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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of June 2020

Commission File Number: 001-36450

JD.com, Inc.

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

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

Exhibit Index

99.1	JD.com, Inc. Supplemental and Updated Disclosures
99.2	Unaudited Condensed Consolidated Interim Financial Statements

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JD.COM, INC.

By:	/s/ Sandy Ran Xu
Name:	Sandy Ran Xu
Title:	Chief Financial Officer

Date: June 5, 2020

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Exhibit 99.1

JD.com, Inc. Supplemental and Updated Disclosures

JD.com, Inc. (the "Company") has filed an application ("the Listing Application") with the Stock Exchange of Hong King Limited ("the Hong Kong Stock Exchange") in connection with a proposed secondary listing ("the Listing") of its Class A ordinary shares ("the Shares") on the Main Board of the Hong Kong Stock Exchange together with a Hong Kong initial public offering and a global offering (together, the "Offering") of the Shares.

The Listing Application contains supplemental descriptions and additional new descriptions of certain aspects of the Company's business and financial information as required by the Hong Kong Stock Exchange Listing Rules as well as updated disclosure of certain information previously disclosed in our annual report on Form 20-F for the year ended December 31, 2019 (the "2019 Form 20-F"). This Supplemental and Updated Disclosure exhibit sets forth such new, supplemental and updated information and disclosures as described below. The disclosure herein supplements and should be read in conjunction with the disclosure in the 2019 Form 20-F and other disclosures furnished on Form 6-K.

As the Company has applied for a secondary listing on the Hong Kong Stock Exchange, the Nasdaq Global Select Market will continue to be the Company's primary listing venue. The Company does not expect the Listing to result in significant additional compliance or disclosure obligations.

Save for the translation for financial information as of or for the three months ended March 31, 2020 and unless otherwise stated, all translations of RMB into U.S. dollars and from U.S. dollars into RMB in this Exhibit 99.1 were made at a rate of RMB6.9618 to US$1.00, the exchange rate on December 31, 2019 set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. For financial information as of or for the three months ended March 31, 2020, the translations from RMB into U.S. dollars and from U.S. dollars into RMB in this Exhibit 99.1 were made at a rate of RMB7.0808 to US$1.00, the exchange rate on March 31, 2020 as set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System.

There is no assurance as to if or when the Listing and Offering will take place. This communication is neither an offer to sell nor a solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of our securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

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RECENT DEVELOPMENTS

The following section presents updates relating to selected operating and financial information subsequent to the year ended December 31, 2019.

Summary of First Quarter 2020 Highlights

- **Net revenues** for the first quarter of 2020 were RMB146.2 billion (US$20.6 billion), an increase of 20.7% from the first quarter of 2019. Net revenues from the sales of general merchandise products for the first quarter of 2020 were RMB52.5 billion (US$7.4 billion), an increase of 38.2% from the first quarter of 2019. Net service revenues for the first quarter of 2020 were RMB16.1 billion (US$2.3 billion), an increase of 29.6% from the first quarter of 2019.
- **Income from operations** for the first quarter of 2020 was RMB2.3 billion (US$0.3 billion), compared to RMB1.2 billion for the same period last year.
- **Net income attributable to ordinary shareholders** for the first quarter of 2020 was RMB1.1 billion (US$0.2 billion), compared to RMB7.3 billion for the same period last year. **Non-GAAP net income attributable to ordinary shareholders*** for the first quarter of 2020 was RMB3.0 billion (US$0.4 billion), compared to RMB3.3 billion for the same period last year.
- **Diluted net income per ADS** for the first quarter of 2020 was RMB0.72 (US$0.10), compared to RMB4.96 for the first quarter of 2019.
- **Annual active customer accounts** increased by 24.8% to 387.4 million in the twelve months ended March 31, 2020 from 310.5 million in the twelve months ended March 31, 2019. Mobile daily active users in March 2020 increased by 46% as compared to March 2019. Mobile daily active users refer to the daily average number of unique mobile devices that used JD mobile app on a given day during a calendar month.

Unless otherwise stated, all translations of RMB into U.S. dollars in this "Recent Developments" section were made at RMB7.0808 to US$1.00, the exchange rate on March 31, 2020 as set forth in the H.10 statistical release of the Federal Reserve Board. Percentages are calculated based on the RMB amounts and there may be minor differences due to rounding.

Business Updates

JD Retail

In February 2020, we implemented a series of measures to support agricultural producers, many of whom had been significantly impacted due to transportation disruptions amid the COVID-19 outbreak. Leveraging our strong capabilities in supply chain and logistics and our marketing resources, including themed live streaming events and high-traffic "lightening sales channels," we provided one-stop solutions to connect agricultural merchants with our expansive customer base. In addition, in April 2020, we launched a promotion to drive the sales of specialty products from Hubei province, the epicenter of the outbreak, including crawfish, rice and lotus root.

On April 24, 2020, we entered into definitive agreements for the non-redeemable series A preferred share financing of JD MRO with investors, including GGV Capital, Sequoia Capital China and CPE among others. The total amount expected to be raised is US$230 million, representing 10.7% of the equity interest of JD MRO on a fully diluted basis, subject to closing conditions. JD MRO operates an e-commerce platform that specializes in industrial maintenance, repair and operations products and services, and provides intelligent purchasing platform and supply chain solutions for corporate customers.

Note:

* See "—Non-GAAP Financial Measures for the Three Months Ended March 31, 2019 and 2020."

RECENT DEVELOPMENTS

JD Health

JD Health launched Android and iOS versions of its flagship app in March 2020 to offer pharmaceutical and healthcare products and services, including online sales of medicines and medical devices, online medical and psychological consultations, healthcare management services and special channels for purchasing COVID-19 control and prevention supplies. JD Health continues to explore opportunities to meet the needs of users and support medical institutions amid the outbreak, including (i) launching a Chronic Disease Medical Information Sharing Platform for Hubei province to help respond to medicine shortages, (ii) partnering with Peking University Sixth Hospital, the nation's leading mental health institution, to launch an online psychological consultation platform, and (iii) helping facilitate the digital transformation of virus prevention systems for various institutions, hospitals and enterprises.

JD Logistics

As of March 31, 2020, JD Logistics operated over 730 warehouses, which covered an aggregate gross floor area of approximately 17 million square meters, including warehouse space managed under the JD Logistics Open Warehouse Platform.

JD Property

After the successful completion of the first logistics properties fund (JD Logistics Properties Core Fund, L.P., "Core Fund"), in January 2020 JD Property established its second logistics properties fund (JD Logistics Properties Core Fund II, L.P., "Core Fund II") with GIC, the Singapore sovereign wealth fund, and entered into series of agreements to dispose of certain logistics facilities to Core Fund II for a total gross asset value of RMB4.6 billion. The majority of the proceeds are expected to be received in the second half of 2020.

Operational Metrics Update

As of March 31, 2020, we had approximately 220,000 employees (excluding part-time employees and interns).

Environment, Social and Governance

The cargo fleet of our fulfillment center in Wuhan was granted this year's prestigious China Youth Award, due to its significant contribution during the COVID-19 outbreak to support the transportation of daily necessities and supplies to needy areas.

RECENT DEVELOPMENTS

Financial Updates

The unaudited consolidated statements of operations data and cash flow data presented below for the three months ended March 31, 2019 and 2020 and the unaudited consolidated balance sheet data as of March 31, 2020 have been derived from our unaudited consolidated financial statements for the three months ended March 31, 2020 and as of March 31, 2020 included in Exhibit 99.2 to this Form 6-K. The unaudited interim financial information has been prepared on the same basis as our audited consolidated financial data, other than the adoption of ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326)" and ASU 2017-04, "Intangibles—Goodwill and Other (Topic 350)." The adoption of these two standards does not have a material impact on our consolidated financial statements.

The consolidated financial information below should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements for the three years ended December 31, 2019 and as of December 31, 2017, 2018 and 2019 and related notes included in our audited consolidated financial statements included in our 2019 Form 20-F. Our historical results do not necessarily indicate results expected for any future periods, and the results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2020.

RECENT DEVELOPMENTS

	For the Three Months Ended March 31,		
	2019	2020	
	RMB	RMB	US$
	(in millions, except for share, per share and per ADS data)		
Selected Unaudited Consolidated Statements of Operations Data:			
Net revenues:			
Net product revenues	108,651	130,093	18,373
Net service revenues	12,430	16,112	2,275
Total net revenues	**121,081**	**146,205**	**20,648**
Cost of revenues	(102,897)	(123,670)	(17,465)
Fulfillment	(8,063)	(10,400)	(1,469)
Marketing	(3,940)	(4,468)	(631)
Research and development	(3,717)	(3,935)	(556)
General and administrative	(1,321)	(1,412)	(199)
Gain on sale of development properties	83	—	—
Income from operations(1)(2)	**1,226**	**2,320**	**328**
Other income/(expense):			
Share of results of equity investees	(717)	(1,120)	(158)
Interest income	312	523	74
Interest expense	(187)	(207)	(29)
Others, net	6,885	(132)	(20)
Income before tax	7,519	1,384	195
Income tax expenses	(279)	(327)	(46)
Net income	**7,240**	**1,057**	**149**
Net loss attributable to non-controlling interests shareholders	(80)	(17)	(3)
Net income attributable to mezzanine equity classified as non-controlling interests shareholders	1	1	0
Net income attributable to ordinary shareholders	**7,319**	**1,073**	**152**
Net income per share			
Basic	2.53	0.37	0.05
Diluted	2.48	0.36	0.05
Net income per ADS(3)			
Basic	5.06	0.73	0.10
Diluted	4.96	0.72	0.10
Weighted average number of shares:			
Basic	2,893,977,289	2,926,684,966	2,926,684,966
Diluted	2,952,050,583	2,998,786,445	2,998,786,445
Non-GAAP Measures:(4)			
Non-GAAP net income attributable to ordinary shareholders	3,294	2,972	420
Non-GAAP EBITDA	3,201	4,514	638

Notes:

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

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RECENT DEVELOPMENTS

	For the Three Months Ended March 31,		
	2019	2020	
	RMB	RMB	US$
		(in millions)	
Cost of revenues	(13)	(21)	(3)
Fulfillment	(58)	(132)	(19)
Marketing	(39)	(77)	(11)
Research and development	(227)	(361)	(51)
General and administrative	(281)	(386)	(54)

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

	For the Three Months Ended March 31,		
	2019	2020	
	RMB	RMB	US$
		(in millions)	
Fulfillment	(42)	(41)	(6)
Marketing	(300)	(139)	(20)
Research and development	(25)	(25)	(3)
General and administrative	(77)	(77)	(11)

(3) Each ADS represents two Class A ordinary shares.
(4) See "—Non-GAAP Financial Measures for the Three Months Ended March 31, 2019 and 2020."

	As of March 31,	
	2020	
	RMB	US$
	(in millions, except for share data)	
Selected Unaudited Consolidated Balance Sheet Data:		
Cash and cash equivalents	43,529	6,148
Restricted cash	2,246	317
Short-term investments	29,364	4,147
Inventories, net	50,585	7,144
Accounts receivable, net	8,264	1,167
Property, equipment and software, net	17,488	2,470
Land use rights, net	10,432	1,473
Operating lease right-of-use assets	8,445	1,193
Investment in equity investees	36,773	5,193
Investment securities	20,781	2,935
Total assets	265,696	37,523
Accounts payable	76,485	10,802
Accrued expenses and other current liabilities	25,376	3,584
Unsecured senior notes	13,943	1,969
Long-term borrowings	3,188	450
Operating lease liabilities	8,733	1,233
Total liabilities	162,451	22,943
Total mezzanine equity	15,965	2,255
Total JD.com, Inc. shareholders' equity	84,290	11,904
Number of outstanding ordinary shares	2,926,331,475	

RECENT DEVELOPMENTS

	For the Three Months Ended March 31,		
	2019	2020	
	RMB	RMB	US$
		(in millions)	
Selected Unaudited Consolidated Cash Flows Data:			
Net cash provided by/(used in) operating activities	3,323	(1,542)	(218)
Net cash used in investing activities	(1,103)	(8,196)	(1,158)
Net cash provided by/(used in) financing activities	(2,556)	15,086	2,131
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(423)	609	86
Net increase/(decrease) in cash, cash equivalents and restricted cash	(759)	5,957	841
Cash, cash equivalents and restricted cash at beginning of the period	37,502	39,912	5,637
Cash, cash equivalents and restricted cash at end of the period	36,743	45,869	6,478
Non-GAAP Measures[5]			
Free cash flow	1,280	(2,974)	(420)

Note:

(5) See "—Non-GAAP Financial Measures for the Three Months Ended March 31, 2019 and 2020."

Non-GAAP Financial Measures for the Three Months Ended March 31, 2019 and 2020

The following table reconciles our non-GAAP net income attributable to ordinary shareholders for each of the periods shown to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, which is net income attributable to ordinary shareholders:

	For the Three Months Ended March 31,		
	2019	2020	
	RMB	RMB	US$
		(in millions)	
Reconciliation of Net Income Attributable to Ordinary Shareholders to Non-GAAP Net Income Attributable to Ordinary Shareholders:			
Net income attributable to ordinary shareholders	7,319	1,073	152
Share-based compensation	618	977	138
Amortization of intangible assets resulting from assets and business acquisitions	444	147	21
Reconciling items on the share of equity method investments	163	(74)	(11)
Impairment of goodwill, intangible assets, and investments	818	422	60
Loss/(gain) from fair value change of long-term investments	(5,751)	670	95
Gain and foreign exchange impact in relation to sale of development properties	(83)	—	—
Gain on disposals/deemed disposals of investments	(3)	(15)	(2)
Effects of business cooperation arrangements and non-compete agreements	(252)	(209)	(30)
Tax effects on non-GAAP adjustments	21	(19)	(3)
Non-GAAP net income attributable to ordinary shareholders	3,294	2,972	420

RECENT DEVELOPMENTS

The following table reconciles our non-GAAP EBITDA for each of the periods shown to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, which is income from operations:

	For the Three Months Ended March 31,		
	2019	2020	
	RMB	RMB	US$
		(in millions)	
Reconciliation of Income from Operations to Non-GAAP EBITDA:			
Income from operations	1,226	2,320	328
Share-based compensation	618	977	138
Depreciation and amortization	1,672	1,405	199
Effects of business cooperation arrangements	(232)	(188)	(27)
Gain on sale of development properties	(83)	—	—
Non-GAAP EBITDA	3,201	4,514	638

The following table reconciles our free cash flow for each of the periods shown to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, which is net cash provided by/(used in) operating activities:

	For the Three Months Ended March 31,		
	2019	2020	
	RMB	RMB	US$
		(in millions)	
Reconciliation of Net Cash Provided by/(Used in) Operating Activities to Free Cash Flow:			
Net cash provided by/(used in) operating activities	3,323	(1,542)	(218)
Add/(less): Impact from JD Baitiao receivables included in the operating cash flow	(2,161)	576	81
Add/(less): Capital expenditures			
Capital expenditures for development properties, net of related sales proceeds*	1,091	(1,432)	(202)
Other capital expenditures**	(973)	(576)	(81)
Free cash flow	1,280	(2,974)	(420)

Notes:

* Including logistics facilities and other real estate properties developed by JD Property, which may be sold under various equity structures.
** Including capital expenditures related to our headquarters in Beijing and all other capital expenditures.

Set forth below is a discussion of our unaudited consolidated statements of operations data for the three months ended March 31, 2019 and 2020.

Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2019

Net Revenues. Our total net revenues increased by 20.7% from RMB121,081 million for the three months ended March 31, 2019 to RMB146,205 million (US$20,648 million) for the three months ended March 31, 2020, with increases in both categories of net revenues. Net product revenues increased by 19.7% from RMB108,651 million for the three months ended March 31, 2019 to RMB130,093 million (US$18,373 million) for the three months ended March 31, 2020. Net service revenues increased by 29.6% from RMB12,430 million for the three months ended March 31, 2019 to RMB16,112 million (US$2,275 million) for the three months ended March 31, 2020.

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The increase in our total net revenues was primarily due to our ability to expand our customer base and enhance customer engagement. Our annual active customer accounts increased from 310.5 million in the twelve months ended March 31, 2019 to 387.4 million in the twelve months ended March 31, 2020. The following table breaks down our total net revenues by these categories:

	For the Three Months Ended March 31,		
	2019	2020	
	RMB	RMB	US$
		(in millions)	
Electronics and home appliances revenues	70,702	77,631	10,964
General merchandise revenues	37,949	52,462	7,409
Net product revenues	108,651	130,093	18,373
Marketplace and marketing revenues	8,144	9,527	1,345
Logistics and other service revenues	4,286	6,585	930
Net service revenues	12,430	16,112	2,275
Total net revenues	121,081	146,205	20,648

Cost of revenues. Our cost of revenues increased by 20.2% from RMB102,897 million for the three months ended March 31, 2019 to RMB123,670 million (US$17,465 million) for the three months ended March 31, 2020. 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 along with the expansion of our logistics business.

Fulfillment expenses. Our fulfillment expenses increased by 29.0% from RMB8,063 million for the three months ended March 31, 2019 to RMB10,400 million (US$1,469 million) for the three months ended March 31, 2020. This increase was primarily due to the increase in compensation costs relating to fulfillment personnel, shipping charges, payment processing charges, and rental expenses for our fulfillment infrastructure and corresponding with the growth of our sales volume. Fulfillment expenses as a percentage of net revenues, were 7.1% for the three months ended March 31, 2020, as compared to 6.7% for the three months ended March 31, 2019, as the spread of COVID-19 caused a shift in product mix and incremental costs.

Marketing expenses. Our marketing expenses increased by 13.4% from RMB3,940 million for the three months ended March 31, 2019 to RMB4,468 million (US$631 million) for the three months ended March 31, 2020. This increase was primarily due to an increase in our advertising expenditures mainly on online channels from RMB2,992 million for the three months ended March 31, 2019 to RMB3,661 million (US$517 million) for the three months ended March 31, 2020.

Research and development expenses. Our research and development expenses increased by 5.9% from RMB3,717 million for the three months ended March 31, 2019 to RMB3,935 million (US$556 million) for the three months ended March 31, 2020 as we continued to invest in technology infrastructure. The increase in our research and development expenses was primarily attributable to the increase in the internet data center (IDC) expenses.

RECENT DEVELOPMENTS

General and administrative expenses. Our general and administrative expenses kept relatively stable, amounting to RMB1,321 million and RMB1,412 million for the three months ended March 31, 2019 and 2020, respectively.

Share of results of equity investees. Share of results of equity investees was a loss of RMB1,120 million (US$158 million) for the three months ended March 31, 2020, compared to a loss of RMB717 million for the three months ended March 31, 2019. For the three months ended March 31, 2020, our share of results of equity investees was primarily attributable to losses picked up from our equity method investments in Jiangsu Five Star, Dada Group and Bitauto, and impairment losses recognized from our equity method investment in Yixin.

Others, net. Others are other non-operating income/(loss) including gains/(losses) from fair value change of long-term investments, gains from business and investment disposals, impairment of investments, government incentives, foreign exchange gains/(losses) and others. Others, net was RMB6,885 million income for the three months ended March 31, 2019 and RMB132 million (US$20 million) loss for the three months ended March 31, 2020. The substantial decrease was primarily due to the fair value change of investment securities, which had a loss of RMB670 million (US$95 million) for the three months ended March 31, 2020, as compared to a gain of RMB5,751 million for the three months ended March 31, 2019.

Net Income. As a result of the foregoing, we had a net income of RMB1,057 million (US$149 million) for the three months ended March 31, 2020, as compared to a net income of RMB7,240 million for the three months ended March 31, 2019.

Segment Information

We have two operating segments, namely JD Retail and New Businesses. JD Retail mainly consists of online retail, online marketplace and marketing services in China. New Businesses include logistics services provided to third parties, overseas business, technology initiatives, as well as asset management services to logistics property investors and sale of development properties by JD Property. Our product sales, marketplace and marketing services are mainly included in the JD Retail segment, and our logistics and other services are mainly included in the New Businesses segment.

RECENT DEVELOPMENTS

The table below provides a summary of our operating segment results for the three months ended March 31, 2019 and 2020.

	Three Months Ended March 31,		
	2019	2020	
	RMB	RMB	US$
		(in millions)	
Net revenues:			
JD Retail	116,151	139,420	19,690
New Businesses	4,941	6,588	930
Inter-segment	(243)	(126)	(18)
Total segment net revenues	120,849	145,882	20,602
Unallocated items*	232	323	46
Total consolidated net revenues	121,081	146,205	20,648
Operating income/(loss):			
JD Retail	3,194	4,453	629
New Businesses	(1,139)	(1,197)	(169)
Including: gain on sale of development properties	*83*	—	—
Total segment operating income	2,055	3,256	460
Unallocated items*	(829)	(936)	(132)
Total consolidated operating income	1,226	2,320	328

Note:

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

Operating expenses (excluding cost of revenues) before unallocated items as a percentage of net revenues for JD Retail were 12.4% and 12.1% for the three months ended March 31, 2019 and 2020, respectively.

Cash Flows and Working Capital

As of March 31, 2020, we had a total of RMB75.1 billion (US$10.6 billion) in cash and cash equivalents, restricted cash and short-term investments. This included primarily RMB37.4 billion (US$5.3 billion) and US$3.7 billion in China, RMB0.9 billion (US$0.1 billion), HK$40.9 million (US$5.3 million) and US$1.3 billion in Hong Kong, US$6.8 million in the United States, and US$0.1 billion in Singapore. Our cash and cash equivalents generally consist of bank deposits and liquid investments with maturities of three months or less.

Our net inventories have decreased from RMB57.9 billion as of December 31, 2019 to RMB50.6 billion (US$7.1 billion) as of March 31, 2020 as the Chinese New Year in 2020 was relatively early, for which we reserved stock in advance during December 2019. Our inventory turnover days were 36.5 days and 35.4 days for the three months ended March 31, 2019 and 2020, respectively. Inventory turnover days are the quotient of average inventory over the immediately preceding five quarters, up to and including the last quarter of the period, to cost of revenues of retail business for the last twelve months, 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.

RECENT DEVELOPMENTS

Our accounts payable primarily include accounts payable to suppliers associated with our retail business. As of December 31, 2019 and March 31, 2020, our accounts payable amounted to RMB90.4 billion and RMB76.5 billion (US$10.8 billion), respectively. The decrease is along with the decrease in inventories balance. Our accounts payable turnover days for retail business were 57.4 days and 51.7 days for the three months ended March 31, 2019 and 2020, respectively. 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 period, to cost of revenues of retail business for the last twelve months, and then multiplied by 360 days.

Our accounts receivable primarily include amounts due from customers and online payment channels. As of December 31, 2019 and March 31, 2020, our accounts receivable amounted to RMB6.2 billion and RMB8.3 billion (US$1.2 billion), respectively. The increase was primarily due to the increase in accounts receivable related to consumer financing which was in line with the sales increase during the Chinese Spring Festival. The accounts receivable will be gradually derecognized through the sales type arrangements in collaboration with JD Digits. As of December 31, 2019 and March 31, 2020, the balances of current portion of financing provided to our customers that were included in accounts receivable balances amounted to RMB1.0 billion and RMB3.4 billion (US$0.5 billion), respectively. Our accounts receivable turnover days excluding the impact from consumer financing were 3.0 days and 3.1 days for the three months ended March 31, 2019 and 2020, respectively. 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 period, to total net revenues for the last twelve months and then multiplied by 360 days.

Operating Activities

Net cash used in operating activities for the three months ended March 31, 2020 was RMB1,542 million (US$218 million). For the three months ended March 31, 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 depreciation and amortization of RMB1,405 million (US$199 million), share of results of equity investees of RMB1,120 million (US$158 million), share-based compensation of RMB977 million (US$138 million), and loss from fair value change of long-term investments of RMB670 million (US$95 million), and changes in certain working capital accounts, principally an decrease in accounts payable of RMB13,429 million (US$1,897 million), and an increase of accounts receivable of RMB2,229 million (US$315 million), partially offset by a decrease in inventories of RMB7,361 million (US$1,040 million). The decrease in our accounts payable was due to (i) the decrease of inventories, as the Chinese New Year in 2020 was relatively early, for which we reserved stock in advance during December 2019 and (ii) a shorter payable cycle to suppliers we adopted to mitigate any negative impacts that COVID-19 may have on the operations of our suppliers. The increase in accounts receivable was primarily due to the increase in accounts receivable related to consumer financing, which was in line with the sales increase during the Chinese Spring Festival. The accounts receivable will be gradually derecognized through the sales type arrangements in collaboration with JD Digits.

RECENT DEVELOPMENTS

Net cash provided by operating activities for the three months ended March 31, 2019 was RMB3,323 million. For the three months ended March 31, 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 gain from fair value change of long-term investments of RMB5,751 million, depreciation and amortization of RMB1,673 million, share of results of equity investees of RMB717 million and share-based compensation of RMB618 million, and changes in certain working capital accounts, principally a decrease in accounts payable of RMB8,107 million, partially offset by a decrease in inventories of RMB5,781 million. The decrease in our accounts payable was in line with the decrease in inventories, as we usually reserve stock during December 2018.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2020 was RMB8,196 million (US$1,158 million), consisting primarily of the purchase of short-term investments, investment in equity investees, cash paid for construction in progress, partially offset by the maturity of short-term investments.

Net cash used in investing activities for the three months ended March 31, 2019 was RMB1,103 million, consisting primarily of the purchase of short-term investments, investment in equity investees, cash paid for construction in progress, partially offset by the maturity of short-term investments, cash received from sale of development properties, and loans settled by JD Digits.

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2020 was RMB15,086 million (US$2,131 million), consisting primarily of proceeds from short-term debts and unsecured senior notes.

Net cash used in financing activities for the three months ended March 31, 2019 was RMB2,556 million, consisting primarily of repayment of short-term borrowings and nonrecourse securitization debt.

Capital Expenditures

We made capital expenditures of RMB2,396 million and RMB2,212 million (US$312 million) for the three months ended March 31, 2019 and 2020, respectively. Our capital expenditures for the three months ended March 31, 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.

RECENT DEVELOPMENTS

Impact of COVID-19 on Our Operations

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

In 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, 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 canceling 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 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. As of May 29, 2020, (i) most of our employees, including corporate office employees and field staff, had returned to work, (ii) our major operations, including JD Retail and JD Logistics, were resuming gradually around China and we plan to continue to do so as steadily and safely as we can, and (iii) customer demand across product and service categories on our platform was resuming gradually.

As of March 31, 2020, we had cash and cash equivalents of RMB43,529 million (US$6,148 million). Subsequently, we drew down the remaining US$550 million in April 2020 of the US$1.0 billion term and revolving credit facilities we entered into in 2017. We believe this level of liquidity is sufficient to successfully navigate an extended period of uncertainty.

RECENT DEVELOPMENTS

U.S. Regulatory Update

On May 20, 2020, the U.S. Senate passed S. 945, the Holding Foreign Companies Accountable Act (the "Kennedy Bill"). If passed by the U.S. House of Representatives and signed by the U.S. President, the Kennedy Bill would amend the Sarbanes-Oxley Act of 2002 to direct the SEC to prohibit securities of any registrant from being listed on any of the U.S. securities exchanges if the auditor of the registrant's financial statements is not subject to PCAOB inspection for three consecutive years after the law becomes effective.

Issuance of Class A Ordinary Shares to Tencent

On May 27, 2020, we issued 2,938,584 Class A ordinary shares to Huang River Investment Limited, a wholly-owned subsidiary of Tencent Holdings Limited, pursuant to the share subscription agreement, dated May 10, 2019, between our company and Huang River Investment Limited. Huang River Investment Limited shall not, and shall cause its subsidiaries not to, without our prior written consent, transfer, pledge or otherwise dispose of any of these 2,938,584 Class A ordinary shares within a 12-month period following May 27, 2020, subject to certain limited exceptions.

Strategic Investment in Gome Retail

On May 28, 2020, we announced a strategic investment with GOME Retail Holdings Limited ("GOME"), one of the China's largest electronics chains, by subscription of the convertible bonds of GOME with the annual rate of 5% due 2023, in the aggregate principal amount of US$100 million.

RISK FACTORS

The following section sets forth certain risk factors that have been updated and/or supplemented to reflect changes since the filing of our 2019 Form 20-F as well as additional new risk factors relating to the Offering and Listing.

Risks Related to Our Business and Industry

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 (京東) 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.

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.

RISK FACTORS

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.

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

We may be subject to litigation and regulatory proceedings inside and outside China relating to third-party and principal intellectual property infringement claims, contract disputes involving third-party merchants and consumers on our platforms, consumer protection claims, claims relating to data and privacy protection, employment related cases, cross-border payment and settlement disputes and other matters in the ordinary course of our business. As we routinely enter into business contracts with our suppliers, third-party merchants and consumers on our platform, we have been and may continue to be involved in legal proceedings arising from contract disputes, including being named as a co-defendant in lawsuits filed against our suppliers by third parties. For example, between July and August 2019, two lawsuits were filed against us involving claims in an aggregate amount of approximately RMB2.5 billion, plus damages due to late payments as well as litigation related expenses. 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.

RISK FACTORS

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 are 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.

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. In April 2019, a civil lawsuit was filed before a Minneapolis court against Mr. Richard Qiangdong Liu and our company (for vicarious liability) arising from an incident involving alleged non-consensual contact in August 2018, seeking damages exceeding US$50,000 from Mr. Liu and our company. We and Mr. Liu believe that all such claims against our company and Mr. Liu are without merit and intend to vigorously defend against the validity of all such claims. This lawsuit remains at an early stage, and the ultimate resolution of such claims cannot be determined.

We may not be able to acquire a direct equity ownership interest in JD Digits, and if we acquire equity ownership interest, our financial performance may be impacted by the financial results of JD Digits.

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

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

RISK FACTORS

We have the right to convert the profit-sharing right into the Maximum Interest (approximately 36%) in JD Digits at any time, subject to satisfaction of the conditions set out in the Framework Agreement entered into with JD Digits. As of May 29, 2020, we have not exercised such right to convert into equity interest in JD Digits. We, however, monitor the relevant conditions and assess the desirability of converting into equity interest in JD Digits on an ongoing basis, and may decide to exercise such right and convert the profit-sharing right into the Maximum Interest (approximately 36%) in JD Digits after the Listing. In the event that we decide to exercise such right, we will execute definitive agreements with JD Digits and its existing shareholders. Upon closing of the issuance of the Maximum Interest, the liquidity event payment and the profit-sharing arrangement under the Framework Agreement and JD Digits IPLA described in “Related Party Transactions— Agreements and Transactions Relating to JD Digits” will automatically terminate, and we will account for such equity interest in JD Digits by using the equity method, whereby our investment in JD Digits will be included in our “investment in equity investees” on our consolidated balance sheet, and we will pick up a corresponding portion (approximately 36%) of JD Digits’ income or loss and reflect that in our “share of results of equity investees” in our consolidated income statement. Assuming we convert the profit-sharing right into the Maximum Interest (approximately 36%) in JD Digits as of January 1, 2019 and we account for JD Digits as our equity investment using equity method since that date, we do not expect our overall financial performance for the year ended December 31, 2019 would be materially impacted by JD Digits, based on the unaudited management accounts of JD Digits for the year ended December 31, 2019.

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.

RISK FACTORS

As of May 29, 2020, 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.

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.

Under PRC law, an entity operating courier services across multiple provinces must obtain a cross-provincial Courier Service Operation Permit and conduct its courier services within the permitted scope as indicated in the permit. Furthermore, any entity engaging in road freight transportation services in China must obtain a Road Transportation Operation Permit from the relevant road transportation administrative authorities. We operate a nationwide road freight transportation and delivery network. As of December 31, 2019, we have Courier Service Operation Permits that allow Jingbangda, a subsidiary of Xi'an Jingdong Xincheng, one of our consolidated variable interest entities providing logistics services, and the subsidiaries of Jingbangda, to operate an express delivery business in 31 provinces and 448 cities in China. As of December 31, 2019, Jingbangda and its 37 subsidiaries had obtained Courier Service Operation Permits. As of the same date, Xi'an Jingdong Xuncheng and its 10 branches and one subsidiary, and Jingbangda and its 33 subsidiaries had obtained Road Transportation Operation Permits that allow these entities to provide road freight transportation services. We are in the process of making filings with local postal administrations for express delivery terminal outlets of 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.

RISK FACTORS

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

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

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

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

The e-commerce industry, and online retail in particular, is highly regulated by the PRC government. We are required to obtain various licenses and permits from different regulatory authorities in order to distribute certain categories of products on our mobile apps and websites. 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.

RISK FACTORS

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

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

We have adopted a share incentive plan to provide additional incentives to employees, directors and consultants. For example, in May 2015, our board of directors approved a 10-year compensation plan for Mr. Richard Qiangdong Liu, under which, Mr. Liu will receive RMB1.00 per year in cash salary and zero cash bonus during the 10-year period and in the meantime, Mr. Liu was granted an option to acquire a total of 26,000,000 Class A ordinary shares of the company, at an exercise price of US$16.70 per share or US$33.40 per ADS, subject to a 10-year vesting schedule with 10% of the award vested on each anniversary of the grant date. We will not grant any additional equity incentive to Mr. Liu during the 10-year period. We incurred share-based compensation expenses of RMB227 million, RMB167 million and RMB134 million (US$19 million) in connection with this grant of option to Mr. Liu in 2017, 2018 and 2019, respectively. In addition, JD Logistics adopted its own share incentive plan in 2018, which permits the granting of stock options, restricted share units and other types of awards of JD Logistics to its employees, directors and consultants, and granted 187,844,000 and 83,476,500 share options in 2018 and 2019, respectively. For the years ended December 31, 2017, 2018 and 2019, we recorded an aggregate of RMB2,781 million, RMB3,660 million and RMB3,695 million (US$531 million), respectively, in share-based compensation expenses. As of March 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 102,503,866 ordinary shares, excluding restricted share units that were forfeited, canceled, or vested after the relevant grant date, and (ii) options to purchase an aggregate of 33,795,734 ordinary shares, excluding options that were forfeited, canceled, or exercised after the relevant grant date. As of March 31, 2020, the share-based awards granted by company to the eligible employees and non-employees and remained outstanding represented 5% and 1% of the company's total issued shares, respectively. The non-employees include ex-employees and consultants of the company. 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.

RISK FACTORS

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 RMB3.2 billion, RMB16.0 billion and RMB0.9 billion (US$0.1 billion) as of December 31, 2017, 2018 and 2019, 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, a net current liabilities position can expose us to the risk of shortfalls in liquidity, which, in turn, may require us to seek adequate financing from sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. 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.

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 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 May 29, 2020, Mr. Liu beneficially owned 78.4% of the aggregate voting power of our company, including 5.1% of the aggregate voting power of our company that he may exercise on behalf of Fortune Rising Holdings Limited. Mr. Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited. Fortune Rising Holdings Limited holds 29,373,658 Class B ordinary shares, representing 5.1% of the aggregate voting power of our company, for the purpose of transferring such shares to the plan participants according to our awards under our share incentive plan, and administers the awards and acts according to our instruction. Fortune Rising Holdings Limited can exercise the 5.1% of the aggregate voting power of our company following our instruction. Mr. Liu, as the representative of Fortune Rising Holdings Limited, can exercise this 5.1% of the aggregate voting power of our company on behalf of Fortune Rising Holdings Limited. 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 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/or our ADSs of the opportunity to sell their shares at a premium over the prevailing market price.

RISK FACTORS

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 canceling 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. We had cash outflow of RMB1,542 million (US$218 million) from operating activities for the three months ended March 31, 2020, compared with a cash inflow of RMB3,323 million from operating activities for the three months ended March 31, 2019. See “Recent Developments” for more information on the impact COVID-19 has had on our operating cash flow and business operations. 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 “Risk Factors” section, such as those relating to our level of indebtedness, our need to generate sufficient cash flows to service our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

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

If we do not appropriately maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, we may be unable to accurately report our financial results and the market price of our 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, 2019.

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/or ADSs. Furthermore, we have incurred and may need to incur additional costs and use additional management and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements going forward.

Registered public accounting firms in China, including auditors of our consolidated financial statements in our prior annual reports on Form 20-F filed with the SEC, are not inspected by the U.S. Public Company Accounting Oversight Board, which deprives us and our investors of the benefits of such inspection.

Auditors of companies whose shares are registered with the SEC and traded publicly in the United States, including auditors of our consolidated financial statements in our prior annual reports on Form 20-F filed with the SEC, must be registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, and is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with applicable professional standards. Auditors of our consolidated financial statements in our prior annual reports on Form 20-F filed with the SEC are located in, and organized under the laws of, the PRC, which is a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities. In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or the CSRC, and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB, or the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular the PRC's, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress that would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges such as Nasdaq of issuers included on the SEC's list for three consecutive years. On May 20, 2020, the U.S. Senate passed S. 945, the Holding Foreign Companies Accountable Act (the "Kennedy Bill"). If passed by the U.S. House of Representatives and signed by the U.S. President, the Kennedy Bill would amend the Sarbanes-Oxley Act of 2002 to direct the SEC to prohibit securities of any registrant from being listed on any of the U.S. securities exchanges or traded "over-the-counter" if the auditor of the registrant's financial statements is not subject to PCAOB inspection for three consecutive years after the law becomes effective. Enactment of any of such legislations or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, the market price of our ADSs could be adversely affected, and we could be delisted if we are unable to cure the situation to meet the PCAOB inspection requirement in time. It is unclear if and when any of such proposed legislations will be enacted. Furthermore, there have been recent media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets. If any such deliberations were to materialize, the resulting legislation may have material and adverse impact on the stock performance of China-based issuers listed in the United States.

RISK FACTORS

This lack of PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors may be deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of the audit procedures or quality control procedures of auditors of our consolidated financial statements in our prior annual reports on Form 20-F filed with the SEC as compared to auditors outside of China that are subject to PCAOB inspections, which could cause investors and potential investors of our Class A ordinary shares and/or ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Proceedings instituted by the SEC against certain PRC-based accounting firms, including auditors of our consolidated financial statements in our prior annual reports on Form 20-F filed with the SEC, 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 prior annual reports on Form 20-F filed with the SEC, 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 our consolidated financial statements in our prior annual reports on Form 20-F filed with the SEC, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

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

RISK FACTORS

If auditors of our consolidated financial statements in our prior annual reports on Form 20-F filed with the SEC 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.

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.

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

- exercise effective control over Jingdong 360, Jiangsu Yuanzhou, Xi’an Jingdong Xincheng and other variable interest entities in China;

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

Because of these contractual arrangements, we are the primary beneficiary of Jingdong 360, Jiangsu Yuanzhou, Xi’an Jingdong Xincheng and other variable interest entities in China and hence consolidate their financial results as our variable interest entities.

In the opinion of Shihui Partners, our PRC Legal Adviser, (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 Adviser 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 Adviser. 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.

RISK FACTORS

Our current corporate structure and business operations may be affected by the 2019 PRC Foreign Investment Law.

On March 15, 2019, the National People's Congress promulgated the 2019 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.

Meanwhile, the Implementation Rules to the PRC Foreign Investment Law came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the 2019 PRC Foreign Investment Law. However, uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of variable interest entities contractual arrangements and specific rules regulating the organization form of foreign-invested enterprises within the five-year transition period. While FIL does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under definition of "foreign investment" that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council, we cannot assure you that future laws and regulations will not provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our VIEs through contractual arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, or if any of our operations through contractual arrangements is classified in the "restricted" or "prohibited" industry in the future "negative list" under the FIL, our contractual arrangements may be deemed as invalid and illegal, and we may be required to unwind the variable interest entity contractual arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Furthermore, under the FIL, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. In addition, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within a five-year transition period, which means that we may be required to adjust the structure and corporate governance of certain of our PRC subsidiaries in such transition period. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance, financial condition and business operations.

Risks Related to Doing Business in the People's Republic of China

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

Under PRC law, a company setting up premises for business operations outside its residence address must register them as branch offices with the relevant local market regulation bureau at the place where the premises are located and obtain business licenses for them as branch offices. As of December 31, 2019, our comprehensive fulfillment facilities cover almost all the counties and districts across China. We seek to register branch offices in all the locations where we have delivery stations and pickup stations. However, as of May 29, 2020, we have not been able to register branch offices in all of these locations. Furthermore, we may expand our fulfillment network in the future to additional locations in China, and we may not be able to register branch offices in a timely manner due to complex procedural requirements and relocation of branch offices from time to time. If the PRC regulatory authorities determine that we are in violation of the relevant laws and regulations, we may be subject to penalties, including fines, confiscation of income and suspension of operation. If we become subject to these penalties, our business, results of operations, financial condition and prospects could be materially and adversely affected.

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.

RISK FACTORS

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.

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 2017, 2018 and 2019 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 2017, 2018 and 2019. We recorded a gain of RMB3,885 million (US$558 million) in 2019 for selling certain of our development properties as compared with nil in each of 2017 and 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 RMB1,316 million, RMB95 million and RMB5,375 million in 2017, 2018 and 2019, 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 2017, 2018 and 2019, we made investments in wealth management products and recorded a fair value of wealth management products of RMB8.6 billion, RMB1.9 billion and RMB23.2 billion as of December 31, 2017, 2018 and 2019, respectively. As of December 31, 2017, 2018 and 2019, gross unrealized gains of RMB23.8 million, RMB0.6 million and RMB54.8 million were recorded on wealth management products, respectively. No impairment charges were recorded for the years ended December 31, 2017, 2018 and 2019, 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.

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 Unities 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.

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

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

RISK FACTORS

We believe that none of JD.com, Inc. and its subsidiaries outside of China is a PRC resident enterprise for PRC tax purposes. 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 State Administration of Taxation issued a circular, known as Circular 601, which provides guidance on determining whether an enterprise is a “beneficial owner” under China’s tax treaties and tax arrangements. Circular 601 provides that, in order to be a beneficial owner, an entity generally must be engaged in substantive business activities, and that a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits will not be regarded as a beneficial owner and will not qualify for treaty benefits such as preferential dividend withholding tax rates. In February 2018, the State Administration of Taxation issued a new circular (Circular 9) to replace Circular 601, which came into effect on April 1, 2018. Circular 9 provides a more flexible framework in determining whether an applicant engages in substantive business activities. In addition, in the event that an enterprise does not satisfy the criteria for “beneficial owner,” but the person who holds 100% ownership interests in the enterprise directly or indirectly satisfies the criteria for “beneficial owner” and the circumstances fall under Circular 9, the enterprise will be deemed as a “beneficial owner.” If our Hong Kong subsidiaries are, in the light of Circular 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%.

RISK FACTORS

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

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

In October 2017, the SAT released the Public Notice Regarding Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Public Notice 37, effective from December 2017. SAT Public Notice 37 replaced a series of important circulars, including but not limited to SAT Circular 698, and revised the rules governing the administration of withholding tax on China-source income derived by a nonresident enterprise. SAT Public Notice 37 provides for certain key changes to the current withholding regime, 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 SAT Circular 7 and SAT Public Notice 37, the entities or individuals obligated to pay the transfer price to the transferor are the withholding agents and must withhold the PRC income tax from the transfer price if the indirect transfer is subject to the PRC enterprise income tax. If the withholding agent fails to do so, the transferor should report to and pay the tax to the PRC tax authorities. In the event that neither the withholding agent nor the transferor fulfills their obligations under SAT Circular 7 and SAT Public Notice 37, according to the applicable law, apart from imposing penalties such as late payment interest on the transferor, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent. The penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

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

Risks Related to Our Shares, ADSs and the Listing

As a company applying for listing under Chapter 19C, we adopt different practices as to certain matters as compared with many other companies listed on the Hong Kong Stock Exchange.

As we are applying for listing under Chapter 19C of the Hong Kong Listing Rules, we will not be 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, 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 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 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.

RISK FACTORS

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 price of our ADSs has 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. The trading price of our Class A ordinary shares, likewise, can be volatile for similar or different reasons. For example, the trading price of our ADSs ranged from US$20.18 to US$36.80 per ADS in 2019. 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;
- 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 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 December 25, 2018, our board of directors authorized a share repurchase program, under which we may repurchase up to US$1.0 billion of our ADSs or ordinary shares over the next 12 months through December 25, 2019. We repurchased a total of 2.3 million ADSs under this program, of which 1.4 million ADSs were repurchased at a weighted average price of US$21.48 per ADS, and 0.9 million ADSs were repurchased at a weighted average price of US$20.41 per ADS. On March 17, 2020, our board of directors authorized a share repurchase program, under which we may repurchase up to US$2.0 billion of our ADSs or ordinary shares over the next 24 months through March 17, 2022. From March 17, 2020 to April 15, 2020, we repurchased approximately 1.2 million ADSs at a weighted average price of US$37.04 per ADS. Our share repurchase programs could affect the price of our stock and increase volatility and may be suspended or terminated at any time.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our 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.

RISK FACTORS

Our board of directors has complete discretion as to whether to distribute dividends subject to our Memorandum and Articles 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 May 29, 2020, we had 2,957,371,009 ordinary shares issued and outstanding, comprising of (i) 2,506,489,928 Class A ordinary shares (excluding the 19,510,724 Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plan), and (ii) 450,881,081 Class B ordinary shares. Among these shares, 1,837,119,432 Class A ordinary shares are in the form of ADSs, which are freely transferable without restriction or additional registration under the Securities Act. The remaining authorized but unissued Class A ordinary shares and the Class B ordinary shares will be available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. Certain holders of our ordinary shares may cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our 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 Memorandum and Articles, 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 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 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 holders of ADSs do not vote, the depositary will give us a discretionary proxy to vote the underlying Class A ordinary shares represented by their 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.

RISK FACTORS

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.

RISK FACTORS

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.

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.

RISK FACTORS

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 Memorandum and Articles 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 Memorandum and Articles contain certain provisions that could limit the ability of others to acquire control of our company, including a dual-class voting structure that gives disproportionate voting power to the Class B ordinary shares held by Max Smart Limited, a company wholly-owned by our chairman and chief executive officer, Mr. Richard Qiangdong Liu and of which he is the sole director, and those held by Fortune Rising Holdings Limited of which Mr. Liu is the sole shareholder and sole director. As of May 29, 2020, Mr. Liu beneficially owned 78.4% of the aggregate voting power of our company, including 5.1% of the aggregate voting power of our company that he may exercise on behalf of Fortune Rising Holdings Limited. Fortune Rising Holdings Limited holds the shares for the purpose of transferring such shares to the plan participants according to our awards under our share incentive plan, and administers the awards and acts according to our instruction. In addition, our memorandum and articles of association also contains a provision that grants authority to our board of directors to establish and issue from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series. These provisions could have the effect of depriving our shareholders of the opportunity to sell their shares at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

We are a foreign private issuer within the meaning of the rules under the U.S. 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 U.S. 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 U.S. 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 U.S. Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the U.S. Exchange Act;
- the sections of the U.S. 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.

RISK FACTORS

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

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

As a Cayman Islands exempted company listed on Nasdaq, we are subject to Nasdaq corporate governance listing standards. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from Nasdaq corporate governance listing standards. For example, neither the Companies Law (2020 Revision) of the Cayman Islands nor our Memorandum and Articles requires a majority of our directors to be independent and we could include non-independent directors as members of our compensation committee and nominating committee, and our independent directors would not necessarily hold regularly scheduled meetings at which only independent directors are present. We follow home country practice with respect to annual meetings and did not hold an annual meeting of shareholders in 2019. We undertake we will (i) hold annual general meeting every year after the Listing and (ii) put forth a resolution at or before our next annual general meeting to be held after the Listing to revise our Articles of Association to comply with Rule 19C.07(4) of the Hong Kong Listing Rules, even though there may not be any resolutions to be approved by the shareholders at such meetings. If we choose to follow other home country practice in the future, our shareholders may be afforded less protection than they otherwise would under Nasdaq corporate governance listing standards applicable to U.S. domestic issuers.

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

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

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

Based on our current income and assets and the value of our ADSs and outstanding ordinary shares, we do not believe that we were a PFIC for our taxable year ended December 31, 2019, and we do not expect to be classified as a PFIC in the foreseeable future. Because PFIC status is a fact-intensive determination, no assurance can be given that we will not be classified as a PFIC for that year. While we do not anticipate becoming a PFIC, changes in the nature of our income or assets, or fluctuations in the market price of our 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 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 Class A ordinary shares and/or ADSs.

Upon the Listing, we will be 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 Class A ordinary shares and our ADSs 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. Because of the different characteristics of the U.S. and Hong Kong capital markets, the historical market prices of our ADSs may not be indicative of the trading performance of our Class A ordinary shares after the Global Offering.

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 depositary 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 depositary 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, cancelation 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. While we do not have any specific plans with respect to the timing or details of any potential spin-off listing on the Hong Kong Stock Exchange as at June 5, 2020, we continue to explore the ongoing financing requirements for our various 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. As of May 29, 2020, we have not identified any target for a potential spin-off; as a result we do not have any information relating to the identity of any spin-off target or any other details of any spin off and accordingly, there is no material omission of any information relating to any possible spin-off in the Listing Application. 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 the 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 based on the financial information of the entity or entities to be spun-off at the time of the company's Listing (calculated cumulatively if more than one entity is spun-off). We cannot assure you that any spin-off will ultimately be consummated, whether within the three-year period after the Listing or otherwise, and any such spin-off will be subject to market conditions at the time and approval by the Listing Committee. 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 Group) will be reduced accordingly.

Risks Related to the Global Offering

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.

Following the completion of the Global Offering, we cannot assure you that an active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange will develop or 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 following the completion of the Global Offering. If an active trading market of our Class A ordinary shares on the Hong Kong Stock Exchange does not develop or is not sustained after the Global Offering, the market price and liquidity of our Class A ordinary shares could be materially and adversely affected.

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 WVR companies 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, a WVR company with a secondary listing in Hong Kong upon the Listing, 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.

RISK FACTORS

Since there will be a gap of several days between pricing and trading of our Class A ordinary shares, the price of our ADSs traded on Nasdaq may fall during this period and could result in a fall in the price of our Class A ordinary shares to be traded on the Hong Kong Stock Exchange.

The pricing of the Offer Shares will be determined on the Price Determination Date. However, our Class A ordinary shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be about four Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Class A ordinary shares during that period. Accordingly, holders of our Class A ordinary shares are subject to the risk that the trading price of our Class A ordinary shares could fall when trading commences as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the time trading begins. In particular, as our ADSs will continue to be traded on Nasdaq and their price can be volatile, any fall in the price of our ADSs may result in a fall in the price of our Class A ordinary shares to be traded 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 following our initial public offering in Hong Kong and listing of our Class A ordinary shares on the Hong Kong Stock Exchange.

In connection with our initial public offering of Class A ordinary shares in Hong Kong, or the Hong Kong IPO, we will establish 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, will be 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 intend to move 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.

RISK FACTORS

Purchasers of our Class A ordinary shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Class A ordinary shares in the future.

The initial Public Offer Price of our Class A ordinary shares in Hong Kong is higher than the net tangible assets per Share of the outstanding Class A ordinary shares issued to our existing shareholders immediately prior to the Global Offering. Therefore, purchasers of our Class A ordinary shares in the Global Offering will experience an immediate dilution in terms of the pro forma net tangible asset value. In addition, we may consider offering and issuing additional Class A ordinary shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. Purchasers of our Class A ordinary shares may experience further dilution in terms of the net tangible asset value per Share if we issue additional Class A ordinary shares in the future at a price that is lower than the net tangible asset value per Share.

INFORMATION ABOUT THE LISTING

The following section sets forth new information relating to the Offering and Listing, including information concerning stamp duty, the establishment of a Hong Kong Share Registrar and the conversion between our ADSs listed on Nasdaq and our Class A ordinary shares proposed to be listed on the Main Board of the Hong Kong Stock Exchange.

Register of Members and Stamp Duty

Our principal register of members will be maintained by our Principal Share Registrar in the Cayman Islands, and our Hong Kong branch register of members will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

Dealings in our Class A ordinary shares registered on our Hong Kong share register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem 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% will be 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 also intend to move a portion of our issued ordinary shares from our register of members maintained in the Cayman Islands 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.

INFORMATION ABOUT THE LISTING

Dealings and Settlement of Class A Ordinary Shares in Hong Kong

Our Class A ordinary shares will 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;
- 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, 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 CCASS participant's stock account maintained with 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.

INFORMATION ABOUT THE LISTING

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

In connection with the Global Offering, 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.

All Class A ordinary shares offered in the Global Offering will be 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 the Hong Kong Public Offering, and to facilitate fungibility and conversion between ADSs and Class A ordinary shares and trading between Nasdaq and the Hong Kong Stock Exchange, we intend to move 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.

Our ADSs

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.

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 depositary'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 depositary'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 depositary'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 depositary 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.

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 cancelation 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, 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.

INFORMATION ABOUT THE LISTING

Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS cancelations. 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 cancelations 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.

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 cancelation 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.

HISTORY AND CORPORATE STRUCTURE

The following section sets forth updated and supplemental information relating to selected aspects of our strategic cooperations and other developments to reflect changes subsequent to the filing of our 2019 Form 20-F.

Our Strategic Cooperations and Other Developments

Strategic Cooperation with Tencent

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 17.8% of our total issued and outstanding shares as of May 29, 2020.

Strategic Cooperation with Walmart

In June 2016, we entered into a series of agreements with 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 May 29, 2020, Walmart held Class A ordinary shares representing approximately 9.8% of our total issued and outstanding shares. As part of our strategic alliance with Walmart, we acquired ownership of the Yihaodian marketplace platform assets, including the Yihaodian brand, mobile apps and websites. We have collaborated with Walmart on e-commerce, including launching Sam’s Club Flagship Store and Walmart Flagship Store on JD.com, as well as 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 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.

HISTORY AND CORPORATE STRUCTURE

JD Digits

As of June 30, 2017, we had completed the reorganization of our finance business operated by Beijing Jingdong Financial Technology Holding Co., Ltd. (now known as Jingdong Digits Technology Holding Co., Ltd., or JD Digits). The purpose of the reorganization was to enable the management team of each company to focus on its specific strategies, including (i) structuring its business to take advantage of growth opportunities in its respective markets and industries; (ii) tailoring its business operation and financial model to its specific long-term strategies; and (iii) aligning its external financial resources with its particular type of business. Pursuant to the agreements we entered into with JD Digits and certain other parties in March 2017, immediately prior to the reorganization, we owned 68.6% of JD Digits. As a result of the reorganization, we disposed of all of our 68.6% equity interest in JD Digits and deconsolidated the financial results of JD Digits from ours since then. Pursuant to the agreements relating to the reorganization, we received approximately RMB14.3 billion in cash with an economic gain of RMB14.2 billion. As JD Digits is under the common control of Mr. Richard Qiangdong Liu through his equity stake and voting arrangements, the gain of RMB14.2 billion was recorded directly to additional paid-in capital in shareholders' equity. In exchange for certain licenses and services to be provided by us to JD Digits, we will receive 40% of the future pre-tax profit of JD Digits when JD Digits has a positive pre-tax income on a cumulative basis. During 2017, 2018 and 2019, we did not receive any profits from JD Digits under the profit-sharing arrangement, as JD Digits had not had a positive pre-tax income during this period. When JD Digits has a positive pre-tax income in a fiscal year, we will record the Maximum Interest in the profits of JD Digits under "Others, net" in our consolidated financial statements. In addition, we may convert our profit-sharing right with respect to JD Digits into 40% of JD Digits's equity interest, subject to applicable regulatory approvals. The above percentage of profit sharing and maximum equity interest issuance to us, which we refer to as the Maximum Interest, is subject to potential proportional dilution as a result of any subsequent equity financings or ESOP pool increases of JD Digits. In connection with JD Digits's additional round of financing in 2018, the Maximum Interest has been diluted to approximately 36%.

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. We have the right to convert the profit-sharing right into the Maximum Interest (approximately 36%) in JD Digits at any time, subject to satisfaction of the conditions set out in the Framework Agreement entered into with JD Digits. As of May 29, 2020, we have not exercised such right to convert into equity interest in JD Digits. We, however, monitor the relevant conditions and assess the desirability of converting into equity interest in JD Digits on an ongoing basis, and may decide to exercise such right and convert the profit-sharing right into the Maximum Interest (approximately 36%) in JD Digits after the Listing. In the event that we decide to exercise such right, we will execute definitive agreements with JD Digits and its existing shareholders. Upon closing of the issuance of the Maximum Interest, the liquidity event payment and the profit-sharing arrangement under the Framework Agreement and JD Digits IPLA described in "Related Party Transactions—Agreements and Transactions Relating to JD Digits" will automatically terminate, and we will account for such equity interest in JD Digits by using the equity method, whereby our investment in JD Digits will be included in our "investment in equity investees" on our consolidated balance sheet, and we will pick up a corresponding portion (approximately 36%) of JD Digits' income or loss and reflect that in our "share of results of equity investees" in our consolidated income statement. Assuming we convert the profit-sharing right into the Maximum Interest (approximately 36%) in JD Digits as of January 1, 2019 and we account for JD Digits as our equity investment using equity method since that date, we do not expect our overall financial performance for the year ended December 31, 2019 would be materially impacted by JD Digits, based on the unaudited management accounts of JD Digits for the year ended December 31, 2019. In addition, as advised by our PRC Legal Advisor, if we were to convert its profit-sharing right into the Maximum Interest in JD Digits, they do not foresee any significant legal obstacles for us to obtain the relevant regulatory approvals (if required) in the PRC.

HISTORY AND CORPORATE STRUCTURE

JD Property

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

Our Major Investments

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

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

Contractual Arrangements

As of May 29, 2020, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our business through various variable interest entities under the contractual arrangements.

Additional Contractual Arrangements

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

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 "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 May 29, 2020, we did not purchase any insurance to cover the risks relating to the contractual arrangements.

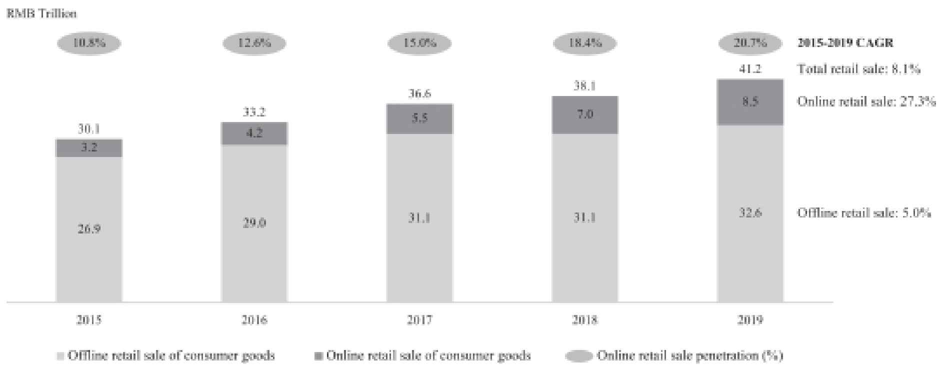
INDUSTRY OVERVIEW

The following section sets forth new information and statistics relating to the industry in which we operate. Such information and statistics were extracted from different official government publications, available sources from public market research and other sources from independent suppliers.

Massive Retail Market in China

China has the second largest retail market in the world in 2019. According to National Bureau of Statistics of China, or NBS, the retail market in China, defined as the overall retail sales of consumer goods from both online and offline channels, grew by a CAGR of 8.1% from RMB30.1 trillion in 2015 to RMB41.2 trillion (US$5.9 trillion) in 2019. Such massive scale and growth of the retail market is the result of an increasing per capita disposable income and consumption upgrade cycle.

Retail sales of consumer goods in China, 2015–2019



Data source: National Bureau of Statistics of China

From 2015 to 2019, China's per capita annual disposable income grew from RMB21,966 to RMB30,733 (US$4,415) at a CAGR of 8.8%, which outpaced the CAGR of 6.5% for China's GDP growth for the same period, according to NBS. As a result, China's middle income class, defined as individuals with annual income from RMB25,000 (US$3,591) to RMB250,000 (US$35,910), grew from approximately 337 million in 2015, representing 24.5% of the total population, to approximately 543 million in 2019, representing 38.8% of the total population, according to iResearch. More disposable income allowed Chinese consumers to increase their discretionary spending, with average consumption spending increasing by a CAGR of 8.2% from approximately RMB15,712 in 2015 to approximately RMB21,559 (US$3,097) in 2019, according to NBS.

INDUSTRY OVERVIEW

The upward trend of disposable income particularly benefitted lower tier cities, defined as tier 3 and lower cities, the retail market of which grew at a CAGR of 8.8% from approximately RMB15.1 trillion in 2015 to approximately RMB21.2 trillion (US$3.0 trillion) in 2019, outpacing the growth of first and second tier cities combined, according to iResearch. We believe this is attributable to a combination of factors, including: (i) lower tier cities in 2019 accounted for approximately 56.3% of the city dwelling population in China, according to iResearch; (ii) lower tier cities had a higher growth of online penetration rate from 2017 to 2019, according to iResearch; and (iii) urbanization progressed quickly in recent years due to favorable government policies. Moreover, the advent of online retail and mobile internet has helped consumers in lower tier cities to overcome challenges associated with the underdevelopment of offline retail infrastructure, such as shortage of merchandise selection and access to authentic products.

China's retail market continues to be highly fragmented, with top 20 retailers in the aggregate accounted for approximately 19.0% of the entire market in 2019, compared to approximately 49.6% in the U.S. in 2019, according to iResearch. We believe this presents an opportunity for market leaders in China with wide product selection, strong brand reputation, leading technologies, solid procurement capability, efficient operations and fulfillment capabilities to expand their market share.

Rapidly Scaling Online Retail Market

Within China's retail sales of consumer goods market, the online sale of consumer goods segment has experienced outsized growth, expanding at a CAGR of 27.3% from RMB3.2 trillion in 2015 to RMB8.5 trillion (US$1.2 trillion) in 2019, in line with the growth of the overall online consumption market, which includes the online retail sale of consumer goods and online consumption of service and entertainment. The overall online consumption market grew at a CAGR of 28.7% from RMB3.9 trillion in 2015 to RMB10.6 trillion (US$1.5 trillion) in 2019, according to NBS, and is expected to expand further to RMB15.1 trillion (US$2.2 trillion) in 2023 according to iResearch. From 2015 to 2019, the number of online shoppers increased at a CAGR of 12.4% from approximately 413 million to approximately 659 million, according to iResearch.

In addition to advantages in wider customer reach and product selection, key contributing factors to the rapid growth of the online retail market also include high mobile internet penetration rate, high adoption rate of mobile payment, and extensive and rapidly improving logistics infrastructure in China. With the widespread use of smartphones and tablets and rapidly expanding 4G/5G networks and WiFi services, mobile shopping has become a mainstay form of online retail in China, as consumers increasingly take advantage of fragmented time to browse and shop regardless of location. According to iResearch, mobile internet users in China reached 877 million in 2019 and the number of users that used mobile online payments reached 627 million in the same year. In addition, we believe China has a highly developed and extensive nationwide logistics infrastructure, consisting of regional and local delivery services. This enables online retailers to quickly deliver products to consumers, thereby increasing the attractiveness of online retailing.

Emergence of Omni-channel Retail Platforms

As Chinese consumers become more sophisticated, so too are their demands for shopping experience, which include convenience to browse and place orders, personalized and targeted recommendations, quality after sales customer support and seamless integration of online and offline loyalty programs, among others. We also believe that, craving for an enhanced shopping experience, Chinese consumers are also increasingly demanding for access to a wider array of products and services, ranging from international products and brands to niche products traditionally only sold or produced locally.

INDUSTRY OVERVIEW

As a result, there emerges a new form of omni-channel retail platform, which provides consumers with a seamless, integrated and highly personalized shopping experience as well as access to an increasingly diversified range of products. We believe the follow are key factors for an omni-channel retail platform to succeed: utilization of technologies such as AI, big data and cloud computing to create a seamless omni-channel and highly personalized shopping experience; access to a highly diversified range of products and expansion into new product categories; provision of customer insight tools to third-party merchants on the platform to help them optimize their business strategy; establishment of an efficient supply chain involving logistics, inventory management and fulfillment through the use of advanced technologies; provision of support services to help suppliers and third-party merchants cope with challenges they may encounter on the platform.

Opportunities for Supply Chain-based Technologies and Services

The rapid growth of the online retail market in China provides market leaders with significant scale and cutting edge technologies the opportunity to offer their technologies and services to participants throughout the retail value chain from upstream manufacturers to end customers. Offering existing infrastructure, platform and technology services to third parties can be accomplished with controllable additional investment and can generate additional monetization opportunities as well as ultimately improve the operating efficiency across the entire value chain. In particular, we believe logistics services and retail technology services present two specific areas of opportunity.

- ***Logistics services***: We believe China’s logistics and fulfillment services sector is highly labor intensive and inefficient. This creates opportunity for supply chain-based technology and service providers to offer various solutions to empower their business partners. Examples include: integrated supply chain management solutions, intelligent and automated warehouse management through the use of technology such as intelligent hardware, robotics and voice recognition; technology-enabled fulfillment services that use LBS, big data and AI to optimize truckload, delivery routes and scheduling; and cloud-based analytics and services that utilize intelligent hardware, computer vision and deep learning to enable business partners to effectively monitor, manage and optimize their logistic workflows.
- ***Retail technology services***: Capitalizing on their data, infrastructure and technology, market leaders can commercialize their retail capability by providing services to brands and partners, such as predictive analytics, product optimization, and pricing and inventory recommendation.

Opportunities for Tapping into Global Market

Retail and supply chain-based technologies and services are not limited by national or geographic boundaries. As the world becomes more connected, the demand for international products, services and technology will increase globally. This creates an opportunity for market leaders in the retail industry in China with extensive customer reach and product offerings to facilitate transactions between Chinese consumers and global brands, and connect global consumers with Chinese brands.

In addition, we also believe supply chain-based technologies and services, such as intelligent warehouse management, computer vision and predictive analytics, have significant potential for global applications, creating an opportunity for supply chain-based technology and service providers in China to expand globally.

OUR BUSINESS

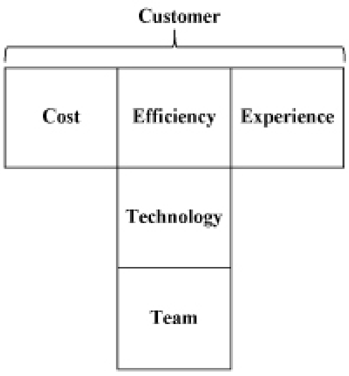
The following section sets forth updated and supplemental information relating to selected aspects of our business and operations to reflect changes subsequent to the filing of our 2019 Form 20-F as well as a current description of our strengths.

Our Mission

Powered by Technology for a More Productive and Sustainable World.

Our Competitive Strengths

"Customer-first" is our most important business philosophy. We believe our superior customer experience, cost saving and operational efficiency are the core of our strengths, which differentiate us from competitors in customers' mindshare and establish our market leadership over the years. These core strengths are fundamentally supported by our technology and team.



China's Largest Retailer with Substantial Economies of Scale

We are the largest retailer in China in terms of total revenues in 2019, according to Fortune Global 500. We have delivered robust growth since our inception. Our net revenues grew from RMB181.0 billion in 2015 to RMB576.9 billion in 2019 at a CAGR of 33.6%. We believe our scale provides critical competitive advantages to our success in retail market in China. Leveraging our scale, we are able to offer a wide selection of products at competitive price, secure favorable terms from our suppliers, attract more third-party merchants to our online marketplace and allocate more resources to invest in technology and infrastructure. Our scale and market leadership also create a self-reinforcing virtuous cycle, allowing us to continuously attract more customers and strengthen customer loyalty, which further solidifies our market leadership.

Superior Customer Experience

We are differentiated by superior customer experience in areas where consumers value the most. These areas include, among others:

- Products
  - ☐ wide selection of products supported by strong merchandise procurement capabilities and stringent standards for merchant selection;
  - ☐ authentic products and quality assurance backed by a zero tolerance policy toward counterfeits;
  - ☐ intelligent and personalized product recommendations from our content-rich and user-friendly mobile apps and website www.jd.com;

- Pricing
  - ☐ competitive pricing benefited from our scale of economies and operational efficiency;
- Customer Service
  - ☐ timely and reliable logistics services empowered by industry-leading technologies, and self-operated fulfillment infrastructure;
  - ☐ responsive and highly attentive, 24/7 customer services; and
  - ☐ customer-friendly return and exchange policies.

As a result, we have established a strong brand reputation for being reliable and trustworthy, which attracts a growing and loyal active customer base. Our annual active customer accounts increased from 292.5 million in 2017, to 305.3 million in 2018 and further to 362.0 million in 2019. As our business expands, we thrive by providing superior customer experience to those who utilize our retail services and logistics services, as well as other technology services.

Relentless Focus on Operational Efficiency

We place utmost focus on continuous improvement of operational efficiency. To this end, we have cultivated a strong corporate culture for efficiency to optimize our business operations over the years. Behind our highly efficient operations is our data-driven methodology and technologies. For example, we utilize AI technology to improve the accuracy of customer demand prediction in order to optimize our sales planning, dynamic pricing, procurement strategy and inventory management for both our online retail business and omni-channel initiatives such as 7FRESH. In addition, in some of our automated warehousing facilities, we deploy robots and utilize various advanced technologies including image and voice recognition, automatic packaging, AI and IoT to facilitate package processing. Some of those warehouses are supported by only a small number of staff through highly automated workflows, covering goods-receiving, storing, sorting, packaging, categorizing and goods-dispatching. As a result, we have achieved significant improvement in operational efficiency. From 2017 to 2019, our annual inventory turnover days improved from 38.9 days to 35.8 days. 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. From 2017 to 2019, our fulfillment expenses as a percentage of revenues decreased from 7.1% to 6.4%.

Proprietary Supply Chain-based Technology Platform with Strong Service Capabilities

Our technology is the backbone to support our massive and growing scale and enable us to provide superior user experience in our e-commerce and other business initiatives. For example, in our e-commerce business, based on the comprehensive dataset we amass, we leverage AI technologies to generate personalized recommendations and drive repeated purchases. We also deploy a variety of new technologies such as facial recognition, product recognition and in-store activities tracking, in order to provide a dynamic and interactive omni-channel shopping experience. The reliability and scalability of our retail technology platform have been proven by its performance in peak shopping seasons. For example, during the two major online shopping events in 2019, our cloud platform recorded a 99.95% of service level agreements (SLAs) and no outages.

OUR BUSINESS

Our fulfillment capability is built on the massive logistics infrastructure and a sophisticated system. We have developed a cloud-based AI-driven technology platform, along with other advanced technologies, such as big data analytics and IoT, to power our logistics infrastructure and service capabilities. More importantly, having full control of the logistics infrastructure allows us to accumulate more data and operational experience, and continuously develop and deploy of new technologies across our network. For example, we develop technologies such as warehouse robotics to realize high degree of automation in some of our self-owned industry-leading smart warehouses. In addition, we have established and efficient fulfillment and service capabilities, which not only support our online retail business, but also open up to and empower our third-party merchants and external partners. We also provide comprehensive logistics technology services, such as smart inventory and inventory replenishment services.

Experienced Management Team and Strong Corporate Culture

Our management team is composed of executives with extensive experience in every major component of our business operations. They are pioneers in China's internet, retail and supply chain industry. Their clear vision, focus and commitment to deliver the best customer experience and enhance overall efficiency have driven our rapid growth since our inception. We have also developed a strong mid-level management team in charge of various business functions. Our management have nurtured a corporate culture of integrity, passion, customer centric, team work, continuous learning and efficiency driven. These values, coupled with our leadership position and our employee training, career development and incentive programs, have greatly attracted and motivated our talented employees.

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.

Further grow our scale and reinforce economies of scale

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.

OUR BUSINESS

Further boost customer experience through improved user engagement and grow our customer base

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 (京喜) 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.

Enhance our supply chain-based technology service capabilities

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.

Strengthen our team, organization and culture

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

Our Business

JD Retail

Omni-channel Initiatives

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 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.

Customers and Suppliers

We have a broad base of customers, and our top five customers accounted for less than 5% of our total revenues for each of the years ended December 31, 2017, 2018 and 2019, respectively. Our top five suppliers accounted for less than 30% of our purchases for each of the years ended December 31, 2017, 2018 and 2019.

Enterprise Social Responsibility

We proactively participate in the promotion of sustainable production and consumption. In 2013, we issued the first ever digital invoice in China and as of May 29, 2020, we have already issued more than 4.6 billion digital invoices across China and replaced paper invoices with digital invoices for all retail orders. Meanwhile, we launched the "Recycling Plan" in many cities in China to help recycle clothing and toys to reduce carbon emissions and environmental pollution through donation or professional recycling.

FINANCIAL INFORMATION

The following section sets forth supplemental financial information relating to the impact of COVID-19 on our operations, our investments summary, our contractual obligations and working capital.

Impact of COVID-19 On Our Operations

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

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

The spread of COVID-19 has caused us to incur incremental costs, in particular, relating to our logistics business. In addition, we have seen a decrease in demand for big-ticket items, durable goods and discretionary products. However, leveraging our self-operated supply chain and logistics network, we were able to resume part of our operations after the Chinese New Year and have seen an increase in demand for certain product categories, including consumer staples, such as groceries, fresh produce, healthcare and household products during this period. As of May 29, 2020, (i) most of our employees, including corporate office employees and field staff, had returned to work, (ii) our major operations, including JD Retail and JD Logistics, were resuming gradually around China and we plan to continue to do so as steadily and safely as we can, and (iii) customer demand across product and service categories on our platform was resuming gradually.

As of December 31, 2019, we had cash and cash equivalents of RMB36,971 million (US$5,311 million). Subsequently, we issued in January 2020 unsecured senior notes in an aggregate principal amount of US$1.0 billion. 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 April 2020, we drew down the remaining US$550 million under our US$1.0 billion term and revolving credit facilities. 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, such as the outbreak of COVID-19, which could significantly disrupt our operations.”

Investments Summary

	As of December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in millions)			
Investment securities	10,028	15,902	21,417	3,076
Investment in equity investees				
Equity method	8,801	13,308	15,479	2,223
Measurement alternative*	—	17,105	17,581	2,525
NAV practical expedient*	—	944	2,516	362
Cost method	9,750	—	—	—
Total investment in equity investees	18,551	31,357	35,576	5,110

* Prior to January 1, 2018, for other equity investments (including the private equity funds) that are not considered as debt securities or equity securities that have readily determinable fair values and over which we have neither significant influence nor control through investments in common stock or in-substance common stock, the cost method of accounting is used. 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") on January 1, 2018, we measured long-term investments other than equity method investments at fair value through earnings. For investments without readily determinable fair values, we elect to record these investments under the measurement alternative upon the adoption of ASU 2016-01 (the "Measurement Alternative"). Under the Measurement Alternative, the carrying value is measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. For private equity funds, we elect to record these investments 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").

FINANCIAL INFORMATION

We have made and will continue to make strategic investments in areas complementary to our existing business, such as retail, technology, logistics and investment funds.

As of December 31, 2019, our major investees accounted for under investment securities are Farfetch, China Unicom and Vipshop; our major investees accounted for under equity method are Bitauto, Yixin, Tuniu, Yonghui, Dada Group and Jiangsu Five Star; our major investees accounted for under measurement alternative are Dada Group, Wanda Commercial Properties and AiHuiShou; and our investees accounted for under NAV practical expedient are investment funds.

The table below provides a summary of the performance of our investments:

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in millions)			
Share of results of equity investees				
Share of loss of equity method investments and others	(1,927)	(1,113)	(941)	(135)
Impairment of equity method investments	—	—	(797)	(115)
Others, net				
Gains/(losses) from fair value change of long-term investments	—	(1,513)	3,496	502
Impairment of investments	(140)	(593)	(1,954)	(281)

We recorded the performance of our equity method investments in share of results of equity investees and the performance of investment securities, measurement alternative and NAV practical expedient (cost method before the adoption of ASU 2016-01) in others, net.

Our share of results of equity investees was a loss of RMB1,927 million, RMB1,113 million and RMB1,738 million for the years ended December 31, 2017, 2018, and 2019, respectively, which were primarily attributable to losses picked up from our equity method investments in Dada Group and Bitauto and impairment losses recognized from our equity method investments in Bitauto and Tuniu.

In addition, gains/(losses) from fair value change of long-term investments in others, net mainly attributable to the changes in fair value of our investment securities, such as Farfetch, Vipshop and China Unicom, and the impairment of investments in others, net mainly represent the impairment charges of investments in private companies.

FINANCIAL INFORMATION

As of March 31, 2020, we had outstanding principal amounts of short-term debts, long-term borrowings and unsecured senior notes of RMB8.6 billion, RMB3.2 billion and RMB14.1 billion, respectively, which were unsecured and unguaranteed. As of March 31, 2020, we also had operating lease liabilities amounting to RMB8.7 billion, certain of which were secured by the rental deposits and all of which were unguaranteed.

As of March 31, 2020 and May 29, 2020, save as disclosed in our audited consolidated financial statements included in our 2019 Form 20-F, we did not have significant contingent liabilities.

Save as disclosed above, since May 29, 2020 and up to June 5, 2020, there has not been any material and adverse change in our indebtedness and contingent liabilities. Our directors do not foresee any potential difficulty in obtaining bank facilities should the need arise.

During 2017, 2018 and 2019 and up to May 29, 2020, we had not been in violation of any of the covenants pursuant to the applicable agreement we entered with our lenders. Our Directors confirm that we are not subject to other material covenants under any agreements with respect to any bank loans or other borrowings. Our Directors also confirm that there was no delay or default in the repayment of borrowings during 2017, 2018 and 2019. Taking into consideration our financial position, our Directors are of the opinion that we are able to abide by these covenants amid current market conditions and that our capital raising abilities were not materially affected as of December 31, 2019.

Working Capital

We recorded net current liabilities of RMB3.2 billion, RMB16.0 billion and RMB0.9 billion (US$0.1 billion), respectively, as of December 31, 2017, 2018 and 2019. Our financial position has been continuously improving during 2017, 2018 and 2019, and we believe that we will make further improvements in the future by increasing and leveraging our scale of business, by strengthening JD Retail's profitability, by effectively investing in our fulfillment infrastructure and technology platform, by recycling capital for our future growth initiatives and by attracting capital financing from equity interest investors and long-term debt investors. As of March 31, 2020, we had net current assets of RMB8.0 billion (US$1.1 billion). In connection with the financial data as of March 31, 2020 in this paragraph, translations of RMB into U.S. dollars were made at RMB7.0808 to US$1.00, the exchange rate on March 31, 2020 as set forth in the H.10 statistical release of the Federal Reserve Board. The following table sets forth a breakdown of our current assets and liabilities as of the dates indicated.

	As of December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
		(in millions)		
Current Assets:				
Cash and cash equivalents	25,688	34,262	36,971	5,311
Restricted cash	4,110	3,240	2,941	422
Short-term investments	8,588	2,036	24,603	3,534
Accounts receivable, net	16,359	11,110	6,191	889
Advance to suppliers	395	477	593	85
Inventories, net	41,700	44,030	57,932	8,321
Loan receivables, net	5,133	2,716	1,551	223
Prepayments and other current assets	2,259	3,849	4,079	587
Amount due from related parties	10,797	3,136	4,234	608
Total current assets	115,029	104,856	139,095	19,980
Current Liabilities:				
Short-term borrowings	200	147	—	—
Nonrecourse securitization debt	12,685	4,398	—	—
Accounts payable	74,338	79,985	90,428	12,989
Advance from customers	13,605	13,018	16,079	2,310
Deferred revenues	1,592	1,980	3,327	478
Taxes payable	658	826	2,016	290
Amounts due to related parties	54	216	318	46
Accrued expenses and other current liabilities	15,119	20,292	24,656	3,540
Operating lease liabilities	—	—	3,193	459
Total current liabilities	118,251	120,862	140,017	20,112
Net current liabilities	3,222	16,006	922	132

Taking into account cash and cash equivalents on hand, our operating cash flows, the available revolving lines of bank facilities, and the estimated net proceeds available to us from the Global Offering, our directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from June 5, 2020.

DIRECTORS AND SENIOR MANAGEMENT

The following section sets forth updates to our senior management subsequent to the filing of our 2019 Form 20-F and certain information relating to share-based awards granted.

GENERAL

The following table sets out certain information in respect of our directors and senior management:

Name	Age	Position(s)/roles and responsibilities	Date of appointment	Year of joining our Group
Directors				
Richard Qiangdong Liu (劉強東)	47	Chairman of the Board of Directors and Chief Executive Officer	January 2007	2004
Martin Chi Ping Lau (劉熾平)	47	Director	March 2014	2014
Ming Huang	56	Independent Director	March 2014	2014
Louis T. Hsieh	55	Independent Director	May 2014	2014
Dingbo Xu (許定波)	57	Independent Director	May 2018	2018
Senior Management				
Lei Xu (徐雷)	45	Chief Executive Officer of JD Retail	September 2019	2009
Zhenhui Wang (王振輝)	45	Chief Executive Officer of JD Logistics	April 2017	2010
Sandy Ran Xu (許冉)	43	Chief Financial Officer	June 2020	2018
Yayun Li (李婭雲)	39	Chief Compliance Officer	January 2017	2007

Directors

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 professor of finance at Cheung Kong Graduate School of Business from July 2004 to June 2005. Professor Huang's academic research primarily focuses on behavioral finance, credit risk and derivatives. In recent years, his research has focused on Chinese capital market and public companies. Professor Huang served as an independent director of Yingli Green Energy Holding Company Limited, a company listed on the NYSE from August 2008 to March 2020. Mr. Huang is also an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including WH Group Limited and an independent director of 360 Security Technology Inc., a company listed on the Shanghai Stock Exchange. Professor Huang served as an independent non-executive director of Fantasia Holdings Group Co., Ltd. from October 2009 to May 2019. Professor Huang received his bachelor's degree in physics from Peking University, a Ph.D. in physics from Cornell University and a Ph.D. in finance from Stanford University.

Dingbo Xu (許定波) 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 Charted 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 served as a member of the board of directors of China Cinda Asset Management Co. Ltd, a company listed on the Hong Kong Stock Exchange from June 2013 to September 2019. 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, and served as director of SANY Heavy Industry, a company listed on the Shanghai Stock Exchange, from January 2013 to August 2019. Professor Xu received his Ph.D. in accounting from the University of Minnesota, as well as a master's degree in management and a bachelor's degree in mathematics, both from Wuhan University.

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Lei Xu (徐雷) is the chief executive officer of JD Retail, and is responsible for the development, operation and strategy of our retail business, both online and offline. Since joining us in 2009, Mr. Xu has held several leadership roles within the sales and marketing divisions of our retail business, including head of marketing and branding, head of JD Wireless, and head of our marketing and platform operations. Under his leadership, we successfully rebranded ourselves from 360buy to JD.com and launched our popular mascot, Joy. Mr. Xu was responsible for the launch of JD Plus, the first paid membership service in China's e-commerce industry, as well as our Super Brand Day strategic marketing program. He also leads our Kepler open platform, a key pillar of our "Retail as a Service" strategy that leverages our strengths in logistics, marketing, financial services, and other areas to help partners to expand their online businesses. Before joining us, Mr. Xu held several senior management roles in marketing and operations at Lenovo, Allyes and Belle E-Commerce. Mr. Xu will serve as director of Dada Nexus Limited starting from the SEC's declaration of effectiveness of Dada Nexus Limited's registration statement on Form F-1. Mr. Xu holds an EMBA degree from China Europe International Business School.

Zhenhui Wang (王振輝) is the chief executive officer of JD Logistics, an integrated supply chain infrastructure service provider. Mr. Wang joined JD in April 2010, and he has served as CEO of JD Logistics since 2017. Under his leadership, JD Logistics expanded its services to third parties beyond the JD ecosystem and pioneered the use of automation and 5G technology in logistics, launching the world's first fully-automated warehouse and 5G-powered logistics park. Driven by his "3S" (short-chain, smart, synergic) theory of logistics, Mr. Wang is leading the development of a global smart supply chain network and an open platform for digital supply chain. Mr. Wang previously held several leadership roles at JD, including General Manager of North China region, Head of Smart Devices Business and Head of Fulfillment Operations. Prior to joining JD, He held senior roles at Lenovo and other companies. Mr. Wang currently serves as a director of ESR Cayman Limited, a company listed on the Hong Kong Stock Exchange, and a director of CSG Smart Science and Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange. Mr. Wang also serves as a director of Dada Nexus Limited, a company that has filed a registration statement on Form F-1 to the SEC. Mr. Wang holds an EMBA from China Europe International Business School and a bachelor's degree in engineering from Beijing University of Science and Technology.

Sandy Ran Xu (許冉) has served as our chief financial officer 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. From July 2018 to May 2020, Ms. Xu oversaw group finance, accounting and tax functions in addition to serving as chief financial officer of JD Retail Business Group, where she has played a critical role in improving JD Retail's financial and operational performance in 2019. Prior to joining our company, Ms. Xu was an audit partner and spent nearly 20 years with PricewaterhouseCoopers Zhong Tian LLP, Beijing office and PricewaterhouseCoopers LLP, San Jose office, focusing on TMT industry and U.S. capital markets. Ms. Xu was a Certified Public Accountant in both China and the United States. Ms. Xu serves as a director of Dada Nexus Limited, a company that has filed a registration statement on Form F-1 to the SEC. Ms. Xu received her bachelor's degree with a double major in information science and economics from Peking University.

COMPENSATION

Share-based Awards Granted

As of March 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 102,503,866 ordinary shares, excluding restricted share units that were forfeited, canceled, or vested after the relevant grant date, and (ii) options to purchase an aggregate of 33,795,734 ordinary shares, excluding options that were forfeited, canceled, or exercised after the relevant grant date. As of March 31, 2020, the share-based awards granted by company to the eligible employees and non-employees and remained outstanding represented 5% and 1% of the company's total issued shares, respectively. The non-employees include ex-employees and consultants of the company.

Share-based Awards Held by Our Directors and Officers

In May 2015, the board of directors approved a 10-year compensation plan for Mr. Richard Qiangdong Liu, under which, Mr. Liu will receive RMB1.00 per year in cash salary and zero cash bonus during the 10-year period and in the meantime, Mr. Liu was granted an option to acquire a total of 26,000,000 Class A ordinary shares of our company, at an exercise price of US$16.70 per share or US$33.40 per ADS, subject to a 10-year vesting schedule with 10% of the award vested on each anniversary of the grant date. We will not grant any additional equity incentive to Mr. Liu during the 10-year period. The number of restricted shares, restricted share units and options granted to each of our other directors and executive officers represents less than 1% of our total outstanding ordinary shares on an as-converted basis as of March 31, 2020. The awards to our other directors and executive officers have two-year, four-year, five-year or six-year vesting schedule, with an equal installment vesting at the end of each calendar year following the grant or on the anniversary of the grant date. Starting from 2016, certain awards have multiple tranches with tiered vesting commencement dates from 2016 to 2020, and each of the tranches is subject to a six-year vesting schedule.

DIRECTORS AND SENIOR MANAGEMENT

The following table summarizes the outstanding RSUs and options held as of March 31, 2020 by our directors and executive officers, as well as by their affiliates, under our share incentive plan.

Name	Number of outstanding RSUs/options granted	Exercise price (US$ per RSU/ option granted)	Year of grant	Year of expiration
Richard Qiangdong Liu	26,000,000	16.70	2015	2025
Martin Chi Ping Lau	—	—	—	—
Ming Huang	*	—	2013-2020	—
Louis T. Hsieh	*	—	2014-2018	—
Dingbo Xu	*	—	2018	—
Lei Xu	*	13.03	2015	2025
	*	—	2015-2020	—
Zhenhui Wang	*	13.03	2015	2025
	*	—	2015-2016	—
Sidney Xuande Huang	*	3.96	2013	2023
	*	—	2013-2016	—
Sandy Ran Xu	*	—	2018-2019	—
Yayun Li	*	3.96-13.03	2013-2015	2023-2025
	*	—	2013-2016	—

Note:

* The RSUs and options in aggregate held by each of these directors and executive officers and their affiliates represent less than 1% of our total outstanding shares.

MAJOR SHAREHOLDERS

The following section sets forth updated information concerning certain of our major shareholders subsequent to the filing of our 2019 Form 20-F.

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our Class A ordinary shares and Class B ordinary shares as of May 29, 2020 by:

(a) each of our directors and executive officers; and

(b) each person known to us to beneficially own more than 5% of our total outstanding shares.

The calculations in the table below are based on 2,957,371,009 ordinary shares outstanding as of May 29, 2020, comprising of (i) 2,506,489,928 Class A ordinary shares, excluding the 19,510,724 Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plan, and (ii) 450,881,081 Class B ordinary shares.

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.

	Ordinary Shares Beneficially Owned**				
	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	% of Beneficial Ownership	% of Aggregate Voting Power†
Directors and Executive Officers:					
Richard Qiangdong Liu(1)	27,000,000(1)	421,507,423(1)	448,507,423(1)	15.1(1)	78.4(2)
Martin Chi Ping Lau(3)	—	—	—	—	—
Ming Huang	*	—	*	*	*
Louis T. Hsieh	*	—	*	*	*
Dingbo Xu	*	—	*	*	*
Lei Xu	*	—	*	*	*
Zhenhui Wang	*	—	*	*	*
Sidney Xuande Huang	*	—	*	*	*
Sandy Ran Xu	*	—	*	*	*
Yayun Li	*	—	*	*	*
All Directors and Executive Officers as a Group	31,693,049	421,507,423	453,200,472	15.3	78.4(2)
Principal Shareholders:					
Max Smart Limited(4)	14,000,000	421,507,423	435,507,423	14.7	73.3
Huang River Investment Limited(5)	527,207,099	—	527,207,099	17.8	4.6
Walmart(6)	289,053,746	—	289,053,746	9.8	2.5
Fortune Rising Holdings Limited(7)	—	29,373,658	29,373,658	1.0	5.1

Notes:

† For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A ordinary shares and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to 20 votes per share on all matters submitted to them for a vote. 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 and other matters as may otherwise be required by law. Each Class B ordinary share is convertible at any time by the holder thereof into one Class A ordinary share.

MAJOR SHAREHOLDERS

* Less than 1% of our total outstanding shares.

** Beneficial ownership information disclosed herein represents direct and indirect holdings of entities owned, controlled or otherwise affiliated with the applicable holder as determined in accordance with the rules and regulations of the SEC.

(1) Represents (i) 421,507,423 Class B ordinary shares directly held by Max Smart Limited, (ii) 7,000,000 restricted ADSs, representing 14,000,000 Class A ordinary shares, owned by Max Smart Limited, and (iii) 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 May 29, 2020. As of May 29, 2020, 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 (4) below. The ordinary shares beneficially owned by Mr. Liu do not include 29,373,658 Class B ordinary shares held by Fortune Rising Holdings Limited, a British Virgin Islands company, as described in footnote (7) below.

(2) The aggregate voting power includes the voting power with respect to the 29,373,658 Class B ordinary shares held by Fortune Rising Holdings Limited. Mr. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited and he may be deemed to beneficially own the voting power with respect to all of the ordinary shares held by Fortune Rising Holdings Limited in accordance with the rules and regulations of the SEC, notwithstanding the facts described in footnote (7) below.

(3) Mr. Lau was appointed by Huang River Investment Limited.

(4) Represents (i) 421,507,423 Class B ordinary shares directly held by Max Smart Limited and (ii) 7,000,000 restricted ADSs, representing 14,000,000 Class A ordinary shares, owned by Max Smart Limited. Max Smart Limited is a British Virgin Islands company beneficially owned by Mr. Richard Qiangdong Liu through a trust and of which Mr. Richard Qiangdong Liu is the sole director.

(5) 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. 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.

(6) 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.

(7) Represents 29,373,658 Class B ordinary shares held by Fortune Rising Holdings Limited. Fortune Rising Holdings Limited holds these Class B ordinary shares for the purpose of transferring such shares to the plan participants according to our awards under our share incentive plan, and administers the awards and acts according to our instruction. Fortune Rising Holdings Limited exercises the voting power with respect to these shares according to our instruction. Fortune Rising Holdings Limited is a company incorporated in the British Virgin Islands. Mr. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited.

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RELATED PARTY TRANSACTIONS

The following section sets forth updated information concerning related party transactions subsequent to the filing of our 2019 Form 20-F.

Agreements and Business Cooperation with Tencent

Strategic Cooperation Agreement. 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 2017, we generated RMB261 million commission services revenues from cooperation on advertising business with Tencent, RMB32 million revenues from services provided to and products sold to Tencent, and purchased a total amount of RMB675 million advertising resources and payment processing services from Tencent. In 2018, we generated RMB345 million commission services revenues from cooperation on advertising business with Tencent, RMB277 million revenues from services provided and products sold to Tencent, and purchased a total amount of RMB1,176 million advertising resources and payment processing services from Tencent. In 2019, we generated RMB288 million (US$41 million) commission services revenues from cooperation on advertising business with Tencent, RMB399 million (US$57 million) revenues from services provided to and products sold to Tencent, and purchased a total amount of RMB2,222 million (US$319 million) advertising resources and payment processing services from Tencent. As of December 31, 2019, we had a total amount of RMB1,128 million (US$162 million) due from Tencent, which was trade in nature. We expect that a substantial majority of total balance due from Tencent will be settled prior to the Listing.

RELATED PARTY TRANSACTIONS

Agreements and Transactions Relating to JD Digits

On March 1, 2017, we entered into a framework agreement, or the Framework Agreement, and an intellectual property license and software technology services agreement, or the JD Digits IPLA, with JD Digits, and certain entities controlled by Mr. Richard Qiangdong Liu, our chairman and chief executive officer, including Suqian Linghang Fangyuan Equity Investment Center, or Suqian Linghang, and Suqian Dongtai Jinrong Investment Management Center, or Suqian Dongtai. As of June 30, 2017, the reorganization of JD Digits had been completed. As a result, we disposed of all of our 68.6% equity interest in JD Digits and deconsolidated the financial results of JD Digits from ours since then. Pursuant to the agreements, we received approximately RMB14.3 billion in cash upon transaction closing with an economic gain of RMB14.2 billion and 40% of the future pre-tax profit of JD Digits when JD Digits has a positive pre-tax income on a cumulative basis. During 2017, 2018 and 2019, we did not receive any profits from JD Digits under the profit-sharing arrangement, as JD Digits had not had a positive pre-tax income on a cumulative basis during this period. When JD Digits has a positive pre-tax income on a cumulative basis in a fiscal year, we will record the Maximum Interest in the profits of JD Digits under “Others, net” in our consolidated financial statements. In addition, we will be able to convert our profit sharing right with respect to JD Digits into 40% of JD Digits’s equity interest, subject to applicable regulatory approvals. The above percentage of profit sharing and maximum equity interest issuance to us, which we refer to as the Maximum Interest, is subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Digits. In connection with JD Digits’s additional round of financing in 2018, the Maximum Interest has been diluted to approximately 36%. Please see “History and Corporate Structure—Our Strategic Cooperations and Other Developments” for further information.

We have the right to convert the profit-sharing right into the Maximum Interest (approximately 36%) in JD Digits at any time, subject to satisfaction of the conditions set out in the Framework Agreement entered into with JD Digits. As of May 29, 2020, we have not exercised such right to convert into equity interest in JD Digits. We, however, monitor the relevant conditions and assess the desirability of converting into equity interest in JD Digits on an ongoing basis, and may decide to exercise such right and convert the profit-sharing right into the Maximum Interest (approximately 36%) in JD Digits after the Listing. In the event that we decide to exercise such right, we will execute definitive agreements with JD Digits and its existing shareholders. Upon closing of the issuance of the Maximum Interest, the liquidity event payment and the profit-sharing arrangement under the Framework Agreement and JD Digits IPLA described in this section will automatically terminate, and we will account for such equity interest in JD Digits by using the equity method. See “History and Corporate Structure—Our Strategic Cooperations and Other Developments—JD Digits” for further details.

Business Transactions with JD Digits and Its Subsidiaries

JD Digits is a related party controlled by our chairman of the board of directors and chief executive officer, Mr. Richard Qiangdong Liu, through his equity stake and voting arrangements in JD Digits. In 2017, 2018 and 2019, we provided services and sold goods to JD Digits in a total amount of RMB272 million, RMB449 million and RMB342 million (US$49 million), respectively. In 2017, 2018 and 2019, JD Digits provided payment processing and other services to us in the amount of RMB2,936 million, RMB3,931 million and RMB4,981 million (US$715 million), respectively. In 2017, 2018 and 2019, we recognized interest income in relation to the financial support provided to JD Digits in the amount of RMB871 million, RMB180 million and RMB41 million (US$6 million), respectively.

Pursuant to our arrangements with JD Digits, when an individual customer or a corporate customer makes a credit purchase request on our online retail platform where we sell products directly to our customers, JD Digits will provide the individual customer or corporate customer with the related credit risk assessment services and repayment management services to facilitate the origination and repayment of the receivables. A portion of the monthly service fee paid by the individual customer or the corporate customer goes to JD Digits as compensation for the related services it provides. These services provided by JD Digits to individual customers or corporate customers on our online retail platform do not constitute related party transactions between us and JD Digits. We record such receivables generated by purchases made by individual or corporate customers on our online retail platform as accounts receivable. As of December 31, 2019 and March 31, 2020, we had accounts receivable (including accounts receivable that are due more than one year) of RMB1.2 billion and RMB3.7 billion, respectively, accounting for 0.5% and 1.4% of our total assets as of December 31, 2019 and March 31, 2020, respectively.

RELATED PARTY TRANSACTIONS

Pursuant to our arrangements with JD Digits, when an individual customer makes a credit purchase request to a third party merchant on our online marketplace where third party merchants sell products to our customers, JD Digits will provide the individual customer with the related credit risk assessment services and repayment management services to facilitate the origination and repayment of the receivables. To streamline the receivable servicing process and ultimately enhance customer experience on our online marketplace, we will subsequently purchase such receivables from the third party merchant at carrying value and record them as loans receivable on our balance sheet. A portion of the monthly service fee paid by the individual customer goes to JD Digits as compensation for the related services it provides. These services provided by JD Digits to individual customers on our online marketplace do not constitute related party transactions between us and JD Digits. As of December 31, 2019 and March 31, 2020, we had loans receivable (including loans receivable that are due more than one year) of RMB1.7 billion and RMB1.9 billion, respectively, accounting for 0.7% and 0.7% of our total assets as of December 31, 2019 and March 31, 2020, respectively.

JD Digits will purchase from us the accounts receivable and/or loans receivable generated from purchases made by individual customers on our online retail platform or online marketplace that are past due over certain agreed period of time at carrying value without recourse and also agree to bear other cost directly related to the consumer financing to absorb the risks. The total amount of such over-due receivables transferred from us to JD Digits was RMB497 million, RMB242 million and RMB189 million (US$27 million) for each year ended December 31, 2017, 2018 and 2019, respectively.

In connection with the accounts receivable generated from purchases made by our corporate customers on our online retail platform, we will subsequently transfer such accounts receivable, with or without recourse at carrying value, to a subsidiary of JD Digits, which engages in the business of accounts receivable factoring with us and other third parties. For each transfer, JD Digits will charge us a factoring fee of a certain percentage of the carrying value of the accounts receivable. In 2017, 2018 and 2019, the accounts receivables transferred with recourse amounted to RMB167.9 million, RMB1,388 million and nil, respectively, and were not derecognized. Accounts receivable transferred with recourse in 2017 and 2018 were generated by purchases made by some of our key corporate customers that indicated their intention of only dealing with us (rather than JD Digits) in servicing those accounts receivable. In 2019, all of our key corporate customers approved of transferring accounts receivable to JD Digits without recourse. In 2017, 2018 and 2019, the accounts receivable transferred without recourse amounted to RMB1,584.0 million, RMB9,854 million and RMB24,586 million (US$3,531 million), and were derecognized.

As of December 31, 2019, we have a total amount of RMB1,729 million (US$248 million) due from JD Digits, of which an amount of RMB1,363 million was trade in nature and the remaining amount of RMB365 million was non-trade in nature. We expect that a substantial majority of total balance due from JD Digits will be settled prior to the Listing.

We expect that the terms of the existing collaboration with JD Digits will continue after the Listing.

As of June 30, 2017, the reorganization of JD Digits had been completed, and we disposed all of our equity interest in JD Digits. As part of the transaction, we received approximately RMB14.3 billion in cash with an economic gain of RMB14.2 billion in 2017. As JD Digits is under the common control of Mr. Richard Qiangdong Liu through his equity stake and voting arrangements, the gain of RMB14.2 billion was recorded directly to additional paid-in capital in shareholders' equity. We also retained the right to receive 40% of future pre-tax profit of JD Digits when JD Digits has a positive pre-tax income on a cumulative basis. In connection with JD Digits's additional round of financing in 2018, the percentage of profit sharing has been diluted to approximately 36%.

Transactions with Our Equity Investees and Other Related Parties

Business Transactions with Core Fund.

As of December 31, 2019, we have a total amount of RMB1,149 million (US$165 million) due from Core Fund, of which an amount of RMB570 million was trade in nature and the remaining amount of RMB579 million was non-trade in nature. We expect that a substantial majority of total balance due from Core Fund will be settled prior to the Listing.

As of December 31, 2019, excluding the amount due from Core Fund aforementioned, our remaining balances with other major related parties were trade in nature and we expect that a substantial majority of the balances will be settled prior to the Listing.

REGULATIONS

The following section sets forth updated information concerning certain regulations to which we are subject subsequent to the filing of our 2019 Form 20-F.

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 Catalog, 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 Catalog 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 Catalog are generally deemed as falling into a fourth category "permitted" unless specifically restricted by other PRC laws.

On June 30, 2019, MOFCOM and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄(2019年版)》) and the Special Management Measures (Negative List) for the Access of Foreign Investment (2019 Version) (《外商投資準入特別管理措施(負面清單)(2019年版)》), or the 2019 Negative List, which became effective on July 30, 2019, to replace the previous encouraging catalog 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.

REGULATIONS

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 (《中華人民共和國公司法》) and other laws and regulations governing the corporate governance.

On December 26, 2019, the State Council promulgated the Implementation Rules to the PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》), 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 (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

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

REGULATIONS

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 (《關於加强外商投資經營增值電信業務管理的通知》), 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 (《電信條例 》) promulgated by the State Council and its related implementation rules, including the Catalog of Classification of Telecommunications Business (《電信業務分類目錄》) 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 (《互聯網信息服務管理辦法》) 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 (《電信業務經營許可管理辦法》) promulgated in 2009 by promulgating the Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), 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.

REGULATIONS

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 (《互聯網出版管理暫行規定》), 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 MITT jointly issued the Administrative Measures on Network Publication (《網絡出版服務管理規定》), 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.

FORWARD LOOKING STATEMENTS

This Exhibit contains forward-looking statements that involve risks and uncertainties, including statements based on our current expectations, assumptions, estimates and projections about us, our industries and the regulatory environment in which we and companies integral to our business operate. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “target,” “goal,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions.

Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: JD.com’s growth strategies; its future business development, results of operations and financial condition; its ability to attract and retain new customers and to increase revenues generated from repeat customers; its expectations regarding demand for and market acceptance of its products and services; trends and competition in China’s e-commerce market; changes in its revenues and certain cost or expense items; the expected growth of the Chinese e-commerce market; Chinese governmental policies relating to JD.com’s industry and general economic conditions in China.

The forward-looking statements made in this Exhibit relate only to events or information as of the date on which the statements are made in this Exhibit. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this Exhibit completely in conjunction with our annual reports on Form 20-F and other documents filed with or furnished to the SEC and with the understanding that our actual future results may be materially different from what we expect.

Exhibit 99.2

JD.com, Inc.

Unaudited Interim Condensed Consolidated Financial Statements

As of December 31, 2019 and March 31, 2020 and for the three months ended March 31, 2019 and 2020

JD.com, Inc.

INDEX TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JD.com, Inc.
Unaudited Interim Condensed Consolidated Balance Sheets
(All amounts in thousands, except for share, per share data or otherwise noted)

	As of		
	December 31, 2019	March 31, 2020	
	RMB	RMB	US$ Note 2(f)
ASSETS			
Current assets			
Cash and cash equivalents	36,971,420	43,529,407	6,147,527
Restricted cash	2,940,859	2,246,361	317,247
Short-term investments	24,602,777	29,364,492	4,147,059
Accounts receivable, net	6,190,588	8,264,122	1,167,117
Advance to suppliers	593,130	1,565,622	221,108
Inventories, net	57,932,156	50,584,695	7,143,924
Loan receivables, net	1,551,459	1,648,356	232,792
Prepayments and other current assets	4,078,102	4,654,583	657,353
Amount due from related parties	4,234,067	2,528,439	357,084
Assets held for sale	—	165,994	23,443
Total current assets	139,094,558	144,552,071	20,414,654
Non-current assets			
Property, equipment and software, net	20,654,071	17,487,942	2,469,769
Construction in progress	5,806,308	6,264,929	884,777
Intangible assets, net	4,110,034	3,960,438	559,321
Land use rights, net	10,891,742	10,432,470	1,473,346
Operating lease right-of-use assets	8,643,597	8,444,918	1,192,650
Goodwill	6,643,669	6,643,669	938,265
Investment in equity investees	35,575,807	36,772,791	5,193,310
Investment securities	21,417,104	20,780,630	2,934,786
Deferred tax assets	80,556	80,556	11,377
Assets held for sale	—	2,982,545	421,216
Other non-current assets	6,806,258	7,292,783	1,029,937
Total non-current assets	120,629,146	121,143,671	17,108,754
Total assets	259,723,704	265,695,742	37,523,408

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

JD.com, Inc.
Unaudited Interim Condensed Consolidated Balance Sheets
(All amounts in thousands, except for share, per share data or otherwise noted)

	As of		
	December 31, 2019	March 31, 2020	
	RMB	RMB	US$ Note 2(f)
LIABILITIES			
Current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB14,399,069 and RMB15,376,040 as of December 31, 2019 and March 31, 2020, respectively. Note 1)			
Short-term debts	—	8,601,811	1,214,808
Accounts payable	90,428,382	76,485,078	10,801,757
Advance from customers	16,078,619	16,150,898	2,280,943
Deferred revenues (including amounts in relation to traffic support, marketing and promotion services to be provided to related parties of RMB796,193 and RMB555,288 as of December 31, 2019 and March 31, 2020, respectively)	3,326,594	4,115,192	581,176
Taxes payable	2,015,788	1,180,931	166,779
Amount due to related parties	317,978	1,265,959	178,788
Accrued expenses and other current liabilities	24,656,180	25,375,911	3,583,765
Operating lease liabilities	3,193,480	3,406,984	481,158
Liabilities held for sale	—	14,736	2,081
Total current liabilities	140,017,021	136,597,500	19,291,255
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 and RMB1,491,653 as of December 31, 2019 and March 31, 2020, respectively)	1,942,635	1,912,741	270,131
Unsecured senior notes	6,912,492	13,943,189	1,969,154
Deferred tax liabilities	1,338,988	1,277,404	180,404
Long-term borrowings	3,139,290	3,188,295	450,273
Operating lease liabilities	5,523,164	5,325,542	752,110
Other non-current liabilities	225,883	206,812	29,207
Total non-current liabilities	19,082,452	25,853,983	3,651,279
Total liabilities	159,099,473	162,451,483	22,942,534
Commitments and contingencies (Note 27)			
MEZZANINE EQUITY			
Convertible redeemable non-controlling interests (Note 17)	15,964,384	15,965,166	2,254,712
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; 2,523,062,068 Class A ordinary shares issued and 2,484,240,636 outstanding, 450,881,081 Class B ordinary shares issued and 442,090,839 outstanding as of March 31, 2020.)	381	381	54
Additional paid-in capital	90,676,122	91,402,064	12,908,437
Statutory reserves	1,459,165	1,459,165	206,073
Treasury stock	(2,530,166)	(2,634,318)	(372,037)
Accumulated deficit	(11,912,679)	(10,839,858)	(1,530,880)
Accumulated other comprehensive income	4,163,147	4,902,433	692,356
Total JD.com, Inc. shareholders' equity	81,855,970	84,289,867	11,904,003
Non-controlling interests	2,803,877	2,989,226	422,159
Total shareholders' equity	84,659,847	87,279,093	12,326,162
Total liabilities, mezzanine equity and shareholders' equity	259,723,704	265,695,742	37,523,408

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

JD.com, Inc.
Unaudited Interim Condensed Consolidated Statements of Operations and Comprehensive Income
(All amounts in thousands, except for share, per share data or otherwise noted)

	For the three months ended March 31,		
	2019	2020	
	RMB	RMB	US$ Note 2(f)
Net revenues			
Net product revenues	108,651,270	130,093,138	18,372,661
Net service revenues	12,429,789	16,112,071	2,275,459
Total net revenues	121,081,059	146,205,209	20,648,120
Cost of revenues	(102,897,352)	(123,669,699)	(17,465,498)
Fulfillment	(8,063,332)	(10,399,790)	(1,468,731)
Marketing	(3,940,399)	(4,468,316)	(631,047)
Research and development	(3,716,545)	(3,935,159)	(555,751)
General and administrative	(1,321,075)	(1,411,796)	(199,384)
Gain on sale of development properties	83,218	—	—
Income from operations	1,225,574	2,320,449	327,709
Other income/(expense)			
Share of results of equity investees	(717,422)	(1,120,220)	(158,205)
Interest income	312,575	523,054	73,869
Interest expense	(187,445)	(207,100)	(29,248)
Others, net	6,886,036	(132,556)	(18,720)
Income before tax	7,519,318	1,383,627	195,405
Income tax expenses	(279,640)	(326,444)	(46,103)
Net income	7,239,678	1,057,183	149,302
Net loss attributable to non-controlling interests shareholders	(80,203)	(16,420)	(2,319)
Net income attributable to mezzanine equity classified as non-controlling interests shareholders	748	782	110
Net income attributable to ordinary shareholders	7,319,133	1,072,821	151,511

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

JD.com, Inc.
Unaudited Interim Condensed Consolidated Statements of Operations and Comprehensive Income
(All amounts in thousands, except for share, per share data or otherwise noted)

	For the three months ended March 31,		
	2019	2020	
	RMB	RMB	US$ Note 2(f)
Net income	7,239,678	1,057,183	149,302
Other comprehensive income:			
Foreign currency translation adjustments	(854,914)	778,641	109,965
Net change in unrealized gains/(losses) on available-for-sale securities:			
Unrealized gains, net of tax	3,197	109,145	15,414
Reclassification adjustment for gains recorded in net income, net of tax	(3,762)	(97,776)	(13,809)
Net unrealized gains/(losses) on available-for-sale securities	(565)	11,369	1,605
Total other comprehensive income/(loss)	(855,479)	790,010	111,570
Total comprehensive income	6,384,199	1,847,193	260,872
Total comprehensive income/(loss) attributable to non-controlling interests shareholders	(80,203)	34,304	4,845
Total comprehensive income attributable to mezzanine equity classified as non-controlling interests shareholders	748	782	110
Total comprehensive income attributable to ordinary shareholders	6,463,654	1,812,107	255,917
Net income per share			
Basic	2.53	0.37	0.05
Diluted	2.48	0.36	0.05
Weighted average number of shares			
Basic	2,893,977,289	2,926,684,966	2,926,684,966
Diluted	2,952,050,583	2,998,786,445	2,998,786,445

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

JD.com, Inc.
Unaudited Interim Condensed Consolidated Statements of Cash Flows
(All amounts in thousands, except for share, per share data or otherwise noted)

	For the three months ended March 31,		
	2019	2020	
	RMB	RMB	US$ Note 2(f)
Cash flows from operating activities:			
Net income	7,239,678	1,057,183	149,302
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation and amortization	1,673,068	1,405,625	198,512
Share-based compensation	618,046	976,514	137,910
(Gains)/losses from disposal of property, equipment and software	(2,794)	2,189	309
Deferred income tax	161,412	(83,646)	(11,813)
Gains from extinguishment of debt	—	(11,101)	(1,568)
Amortization of discounts and issuance costs of the unsecured senior notes	3,555	4,476	632
Impairment of investments	329,128	26,063	3,681
Fair value change of long-term investments	(5,750,537)	669,703	94,580
Gain from business and investment disposals	—	(15,000)	(2,118)
Gain on sale of development properties	(83,218)	—	—
Share of results of equity investees	717,422	1,120,220	158,205
Foreign exchange gains	(56,218)	(19,188)	(2,710)
Changes in operating assets and liabilities:			
Accounts receivable	2,136,974	(2,228,784)	(314,764)
Inventories	5,780,708	7,361,268	1,039,610
Advance to suppliers	59,050	(975,667)	(137,791)
Prepayments and other current assets	286,003	(427,802)	(60,416)
Operating lease right-of-use assets	308,388	198,679	28,059
Amount due from related parties	(1,368,932)	1,448,434	204,558
Other non-current assets	(287,513)	(104,537)	(14,763)
Accounts payable	(8,107,032)	(13,428,780)	(1,896,506)
Advance from customers	692,916	73,587	10,392
Deferred revenues	(159,791)	758,703	107,149
Taxes payable	(378,247)	(1,022,517)	(144,407)
Accrued expenses and other current liabilities	(265,315)	693,039	97,876
Operating lease liabilities	(191,711)	15,882	2,243
Amount due to related parties	(31,789)	962,980	135,999
Net cash provided by/(used in) operating activities	3,323,251	(1,542,477)	(217,839)

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

JD.com, Inc.
Unaudited Interim Condensed Consolidated Statements of Cash Flows
(All amounts in thousands, except for share, per share data or otherwise noted)

	For the three months ended March 31,		
	2019	2020	
	RMB	RMB	US$ Note 2(f)
Cash flows from investing activities:			
Purchase of short-term investments	(4,215,741)	(27,351,214)	(3,862,729)
Maturity of short-term investments	2,014,416	22,605,000	3,192,436
Purchases of investment securities	—	(191,026)	(26,978)
Cash received from disposal of investment securities	350,665	258,618	36,524
Cash paid for investments in equity investees	(4,166,593)	(1,539,615)	(217,435)
Cash received from disposal of equity investment	52,672	34,000	4,802
Cash paid for loan originations	(9,456,490)	(11,417,361)	(1,612,439)
Cash received from loan repayments	10,556,992	11,332,052	1,600,391
Purchase of property, equipment and software	(784,029)	(425,097)	(60,035)
Purchase of intangible assets	(23,267)	(410)	(58)
Purchase of land use rights	(185,836)	(132,402)	(18,699)
Cash paid for construction in progress	(1,402,827)	(1,653,755)	(233,555)
Cash received from sale of development properties	2,513,916	203,936	28,801
Cash paid for business combination, net of cash acquired	—	(41,167)	(5,814)
Loans settled by JD Digits	3,643,137	365,089	51,560
Other investing activities	—	(243,000)	(34,318)
Net cash used in investing activities	(1,102,985)	(8,196,352)	(1,157,546)

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

JD.com, Inc.
Unaudited Interim Condensed Consolidated Statements of Cash Flows
(All amounts in thousands, except for share, per share data or otherwise noted)

	For the three months ended March 31,		
	2019	2020	
	RMB	RMB	US$ Note 2(f)
Cash flows from financing activities:			
Repurchase of ordinary shares	(131,010)	(311,776)	(44,031)
Proceeds from issuance of ordinary shares pursuant to share-based awards	3,052	42,338	5,979
Capital injection from non-controlling interests shareholders	827	29,000	4,096
Proceeds from short-term debts	4,503,800	8,601,811	1,214,807
Repayment of short-term debts	(3,732,349)	(5,000)	(706)
Proceeds from unsecured senior notes	—	6,803,716	960,868
Repurchase of unsecured senior notes	—	(72,326)	(10,214)
Repayment of nonrecourse securitization debt	(3,200,271)	—	—
Other financing activities	—	(1,353)	(191)
Net cash provided by/(used in) financing activities	(2,555,951)	15,086,410	2,130,608
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(423,213)	609,365	86,059
Net increase/(decrease) in cash, cash equivalents, and restricted cash	(758,898)	5,956,946	841,282
Cash, cash equivalents, and restricted cash at beginning of the period	37,502,058	39,912,279	5,636,691
Cash, cash equivalents, and restricted cash at end of the period	36,743,160	45,869,225	6,477,973
Supplemental disclosures of cash flow information:			
Cash paid for income taxes	(108,835)	(621,392)	(87,757)
Cash paid for interest	(95,246)	(97,637)	(13,789)
Supplemental disclosures of non-cash investing and financing activities:			
Right-of-use assets acquired under operating leases	583,390	777,762	109,841

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

JD.com, Inc.
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(All amounts in thousands, except for share, per share data or otherwise noted)

	Ordinary shares		Treasury stock							Total
	Shares	Amount	Shares	Amount	Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income	Accumulated deficit	Non-controlling interests	shareholder equity
		RMB		RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2019	2,965,815,847	380	(71,519,492)	(3,783,729)	82,832,895	1,400,412	3,359,096	(24,038,081)	1,095,887	60,866,86
Repurchase of ordinary shares	—	—	(1,871,696)	(131,010)	—	—	—	—	—	(131,01
Accretion of convertible redeemable non-controlling interests	—	—	—	—	—	—	—	(748)	—	(74
Exercise of share-based awards	—	—	549,092	34,999	(16,024)	—	—	—	—	18,97
Share-based compensation and vesting of share-based awards	—	—	2,073,982	71,913	439,611	—	—	—	106,522	618,04
Net income/(loss)	—	—	—	—	—	—	—	7,319,881	(80,203)	7,239,67
Foreign currency translation adjustments	—	—	—	—	—	—	(854,914)	—	—	(854,91
Net change in unrealized gains on available-for-sale debt securities	—	—	—	—	—	—	(565)	—	—	(56
Change of the capital from non-controlling interests shareholders	—	—	—	—	—	—	—	—	827	82
Share of changes in the equity investee's capital accounts	—	—	—	—	(7,304)	—	—	—	—	(7,30
Balance as of March 31, 2019	2,965,815,847	380	(70,768,114)	(3,807,827)	83,249,178	1,400,412	2,503,617	(16,718,948)	1,123,033	67,749,84

JD.com, Inc.
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(All amounts in thousands, except for share, per share data or otherwise noted)

	Ordinary shares		Treasury stock		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income	Accumulated deficit	Non-controlling interests	Total shareholders' equity
	Shares	Amount	Shares	Amount						
		RMB		RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2020	2,973,943,149	381	(49,627,886)	(2,530,166)	90,676,122	1,459,165	4,163,147	(11,912,679)	2,803,877	84,659,847
Repurchase of ordinary shares	—	—	(2,382,740)	(311,776)	—	—	—	—	—	(311,776)
Accretion of convertible redeemable non-controlling interests	—	—	—	—	—	—	—	(782)	—	(782)
Exercise of share-based awards	—	—	2,349,640	149,763	(42,701)	—	—	—	—	107,062
Share-based compensation and vesting of share-based awards	—	—	2,049,312	57,861	768,643	—	—	—	150,010	976,514
Net income/(loss)	—	—	—	—	—	—	—	1,073,603	(16,420)	1,057,183
Foreign currency translation adjustments	—	—	—	—	—	—	727,917	—	50,724	778,64
Net change in unrealized gains on available-for-sale debt securities	—	—	—	—	—	—	11,369	—	—	11,369
Change of the capital from non-controlling interests shareholders	—	—	—	—	—	—	—	—	1,035	1,035
Balance as of March 31, 2020	2,973,943,149	381	(47,611,674)	(2,634,318)	91,402,064	1,459,165	4,902,433	(10,839,858)	2,989,226	87,279,093

The accompanying notes are an integral part of these unaudited interim condensed 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 comprehensive supply chain solutions, primarily including warehousing, transportation, delivery and after-sales service to third parties, including both third-party merchants and suppliers on JD Platform and other business partners, through the Group’s logistics business (“JD Logistics”).

Prior to June 2017, the Group offered financial services to its suppliers, third-party merchants and qualified individual customers through the Group’s finance business (“JD Digits”, formerly known as “JD Finance”), which was deconsolidated from the Group since June 30, 2017 as a result of the reorganization of JD Digits. Upon the reorganization of JD Digits, the Group disposed all its equity stake in JD Digits and was entitled to a profit sharing right from JD Digits when JD Digits has a positive pre-tax income on a cumulative basis. In addition, the Group would be able to convert its profit sharing right with respect to JD Digits into JD Digits’s equity interest, subject to applicable regulatory approvals.

In 2018, the Group established JD Property Management Group (“JD Property”), which owns, develops and manages the Group’s logistics facilities and other real estate properties, to support JD Logistics and other third parties. By leveraging its fund management platform, JD Property can realize development profits and recycle capital from mature properties to fund new developments and scale the business.

The Group’s principal operations and geographic markets are in the People’s Republic of China (“PRC”). The accompanying unaudited interim condensed consolidated financial statements include the financial statements of the Company, its subsidiaries and consolidated VIEs.

As of March 31, 2020, the Company’s major subsidiaries, consolidated VIEs and VIEs’ subsidiaries are as follows:

(All amounts in thousands, except for share, per share data or otherwise noted)

1. Principal activities and organization (Continued)

	Equity interest held	Place and date of incorporation
Subsidiaries		
Beijing Jingdong Century Trade Co., Ltd. ("Jingdong Century")	100%	Beijing, China, April 2007
Jiangsu Jingdong Information Technology Co., Ltd.	100%	Jiangsu, China, June 2009
Shanghai Shengdayuan Information Technology Co., Ltd. ("Shanghai Shengdayuan")	100%	Shanghai, China, April 2011
Jingdong E-Commerce (Express) Hong Kong Co., Ltd.	80%	Hong Kong, China, August 2011
Jingdong Technology Group Corporation	100%	Cayman Islands, November 2011
Jingdong Logistics Group Corporation	100%	Cayman Islands, January 2012
Jingdong Express Group Corporation ("Jingdong Express")	80%	Cayman Islands, January 2012
JD.com E-Commerce (Technology) Hong Kong Co., Ltd.	100%	Hong Kong, China, February 2012
Jingdong E-Commerce (Logistics) Hong Kong Co., Ltd.	100%	Hong Kong, China, February 2012
Jingdong E-Commerce (Trade) Hong Kong Co., Ltd.	100%	Hong Kong, China, February 2012
JD.com International Limited	100%	Hong Kong, China, February 2012
Beijing Jingdong Shangke Information Technology Co., Ltd. ("Beijing Shangke")	100%	Beijing, China, March 2012
JD.com E-Commerce (Investment) Hong Kong Co., Ltd.	100%	Hong Kong, China, July 2013
JD.com American Technologies Corporation	100%	Delaware, USA, August 2013
Chongqing Jingdong Haijia E-commerce Co., Ltd.	100%	Chongqing, China, June 2014
JD.com Overseas Innovation Limited	100%	Hong Kong, China, October 2014
JD.com International (Singapore) Pte. Ltd.	100%	Singapore, November 2014
JD.com Investment Limited	100%	British Virgin Islands, January 2015
JD Asia Development Limited	100%	British Virgin Islands, February 2015
JD.com Asia Investment Corporation	100%	Cayman Islands, March 2015
Suqian Hanbang Investment Management Co., Ltd.	100%	Jiangsu, China, January 2016
Xi'an Jingxundi Supply Chain Technology Co., Ltd. ("Xi'an Jingxundi")	80%	Shaanxi, China, May 2017
Xi'an Jingdong Xuncheng Logistics Co., Ltd.	80%	Shaanxi, China, June 2017
Jingdong Express International Limited	80%	British Virgin Islands, November 2017
Beijing Jinghong Logistics Co., Ltd.	80%	Beijing, China, November 2017
JD Assets Holding Limited	100%	Cayman Islands, March 2018
JD Logistics Holding Limited	100%	Cayman Islands, March 2018
JD Health International Inc.	86%	Cayman Islands, November 2018
JD Jiankang Limited	100%	British Virgin Islands, April 2019

	Place and date of incorporation
Consolidated VIEs	
Beijing Jingdong 360 Degree E-commerce Co., Ltd. ("Jingdong 360")	Beijing, China, April 2007
Jiangsu Yuanzhou E-commerce Co., Ltd. ("Jiangsu Yuanzhou")	Jiangsu, China, September 2010
Jiangsu Jingdong Bangneng Investment Management Co., Ltd. ("Jingdong Bangneng")	Jiangsu, China, August 2015
Xi'an Jingdong Xincheng Information Technology Co., Ltd. ("Xi'an Jingdong Xincheng")	Shaanxi, China, June 2017
Consolidated VIEs' Subsidiaries	
Beijing Jingbangda Trade Co., Ltd. ("Beijing Jingbangda")	Beijing, China, August 2012
Hengqin Junze Management Consulting Co., Ltd.	Guangdong, China, April 2017
Suqian Jingdong Mingfeng Enterprise Management Co., Ltd.	Jiangsu, China, July 2017
Suqian Jingdong Jinyi Enterprise Management Co., Ltd.	Jiangsu, China, August 2017
Suqian Jingdong Sanhong Enterprise Management Center (limited partnership)	Jiangsu, China, August 2017

1. Principal activities and organization (Continued)

- ***Organization***

The Company was incorporated in the British Virgin Islands ("BVI") in November 2006 and was re-domiciled in the Cayman Islands in January 2014 as an exempted company registered under the laws of the Cayman Islands.

In April 2007 and May 2017, the Company established Jingdong Century and Xi'an Jingxundi as wholly foreign-owned enterprises in the PRC, respectively. In April 2007, September 2010, August 2015 and June 2017, Jingdong 360, Jiangsu Yuanzhou, Jingdong Bangneng and Xi'an Jingdong Xincheng were incorporated in the PRC, respectively. The paid-in capital of each of these entities was funded by the Company, and they were established to facilitate the Group's operation and business expansion plans and comply with the PRC laws and regulations which prohibit or restrict foreign ownership of the companies where the PRC operating licenses are required. By entering into a series of agreements, Jingdong 360, Jiangsu Yuanzhou and Jingdong Bangneng became VIEs of Jingdong Century and Xi'an Jingdong Xincheng became a VIE of Xi'an Jingxundi. Consequently, Jingdong Century became the primary beneficiary of Jingdong 360, Jiangsu Yuanzhou and Jingdong Bangneng, and Xi'an Jingxundi became the primary beneficiary of Xi'an Jingdong Xincheng. Beijing Jingbangda became the subsidiary of Xi'an Jingdong Xincheng and changed from the Company's subsidiary to the Company's consolidated VIE's subsidiary.

- ***Consolidated variable interest entities***

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its websites and other restricted businesses in the PRC through certain PRC domestic companies, whose equity interests are held by certain management members of the Group ("Nominee Shareholders"). The Group obtained control over these PRC domestic companies by entering into a series of Contractual Arrangements with these PRC domestic companies and their respective Nominee Shareholders. These contractual agreements include loan agreements, exclusive purchase option agreements, exclusive technology consulting and services agreements, intellectual property rights license agreement, equity pledge agreements, powers of attorney, business cooperation agreement and business operation agreements. These contractual agreements can be extended at the Group's relevant PRC subsidiaries' options prior to the expiration date. Management concluded that these PRC domestic companies are consolidated VIEs of the Group, of which the Group is the ultimate primary beneficiary. As such, the Group consolidated the financial results of these PRC domestic companies and their subsidiaries in the Group's consolidated financial statements. Refer to Note 2(b) to the unaudited interim condensed 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.

1. Principal activities and organization (Continued)

- ***Exclusive purchase option agreements***

The Nominee Shareholders of the VIEs have granted the Group’s relevant PRC subsidiaries the exclusive and irrevocable rights to purchase from the Nominee Shareholders, to the extent permitted under the PRC laws and regulations, part or all of the equity interests in these entities for a purchase price equal to the lowest price permitted by the PRC laws and regulations. The Group’s relevant PRC subsidiaries may exercise such option at any time. In addition, the VIEs and their Nominee Shareholders have agreed that without prior written consent of the Group’s relevant PRC subsidiaries, they will not transfer or otherwise dispose the equity interests or declare any dividend.

- ***Exclusive technology consulting and services agreements***

The Group’s relevant PRC subsidiaries and relevant VIEs entered into exclusive technology consulting and services agreements under which relevant VIEs engage the Group’s relevant PRC subsidiaries as their exclusive provider of technical platform and technical support, maintenance and other services. The VIEs shall pay to the Group’s relevant PRC subsidiaries service fees determined based on the volume and market price of the service provided. The Group’s relevant PRC subsidiaries exclusively own any intellectual property arising from the performance of the agreements. During the term of the agreements, the relevant VIEs may not enter into any agreement with third parties for the provision of identical or similar services without prior consent of the Group’s relevant PRC subsidiaries.

- ***Intellectual property rights license agreement***

Pursuant to the intellectual property rights license agreement, Jingdong Century has granted Jingdong 360 non-exclusive rights to use certain software products, trademarks, website, copyrights, and domain names developed or owned by Jingdong Century within the scope of internet information service operation of Jingdong 360 and in the territory of the PRC. Jingdong 360 has agreed to pay license fees to Jingdong Century and the amount of the license fees is decided based on the agreed arrangement.

- ***Equity pledge agreements***

Pursuant to the relevant equity pledge agreements, the Nominee Shareholders of the VIEs have pledged all of their equity interests in relevant VIEs to the Group’s relevant PRC subsidiaries as collateral for all of their payments due to the Group’s relevant PRC subsidiaries and to secure their obligations under the above agreements. The Nominee Shareholders may not transfer or assign the equity interests, the rights and obligations in the equity pledge agreements or create or permit to create any pledges which may have an adverse effect on the rights or benefits of the Group’s relevant PRC subsidiaries without the Group’s relevant PRC subsidiaries’ preapproval. The Group’s relevant PRC subsidiaries are entitled to transfer or assign in full or in part the equity interests pledged. In the event of default, the Group’s relevant PRC subsidiaries as the pledgee, will be entitled to request immediate repayment of the loans or to dispose of the pledged equity interests through transfer or assignment. The equity pledge agreements will expire on the second anniversary of the date when the Nominee Shareholders have completed all their obligations under the above agreements unless otherwise terminated earlier by the Group’s relevant PRC subsidiaries.

1. Principal activities and organization (Continued)

- ***Powers of attorney***

Pursuant to the irrevocable powers of attorney, each of the Nominee Shareholders appointed any person designated by the Group's relevant PRC subsidiaries as their attorney-in-fact to exercise all shareholder rights under the PRC laws and the relevant articles of association, including but not limited to, voting on their behalf on all matters requiring shareholder approval, disposing of all or part of the Nominee Shareholders' equity interests, and electing, appointing or removing directors and the general managers of the VIEs. Each power of attorney will remain in force during the period when the Nominee Shareholders continue to be shareholders of the VIEs. Each of the Nominee Shareholders has waived all the rights which have been authorized to the person designated by the Group's relevant PRC subsidiaries under each power of attorney.

- ***Business cooperation agreement***

Pursuant to the business cooperation agreement, Jingdong 360 has agreed to provide services to Jingdong Century and Shanghai Shengdayuan including operating the Group's website, posting Jingdong Century's and Shanghai Shengdayuan's products and services information on the website, transmitting the users' orders and transactions information to Jingdong Century and Shanghai Shengdayuan, processing user data and transactions in collaboration with banks and payment agents and other services reasonably requested by Jingdong Century and Shanghai Shengdayuan. Jingdong Century and Shanghai Shengdayuan agree to pay service fees to Jingdong 360 on a quarterly basis. The service fee is decided based on Jingdong 360's operating costs incurred.

- ***Business operation agreements***

Pursuant to the business operation agreements, the relevant Nominee Shareholders of the VIEs must appoint the candidates nominated by the Group's relevant PRC subsidiaries to be the directors on the VIEs' board of directors in accordance with applicable laws and the articles of association of the VIEs, and must cause the persons recommended by the Group's relevant PRC subsidiaries to be appointed as the VIEs' general manager, chief financial officer and other senior executives.

- ***Risks in relations to the VIE structure***

The Company believes that the contractual arrangements among its subsidiaries, the VIEs and its shareholders are in compliance with the current PRC laws and legally enforceable. However, uncertainties in the interpretation and enforcement of the PRC laws, regulations and policies could limit the Company's ability to enforce these contractual arrangements. As a result, the Company may be unable to consolidate the VIEs and its subsidiary in the unaudited interim condensed consolidated financial statements. The Company's ability to control its VIEs also depends on the authorization by the shareholders of the VIEs to exercise voting rights on all matters requiring shareholders' approval in the VIEs. The Company believes that the agreements on authorization to exercise shareholder's voting power are legally enforceable. In addition, if the legal structure and contractual arrangements with its VIEs were found to be in violation of any future PRC laws and regulations, the Company may be subject to fines or other actions. The Company believes the possibility that it will no longer be able to control and consolidate its VIEs as a result of the aforementioned risks is remote.

(All amounts in thousands, except for share, per share data or otherwise noted)

1. Principal activities and organization (Continued)

The following table sets forth the assets, liabilities, results of operations and changes in cash, cash equivalents, and restricted cash of the consolidated VIEs structured by the Contractual Agreements and their subsidiaries taken as a whole, which were included in the Group's unaudited interim condensed consolidated financial statements with intercompany transactions eliminated:

	As of	
	December 31, 2019	March 31, 2020
	RMB	RMB
Total assets	38,749,631	38,688,626
Total liabilities	43,734,593	44,339,461

	For the three months ended March 31,	
	2019	2020
	RMB	RMB
Total net revenues	12,028,070	16,314,403
Net income/(loss)	410,899	(630,740)

	For the three months ended March 31,	
	2019	2020
	RMB	RMB
Net cash used in operating activities	(120,877)	(484,624)
Net cash used in investing activities	(2,308,369)	(966,039)
Net cash provided by financing activities	2,572,603	1,480,977
Net increase in cash, cash equivalents, and restricted cash	143,357	30,314
Cash, cash equivalents, and restricted cash at beginning of the period	880,204	926,653
Cash, cash equivalents, and restricted cash at end of the period	1,023,561	956,967

As of December 31, 2019 and March 31, 2020, the total assets of the Group's consolidated VIEs (where appropriate, the term "VIEs" also refers to its subsidiaries as a whole) were mainly consisting of cash and cash equivalents, short-term investments, accounts receivable, inventories, prepayments and other current assets, investment securities, investment in equity investees, property, equipment and software, intangible assets, operating lease right-of-use assets and other non-current assets. As of December 31, 2019 and March 31, 2020, the total liabilities of the consolidated VIEs were mainly consisting of short-term debts, accounts payable, advance from customers, deferred revenues, accrued expenses and other current liabilities, operating lease liabilities and liabilities to the Group's other subsidiaries. These balances have been reflected in the Group's unaudited interim condensed consolidated financial statements with intercompany transactions eliminated.

In accordance with the Contractual Agreements, the Group's relevant PRC subsidiaries have the power to direct activities of the Group's consolidated VIEs, and can have assets transferred out of the Group's consolidated VIEs. Therefore, the Group's relevant PRC subsidiaries consider that there is no asset in the Group's consolidated VIEs that can be used only to settle their obligations except for registered capitals and the PRC statutory reserves of the Group's consolidated VIEs amounting to RMB1,090,876 as of March 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 and RMB5,650,835 as of December 31, 2019 and March 31, 2020, respectively.

Currently there is no contractual arrangement that could require the Group's relevant PRC subsidiaries or the Group to provide additional financial support to the Group's consolidated VIEs. As the Group is conducting certain businesses in the PRC through the consolidated VIEs, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss.

The Group periodically securitizes consumer financing receivables through the transfer of those assets to securitization vehicles, which was considered as variable interest entities of the Group when the Group held the subordinate tranche of such securitization vehicles. The Group consolidated such variable interest entities when the Group or any subsidiary was considered as the primary beneficiary, please refer to Note 2(p).

JD Digits, which was deconsolidated from the Group since June 30, 2017 as a result of its reorganization, is a VIE of the Group while neither the Group nor any subsidiary is considered the primary beneficiary.

2. Summary of significant accounting policies

a. Basis of presentation

The unaudited interim condensed 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 unaudited interim condensed consolidated financial statements are summarized below.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for the consolidated financial statements. Certain information and note disclosures normally included in the Group's annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted consistent with Article 10 of Regulation S-X. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments as necessary for the fair statement of the Group's financial position, results of operations and cash flows as of March 31, 2020 and for the three months ended March 31, 2019 and 2020. The consolidated balance sheet as of December 31, 2019 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by U.S. GAAP. The unaudited interim condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the unaudited interim condensed consolidated financial statements have read or have access to the audited consolidated financial statements for the preceding fiscal years. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related footnotes for the year ended December 31, 2019. Results for the three months ended March 31, 2020 are not necessarily indicative of the results expected for the full fiscal year or for any future period.

b. Principles of consolidation

The unaudited interim condensed 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. 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 unaudited interim condensed consolidated balance sheets and have been separately disclosed in the Group's unaudited interim condensed consolidated statements of operations and comprehensive income to distinguish the interests from that of the Company.

2. Summary of significant accounting policies (Continued)

d. Use of estimates

The preparation of the unaudited interim condensed 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 unaudited interim condensed 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.

e. Foreign currency translation

The Group's reporting currency is Renminbi ("RMB"). The functional currency of the Group's entities incorporated in Cayman Islands, BVI, Hong Kong, Singapore and the United States of America is U.S. dollars ("US$"). The Group's PRC subsidiaries and consolidated VIEs determined their functional currency to be RMB. The Group's entities incorporated in the Republic of Indonesia, Japan, France, Australia and other jurisdictions generally use their respective local currencies as their functional currencies. The determination of the respective functional currency is based on the criteria of ASC Topic 830, *Foreign Currency Matters*.

Transactions denominated in currencies other than functional currency are translated into functional currency at the exchange rates quoted by authoritative banks prevailing at the dates of the transactions. Exchange gains and losses resulting from those foreign currency transactions denominated in a currency other than the functional currency are recorded as a component of others, net in the unaudited interim condensed consolidated statements of operations and comprehensive income. Total exchange gains were RMB56,218 and RMB19,188 for the three months ended March 31, 2019 and 2020, respectively.

The unaudited interim condensed consolidated financial statements of the Group are translated from the functional currency into RMB. Assets and liabilities denominated in foreign currencies are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings generated in current period are translated into RMB at the appropriate historical rates. Revenues, expenses, gains and losses are translated into RMB using the periodic average exchange rates. The resulting foreign currency translation adjustments are recorded in accumulated other comprehensive income as a component of shareholders' equity. Total foreign currency translation adjustments to the Group's other comprehensive income were a loss of RMB854,914 and a gain of RMB778,641 for the three months ended March 31, 2019 and 2020, respectively.

f. Convenience translation

Translations of the unaudited interim condensed consolidated balance sheets, the unaudited interim condensed consolidated statements of operations and comprehensive income and the unaudited interim condensed consolidated statements of cash flows from RMB into US$ as of and for the three months ended March 31, 2020 are solely for the convenience of the readers and were calculated at the rate of US$1.00=RMB7.0808, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on March 31, 2020. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on March 31, 2020, or at any other rate.

g. 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.

2. Summary of significant accounting policies (Continued)

h. Restricted cash

Cash that is restricted as to withdrawal or for use or pledged as security is reported separately on the face of the unaudited interim condensed consolidated balance sheets, and is included in the total cash, cash equivalents, and restricted cash in the unaudited interim condensed 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.

i. 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 unaudited interim condensed consolidated statements of operations and comprehensive income. 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 debt 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 unaudited interim condensed consolidated statements of operations and comprehensive income 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.

j. Accounts receivable, net

Accounts receivable, net mainly represent amounts due from customers and online payment channels and are recorded net of allowance for doubtful accounts.

The Group, in collaboration with JD Digits, provides consumer financing to the qualified customers in the online retail business, such consumer financing receivables are recorded as accounts receivable. Due to the legacy contractual arrangements with JD Digits, the Group remains as the legal owner of the consumer financing receivables, where JD Digits performs the related credit assessment.

JD Digits is obligated to purchases 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(p).

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(o) for adoption of expected credit losses model.

The accounts receivable with the collection period over one year are classified into other non-current assets in the unaudited interim condensed consolidated balance sheets.

2. Summary of significant accounting policies (Continued)

k. Inventories, net

Inventories, net, consisting of products available for sale, are stated at the lower of cost and net realizable value. Cost of inventories is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventories to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. The Group takes ownership, risks and rewards of the products purchased, but has arrangements to return unsold goods with certain vendors. Write downs are recorded in cost of revenues in the unaudited interim condensed consolidated statements of operations and comprehensive income.

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.

l. Loan receivables, net

Loan receivables, net 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 three months ended March 31, 2019 and 2020. The loan receivables were measured at amortized cost and reported in the unaudited interim condensed consolidated balance sheets at outstanding principal. As of December 31, 2019 and March 31, 2020, the loan receivables with the collection period over one year amounting to RMB179,886 and RMB215,389, respectively, were classified into other non-current assets in the unaudited interim condensed consolidated balance sheets. Cash paid for loan originations and cash received from loan repayments are classified as investing activities in the unaudited interim condensed 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(p).

m. 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 unaudited interim condensed consolidated statements of operations and comprehensive income and its share of post-acquisition movements of accumulated other comprehensive income are recorded in accumulated other comprehensive income 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.

2. Summary of significant accounting policies (Continued)

m. Investment in equity investees (Continued)

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

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

Beginning on January 1, 2018, the Group's equity investments without readily determinable fair values, which do not qualify for NAV practical expedient and over which the Group does not have the ability to exercise significant influence through the investments in common stock or in substance common stock, are accounted for under the measurement alternative upon the adoption of ASU 2016-01 (the "Measurement Alternative"). Under the Measurement Alternative, the carrying value is measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. All gains and losses on these investments, realized and unrealized, are recognized in others, net in the unaudited interim condensed consolidated statements of operations and comprehensive income. 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 unaudited interim condensed consolidated statements of operations and comprehensive income if there is any.

n. 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 unaudited interim condensed consolidated balance sheets, the unrealized gains and losses on equity securities are recorded in others, net in the unaudited interim condensed consolidated statements of operations and comprehensive income upon the adoption of ASU 2016-01.

o. Current expected credit losses impairment

In June 2016, the Financial Accounting Standards Board (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 unaudited interim condensed consolidated financial statements.

2. Summary of significant accounting policies (Continued)

p. Nonrecourse securitization debt and transfer of financial assets

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

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

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

Due to the Group's continuing involvement rights in securitization vehicles prior to October 2017, the Group cannot derecognize the existing receivables through the transfer of the receivables to securitization vehicles. The proceeds from the financing type transactions were reported as current and non-current nonrecourse securitization debt in the unaudited interim condensed consolidated balance sheets based on their respective expected repayment dates pursuant to ASC 860. While the contractual maturities of the asset-backed debt securities were from 2018 to 2019, the securities were repaid as collections on the underlying collateralized assets occur. As of December 31, 2019 and March 31, 2020, the collateralized accounts receivable and the collateralized loan receivables were nil.

Beginning October 2017, the Group revised certain structural arrangements to relinquish its continuing involvement rights when setting up the new securitization vehicles. For the three months ended March 31, 2020, RMB3,000,000 (for the three months ended March 31, 2019: RMB2,500,000) consumer credit receivables financial assets were derecognized through the sales type arrangements, including accounts receivable of RMB2,324,592 (for the three months ended March 31, 2019: RMB1,727,030) and loan receivables of RMB675,408 (for the three months ended March 31, 2019: RMB772,970), proceeds from the derecognition were RMB3,000,000 (for the three months ended March 31, 2019: RMB2,500,000), and JD Digits and other third-party investors acted as the servicers and purchased the subordinate tranche of the securitization vehicles in these transactions. The investors, including JD Digits, have no recourse to the Group when the underlying consumers fail to pay amounts contractually on due. The gain/loss recorded upon the sale accounting was immaterial in the periods presented.

q. 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 unaudited interim condensed consolidated statements of operations and comprehensive income 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 unaudited interim condensed consolidated statements of operations and comprehensive income.

2. Summary of significant accounting policies (Continued)

r. 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.

2. Summary of significant accounting policies (Continued)

s. 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 March 31, 2020, liabilities for return allowances were RMB425,135 and RMB440,652, 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 and RMB469,451 as of December 31, 2019 and March 31, 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 unaudited interim condensed 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.

2. Summary of significant accounting policies (Continued)

s. 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 RMB70,701,598 and RMB77,630,952, and revenues from the sales of general merchandise products were RMB37,949,672 and RMB52,462,186, for the three months ended March 31, 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 comprehensive supply chain solutions to third parties through JD Logistics, primarily including warehousing, transportation, delivery and after-sales service. Revenues resulting from these services are recognized over time as the Group performs the services in the contracts because of the continuous transfer of control to the customers.

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 RMB8,143,717 and RMB9,526,815 for the three months ended March 31, 2019 and 2020, respectively, which were mainly generated by the JD Retail segment. Revenues from logistics and other services were RMB4,286,072 and RMB6,585,256 for the three months ended March 31, 2019 and 2020, respectively, which were mainly generated by the New Businesses segment.

2. Summary of significant accounting policies (Continued)

t. Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represent amounts invoiced and revenues recognized prior to invoicing when the Group has satisfied the Group's performance obligation and has the unconditional rights to payment. The allowance for doubtful accounts and authorized credits is estimated based on the Group's assessment of various factors including historical experience, the age of the accounts receivable balances, current economic conditions and other factors that may affect the Group's customers' ability to pay. The balances of accounts receivable, net of allowance for doubtful accounts were RMB6,190,588 and RMB8,264,122 as of December 31, 2019 and March 31, 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 unaudited interim condensed consolidated balance sheets. As of December 31, 2019, the Group's total unearned revenues were RMB21,347,848, of which RMB11,593,554 was recognized as revenues for the three months ended March 31, 2020. The Group's total unearned revenues were RMB22,178,831 as of March 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.

u. 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 right 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 right 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 periods presented, the amount of expired J Coupons was not material.

2. Summary of significant accounting policies (Continued)

u. 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 periods presented, the amount of expired J Beans was not material.

v. Cost of revenues

Cost of revenues consists primarily of purchase price of products, inbound shipping charges, write-downs of inventories, traffic acquisition costs related to online marketing services, and cost related to logistics services provided to third parties. Shipping charges to receive products from the suppliers are included in inventories, and recognized as cost of revenues upon sale of the products to the customers.

w. 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 unaudited interim condensed consolidated statements of operations and comprehensive income. 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.

x. Fulfillment

Fulfillment expenses consist primarily of (i) expenses incurred in operating the Group's fulfillment centers, customer service centers and physical stores, including personnel cost and expenses attributable to buying, receiving, inspecting and warehousing inventories, picking, packaging, and preparing customer orders for shipment, processing payment and related transaction costs, (ii) expenses charged by third-party couriers for dispatching and delivering the Group's products and (iii) lease expenses of warehouses, delivery and pickup stations, and physical stores. The cost related to logistics services provided to third parties is classified in cost of revenues in the unaudited interim condensed consolidated statements of operations and comprehensive income. Shipping cost included in fulfillment expenses amounted to RMB3,822,077 and RMB5,130,512 for the three months ended March 31, 2019 and 2020, respectively.

2. Summary of significant accounting policies (Continued)

y. 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 unaudited interim condensed consolidated statements of operations and comprehensive income.

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 RMB2,991,732 and RMB3,661,414 for the three months ended March 31, 2019 and 2020, respectively.

z. 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.

aa. 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.

bb. Share-based compensation

The Company grants restricted share units ("RSUs") and share options of the Company and its subsidiaries to eligible employees and non-employee consultants. The Group accounts for share-based awards issued to employees in accordance with ASC Topic 718, *Compensation – Stock Compensation*. The Group early adopted ASU 2018-07, "Compensation-Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting" beginning July 1, 2018, before then, the Group accounted for share-based awards issued to non-employees in accordance with ASC 505-50, *Equity-Based Payments to Non-Employees.*

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

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

2. Summary of significant accounting policies (Continued)

bb. Share-based compensation (Continued)

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

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

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

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

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

cc. 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 unaudited interim condensed consolidated statements of operations and comprehensive income in the period of change. Deferred tax assets and liabilities are classified as non-current in the unaudited interim condensed consolidated balance sheets.

The Group recognizes in its unaudited interim condensed 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 unaudited interim condensed 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 March 31, 2020, the Group did not have any significant unrecognized uncertain tax positions.

2. Summary of significant accounting policies (Continued)

dd. 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.

ee. Comprehensive income

Comprehensive income 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 for the periods presented includes net income, change in unrealized gains on available-for-sale debt securities, foreign currency translation adjustments, and share of change in other comprehensive income of equity investees.

ff. Net income per share

Basic net income per share is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For the calculation of diluted net income 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 per share when inclusion of such effect would be anti-dilutive.

2. Summary of significant accounting policies (Continued)

gg. 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.

hh. Recent accounting pronouncements

<u>*Recently adopted accounting pronouncements*</u>

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 unaudited interim condensed 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 material impact on the Group's unaudited interim condensed consolidated financial statements.

<u>*Recently issued accounting pronouncements not yet adopted*</u>

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.

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 periods presented.

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 March 31, 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 unaudited interim condensed 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 and RMB37,369,616 as of December 31, 2019 and March 31, 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 depreciation of the RMB against the US$ was approximately 2% for the three months ended March 31, 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 and RMB2,246,361 as of December 31, 2019 and March 31, 2020, respectively.

(All amounts in thousands, except for share, per share data or otherwise noted)

5. Fair value measurement

As of December 31, 2019 and March 31, 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:

		Fair value measurement at reporting date using		
Description	Fair value as of December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	RMB	RMB	RMB	RMB
Assets:				
Cash equivalents				
Money market funds	3,590,620	3,590,620	—	—
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	48,214,494	25,007,724	23,206,770	—

		Fair value measurement at reporting date using		
Description	Fair value as of March 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	RMB	RMB	RMB	RMB
Assets:				
Cash equivalents				
Money market funds	737,876	737,876	—	—
Short-term investments				
Wealth management products	26,529,672	—	26,529,672	—
Investment securities				
Listed equity securities	20,780,630	20,780,630	—	—
Total assets	48,048,178	21,518,506	26,529,672	—

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 unaudited interim condensed 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.

(All amounts in thousands, except for share, per share data or otherwise noted)

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 March 31, 2020, gross unrealized gains of RMB54,813 and RMB88,246 were recorded on wealth management products, respectively. No impairment charges were recorded for the three months ended March 31, 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 periods are recognized in others, net in the unaudited interim condensed consolidated statements of operations and comprehensive income.

The following table summarizes the carrying value and fair value of the investment securities:

	Cost Basis RMB	Gross Unrealized Gains RMB	Gross Unrealized Losses RMB	Fair Value RMB
December 31, 2019	18,329,057	5,008,610	(1,920,563)	21,417,104
March 31, 2020	18,477,597	5,592,543	(3,289,510)	20,780,630

In 2017, the Group invested in China United Network Communications Limited ("China Unicom") with a total consideration of RMB5,000,000 for approximately 2.4% of China Unicom's equity interest. As of March 31, 2020, the accumulated unrealized loss related to the investment in China Unicom was RMB1,178,624 (as of December 31, 2019: unrealized loss of RMB688,141).

In 2017, the Group invested in Vipshop Holdings Ltd. ("Vipshop") with a total consideration of RMB2,794,547 for approximately 5.5% of Vipshop's equity interest. In 2018 and 2019, the Group purchased additional shares with a total amount of RMB1,121,792. As of March 31, 2020, the accumulated unrealized gain related to the investment in Vipshop was RMB1,660,042 (as of December 31, 2019: unrealized gain of RMB1,077,422).

In 2017, the Group invested in Farfetch.com Limited ("Farfetch") with a total consideration of RMB2,713,285. On September 21, 2018, Farfetch completed its initial public offering on New York Stock Exchange. Concurrently with Farfetch's initial public offering ("IPO"), the Group purchased additional shares with a total amount of RMB186,155, and started to account for the investment at fair value. As of March 31, 2020, the accumulated unrealized loss related to the investment in Farfetch was RMB528,081 (as of December 31, 2019: unrealized gain of RMB159,589).

In 2018, the Group invested in ESR Cayman Limited ("ESR") with a total consideration of RMB1,952,325. On November 1, 2019, ESR completed its IPO on The Stock Exchange of Hong Kong Limited. Concurrently with ESR's IPO, the Group sold approximately 3.4% of its investment in ESR and started to account for the remaining investment at fair value. As of March 31, 2020, the accumulated unrealized gain related to the investment in ESR was RMB1,672,225 (as of December 31, 2019: unrealized gain of RMB1,777,252).

5. Fair value measurement (Continued)

Other financial instruments

The followings are other financial instruments not measured at fair value in the unaudited interim condensed 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 unaudited interim condensed 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 March 31, 2020, the fair value of time deposits classified as cash equivalents and short-term investments amounted to RMB11,189,560 and RMB29,403,944, 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 March 31, 2020, the fair value of unsecured senior notes amounted to RMB7,195,427 and RMB14,413,004, 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 debts and long-term borrowings. Interest rates under the short-term debt and long-term borrowing agreements with the lending parties were determined based on the prevailing interest rates in the market. The carrying value of short-term debts 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 unaudited interim condensed 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 March 31, 2020, and the impairment charges of RMB29,128 and RMB20,139 were recorded in others, net in the unaudited interim condensed consolidated statements of operations and comprehensive income for the three months ended March 31, 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 6 —"Investment in equity investees".

6. Investment in equity investees

Measurement Alternative and NAV practical expedient

Under ASU 2016-01, the carrying amount of the Group's equity investments measured at fair value using the Measurement Alternative was RMB17,580,557 and RMB17,921,500 as of December 31, 2019 and March 31, 2020, respectively, and the carrying amount of the Group's investments under NAV practical expedient was RMB2,515,919 and RMB3,376,469 as of December 31, 2019 and March 31, 2020, respectively. For the three months ended March 31, 2019 and 2020, the Group invested RMB1,406,442 and RMB1,127,843 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 three months ended March 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 in cash in exchange for additional preferred share investment in AiHuiShou. Total consideration for the above investment in AiHuiShou was RMB3,380,825.

Equity method

As of March 31, 2020, the Group's investments accounted for under the equity method totaled RMB15,474,822 (as of December 31, 2019: RMB15,479,331), which mainly included the investment in Yonghui Superstores Co., Ltd, ("Yonghui") amounting to RMB5,812,216, the investment in Bitauto Holdings Limited ("Bitauto") amounting to RMB1,585,724, the investment in Dada Nexus Limited ("Dada") amounting to nil, the investment in Tuniu Corporation ("Tuniu") amounting to RMB378,829, the investment in Jiangsu Five Star Appliance Co., Ltd. ("Jiangsu Five Star") amounting to RMB881,187, and investment in Yixin Group Limited ("Yixin") amounting to RMB794,041. 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.

<u>Investment in Yonghui</u>

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 May 2018 and February 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 12% accordingly. Yonghui is a leading hypermarket and supermarket operator in China and is listed on the Shanghai Stock Exchange. Total consideration for the investment in Yonghui was RMB5,776,853 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.

(All amounts in thousands, except for share, per share data or otherwise noted)

6. Investment in equity investees (Continued)

Investment in Yonghui (Continued)

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

	As of December 31, 2019 RMB	As of March 31, 2020 RMB
Carrying value of investment in Yonghui	5,508,062	5,812,216
Proportionate share of Yonghui's net tangible and intangible assets	2,249,239	2,327,244
Positive basis difference	3,258,823	3,484,972
Positive basis difference has been assigned to:		
Goodwill	1,989,726	2,128,213
Amortizable intangible assets (*)	1,692,129	1,809,012
Deferred tax liabilities	(423,032)	(452,253)
	3,258,823	3,484,972
Cumulative gains in equity interest in Yonghui	428,729	414,104

(*) As of March 31, 2020, the weighted average remaining life of the intangible assets not included in Yonghui's consolidated financial statements was 15 years.

As of December 31, 2019 and March 31, 2020, the market value of the Group's investment in Yonghui was RMB8,248,601 and RMB11,564,173 based on its quoted closing price, respectively.

(All amounts in thousands, except for share, per share data or otherwise noted)

6. Investment in equity investees (Continued)

Investment in Bitauto

On February 16, 2015, the Group completed its investment in Bitauto through the subscription of newly issued ordinary shares, representing approximately 25% of the outstanding ordinary shares of Bitauto. Bitauto is a leading provider of internet content and marketing services for China's fast-growing automotive industry that is listed on Nasdaq. Total consideration for the initial investment in Bitauto was RMB5,496,188 with a combination of RMB2,450,920 in cash and RMB3,045,268 in the form of future services, including exclusive access to the new and used car channels on the JD Platform and additional support from the Group's key platforms for a period of 5 years. On June 17, 2016, the Group additionally acquired Bitauto's newly issued ordinary shares by paying the cash consideration of RMB328,975. As of March 31, 2020, the Group held approximately 24% of Bitauto's issued and outstanding shares.

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

	As of December 31, 2019 RMB	As of March 31, 2020 RMB
Carrying value of investment in Bitauto (*)	1,817,781	1,585,724
Proportionate share of Bitauto's net tangible and intangible assets	2,347,924	2,115,867
Negative basis difference	(530,143)	(530,143)
Negative basis difference has been assigned to:		
Goodwill (*)	—	—
Amortizable intangible assets (**)	(530,143)	(530,143)
	(530,143)	(530,143)
Cumulative losses in equity interest in Bitauto	(3,910,223)	(4,142,280)

(*) In the first quarter of 2019, the Group conducted impairment assessment on its investment in Bitauto considering the duration and severity of the decline of Bitauto's stock price after the investment, as well as the financial condition, operating performance and the prospects of Bitauto, and concluded the decline in fair value of the investment was other-than-temporary. Accordingly, the Group recorded impairment charge of RMB488,453 to write down the carrying value of its investment in Bitauto to the fair value, based on quoted closing price of Bitauto's stock as of March 31, 2019.

(**) As of March 31, 2020, the negative basis difference between carrying value of investment in Bitauto and proportionate share of Bitauto's net tangible and intangible assets was RMB530,143. This difference would not be amortized.

As of December 31, 2019 and March 31, 2020, the market value of the Group's investment in Bitauto was approximately RMB1,793,871 and RMB1,275,557 based on its quoted closing price, respectively.

(All amounts in thousands, except for share, per share data or otherwise noted)

6. Investment in equity investees (Continued)

Investment in Dada

In April 2016, the Group signed series of agreements with Dada, China's largest crowdsourcing delivery platform. The Group obtained a) the newly issued ordinary shares of Dada which represents approximately 81% of the issued and outstanding ordinary shares, or approximately 41% of the equity interests of Dada on a fully diluted basis, b) the newly issued preferred shares of Dada which represents approximately 7% of the equity interest in Dada on a fully diluted basis, and c) a warrant to purchase additional preferred shares of Dada at a pre-determined price for the next 2 years. Total consideration for the above investments and warrant was RMB3,508,200 with a combination of RMB1,298,700 in cash, the Group's future services, including supply chain support for a period of 10 years, traffic and other additional support for a period of 7 years, non-compete obligation in O2O business for a period of 7 years, and the Group's O2O business, JD Daojia. The Group holds two board seats out of six with the founder of Dada holding the casting vote after the transaction.

With the assistance of an independent appraiser, the Group estimated the fair value of the assets/investments received as follows:

	As of April 26, 2016 RMB
Assets/investments received by the Group	
Dada's ordinary shares	2,164,050
Dada's preferred shares	1,298,700
Warrant to purchase Dada's preferred shares	45,450
	3,508,200

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

	As of December 31, 2019 RMB	As of March 31, 2020 RMB
Carrying value of investment in Dada's ordinary shares	—	—
Proportionate share of Dada's net tangible and intangible assets	(1,701,718)	(1,699,784)
Positive basis difference	1,701,718	1,699,784
Positive basis difference has been assigned to:		
Goodwill	1,605,891	1,605,891
Amortizable intangible assets (*)	127,770	125,190
Deferred tax liabilities	(31,943)	(31,297)
	1,701,718	1,699,784
Cumulative losses in equity interest in Dada's ordinary shares	(2,164,050)	(2,164,050)

(*) As of March 31, 2020, the weighted average remaining life of the intangible assets not included in Dada's consolidated financial statements was 6 years.

(All amounts in thousands, except for share, per share data or otherwise noted)

6. Investment in equity investees (Continued)

Investment in Dada (Continued)

The investment in Dada's preferred shares is accounted for under the Measurement Alternative as the underlying preferred shares were not considered in-substance common stock and had no readily determinable fair value as of March 31, 2020. The warrant is a freestanding financial instrument and was recorded at fair value of RMB45,450 upon initial recognition. On December 28, 2017, the Group exercised the warrant in entirety in cash and purchased additional preferred shares of Dada, at the pre-determined price with the total consideration of RMB983,820. On August 9, 2018, the Group further invested RMB1,230,808 to acquire the newly issued preferred shares of Dada. The Group's investment in Dada's ordinary shares has been reduced to zero in 2018. According to ASC 323-10-35-25, as the Group's total investment in Dada includes the preferred shares investment, the Group should continue to recognize Dada's losses up to the Group's carrying value in the preferred shares investment. As of March 31, 2020, the Group recognized a cumulative loss of RMB1,666,703 against the investment in Dada's preferred shares based on the ownership level and seniority of preferred shares investment the Group held in Dada. As of March 31, 2020, the carrying amount of preferred shares of Dada was RMB2,141,997.

Investment in Tuniu

In December 2014, the Group acquired 7% equity interest in Tuniu with cash consideration of RMB305,930. Tuniu is a leading online leisure travel company in China that is listed on Nasdaq. The Group accounted for the initial investment as an available-for-sale security.

On May 22, 2015, the Group additionally acquired Tuniu's newly issued ordinary shares for total consideration of RMB2,188,490 with a combination of RMB1,528,275 in cash and RMB660,215 in the form of future services, including granting Tuniu an exclusive rights, for a period of 5 years, to operate the leisure travel channels on the JD Platform, and Tuniu becomes the Group's preferred partner for hotel and air ticket booking services. After the subsequent investment in May 2015, the Group held approximately 28% of Tuniu's issued and outstanding shares and had one board seat. Hence, the Group adopted equity method of accounting to account for the investment in Tuniu.

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

	As of December 31, 2019 RMB	As of March 31, 2020 RMB
Carrying value of investment in Tuniu (*)	457,443	378,829
Proportionate share of Tuniu's net tangible and intangible assets	633,295	554,681
Negative basis difference	(175,852)	(175,852)
Negative basis difference has been assigned to:		
Goodwill (*)	—	—
Amortizable intangible assets (**)	(175,852)	(175,852)
Deferred tax liabilities	—	—
	(175,852)	(175,852)
Cumulative losses in equity interest in Tuniu	(2,036,702)	(2,115,316)

(*) In the second and fourth quarter of 2019, the Group conducted impairments assessment on its investment in Tuniu considering the duration and severity of the decline of Tuniu's stock price after the investment, and concluded the decline in fair value of the investment was other-than-temporary. Accordingly, the Group recorded impairment charges of RMB222,212 and RMB86,072 in the second and fourth quarter of 2019, respectively, to write down the carrying value of its investment in Tuniu to its fair value, based on quoted closing prices of Tuniu as of June 30, 2019 and December 31, 2019, respectively.

(All amounts in thousands, except for share, per share data or otherwise noted)

6. Investment in equity investees (Continued)

Investment in Tuniu (Continued)

(**) As of March 31, 2020, the negative basis difference between carrying value of investment in Tuniu and proportionate share of Tuniu's net tangible and intangible assets was RMB175,852. This difference would not be amortized.

As of December 31, 2019 and March 31, 2020, the market value of the Group's investment in Tuniu was approximately RMB457,443 and RMB184,359 based on quoted closing price, respectively.

Investment in Jiangsu Five Star

In April 2019, the Group invested RMB1,274,257 with a combination of cash and assumption of the seller's debt as consideration to acquire ordinary shares of Jiangsu Five Star, a leading offline retailer of home appliances and consumer electronics, from its existing shareholder (the "Seller"), in exchange for 46% of Jiangsu Five Star's total equity interest. The Group also provided a fifteen months interest-bearing loan of RMB1,024,946 to the Seller and has the rights to purchase additional shares. Investment in Jiangsu Five Star is accounted for using the equity method as the Group obtained significant influence by the rights to nominate two board members out of five.

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

	As of December 31, 2019	As of March 31, 2020
	RMB	RMB
Carrying value of investment in Jiangsu Five Star	1,317,045	881,187
Proportionate share of Jiangsu Five Star's net tangible and intangible assets	480,438	50,990
Positive basis difference	836,607	830,197
Positive basis difference has been assigned to:		
Goodwill	586,325	586,325
Amortizable intangible assets (*)	206,069	200,848
Property (*)	127,641	124,316
Deferred tax liabilities	(83,428)	(81,292)
	836,607	830,197
Cumulative gains/(losses) in equity interest in Jiangsu Five Star	42,788	(393,070)

(*) As of March 31, 2020, the weighted average remaining lives of the intangible assets and property were 19 years and 24 years, respectively.

Investment in Yixin

In February 2015 and August 2016, the Group invested US$100,000 and US$30,000 in cash, respectively, to acquire Yixin's newly issued preferred shares. Yixin, a controlled subsidiary of Bitauto, is a leading online automobile retail transaction platform in China. The investment in Yixin was accounted for under the cost method as the underlying shares the Group invested in were not considered in-substance common stock and had no readily determinable fair value.

On November 16, 2017, Yixin successfully completed the global offering and traded on the Main Board of the Stock Exchange of Hong Kong Limited. After the offering, the Group held approximately 11% of Yixin's issued and outstanding shares and the investment is accounted for using the equity method, as the preferred shares the Group previously invested in were automatically converted into ordinary shares upon listing and the Group obtained significant influence by the rights to nominate one non-executive board member out of nine and the significant influence on its controlling shareholder, Bitauto.

(All amounts in thousands, except for share, per share data or otherwise noted)

6. Investment in equity investees (Continued)

Investment in Yixin (Continued)

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

	As of December 31, 2019	As of March 31, 2020
	RMB	RMB
Carrying value of investment in Yixin (*)	1,206,741	794,041
Proportionate share of Yixin's net tangible and intangible assets	1,663,071	1,646,057
Negative basis difference (**)	(456,330)	(852,016)
Cumulative gains/(losses) in equity interest in Yixin	345,749	(66,951)

(*) In the first quarter of 2020, the Group conducted impairment assessment on its investment in Yixin considering the duration and severity of the decline of Yixin's stock price after the investment, as well as the financial condition, operating performance and the prospects of Yixin, and concluded the decline in fair value of the investment was other-than-temporary. Accordingly, the Group recorded impairment charge of RMB395,686 to write down the carrying value of its investment in Yixin to its fair value, based on quoted closing price of Yixin's stock as of March 31, 2020.

(**) As of March 31, 2020, the negative basis difference between carrying value of investment in Yixin and proportionate share of Yixin's net tangible and intangible assets was RMB852,016. This difference would not be amortized. As of December 31, 2019 and March 31, 2020, the market value of the Group's investment in Yixin was approximately RMB1,060,433 and RMB794,041 based on quoted closing price, respectively.

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 RMB29,128 and RMB20,139 were recorded in others, net in the unaudited interim condensed consolidated statements of operations and comprehensive income for the three months ended March 31, 2019 and 2020, respectively. As of March 31, 2020, the accumulated impairment of the Group's Measurement Alternative investments was RMB2,478,521. Impairment charges in connection with the equity method investments of RMB488,453 and RMB395,686 were recorded in share of results of equity investees in the unaudited interim condensed consolidated statements of operations and comprehensive income for the three months ended March 31, 2019 and 2020, respectively.

(All amounts in thousands, except for share, per share data or otherwise noted)

7. Accounts receivable, net

Accounts receivable, net consists of the following:

	As of	
	December 31, 2019	March 31, 2020
	RMB	RMB
Online retail and online marketplace receivables (*)	2,392,737	5,058,978
Logistics receivables	3,073,641	2,853,865
Advertising receivables and others	1,042,211	831,405
Accounts receivable	6,508,589	8,744,248
Allowance for doubtful accounts	(318,001)	(480,126)
Accounts receivable, net	6,190,588	8,264,122

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

	As of	
	December 31, 2019	March 31, 2020
	RMB	RMB
Balance at beginning of the period	(178,393)	(318,001)
Addition/allowance for credit losses	(213,395)	(163,771)
Write-off	73,787	1,646
Balance at end of the period	(318,001)	(480,126)

(*) 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.

8. Inventories, net

Inventories, net consist of the following:

	As of	
	December 31, 2019	March 31, 2020
	RMB	RMB
Products	58,795,341	52,304,585
Packing materials and others	223,234	225,657
Inventories	59,018,575	52,530,242
Inventory valuation allowance	(1,086,419)	(1,945,547)
Inventories, net	57,932,156	50,584,695

(All amounts in thousands, except for share, per share data or otherwise noted)

9. Short-term debts

Short-term debts consist of private placement notes and borrowings from financial institutions, all of these debts are repayable within one year.

In February and March 2020, Jingdong Century, a subsidiary of the Company, issued fixed rate private placement notes with two maturity dates for an aggregate principal amount of RMB5,000,000. The private placement consists of RMB3,000,000 of 2.65% notes due April 27, 2020 and RMB2,000,000 of 2.75% notes due October 30, 2020. The notes are listed on the inter-bank bond market of China. The Group intends to use the proceeds from the private placement mainly for general corporate purposes. As of December 31, 2019 and March 31, 2020, the private placement notes amounted to nil and RMB5,000,000, respectively.

As of December 31, 2019 and March 31, 2020, short-term borrowings from financial institutions amounted to nil and RMB3,601,811, respectively. The weighted average interest rate for the outstanding borrowings as of March 31, 2020 was approximately 2.82% per annum.

10. Accounts payable

Accounts payable consists of the following:

	As of	
	December 31, 2019	March 31, 2020
	RMB	RMB
Vendor payable	74,639,015	61,940,725
Shipping charges payable and others	15,789,367	14,544,353
Total	90,428,382	76,485,078

11. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of	
	December 31, 2019	March 31, 2020
	RMB	RMB
Deposits	14,619,420	14,924,649
Salary and welfare	5,037,530	4,426,487
Rental fee payables of short-term leases	332,893	365,125
Internet data center fee	614,712	831,929
Liabilities for return allowances	425,135	440,652
Accrued administrative expenses	368,821	393,510
Professional fee	268,054	345,172
Vehicle fee	190,289	196,031
Interest payable	43,598	162,371
Payable related to employees’ exercise of share-based awards	403,398	715,399
Other payable in relation to non-compete obligation to Dada and its subsidiaries (“Dada Group”)	83,093	84,390
Others	2,269,237	2,490,196
Total	24,656,180	25,375,911

(All amounts in thousands, except for share, per share data or otherwise noted)

12. Unsecured senior notes

In April 2016, the Company issued unsecured senior notes with two maturity dates for an aggregate principal amount of US$1,000,000. Listed on the Singapore Stock Exchange, these notes are both fixed rate notes and senior unsecured obligations, with interest payable semi-annually in arrears on and of each year, beginning on October 29, 2016. The unsecured senior notes were issued at a discount amounting to RMB79,289. The debt issuance costs of RMB35,727 were presented as a direct deduction from the principal amount of the unsecured senior notes in the unaudited interim condensed 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. 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 January 14, 2020. The unsecured senior notes were issued at a discount amounting to RMB36,805. The debt issuance costs of RMB44,681 were presented as a direct deduction from the principal amount of the unsecured senior notes in the unaudited interim condensed consolidated balance sheets. The proceeds from issuance of the unsecured senior notes were used for general corporate purposes. During the three months ended March 31, 2020, the Group repurchased the Company's unsecured senior notes with a total principal amounts of US$12,000 (RMB84,970) at a reacquisition price of US$10,224 (RMB72,326) from the open market. The repurchased unsecured senior notes were derecognized from the Group's unaudited interim condensed consolidated balance sheets, and the relevant repurchase gains amounting to RMB11,101 were recognized in interest expense in the Group's unaudited interim condensed consolidated statements of operations and comprehensive income.

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

	As of		
	December 31, 2019	March 31, 2020	Effective interest rate
	RMB	RMB	
US$500,000 3.125% notes due 2021	3,477,276	3,533,579	3.37%
US$500,000 3.875% notes due 2026	3,435,216	3,490,692	4.15%
US$700,000 3.375% notes due 2030	—	4,886,298	3.47%
US$300,000 4.125% notes due 2050	—	2,032,620	4.25%
Carrying value	6,912,492	13,943,189	
Unamortized discount and debt issuance costs	63,708	141,990	
Total principal amounts of unsecured senior notes	6,976,200	14,085,179	

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 March 31, 2020, the principal of the unsecured senior notes of RMB3,542,550, RMB3,542,550, RMB4,924,145 and RMB2,075,934 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
Within 1 year	—
Between 1 to 2 years	3,542,550
Between 2 to 3 years	—
Between 3 to 4 years	—
Between 4 to 5 years	—
Beyond 5 years	10,542,629
Total	14,085,179

(All amounts in thousands, except for share, per share data or otherwise noted)

13. 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 March 31, 2020 is as follows:

	As of	
	December 31, 2019	March 31, 2020
	RMB	RMB
Operating lease ROU assets	8,643,597	8,444,918
Operating lease liabilities-current	3,193,480	3,406,984
Operating lease liabilities-non-current	5,523,164	5,325,542
Total operating lease liabilities	8,716,644	8,732,526
Weighted average remaining lease term	4.4 years	4.3 years
Weighted average discount rate	4.7%	4.7%

A summary of lease cost recognized in the Group’s unaudited interim condensed consolidated statements of operations and comprehensive income and supplemental cash flow information related to operating leases is as follows:

	For the three months ended March 31,	
	2019	2020
	RMB	RMB
Operating lease cost	750,348	923,685
Short-term lease cost	257,202	364,965
Total	1,007,550	1,288,650
Cash paid for operating leases	694,603	714,968

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

	As of March 31, 2020
	RMB
Remainder of 2020	2,752,033
2021	2,400,189
2022	1,644,285
2023	1,109,649
2024	681,076
2025 and thereafter	1,111,961
Total lease payments	9,699,193
Less: interest	(966,667)
Present value of operating lease liabilities	8,732,526

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

14. Assets and liabilities held for sale

In 2018, the Group established JD Property to manage the expanding logistics facilities and other real estate properties. In February 2019, JD Property established JD Logistics Properties Core Fund, L.P. ("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 a limited partner, and GIC committed the remaining 80%.

Furthermore, on February 27, 2019, the Group entered into definitive agreements with Core Fund, pursuant to which the Group will dispose of certain modern logistics facilities to Core Fund for a total gross asset value of RMB10.9 billion, and concurrently lease back these completed facilities for operational purposes with an initial lease term of 5 to 6 years. The initial annual rent for the completed facilities is approximate RMB0.7 billion that increases by 3% per year throughout each 5 years' period, and the rental rate will be adjusted based on the growth rate of fair market rent at the beginning of each 5 years' period. Upon the expiry of the initial lease agreement, if the adjusted rental rate is acceptable, the Group may choose to renew the lease with the same terms and conditions. Core Fund will use leverage to finance the purchase, and the closing of the purchase is subject to certain conditions, including the availability of debt financing.

The investment committee of Core Fund, which comprises the representatives from the Group and GIC, oversee the key operations of Core Fund. Given the control over Core Fund is shared between the Group and GIC, the Group does not consolidate Core Fund and investment in Core Fund is accounted for using the equity method as the Group obtained significant influence by the rights to nominate two members of the investment committee out of four. The lease back transaction is classified as an operating lease, and accounted for under ASC 842, the ROU assets and operating lease liabilities were recorded accordingly.

In the second half of 2019, the closing conditions for the asset group of completed logistics facilities were met and Core Fund signed definitive facility agreements with bank consortium to finance the purchase, therefore, the Group recorded a total disposal gain of RMB3,801,492 for the completed assets for the year ended December 31, 2019, which represents the excess of cash consideration of the net assets, including the consideration received and expected to receive, over the carrying value of the net assets disposed as of the disposal date. For the remaining logistics facilities under construction, the Group will derecognize these assets upon its completion and satisfaction of the hand-over condition.

In January 2020, the Group's board of directors approved the proposal to establish another logistics investment fund, JD Logistics Properties Core Fund II, L.P. ("Core Fund II"), together with GIC to replicate the successful experience of Core Fund. The Group will serve 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, on January 20, 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 RMB4.6 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 unaudited interim condensed consolidated balance sheets. As of March 31, 2020, regarding the logistics facilities to be sold to Core Fund II, the Group classified cash and cash equivalents of RMB93,457 into current assets held for sale, and all related property, equipment and software and land use rights into non-current assets held for sale.

(All amounts in thousands, except for share, per share data or otherwise noted)

15. Others, net

Others, net consist of the following:

	For the three months ended March 31,	
	2019	2020
	RMB	RMB
Gain from business and investment disposals	—	15,000
Government financial incentives	1,276,272	425,815
Impairment of investments	(329,128)	(26,063)
Foreign exchange gains	56,218	19,188
Gains/(losses) from fair value change of long-term investments	5,750,537	(669,703)
Others	132,137	103,207
Total	6,886,036	(132,556)

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 unaudited interim condensed consolidated statements of operations and comprehensive income 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.

16. Taxation

a) *Value added tax* ("VAT")

The Group is subject to statutory VAT rate of 10% from January 1, 2019 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 16% from January 1, 2019 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 10%/9% (10% from January 1, 2019 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. Meanwhile, certain exemptions on VAT payable are eligible for revenues derived from delivery services involving residents' necessities since January 1, 2020; and the exemption expiration date will be determined by the government contingent on the novel coronavirus ("COVID-19") development.

The Group is also subject to cultural undertaking development fees at the rate of 3% on revenues from online advertising services in the PRC, which is reduced by 50% from July 1, 2019 to December 31, 2024.

b) *Income tax*

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains.

Indonesia

Under the current laws of the Republic of Indonesia, the Group's subsidiaries in Indonesia are subject to 25% income tax on its taxable income generated from operations in Indonesia.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the Company's subsidiaries incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax on its taxable income generated from operations in Hong Kong for the year of assessment 2017/2018. Commencing from the year of assessment 2018/2019, the first Hong Kong dollars ("HK$") 2 million of profits earned by its subsidiaries incorporated in Hong Kong will be taxed at half the current tax rate (i.e., 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate. Under the Hong Kong tax laws, the Company is exempted from the Hong Kong income tax on its foreign-derived income. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

(All amounts in thousands, except for share, per share data or otherwise noted)

16. 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 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 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 2020), or the Western Regions Catalogue, subject to certain general restrictions described in the EIT Law and the related regulations. Several entities of the Group are qualified as the enterprises within the Catalogue of Encouraged Industries in Western Regions and enjoyed 15% preferential income tax rate.

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.

The components of income tax expenses and effective income tax rate are as follows:

	For the three months ended March 31,	
	2019	2020
	RMB	RMB
Current income tax expenses	(118,228)	(410,090)
Deferred tax benefits/(expenses)	(161,412)	83,646
Total income tax expenses	(279,640)	(326,444)
Effective income tax rate	3.7%	23.6%

For interim income tax reporting, the Group estimates its annual effective tax rate and applies it to its year-to-date ordinary income. The tax effects of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates are reflected in the interim periods presented.

(All amounts in thousands, except for share, per share data or otherwise noted)

17. Convertible redeemable non-controlling interests

In 2018, the Group entered into definitive agreements with third-party investors to raise financing for Jingdong Express, the parent company of JD Logistics, with the total amount of US$2,510,000 (RMB15,973,564) by issuance of the series A preferred shares of Jingdong Express ("Jingdong Express Series A Preferred Shares"), representing approximately 19% of the ownership of Jingdong Express on a fully diluted basis.

The Group determined that Jingdong Express Series A Preferred Shares should be classified as mezzanine equity upon their issuance since they were contingently redeemable by the holders 5 years from the issuance date in the event that a qualified initial public offering (''Qualified IPO'') has not occurred and Jingdong Express Series A Preferred Shares have not been converted. The Qualified IPO is defined as an IPO that (i) has been approved by the Board of Directors of Jingdong Express or (ii) with the offering price per share that values Jingdong Express at no less than US$20,000,000 on a fully diluted basis immediately following the completion of such offering.

The Group records accretion on Jingdong Express Series A Preferred Shares, where applicable, to the redemption value from the issuance date to the earliest redemption date.

The Group determined that there were no embedded derivatives requiring bifurcation as the economic characteristics and risks of the embedded conversion and redemption features are clearly and closely related to that of Jingdong Express Series A Preferred Shares. Jingdong Express Series A Preferred Shares are not readily convertible into cash as there is not a market mechanism in place for trading of Jingdong Express's shares.

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

The convertible redeemable non-controlling interests as of December 31, 2019 and March 31, 2020 are summarized as follows:

	Number of shares	Amount RMB
Balance as of January 1, 2019	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	1,004,000,000	15,964,384
Balance as of January 1, 2020	1,004,000,000	15,964,384
Net income attributable to mezzanine equity classified as non-controlling interests shareholders		782
Balance as of March 31, 2020	1,004,000,000	15,965,166

18. 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 23). Additionally, upon the initial public offering in May 2014, the Company issued 166,120,400 Class A ordinary shares. Concurrently, the Company issued 139,493,960 Class A ordinary shares in a private placement to Huang River Investment Limited.

In June 2016, the Company issued 144,952,250 Class A ordinary shares to Newheight Holdings Ltd., a wholly owned subsidiary of Walmart, in connection with Walmart Transaction.

In June 2018, the Company issued 27,106,948 Class A ordinary shares to Google LLC, and received a consideration of US$549,836 (RMB3,531,870) after deducting financing charges.

In May 2019, the Company issued 8,127,302 Class A ordinary shares to Huang River Investment Limited (Note 23).

The ordinary shares reserved for future exercise of the RSUs and share options were 137,075,214 and 136,299,600 as of December 31, 2019 and March 31, 2020, respectively.

19. 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 worth of its American depositary shares ("ADSs") over the following 12 months.

Under the 2018 share repurchase program, as of March 31, 2020, the Company repurchased 2,332,048 ADSs. In December 2018, the Company repurchased 1,396,200 ADSs for US$29,999 (RMB205,886) on the open market, at a weighted average price of US$21.48 per ADS. In January 2019, the Company repurchased 935,848 ADSs for US$19,101 (RMB131,010) on the open market, at a weighted average price of US$20.41 per ADS.

In March 2020, the Company's Board of Directors authorized a share repurchase program ("2020 share repurchase program") under which the Company may repurchase up to US$2,000,000 worth of its ADSs over the following 24 months. The share repurchases may be made in accordance with applicable laws and regulations through open market transactions, privately negotiated transactions or other legally permissible means as determined by the management.

Under the 2020 share repurchase program, the Company repurchased 1,191,370 ADSs for US$44,132 (RMB311,776) on the open market, at a weighted average price of US$37.04 per ADS for the three months ended March 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.

(All amounts in thousands, except for share, per share data or otherwise noted)

20. Other comprehensive income

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

	Foreign currency translation adjustments	Net unrealized gains/(losses) on available-for-sale securities	Total
	RMB	RMB	RMB
Balances as of January 1, 2019	3,358,469	627	3,359,096
Other comprehensive loss	(854,914)	(565)	(855,479)
Balances as of March 31, 2019	2,503,555	62	2,503,617
Balances as of January 1, 2020	4,108,334	54,813	4,163,147
Other comprehensive income	727,917	11,369	739,286
Balances as of March 31, 2020	4,836,251	66,182	4,902,433

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

21. Share-based compensation

For the three months ended March 31, 2019 and 2020, total share-based compensation expenses recognized were RMB618,046 and RMB976,514, respectively. The following table sets forth the allocation of share-based compensation expenses:

	For the three months ended March 31,	
	2019	2020
	RMB	RMB
Cost of revenues	13,029	20,860
Fulfillment	57,538	131,878
Marketing	39,183	77,072
Research and development	226,955	360,599
General and administrative	281,341	386,105
Total	618,046	976,514

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 March 31, 2020, the Group had reserved 167,130,938 ordinary shares available to be granted as share-based awards under the Share Incentive Plan.

21. Share-based compensation (Continued)

(1) Employee and non-employee awards

The RSUs and share options are generally scheduled to be vested over two to ten years. One-second, one-third, one-fourth, one-fifth, one-sixth, or one-tenth of the awards, depending on different vesting schedules of the Plans, shall be vested upon the end of the calendar year in which the awards were granted or the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight line basis at the end of the remaining calendar or the anniversary years. Starting from the year ended December 31, 2016, certain awards had multiple tranches with tiered vesting commencement dates from 2016 to 2025, and each of the tranches is subject to a six-year vesting schedule.

Upon the reorganization of JD Digits, the employees' status of JD Digits changed from the employees of the Company's subsidiary to non-employees of the Company. Share-based awards granted by the Company to employees of JD Digits and share-based awards granted by JD Digits to employees of the Company were insignificant for all periods presented.

(2) Founder awards

In May 2015, the board of directors of the Company approved a 10-year compensation plan for Mr. Richard Qiangdong Liu (Mr. Liu), the Founder. Under this plan, Mr. Liu will receive RMB0.001 per year in cash salary and zero cash bonus during the 10-year period. Mr. Liu was granted an option to acquire a total of 26,000,000 Class A ordinary shares of the Company with an exercise price of US$16.70 per share (or US$33.40 per ADS) under the Company's Share Incentive Plan, subject to a 10-year vesting schedule with 10% of the awards vesting on each anniversary of the grant date. The Company will not grant any additional equity incentive to Mr. Liu during the 10-year period.

(3) Share-based compensation of subsidiaries

In April 2018, JD Logistics granted share-based awards ("JD Logistics Plan") to eligible employees to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of JD Logistics. The JD Logistics Plan consists of share options, RSU and other types of awards. For the three months ended March 31, 2019 and 2020, total share-based compensation expenses for the share options granted under JD Logistics Plan were RMB106,522 and RMB150,010, respectively.

(All amounts in thousands, except for share, per share data or otherwise noted)

22. Net income per share

Basic and diluted net income per share for each of the periods presented are calculated as follows:

	For the three months ended March 31,	
	2019	2020
	RMB	RMB
Numerator:		
Net income attributable to ordinary shareholders	7,319,133	1,072,821
Denominator:		
Weighted average number of shares – basic	2,893,977,289	2,926,684,966
Adjustments for dilutive options and RSUs	58,073,294	72,101,479
Weighted average number of shares – diluted	2,952,050,583	2,998,786,445
Basic net income per share attributable to ordinary shareholders	2.53	0.37
Diluted net income per share attributable to ordinary shareholders	2.48	0.36

Generally, basic net income per share is computed using the weighted average number of ordinary shares outstanding during the respective period. Diluted net income per share is computed using the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the respective period. The potentially dilutive ordinary shares that were not included in the calculation of diluted net income per share in the periods presented where their inclusion would be anti-dilutive include RSUs and options to purchase ordinary shares of 160,959,659 and 139,416,623 for the three months ended March 31, 2019 and 2020 on a weighted average basis, respectively. For the three months ended March 31, 2019 and 2020, as JD Logistics was in a loss position, the effect of redemption feature of Jingdong Express Series A Preferred Shares was anti-dilutive and excluded from the calculation of diluted net income per share.

(All amounts in thousands, except for share, per share data or otherwise noted)

23. Related party transactions

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

Name of related parties	Relationship with the Group
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 Group	An investee of the Group
JD Digits	An entity and its subsidiaries controlled by the Founder
Core Fund	An investee of the Group
AiHuiShou and its subsidiaries ("AiHuiShou Group")	An investee of the Group

(a) The Group entered into the following transactions with the major related parties:

Transactions	For the three months ended March 31,	
	2019	2020
	RMB	RMB
Revenues:		
Commission from cooperation on advertising business with Tencent Group(*)	52,284	99,138
Services provided and products sold to Tencent Group(*)	61,872	36,026
Services provided and products sold to Dada Group	31,387	31,034
Services provided and products sold to AiHuiShou Group	2,668	149,518
Traffic support, marketing and promotion services provided to Bitauto Group	149,571	151,233
Traffic support, marketing and promotion services provided to Tuniu Group	32,455	32,815
Services provided and products sold to JD Digits	51,008	92,621
Operating expenses:		
Services received and purchases from Tencent Group(*)	258,531	610,702
Services received from Dada Group	269,395	416,360
Payment processing and other services received from JD Digits	968,713	1,545,347
Lease and property management services received from Core Fund	—	176,020
Services received from AiHuiShou Group	—	7,643
Other income:		
Income from non-compete agreement with Dada Group	20,090	20,781
Interest income from loans provided to JD Digits	11,942	5,825
Interest income from loans provided to Core Fund	—	6,511

(*) 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 Icson, 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 Icson 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 Class A ordinary shares were issued in May 2019.

(All amounts in thousands, except for share, per share data or otherwise noted)

23. Related party transactions (Continued)

Revenues from related parties, excluding those from the major related parties as stated above, represented approximately 0.04% and 0.15% of total net revenues of the Group for the three months ended March 31, 2019 and 2020, respectively. Transactions with related parties included in operating expenses, excluding those with the major related parties as stated above, represented 0.23% and 0.24% of total operating expenses of the Group for the three months ended March 31, 2019 and 2020, respectively.

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

	As of	
	December 31, 2019	March 31, 2020
	RMB	RMB
Due from Tencent Group	1,128,102	1,320,641
Due from JD Digits		
Loans provided to JD Digits (**)	365,089	—
Other receivables from JD Digits	1,363,479	—
Due from Core Fund		
Loans provided to Core Fund (**)	579,118	510,466
Other receivables from Core Fund	569,832	354,581
Total	4,005,620	2,185,688
Due to Tuniu Group	(2,133)	(2,107)
Due to Dada Group	(208,123)	(281,480)
Due to AiHuiShou Group	(17,504)	(48,047)
Due to JD Digits	—	(822,223)
Total	(227,760)	(1,153,857)
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to Bitauto Group	(164,528)	(13,295)
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to Tuniu Group	(82,939)	(50,124)
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to Dada Group	(207,096)	(191,564)
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to AiHuiShou Group	(1,899,099)	(1,791,958)
Total	(2,353,662)	(2,046,941)
Other liabilities in relation to non-compete obligation to Dada Group	(276,976)	(260,202)
Total	(276,976)	(260,202)

(**) In relation to the loans provided to JD Digits and Core Fund, the Group charged JD Digits and Core Fund based on fair market interest rate, and cash flows resulted from the loans were presented within investing activities in the unaudited interim condensed consolidated statements of cash flows.

23. Related party transactions (Continued)

As of December 31, 2019 and March 31, 2020, the Group recorded amount due from related parties other than the major related parties as stated above of RMB228,447 and RMB342,751, which represented approximately 2.22% and 2.65% of the Group's total accounts receivable, net and prepayments and other current assets, respectively. As of December 31, 2019 and March 31, 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 and RMB112,102, which represented approximately 0.20% and 0.09% 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 RMB76,144 and RMB110,985 for the three months ended March 31, 2019 and 2020, respectively. In connection with the consumer financing business, JD Digits charged the Group RMB272,503 and RMB317,695, for the three months ended March 31, 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 nil for the three months ended March 31, 2019 and 2020, which were not derecognized. The accounts receivable transferred without recourse were RMB3,338,858 and RMB5,770,884 for the three months ended March 31, 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.

(All amounts in thousands, except for share, per share data or otherwise noted)

24. 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 three months ended March 31, 2019 and 2020.

	For the three months ended March 31,	
	2019	2020
	RMB	RMB
Net revenues:		
JD Retail	116,151,096	139,419,443
New Businesses	4,940,518	6,588,393
Inter-segment(*)	(242,661)	(125,609)
Total segment net revenues	120,848,953	145,882,227
Unallocated items	232,106	322,982
Total consolidated net revenues	121,081,059	146,205,209
Operating income/(loss):		
JD Retail	3,193,875	4,452,534
New Businesses	(1,138,725)	(1,196,651)
Including: gain on sale of development properties	*83,218*	—
Total segment operating income	2,055,150	3,255,883
Unallocated items(**)	(829,576)	(935,434)
Total consolidated operating income	1,225,574	2,320,449
Total other income/(expense)	6,293,744	(936,822)
Income before tax	7,519,318	1,383,627

(*) 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 periods presented is as follows:

	For the three months ended March 31,	
	2019	2020
	RMB	RMB
Share-based compensation	(618,046)	(976,514)
Amortization of intangible assets resulting from assets and business acquisitions	(443,636)	(147,161)
Effects of business cooperation arrangements	232,106	188,241
Total	(829,576)	(935,434)

25. 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 RMB1,464,239 and RMB1,439,275 for the three months ended March 31, 2019 and 2020, respectively.

26. Lines of credit and loan facilities

As of March 31, 2020, the Group had agreements with commercial banks for unsecured revolving lines of credit, and increased its revolving lines of credit to RMB81,152,438. The Group was in compliance with the financial covenants, under those lines of credit as of March 31, 2020. As of March 31, 2020, under the lines of credit, the Group had RMB3,601,811 used for the liquidity loans, RMB1,940,000 used for the private placement notes, RMB13,629,068 used for the issuance of bank acceptance, RMB1,145,605 used for the bank guarantee and RMB5,700 used for other facilities.

In December 2017, the Group entered into a 5-year US$1,000,000 term and revolving credit facilities agreement with a group of 24 arrangers. The facilities were priced at 115 basis points over London Interbank Offered Rate. The use of proceeds of the facilities was intended for general corporate purposes. In June 2018, the Group drew down US$450,000 under the facility commitment, and the borrowings will be due in 2022, which were recorded in long-term borrowings in the unaudited interim condensed consolidated balance sheets. As of March 31, 2020, balance of US$550,000 remain available 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 March 31, 2020, the aggregate amounts repayable within a period of more than two years but not exceeding five years was US$450,000. Subsequently in April 2020, the Group drew down US$550,000 under the facility commitment.

(All amounts in thousands, except for share, per share data or otherwise noted)

27. Commitments and contingencies

Operating lease commitments for offices and fulfillment infrastructures

The Group leases offices and fulfillment infrastructures under non-cancelable operating lease agreements. Future minimum lease payments under these non-cancelable operating lease agreements with initial terms longer than twelve months are disclosed as maturity of lease liabilities in Note 13.

Commitments for internet data center (IDC) service fee

The Group entered into non-cancelable IDC service agreements. The related expenses were RMB541,347 and RMB743,793 for the three months ended March 31, 2019 and 2020, respectively, and were charged to the unaudited interim condensed consolidated statements of operations and comprehensive income when incurred.

Future minimum payments under these non-cancelable agreements with initial terms of one year or more consist of the following:

	As of March 31, 2020 RMB
Remainder of 2020	1,172,954
2021	1,382,689
2022	1,257,169
2023	844,998
2024	686,136
2025 and thereafter	804,740
	6,148,686

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 unaudited interim condensed consolidated financial statements amounted to RMB6,864,841 as of March 31, 2020. All of these capital commitments will be fulfilled in the following years according to the construction progress.

Long-term debt obligations

The Group's long-term debt obligations include unsecured senior notes and long-term borrowings. The amounts exclude the corresponding interest payable. The expected repayment schedule of the unsecured senior notes and long-term borrowings have been disclosed in Note 12 and Note 26, 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 March 31, 2020.

28. Subsequent events

Financing for JD Industrial Technology, Inc.

On April 24, 2020, the Group entered into definitive agreements for the non-redeemable series A preferred share financing of JD Industrial Technology, Inc., a subsidiary of the Company, with investors including GGV Capital, Sequoia Capital China and CPE, among others. The total amount expected to be raised is US$230 million, representing 10.7% of equity interest of JD Industrial Technology, Inc. on a fully diluted basis, subject to closing conditions. JD Industrial Technology, Inc., operates an e-commerce platform that specializes in industrial maintenance, repair and operations products and services, and provides intelligent purchasing platform and supply chain solutions for corporate customers.

Potential impact of COVID-19

From late January 2020, the COVID-19 was rapidly evolving in China and globally. Since then, the business and transportation disruptions in China have caused adverse impacts to the Group's operations and led to incremental costs, in particular, relating to the Group's retail and logistics business. Demands for large-ticket items, durable goods and discretionary products have also been negatively affected by the COVID-19 outbreak. The Group's consolidated financial position and results of operation in future periods of 2020 will be adversely affected to a certain extent, which will depend on the future developments of the outbreak, including new development concerning the global severity of and actions taken to contain the outbreak, which are highly uncertain and unpredictable.

Acquisitions

Subsequent to March 31, 2020, the Group has signed definitive agreements to acquire the controlling equity interests in three companies in an aggregate consideration of approximately RMB1.6 billion. These three companies are principally engaged in the businesses of retail, e-commerce and real estate, respectively.

Private placement notes

In May 2020, Jingdong Century, a subsidiary of the Company, issued RMB2,000,000 of 1.75% fixed rate private placement notes due August 18, 2020. The notes are listed on the inter-bank bond market of China. The Group intends to use the proceeds from the private placement for general corporate purposes.

Issuance of Class A Ordinary Shares to Tencent

As disclosed in Note 23, on May 27, 2020, the Company issued 2,938,584 Class A ordinary shares to Huang River Investment Limited, as part of the total consideration of the strategic cooperation agreement with Tencent for the three-year period starting from May 27, 2019.