equivalents	—	(10,522)	(173,133)	(26,534)
Net increase/(decrease) in cash and cash equivalents	485,151	(1,586,690)	4,989,233	764,633
Cash and cash equivalents, beginning of the year	1,142,112	1,627,263	40,573	6,218
Cash and cash equivalents, end of the year	<u>1,627,263</u>	<u>40,573</u>	<u>5,029,806</u>	<u>770,851</u>

ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY
FINANCIAL STATEMENTS SCHEDULE I
DADA NEXUS LIMITED
FINANCIAL INFORMATION OF PARENT COMPANY
NOTES TO SCHEDULE I

- (1) Schedule 1 has been provided pursuant to the requirements of Rule 12-04(a) and 5-04(c) of Regulation S-X, which require condensed financial information as to the financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. The Company does not include condensed financial information as to the changes in equity as such financial information is the same as the consolidated statements of changes in shareholders' equity.
- (2) The condensed financial information has been prepared using the same accounting policies as set out in the consolidated financial statements except that the equity method has been used to account for investments in its subsidiaries and VIE. For the parent company, the Company records its investments in subsidiaries and VIE under the equity method of accounting as prescribed in ASC 323, Investments—Equity Method and Joint Ventures. Such investments are presented on the Condensed Balance Sheets as “Investment in subsidiaries, VIE and VIE’s subsidiaries” and the subsidiaries and VIE’s profit or loss as “Equity in losses of subsidiaries, VIE and VIE’s subsidiaries” on the Condensed Statements of Operations and Comprehensive Income. Ordinarily under the equity method, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of this Schedule I, the parent company has continued to reflect its share, based on its proportionate interest, of the losses of subsidiaries and VIE in investment in and amount due from subsidiaries, VIE and VIE’s subsidiaries even though the parent company is not obligated to provide continuing support or fund losses.
- (3) For the years ended December 31, 2018, 2019 and 2020, there were no material contingencies, significant provisions of long-term obligations, guarantees of the Company.
- (4) For the years ended December 31, 2018, 2019, and 2020, noncash investing activities include offsets of due from and due to subsidiaries, VIE and VIE’s subsidiaries amounted to RMB522,825, nil and nil, and transfer of due from subsidiaries, VIE and VIE’s subsidiaries to investment in subsidiaries, VIE and VIE’s subsidiaries amounted to nil, RMB438,914 and nil, respectively.