

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

FORM 20-F

(Mark One)

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report
Commission file number: 001-36450

JD.com, Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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

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

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Name of each exchange on which registered
American depositary shares (one American depositary share representing two Class A ordinary shares, par value US\$0.00002 per share) Class A ordinary shares, par value US\$0.00002 per share*	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market) The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)

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

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

None
(Title of Class)

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

None
(Title of Class)

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

2,407,382,890 Class A ordinary shares (excluding the 69,963,700 Class A ordinary shares issued to the depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under the Share Incentive Plan) and 461,362,309 Class B ordinary shares, par value US\$0.00002 per share, as of December 31, 2017.

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

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

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

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

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

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

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. Yes No

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

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

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

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

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

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

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

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INTRODUCTION

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

- “ADSs” are to our American depositary shares, each of which represents two Class A ordinary shares;
- “annual active customer accounts” are to customer accounts that made at least one purchase during the twelve months ended on the respective dates, including both online direct sales and online marketplace, which exclude Paipai.com;
- “China” or the “PRC” are to the People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- “GMV” are to the total value of all orders for products and services placed in our online direct sales business and on our online marketplaces, regardless of whether the goods are sold or delivered or whether the goods are returned, excluding orders on Paipai.com. GMV includes the value from orders placed on our websites and mobile apps as well as orders placed on third-party websites and mobile apps that are fulfilled by us or by our third-party merchants. Our calculation of GMV includes shipping charges paid by buyers to sellers and for prudent consideration excludes certain transactions over certain amounts that are comparable to the disclosed parameters in GMV definition by our major industry peer. We believe that GMV provides a measure of the overall volume of transactions that flow through our platform in a given period and is only useful for the purposes of industry and peer comparisons. Therefore, it should not be used as a financial metric. GMV of all periods presented in this annual report is calculated based on this definition;
- “ordinary shares” are to our Class A and Class B ordinary shares, par value US\$0.00002 per share; and
- “we,” “us,” “our company” and “our” are to JD.com, Inc., its subsidiaries and its consolidated variable interest entities.

FORWARD-LOOKING INFORMATION

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

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

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- competition in our industry; and
- relevant government policies and regulations relating to our industry.

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following table presents the selected consolidated financial information for our company. As of June 30, 2017, we deconsolidated our finance business, which we refer to as JD Finance, as a result of the reorganization of JD Finance. Accordingly, JD Finance’s historical financial results for periods from January 1, 2015 to June 30, 2017 are reflected in our consolidated financial statements as discontinued operations. Please see “Item 4. Information on the Company—A. History and Development of the Company” for further information. The selected consolidated statements of operations data for the years ended December 31, 2015, 2016 and 2017, selected consolidated balance sheets data as of December 31, 2016 and 2017 and selected consolidated cash flows data for the years ended December 31, 2015, 2016 and 2017 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. JD Finance is reflected as discontinued operations in these selected consolidated financial statements. The selected consolidated statements of operations data for the years ended December 31, 2013 and 2014, selected consolidated balance sheets data as of December 31, 2013, 2014 and 2015 and selected consolidated cash flows data for the years ended December 31, 2013 and 2014 have been derived from our audited consolidated financial statements not included in this annual report, and JD Finance is not reflected as discontinued operations in these selected consolidated financial statements as the impact of JD Finance was not material during these periods. Our historical results do not necessarily indicate results expected for any future periods. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” below. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

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	For the Year Ended December 31,					
	2013 RMB	2014 RMB	2015 RMB	2016 RMB	2017 RMB	US\$
	(in millions, except for share, per share and per ADS data)					
Selected Consolidated Statements of Operations Data:						
Net revenues:						
Net product revenues (formerly known as online direct sales)	67,018	108,549	167,936	237,944	331,824	51,000
Net service revenues (formerly known as services and others)	2,322	6,453	13,106	20,346	30,508	4,689
Total net revenues	69,340	115,002	181,042	258,290	362,332	55,689
Operating expenses⁽¹⁾⁽²⁾⁽³⁾:						
Cost of revenues	(62,496)	(101,631)	(158,960)	(222,935)	(311,517)	(47,879)
Fulfillment	(4,109)	(8,067)	(12,367)	(18,560)	(25,865)	(3,975)
Marketing	(1,590)	(4,010)	(7,233)	(10,159)	(14,918)	(2,293)
Technology and content	(964)	(1,836)	(2,902)	(4,453)	(6,652)	(1,022)
General and administrative	(760)	(5,260)	(2,188)	(3,436)	(4,215)	(648)
Impairment of goodwill and intangible assets	—	—	(2,750)	—	—	—
Total operating expenses	(69,919)	(120,804)	(186,400)	(259,543)	(363,167)	(55,817)
Loss from operations	(579)	(5,802)	(5,358)	(1,253)	(835)	(128)
Other income/(expense):						
Share of results of equity investees	—	—	(2,852)	(2,782)	(1,927)	(296)
Interest income	344	638	673	1,227	2,530	389
Interest expense	(8)	(29)	(73)	(619)	(964)	(148)
Others, net	193	216	(147)	1,544	1,317	201
Income/(loss) before tax	(50)	(4,977)	(7,757)	(1,883)	121	18
Income tax benefits/(expenses)	0	(19)	15	(166)	(140)	(21)
Net loss from continuing operations			(7,742)	(2,049)	(19)	(3)
Net income/(loss) from discontinued operations, net of tax			(1,376)	(1,365)	7	1
Net loss	(50)	(4,996)	(9,118)	(3,414)	(12)	(2)
Net loss from continuing operations attributable to non-controlling interests shareholders			(10)	(48)	(135)	(21)
Net loss from discontinued operations attributable to non-controlling interests shareholders			—	(4)	(5)	(1)
Net income from discontinued operations attributable to mezzanine classified non-controlling interests shareholders			—	445	281	43
Preferred shares redemption value accretion	(2,435)	(7,958)	—	—	—	—
Net income/(loss) from continuing operations attributable to ordinary shareholders			(7,732)	(2,001)	116	18
Net loss from discontinued operations attributable to ordinary shareholders			(1,376)	(1,806)	(269)	(41)
Net loss attributable to ordinary shareholders	(2,485)	(12,954)	(9,108)	(3,807)	(153)	(23)
Net income/(loss) per share						
Basic						
Continuing operations			(2.83)	(0.71)	0.04	0.01
Discontinued operations			(0.50)	(0.64)	(0.09)	(0.01)
Net loss per share	(1.47)	(5.35)	(3.33)	(1.36)	(0.05)	(0.01)
Diluted						
Continuing operations			(2.83)	(0.71)	0.04	0.01

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	For the Year Ended December 31,					
	2013 RMB	2014 RMB	2015 RMB	2016 RMB	2017	
	RMB					US\$
	(in millions, except for share, per share and per ADS data)					
Discontinued operations			(0.50)	(0.64)	(0.09)	(0.01)
Net loss per share	(1.47)	(5.35)	(3.33)	(1.36)	(0.05)	(0.01)
Net income/(loss) per ADS ⁽⁴⁾						
Basic						
Continuing operations			(5.65)	(1.43)	0.08	0.01
Discontinued operations			(1.01)	(1.29)	(0.19)	(0.03)
Net loss per ADS	(2.93)	(10.71)	(6.66)	(2.71)	(0.11)	(0.02)
Diluted						
Continuing operations			(5.65)	(1.43)	0.08	0.01
Discontinued operations			(1.01)	(1.29)	(0.18)	(0.03)
Net loss per ADS	(2.93)	(10.71)	(6.66)	(2.71)	(0.11)	(0.02)
Weighted average number of shares:						
Basic	1,694,495,048	2,419,668,247	2,735,034,034	2,804,767,889	2,844,826,014	2,844,826,014
Diluted	1,694,495,048	2,419,668,247	2,735,034,034	2,804,767,889	2,911,461,817	2,911,461,817

(1) Share-based compensation expenses are allocated in operating expense items as follows:

	For the Year Ended December 31,					
	2013 RMB	2014 RMB	2015 RMB	2016 RMB	2017	
	RMB					US\$
	(in millions)					
Cost of revenues	—	—	(8)	(17)	(28)	(4)
Fulfillment	(81)	(129)	(164)	(332)	(426)	(65)
Marketing	(9)	(24)	(48)	(87)	(136)	(21)
Technology and content	(33)	(79)	(209)	(470)	(671)	(103)
General and administrative	(138)	(4,018)	(648)	(1,154)	(1,520)	(234)

(2) Amortization of intangible assets resulting from assets and business acquisitions are allocated in operating expense items as follows. See Item 17 of Part III, “Financial Statements—Note 8—Business Combination” for details of significant business combination transactions.

	For the Year Ended December 31,					
	2013 RMB	2014 RMB	2015 RMB	2016 RMB	2017	
	RMB					US\$
	(in millions)					
Fulfillment	(13)	(21)	(10)	(93)	(164)	(25)
Marketing	—	(925)	(1,225)	(1,222)	(1,222)	(188)
Technology and content	—	(19)	(24)	(46)	(84)	(13)
General and administrative	—	(146)	(180)	(248)	(308)	(47)

(3) In April 2017, leveraging our advanced technology and logistics expertise, we established JD Logistics, a new business group under JD.com, to provide logistics services to businesses across a wide range of industries. As JD Logistics has changed from supporting the overall JD platform to an independently operated business unit, cost related to the logistics services provided to merchants and other third parties are reclassified from fulfillment expenses to cost of revenues. The amount of fulfillment expenses that has been reclassified to conform to the current period financial statement presentation were RMB1,664 million and RMB2,561 million for the years ended December 31, 2015 and 2016, respectively. The fulfillment expenses related to logistics services provided to merchants and other third parties for the years ended December 31, 2013 and 2014 were not reclassified to cost of revenues as the impact was not material.

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

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	As of December 31,					
	2013 RMB	2014 RMB	2015 RMB	2016 RMB	2017	
					RMB	US\$
	(in millions, except for share data)					
Selected Consolidated Balance Sheets Data:						
Cash and cash equivalents	10,812	16,915	17,864	15,567	25,688	3,948
Restricted cash	1,887	3,038	2,115	2,294	4,110	632
Short-term investments	1,903	12,162	2,780	6,548	8,588	1,320
Inventories, net	6,386	12,191	20,540	28,909	41,700	6,409
Accounts receivable, net	502	2,301	8,194	16,141	16,359	2,514
Investment in equity investees	37	587	8,713	14,629	18,551	2,851
Total assets	26,010	66,493	85,015	160,374	184,055	28,289
Accounts payable	11,019	16,364	29,819	46,036	74,338	11,425
Nonrecourse securitization debt	—	—	3,334	11,549	17,160	2,637
Unsecured senior notes	—	—	—	6,831	6,447	991
Total liabilities	16,770	28,995	54,294	119,154	131,666	20,237
Total mezzanine equity	7,173	—	—	7,057	—	—
Total JD.com, Inc. shareholders' equity	2,067	37,498	30,583	33,893	52,041	7,999
Number of outstanding ordinary shares	1,715,087,336	2,731,718,357	2,741,990,486	2,836,444,397	2,852,663,429	2,852,663,429

	For the Year Ended December 31,					
	2013 RMB	2014 RMB	2015 RMB	2016 RMB	2017	
					RMB	US\$
	(in millions)					
Selected Consolidated Cash Flows Data:						
Net cash provided by continuing operating activities			3,038	9,994	27,307	4,197
Net cash used in discontinued operating activities			(1,342)	(1,227)	(2,486)	(382)
Net cash provided by operating activities	3,570	1,290	1,696	8,767	24,821	3,815
Net cash used in continuing investing activities			(7,809)	(17,758)	(21,725)	(3,339)
Net cash provided by/(used in) discontinued investing activities			2,018	(30,511)	(15,773)	(2,424)
Net cash used in investing activities	(2,671)	(13,478)	(5,791)	(48,269)	(37,498)	(5,763)
Net cash provided by continuing financing activities			3,835	8,649	5,180	796
Net cash provided by discontinued financing activities			865	32,050	14,055	2,160
Net cash provided by financing activities	2,795	18,392	4,700	40,699	19,235	2,956
Effect of exchange rate changes on cash and cash equivalents	(59)	(101)	344	711	(642)	(99)
Net increase in cash and cash equivalents	3,635	6,103	949	1,908	5,916	909
Cash and cash equivalents at beginning of year	7,177	10,812	16,915	17,864	19,772	3,039
Cash and cash equivalents at end of year	10,812	16,915	17,864	19,772	25,688	3,948
Less: Cash and cash equivalents of discontinued operations at end of year			3,882	4,205	—	—
Cash and cash equivalents of continuing operations at end of year			13,982	15,567	25,688	3,948

Exchange Rate Information

Our business is primarily conducted in China and almost all of our revenues are denominated in RMB. However, periodic reports made to shareholders will include current period amounts translated into U.S. dollars using the then current exchange rates, for the convenience of the readers. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this annual report were made at a rate of RMB6.5063 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System as of December 29, 2017. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. On April 20, 2018, the exchange rate was RMB6.2945 to US\$1.00.

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated.

Period	Exchange Rate			
	Period-End	Average ⁽¹⁾	Low	High
(RMB per U.S. Dollar)				
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
October	6.6328	6.6254	6.6533	6.5712
November	6.6090	6.6200	6.6385	6.5967
December	6.5063	6.5932	6.6210	6.5063
2018				
January	6.2841	6.4233	6.5263	6.2841
February	6.3280	6.3183	6.3471	6.2649
March	6.2726	6.3174	6.3565	6.2685
April (through April 20, 2018)	6.2945	6.2859	6.3045	6.2655

Source: Federal Reserve Statistical Release

- (1) Annual averages are calculated using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant month.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business

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

Our business has grown substantially in recent years, and we expect continued growth in our business, revenues and number of employees. We plan to further expand our fulfillment infrastructure and technology platform, increase our product offerings and hire more employees. For example, we plan to continue to build larger, custom-designed warehouses. We have already launched our custom-designed warehousing facilities in nine cities. In addition, we are in the process of constructing the warehousing facilities in twelve cities. We also plan to continue to establish new fulfillment facilities in additional locations across China, including smaller, less developed areas. In 2017, we recruited additional employees in connection with the expansion of our fulfillment infrastructure and additional research and development personnel in connection with the expansion of our technology platform, and we will continue to invest significant resources in training, managing and motivating our workforce. In addition, as we continued to increase our product offerings, we will need to work with a large number of new suppliers and third-party sellers efficiently and establish and maintain mutually beneficial relationships with our existing and new suppliers and third-party sellers. To support our growth, we also plan to implement a variety of new and upgraded managerial, operating, financial and human resource systems, procedures and controls. All these efforts will require significant managerial, financial and human resources. We cannot assure you that we will be able to effectively manage our growth or to implement all these systems, procedures and control measures successfully or that our new business initiatives will be successful. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful and our business and prospects may be materially and adversely affected.

We have incurred significant net losses and we may continue to experience significant losses in the future.

We have incurred significant net losses since our inception. We had net losses from continuing operations of RMB7,742 million, RMB2,049 million and RMB19 million (US\$3 million) in 2015, 2016 and 2017, respectively. We had accumulated deficits of RMB18,421 million, RMB21,860 million and RMB22,235 million (US\$3,417 million) as of December 31, 2015, 2016 and 2017, respectively.

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

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

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

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

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We operate three 24-7 customer service centers in Suqian and Yangzhou, Jiangsu Province, and Chengdu, Sichuan Province, handling all kinds of customer queries and complaints regarding our products and services. As of December 31, 2017, we had a total of 9,085 full-time customer service representatives at these three centers. There is no assurance that we will be able to provide sufficient training to new employees to meet our standards of customer service or that an influx of less experienced personnel will not dilute the quality of our customer service. If our customer service representatives fail to provide satisfactory service, or if waiting times are too long due to the high volume of calls from customers at peak times, our brand and customer loyalty may be adversely affected. In addition, any negative publicity or poor feedback regarding our customer service may harm our brand and reputation and in turn cause us to lose customers and market share.

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

We believe that the recognition and reputation of our JD (京东) brand among our customers, suppliers and third-party sellers 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 online 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;
- increase brand awareness through marketing and brand promotion activities; and
- preserve our reputation and goodwill in the event of any negative publicity on customer service, 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 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, it may be difficult to maintain and grow our customer base, and our business and growth prospects may be materially and adversely affected.

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

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

We plan to further expand our fulfillment infrastructure. If we are not able to manage such expansion successfully, our growth potential, business and results of operations may be materially and adversely affected.

We believe that our own nationwide fulfillment infrastructure, consisting of strategically located warehouses and delivery and pickup stations, is essential to our success. As of December 31, 2017, we operated regional fulfillment centers in seven cities, front distribution centers in 27 cities and other additional warehouses in another 44 cities. Our comprehensive fulfillment facilities covered almost all counties and districts across China, and we employed 117,943 warehouse and delivery personnel as of the same date. We are constructing larger, custom-designed warehouses to increase our storage capacity and to restructure and reorganize our fulfillment workflow and processes. Furthermore, we hired additional employees in 2017 to strengthen our fulfillment capabilities. In April 2017, we also opened up our fulfillment infrastructure and established a new business group, JD Logistics, to provide integrated supply chain and logistics services to third-party businesses across a wide range of industries. JD Logistics provides these businesses with comprehensive supply chain solutions, including warehousing, transportation, delivery, after-sales service, among others. JD Logistics has experienced rapid growth since its inception. However, the increase in demand for our logistics services may result in additional challenges in operating our fulfillment infrastructure. For example, increasing volume of parcels may cause delay for our delivery services, or we may be required to make significant capital expenditure to further expand our existing fulfillment facilities to handle the increasing orders both from our online marketplace and from third-party businesses.

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

We face intense competition. We may lose market share and customers if we fail to compete effectively.

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

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

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

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

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

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

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

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Our net inventories have increased significantly in recent periods, from RMB20,540 million as of December 31, 2015 to RMB28,909 million as of December 31, 2016 and further to RMB41,700 million (US\$6,409 million) as of December 31, 2017. Our annual inventory turnover days were 36.4 days in 2015, 37.6 days in 2016 and 38.1 days in 2017. Annual inventory turnover days are the quotient of average inventory over five quarter ends to total cost of revenues and then multiplied by 360 days. As we plan to continue expanding our product offerings, we expect to include more products in our inventory, which will make it more challenging for us to manage our inventory effectively and will put more pressure on our warehousing system.

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

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

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

We have experienced rapid growth since we commenced our online retail business in 2004. Our total net revenues increased from RMB69,340 million in 2013 to RMB362,332 million (US\$55,689 million) in 2017, for a four-year compound annual growth rate (CAGR) of 51.2 %. 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, including decreasing consumer spending, increasing competition, slowing growth of the China retail or China online retail industry, fulfillment bottlenecks, emergence of alternative business models, changes in government policies or general economic conditions. If our growth rate declines, investors' perceptions of our business and business prospects may be adversely affected and the market price of our ADSs could decline.

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

We have incurred significant expenses on a variety of different marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products. Our brand promotion and marketing activities may not be well received by customers and may not result in the levels of product sales that we anticipate. We incurred RMB7,233 million, RMB10,159 million and RMB14,918 million (US\$2,293 million) of marketing expenses in 2015, 2016 and 2017, respectively. Marketing approaches and tools in the consumer products market in China are evolving. This further requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share, cause our net revenues to decline and negatively impact our profitability.

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

We source products from third-party suppliers for our direct sales business. We had over 15,000 suppliers as of December 31, 2017. Our suppliers include manufacturers, distributors and resellers. Maintaining strong relationships with these suppliers is important to the growth of our business. In particular, we depend significantly on our ability to procure products from suppliers on favorable pricing terms. We typically enter into one-year framework agreements with suppliers on an annual basis, and these framework agreements do not ensure the availability of products or the continuation of particular pricing practices or payment terms beyond the end of the contractual term. In addition, our agreements with suppliers typically do not restrict the suppliers from selling products to other buyers. We cannot assure you that our current suppliers will continue to sell products to us on commercially acceptable terms, or at all, after the term of the current agreement expires. Even if we maintain good relationships with our suppliers, their ability to supply products to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal decisions, natural disasters or other causes. In the event that we are not able to purchase merchandise at favorable prices, our revenues and cost of revenues may be materially and adversely affected. In the event any distributor or reseller does not have authority from the relevant manufacturer to sell certain products to us, such distributor or reseller may cease selling such products to us at any time. In addition, our annual accounts payable turnover days for direct sales business were 44.0 days in 2015, 52.0 days in 2016 and 59.1 days in 2017. Annual accounts payable turnover days are the quotient of average accounts payable for direct sales business over five quarter ends to total cost of revenues and then multiplied by 360 days. If our suppliers cease to provide us with favorable payment terms, our requirements for working capital may increase and our operations may be materially and adversely affected. We will also need to establish new supplier relationships to ensure that we have access to a steady supply of products on favorable commercial terms. If we are unable to develop and maintain good relationships with suppliers that would allow us to obtain a sufficient amount and variety of authentic and quality merchandise on acceptable commercial terms, it may inhibit our ability to offer sufficient products sought by our customers, or to offer these products at competitive prices. Any adverse developments in our relationships with suppliers could materially and adversely affect our business and growth prospects. In addition, as part of our growth strategy, we plan to further expand our product offerings. If we fail to attract new suppliers to sell their products to us due to any reason, our business and growth prospects may be materially and adversely affected.

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

Our ability to process and fulfill orders accurately and provide high-quality customer service depends on the smooth operation of our regional fulfillment centers, front distribution centers, other additional warehouses, and our delivery and pickup stations. Our fulfillment infrastructure may be vulnerable to damage caused by fire, flood, power outage, telecommunications failure, break-ins, earthquake, human error and other events. If any of our regional fulfillment centers were rendered incapable of operations, then we may be unable to fulfill any orders in any of the provinces that rely on that center. In addition, those events that could damage our fulfillment infrastructure, such as fire and flood, may also result in damages to our inventory stored in or delivered through our fulfillment infrastructure, and in such event, we would incur losses as a result. We do not carry business interruption insurance, and the occurrence of any of the foregoing risks could have a material adverse effect on our business, prospects, financial condition and results of operations.

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

We have invested and will continue to invest significant sums in expanding our fulfillment infrastructure and upgrading our technology platform. In connection with our expansion of our fulfillment infrastructure, we had paid an aggregate of approximately RMB7.9 billion (US\$1.2 billion) for the acquisition of land use rights, building of warehouses and purchase of warehousing equipment as of December 31, 2017. We also paid significant amounts for upgrading our technology platform during the same periods. We expect to continue to invest heavily in our fulfillment and technology capabilities for a number of years. We also intend to continue to add resources to our fulfillment infrastructure and technology platform as we focus on expanding our product selection and offering new services. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect. We may not be able to recover our capital expenditures or investments, in part or in full, or the recovery of these capital expenditures or investments may take longer than expected. As a result, the carrying value of the related assets may be subject to an impairment charge, which could adversely affect our financial condition and results of operation.

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

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

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

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

As of December 31, 2017, there were over 170,000 third-party sellers on our online marketplace. We do not have as much control over the storage and delivery of products sold on our online marketplace as we do over the products that we sell directly ourselves. Many of our third-party sellers use their own facilities to store their products, and many of them use their own or third-party delivery systems to deliver their products to our customers, which makes it more difficult for us to ensure that our customers get the same high quality service for all products sold on our websites. If any third-party seller does not control the quality of the products that it sells on our websites, or if it does not deliver the products or delivers them late or delivers products that are materially different from its description of them, or if it sells counterfeit or unlicensed products on our websites, or if it sells certain products without licenses or permits as required by the relevant laws and regulations even though we have requested such licenses or permits in our standard form contract with the third-party seller, the reputation of our online marketplace and our JD brand may be materially and adversely affected and we could face claims that we should be held liable for any losses. In 2016, we completely closed down the website of Paipai.com. The shut-down of the Paipai C2C platform is in line with our policy to combat the marketing and sale of counterfeit products. Moreover, despite our efforts to prevent it, some products sold on our online marketplace may compete with the products we sell directly, which may cannibalize our online direct sales. In addition, the supplier relationships, customer acquisition dynamics and other requirements for our online marketplace may not be the same as those for our online direct sales operations, which may complicate the management of our business. In order for our online marketplace to be successful, we must continue to identify and attract third-party sellers, and we may not be successful in this regard.

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

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

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

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

In addition, we have in the past invested in or acquired additional assets, technologies or businesses that are complementary to our existing business, such as the following:

- In February 2015, we invested a combination of US\$400 million in cash and certain resources valued at US\$497 million, as consideration for newly issued ordinary shares of Bitauto Holdings Limited, or Bitauto, an NYSE-listed provider of internet content and marketing services for China's fast-growing automotive industry, and also invested US\$100 million in newly issued series A preferred shares of Yixin Group Limited, or Yixin, an HKEx-listed company that operates a leading online automobile retail transaction platform and subsidiary of Bitauto. In June and August 2016, we, together with certain other investors, made additional investments to purchase equity securities issued by Bitauto and Yixin.
- In May 2015, we invested a combination of US\$250 million in cash and certain resources valued at US\$108 million as consideration for newly issued Class A ordinary shares of Tuniu Corporation, or Tuniu, a NASDAQ-listed and leading online leisure travel company in China.
- In April 2016, we completed the transaction with Dada Nexus Limited, or Dada, China's largest crowdsourcing delivery company, pursuant to which our O2O business, JD Daojia, became a subsidiary of Dada and we contributed certain resources and US\$200 million in cash in exchange for newly issued equity interest in Dada. In December 2017, we exercised our warrant to acquire additional equity interest in Dada and upon the exercise, we owned approximately 49.3% equity interest of Dada on a fully diluted basis.
- In June 2016, we acquired Yihaodian marketplace platform assets from Wal-Mart Stores, Inc., or Walmart, an NYSE-listed company, including the Yihaodian brand, websites and mobile apps, and entered into strategic cooperation arrangements with Walmart. Concurrently we issued approximately 5% of our then total issued and outstanding shares on a fully diluted basis to a subsidiary of Walmart.
- In August 2016, we completed our investment of RMB4.23 billion (US\$610 million) for newly issued ordinary shares of Yonghui Superstores Co., Ltd, or Yonghui, a company listed on the Shanghai Stock Exchange and a leading hypermarket and supermarket operator in China.
- In June 2017, we invested US\$397 million in cash as consideration to acquire certain newly issued preferred shares of Farfetch.com Limited, or Farfetch, the leading global e-commerce platform for the fashion industry and certain ordinary shares and preferred shares from certain existing shareholders of Farfetch.

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- In August 2017, we entered into a conditional share subscription agreement with China United Network Communications Limited, or China Unicom, a company listed on the Shanghai Stock Exchange and a Chinese telecommunications operator in relation to our investment of approximately RMB5 billion (US\$768 million) in cash to subscribe for certain privately issued shares of China Unicom. Concurrently, we, through a PRC affiliate, also entered into a strategic business cooperation agreement with China Unicom.
- In December 2017, we, along with Tencent, entered into a share subscription agreement to subscribe for newly issued Class A ordinary shares of Vipshop Holdings Limited, or Vipshop, an NYSE-listed online discount retailer for brands in China. We also purchased the ADSs of Vipshop from open market. As of December 31, 2017, we cumulatively invested approximately US\$425 million in cash as consideration for Class A ordinary shares of Vipshop (including the ADSs). In December 2017, we also entered into a business cooperation agreement with Vipshop.
- In January 2018, a PRC subsidiary of us, along with a PRC subsidiary of Tencent, entered into a strategic partnership agreement with Dalian Wanda Commercial Properties Co., Ltd., or Wanda Commercial Properties, a leading developer, owner and operator of commercial properties in China, and its major shareholder, Dalian Wanda Group Co., Ltd. Pursuant to the agreement, we will invest RMB5 billion (US\$768 million) to purchase the shares of Wanda Commercial Properties from its existing shareholders.

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

Furthermore, our financial results could be adversely affected by our investments or acquisitions. The investments and acquired assets or businesses may not generate the financial results we expect. They could result in occurrence of significant investments and goodwill impairment charges, and amortization expenses for other intangible assets. We periodically review goodwill and investments for impairment. In November 2015, we decided to terminate the C2C business of Paipai.com acquired from Tencent, combating the marketing and sales of counterfeit products. As a result, we decided that the goodwill arising from the acquisition of the Paipai and QQ Wanggou combined platform business was fully impaired. Moreover, we share the results of the investments which we account for as equity method investments, although we have no control on the factors and risks that affect their business, results of operations and financial condition. In 2017, our share of results of equity investees was a loss of RMB1.9 billion (US\$0.3 billion), primarily attributable to losses picked up from our equity method investments. If the investments that we account for using the equity method were in a loss position, we would pick up their loss in our consolidated statement of operations. When our share of losses in the equity investees equals or exceeds our interest in the equity investees, we do not recognize further losses, unless we have incurred obligations or made payments or guarantees on behalf of the equity investees. We may continue to incur impairment charges in connection with our investments or acquisitions and pick up the losses by our equity investments, which could depress our profitability and have a material adverse impact on our financial results.

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

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

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

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

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

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.

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

We intend to hire additional qualified employees to support our business operations and planned expansion. Our future success depends, to a significant extent, on our ability to recruit, train and retain qualified personnel, particularly technical, fulfillment, marketing and other operational personnel with experience in the online retail industry. Our experienced mid-level managers are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. The effective operation of our managerial and operating systems, fulfillment infrastructure, customer service center and other back office functions also depends on the hard work and quality performance of our management and employees. Since our industry is characterized by high demand and intense competition for talent and labor, we can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. Our fulfillment infrastructure is labor intensive and requires a substantial number of blue-collar workers, and these positions tend to have higher than average turnover. As of December 31, 2017, we employed a total of 117,943 warehouse and delivery personnel. We have observed an overall tightening of the labor market and an emerging trend of shortage of labor supply. Failure to obtain stable and dedicated warehousing, delivery and other labor support may lead to underperformance of these functions and cause disruption to our business. Labor costs in China have increased with China's economic development, particularly in the large cities where we operate our regional fulfillment centers and more generally in the urban areas where we maintain our delivery and pickup stations. Because we operate our own fulfillment infrastructure, which requires a large and rapidly growing work force, our cost structure is more vulnerable to labor costs than that of many of our competitors, which may put us at a competitive disadvantage. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth on a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

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

We sourced our products from over 15,000 suppliers as of December 31, 2017. Third-party sellers on our online marketplace are separately responsible for sourcing the products they sell on our websites. As of December 31, 2017, we had over 170,000 third-party sellers on our online marketplace. Although we have adopted measures to verify the authenticity and authorization of products sold on our websites and avoid potential infringement of third-party intellectual property rights in the course of sourcing and selling products, we may not always be successful. As part of our cross-border e-commerce business, we source products outside of China and allow overseas brands or partners to sell their products through our online marketplace, which could make it more difficult for us to verify the authenticity and authorization of products sold.

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

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

We may be subject to product liability claims if people or properties are harmed by the products we sell.

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

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

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

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

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

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

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

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

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

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

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

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

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We have adopted security policies and measures, including encryption technology, to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, improper use or sharing of data, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining such confidential or private information we hold as a result of our customers' visits to our websites and use of our mobile apps. Such individuals or entities obtaining our customers' confidential or private information may further engage in various other illegal activities using such information. In addition, we have limited control or influence over the security policies or measures adopted by business partners including strategic partners or third-party providers of online payment services through which some of our customers may choose to make payment for purchases. The contracted third-party couriers we use may also violate their confidentiality obligations and disclose or use information about our customers illegally. Any negative publicity on our websites' or mobile apps' safety or privacy protection mechanisms and policies, and any claims asserted against us or fines imposed upon us as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations. We have experienced breaches of our information security measures in the past due to external causes beyond our control, such as a leak of user account information from the China Software Developer Network (CSDN) in 2011, although none of the past breaches individually or in the aggregate was material to our business or operations. We cannot assure you that similar events will not occur in the future. If we give third parties greater access to our technology platform in the future as part of providing more technology services to third-party sellers and others, it may become more challenging for us to ensure the security of our systems. Any compromise of our information security or the information security measures of our contracted third-party couriers or third-party online payment service providers or other business partners could have a material and adverse effect on our reputation, business, prospects, financial condition and results of operations. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet and mobile platforms are under increased public scrutiny. As online retail industry and AI technology continue to evolve, we believe that increased regulation by the PRC government of data privacy on the internet is likely. We may become subject to new laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information that could affect how we store, process and share data with our customers, suppliers and third-party sellers. For example, the General Administration of Quality Supervision, Inspection and Quarantine and Standardization Administration jointly issued the Standard of Information Security Technology—Personal Information Security Specification, which will take effect in May 2018. Pursuant to this new standard, the personal data controller refers to entities or persons who are authorized to determine the purposes and methods for using and processing personal information. The personal data controller should collect information in accordance with the principles of legality and minimization and should also obtain a consent from the information provider. We generally comply with industry standards and are subject to the terms of our own privacy policies. Compliance with any additional laws could be expensive, and may place restrictions on the conduct of our business and the manner in which we interact with our customers. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us.

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

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

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

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

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

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

As of June 30, 2017, JD Finance has been deconsolidated from our company as a result of the reorganization of JD Finance. After the reorganization, we do not have legal ownership or effective control of JD Finance. Mr. Richard Qiangdong Liu, our chairman and chief executive officer, has a majority of the voting interests in JD Finance through his equity stake and voting arrangements.

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

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In addition, after the reorganization of JD Finance, we continue to license certain of our intellectual properties, including our “JD” brand and related trademarks and domain names, to JD Finance in exchange for the right to receive 40% of the pre-tax profit of JD Finance, subject to certain conditions and potential proportional dilution as a result of any future equity financings and ESOP pool increases of JD Finance. While we do not control JD Finance, because of JD Finance’s ability to continue to use our brand, our close association with JD Finance and overlapping user base, events that negatively affect JD Finance, for example, alleged engagement in inappropriate activities, involvement in any legal or administrative proceedings, or negative publicity, could also negatively affect customers’, regulators’ and other third parties’ perception of us and our JD brand, harm our credibility and reputation and adversely affect our business.

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

The Framework Agreement we entered into with JD Finance in connection with the reorganization of JD Finance provides for future potential equity issuances of up to 40% of equity interest in JD Finance to us in the event that JD Finance applies for and receives certain PRC regulatory approvals in the future. In addition, upon a qualified IPO or other liquidity event of JD Finance, if our total ownership of equity interests in JD Finance, 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 Finance. If we acquire equity interests in JD Finance in an aggregate amount less than the full 40% equity interest, then the percentage of JD Finance’s equity value used to calculate the liquidity event payment will be reduced proportionately. The above-mentioned maximum percentages of JD Finance’s equity interest that may be issued to us and JD Finance’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 future equity financings or ESOP pool increases of JD Finance.

If JD Finance does not receive the required PRC regulatory approvals mentioned above, we will not be able to acquire a direct equity ownership interest in JD Finance, 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 Finance. Our inability to reap the benefits of any appreciation in equity value of JD Finance, including in connection with a qualified IPO or other liquidity event of JD Finance, 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 Finance (subject to potential proportional dilution as a result of any future financings or ESOP pool increases of JD Finance) immediately prior to a qualified IPO or other liquidity event of JD Finance, it is possible that JD Finance will not have sufficient funds to make the payment in a timely manner or on a schedule acceptable to us. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreements and Transactions Relating to JD Finance.”

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

Approximately 4% of the lessors of our leased warehouses, approximately 11% of the lessors of our leased offices, and approximately 5% of the lessors of our leased delivery stations and pickup stations have not provided us with their property ownership certificates or any other documentation proving their right to lease those properties to us. If our lessors 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. If no consent had been obtained from the mortgage holder under such circumstances, the lease may not be binding on the transferee of the property in the event that the mortgage holder forecloses on the mortgage and transfers the property to another party. In addition, a substantial portion of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities.

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

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

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

Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse impact on our business, financial condition and results of operations.

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

Under PRC law, an entity operating courier services across multiple provinces must obtain a cross-provincial Courier Service Operation Permit and conduct its courier services within the permitted scope as indicated in the permit. Furthermore, any entity engaging in road freight transportation services in China must obtain a Road Transportation Operation Permit from the relevant road transportation administrative authorities. We operate a nationwide road freight transportation and delivery network. As of the date of this annual report, we have one cross-provincial Courier Service Operation Permit that allows Jingbangda, a subsidiary of Xi'an Jingdong Xincheng, one of our consolidated variable interest entities providing logistics services, to operate an express delivery business in 31 provinces and 424 cities in China. As of December 31, 2017, Jingbangda and its 1,268 branches had obtained Courier Service Operation Permits. As of the same date, Xi'an Jingdong Xincheng and its branches, Jingbangda and its 23 branches had obtained Road Transportation Operation Permits that allow these entities to provide road freight transportation services. We are in the process of applying for extension of the coverage of our Courier Service Operation Permits to other areas of China and for additional Road Transportation Operation Permits for Xi'an Jingdong Xincheng and its 11 branches and Jingbangda's branches from the appropriate level of government authorities and obtaining necessary licenses for all of our vehicles used for transporting goods. However, we cannot assure you that we can obtain such permits and licenses in a timely manner, or at all, due to complex procedural requirements and policies.

In addition, we issue one type of prepaid cards which may be used to buy the products sold on our websites. Due to licensing requirement, currently such prepaid cards can only be used to purchase merchandises 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.

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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 websites. See “Item 4.B. Information on the Company—Business Overview—Regulation—Licenses and Permits.” We have made great efforts to obtain all the applicable licenses and permits, but due to the large number of products sold on our websites, we may not always be able to do so and we were penalized by governmental authorities for selling products without proper licenses. As we increase our product selection, we may also become subject to new or existing laws and regulations that did not affect us before.

As online retail is evolving rapidly in China, new laws and regulations may be adopted from time to time to require additional licenses and permits other than those we currently have, and to address new issues that arise from time to time. 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. For example, in May 2016, new administrative measures were promulgated to regulate the publication market in replacement of the old measures promulgated in 2011. The new measures require an entity or individual engaged in the distribution of publications via the internet or other information networks to obtain a Publication Operation Permit. Although the new measures allow foreign-invested enterprises to engage in the distribution of publications, it is uncertain how this will be implemented in practice, as the old measures provided that foreign investors may engage in the distribution of audio and video products in China only in the form of contractual joint ventures between foreign and Chinese investors. Therefore, we continue to engage in wholesale and retail of books and audio and video products and other publications through Jiangsu Yuanzhou, one of our consolidated variable interest entities. Jiangsu Yuanzhou has obtained a Publication Operation Permit, which remains valid until March 31, 2020. If the PRC government requires additional licenses or permits or provides more strict supervision requirements in the future in order for us to conduct our businesses, there is no guarantee that we would be able to obtain such licenses or permits or meet all the supervision requirements in a timely manner, or at all.

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

We have adopted a share incentive plan to provide additional incentives to employees, directors and consultants. See “Item 6.B. Directors, Senior Management and Employees—Compensation—Share Incentive Plan” for a detailed discussion. For example, in the first quarter of 2014, we granted 93,780,970 immediately vesting restricted share units to our chairman and chief executive officer, Mr. Richard Qiangdong Liu, and we incurred share-based compensation expenses in connection with this grant to Mr. Liu in an amount of RMB3,685 million in 2014. 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 RMB240 million, RMB318 million and RMB227 million (US\$35 million) in connection with this grant of option to Mr. Liu in 2015, 2016 and 2017, respectively. For the years ended December 31, 2015, 2016 and 2017, we recorded an aggregate of RMB1,077 million, RMB2,061 million and RMB2,780 million (US\$427 million), respectively, in share-based compensation expenses. As of December 31, 2017, 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 106,259,378 ordinary shares, excluding restricted share units that were forfeited, cancelled, or vested after the relevant grant date, and (ii) options to purchase an aggregate of 43,110,108 ordinary shares, excluding options that were forfeited, cancelled, or exercised after the relevant grant date. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Our results of operations are subject to seasonal fluctuations.

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

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

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

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

The success of our business ultimately depends on consumer spending. We derive substantially all of our revenues from China. As a result, our revenues and financial results are impacted to a significant extent by economic conditions in China and globally, as well as economic conditions specific to online retail. The global economy, markets and levels of consumer spending are influenced by many factors beyond our control, including consumer perception of current and future economic conditions, political uncertainty, levels of employment, inflation or deflation, real disposable income, interest rates, taxation and currency exchange rates. The PRC government has in recent years implemented a number of measures to control the rate of economic growth, which have contributed to a slowdown of the PRC economy. The growth of the Chinese economy has slowed since 2012, and such slowdown may continue. According to the National Bureau of Statistics of China, China's gross domestic product (GDP) annual growth rate increased slightly from 6.7% in 2016 to 6.9% in 2017. Any slowdown could significantly reduce domestic commerce in China, including through the internet generally and through us. There have also been concerns about the economic effect of the tensions in the relationship between China and other countries, including the surrounding Asian countries. An economic downturn, whether actual or perceived, a further decrease in economic growth rates or an otherwise uncertain economic outlook in China or any other market in which we may operate could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

Our chairman and chief executive officer, Mr. Richard Qiangdong Liu, has considerable influence over important corporate matters. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share in respect of matters requiring the votes of shareholders, while holders of Class B ordinary shares are entitled to twenty votes per share, subject to certain exceptions. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares will be automatically and immediately converted into the equal number of Class A ordinary shares. Due to the disparate voting powers associated with our two classes of ordinary shares, as of February 28, 2018, Mr. Liu beneficially owned 79.5% of the aggregate voting power of our company, including the 6.7% 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 39,124,128 Class B ordinary shares, representing 6.7% 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 Original Plans, which were replaced by the 2013 Plan and further by the current Share Incentive Plan, and administers the awards and acts according to our instruction. Fortune Rising Holdings Limited exercises this 6.7% of the aggregate voting power of our company following our instruction. Mr. Liu, as the representative of Fortune Rising Holdings Limited, can exercise this 6.7% of the aggregate voting power of our company on behalf of Fortune Rising Holdings Limited. See “Item 6.E. Directors, Senior Management and Employees—Share Ownership.” As a result, Mr. Liu has considerable influence over matters such as electing directors and approving material mergers, acquisitions or other business combination transactions. In addition, under our current memorandum and articles of association, our board of directors will not be able to form a quorum without Mr. Liu for so long as Mr. Liu remains a director. This concentrated control will limit your ability to influence corporate matters and could also discourage others from pursuing any potential merger, takeover or other change of control transactions, which could have the effect of depriving the holders of our Class A ordinary shares and our ADSs of the opportunity to sell their shares at a premium over the prevailing market price.

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

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

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural disasters or the outbreak of avian influenza, severe acute respiratory syndrome, or 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 August 2014, a severe earthquake hit part of Yunnan province in south western China, which resulted in significant casualties and property damage. While we did not suffer any loss or experience any significant increase in cost resulting from these earthquakes, if a similar disaster were to occur in the future affecting Beijing, Shanghai, Guangzhou, Wuhan, Chengdu, Shenyang or Xi'an, or any other city where we have major operations in China, our operations could be materially and adversely affected due to loss of personnel and damages to property, including our inventory and our technology systems. Our operation could also be severely disrupted if our suppliers, customers or business partners were affected by such natural disasters or health epidemics.

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

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company's internal control over financial reporting. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2017. See "Item 15. Controls and Procedures."

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

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

Auditors of companies whose shares are registered with the SEC and traded publicly in the United States, including our independent registered public accounting firm, must be registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, and are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards applicable to auditors. Our independent registered public accounting firm is located in, and organized under the laws of, the PRC, which is a jurisdiction where the PCAOB, notwithstanding the requirements of U.S. law, is currently 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.

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

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

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, including our independent registered public accounting firm, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC. In January 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. The decision was neither final nor legally effective unless and until reviewed and approved by the SEC. In February 2014, four of these PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. If the firms do not follow these procedures, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings.

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

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to delisting of our ordinary shares 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) and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record, and foreign investors may engage in the distribution of audio and video products in China only in the form of contractual joint ventures between foreign and Chinese investors. In addition, foreign investors may engage in air freight transport agency services in China only in the form of equity or contractual joint ventures between foreign and Chinese investors.

We are a Cayman Islands company and our PRC subsidiaries Jingdong Century, Star East, 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 sell audio and video products in China or provide certain other restricted services related to our businesses, such as air freight transport agency services or domestic document delivery services. As a result, we conduct or will conduct such business activities through our variable interest entities in PRC, including Jingdong 360, Jiangsu Yuanzhou and Xi'an Jingdong Xincheng. Jingdong 360 holds our ICP license as an internet information provider. Jiangsu Yuanzhou primarily conducts the sale of books and audio and video products. Xi'an Jingdong Xincheng primarily provides courier services.

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

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

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

In the opinion of Zhong Lun Law Firm, our PRC legal counsel, (i) the ownership structures of our variable interest entities in China and the PRC subsidiaries that have entered into contractual arrangements with the variable interest entities, including Jingdong Century, comply with all existing PRC laws and regulations; and (ii) the contractual arrangements between the PRC subsidiaries, including Jingdong Century, the variable interest entities and their respective shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect. However, our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules; accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel. For example, substantial uncertainties exist as to how the draft PRC Foreign Investment Law or its implementation rules may impact the viability of our current corporate structure in the future. See "—Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations." 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:

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- 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 our initial public offering to finance our business and operations in China.

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

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

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

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

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

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

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

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

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

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

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

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

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

Under PRC laws and regulations, our wholly foreign-owned subsidiaries in China may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion fund and staff welfare and bonus fund. The statutory reserve fund, enterprise expansion fund and staff welfare and bonus fund are not distributable as cash dividends.

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

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

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

Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our wholly foreign-owned subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the State Administration of Foreign Exchange, or SAFE. The statutory limit for the total amount of foreign debts of a foreign-invested company is the difference between the amount of total investment as approved by the Ministry of Commerce or its local counterpart and the amount of registered capital of such foreign-invested company. For example, the current amounts of approved total investment and registered capital of Jingdong Century are approximately US\$3,274 million and US\$1,398 million, respectively, which means Jingdong Century cannot obtain loans in excess of US\$1,876 million from our entities outside of China currently. The current statutory limit on the loans to our other wholly foreign-owned subsidiaries in China, such as Star East, Xi'an Jingxundi and Shanghai Shengdayuan, is RMB1,800 million (US\$277 million), RMB1,920 million (US\$295 million) and US\$49 million, respectively. According to a notice issued by the People's Bank of China regarding foreign debt on January 11, 2017, the maximum amount of foreign debt that each of our PRC subsidiaries or consolidated variable interest entities or other PRC domestic entities is allowed to borrow is two times of their respective net assets. Pursuant to this notice and other PRC laws and regulations regarding foreign debt, within a one-year grace period starting from January 11, 2017, the statutory limit for the total amount of foreign debt of a foreign-invested company, which is subject to its own election, is either the difference between the amount of total investment and the amount of registered capital as approved by the Ministry of Commerce or its local counterpart, or two times of their respective net assets. Although the one-year grace period has expired, the statutory limit is still subject to the notice in practice. With respect to our consolidated variable interest entities or other domestic PRC entities, the limit for the total amount of foreign debt is two times of their respective net assets pursuant to the notice.

We may also decide to finance our wholly foreign-owned subsidiaries in China by means of capital contributions. These capital contributions must be approved by or registered with the Ministry of Commerce or its local counterpart. SAFE issued SAFE Circular No. 19, which took effect on June 1, 2015. SAFE Circular No. 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC. Foreign-invested enterprises' use of the converted RMB for purposes beyond the business scope, for entrusted loans or for inter-company RMB loans, however, are subject to SAFE restrictions under SAFE Circular No. 19. On June 9, 2016, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular No. 16, effective on the same day. SAFE Circular No. 16 amends the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. However, the use of RMB capital converted from foreign currency registered capital of a foreign-invested company may not be altered without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. The applicable SAFE regulations may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from offerings of our securities, to our consolidated variable interest entities and the subsidiaries of our wholly foreign-owned subsidiaries in China, and we may not be able to convert the foreign currency into RMB to invest in or establish certain other PRC companies in China.

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

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In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, including SAFE Circular No. 19, SAFE Circular No. 16 and other relevant rules and regulations, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or any consolidated variable interest entity or future capital contributions by us to our wholly foreign-owned subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries or consolidated variable interest entities when needed. If we fail to complete such registrations or obtain such approvals, our ability to use foreign currency, including the proceeds we received from our initial public offering, and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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

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

Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

The Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. While the Ministry of Commerce solicited public comments on this draft in January and February 2015, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether the investment in China is made by a foreign investor or a PRC domestic investor. The draft specifically provides that an entity established in China but "controlled" by foreign investors will be treated as a foreign investor, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the Ministry of Commerce or its local branches, treated as a PRC domestic investor provided that the entity is "controlled" by PRC entities and/or citizens. In this connection, "control" is broadly defined in the draft to cover, among others, having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial matters or other key aspects of business operations. If the foreign investment falls within a "negative list", to be separately issued by the State Council in the future, market entry clearance by the Ministry of Commerce or its local branches would be required. Otherwise, all foreign investors may make investments on the same terms as Chinese investors without being subject to additional approval from the government authorities as mandated by the existing foreign investment legal regime.

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The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “—Risks Related to Our Corporate Structure—If the PRC government deems that the contractual arrangements in relation to our variable interest entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.” and “Item 4.C. Information on the Company—Organizational Structure.” Under the draft Foreign Investment Law, if a variable interest entity is ultimately controlled by a foreign investor via contractual arrangement, it would be deemed as a foreign investment. Accordingly, for the companies with a VIE structure in an industry category that is on the “negative list”, the VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/ are of PRC nationality (either PRC individual, or PRC government and its branches or agencies) Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as foreign invested enterprises and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal.

As of the date of this annual report, over 50% of the voting power of our issued and outstanding share capital is controlled by PRC nationals. However, the draft Foreign Investment Law has not taken a position on what actions are required to be taken with respect to the existing companies with a VIE structure, although a few possible options were proffered in the draft. Under these options, a company with VIE structures and in the business on the “negative list” at the time of enactment of the new Foreign Investment Law has either the option or obligation to disclose its corporate structure to the authorities, while the authorities, after reviewing the ultimate control structure of the company, may either permit the company to continue its business by maintaining the VIE structure (when the company is deemed ultimately controlled by PRC citizens), or require the company to dispose of its businesses and/or VIE structure. Moreover, it is uncertain whether the industries in which our variable interest entities operate, such as the industry of providing value-added telecommunication services or selling audio and video products, will be subject to the foreign investment restrictions or prohibitions set forth in the “negative list” to be issued. If the enacted version of the Foreign Investment Law and the final “negative list” mandate further actions, such as market entry clearance, to be completed by companies with existing VIE structure like us, or we plan to apply for determination on the PRC investor during the clearance process, we face uncertainties as to whether such clearance or ratification can be timely obtained, or at all.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the draft Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable foreign invested entities.

Risks Related to Doing Business in China

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

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

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

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While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and operating results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under PRC law, a company setting up premises for business operations outside its residence address must register them as branch offices with the relevant local industry and commerce bureau at the place where the premises are located and obtain business licenses for them as branch offices. As of December 31, 2017, our comprehensive fulfillment facilities cover almost all counties and districts across China. We seek to register branch offices in all the locations where we have delivery stations and pickup stations. However, as of the date of this annual report, we have not been able to register branch offices in all of these locations. Furthermore, we may expand our fulfillment network in the future to additional locations in China, and we may not be able to register branch offices in a timely manner due to complex procedural requirements and relocation of branch offices from time to time. If the PRC regulatory authorities determine that we are in violation of the relevant laws and regulations, we may be subject to penalties, including fines, confiscation of income and suspension of operation. If we become subject to these penalties, our business, results of operations, financial condition and prospects could be materially and adversely affected.

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

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

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

The value of the 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. In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably, and in recent years the RMB has depreciated significantly against the U.S. dollar. Since October 1, 2016, the RMB has joined the International Monetary Fund (IMF)'s basket of currencies that make up the Special Drawing Right (SDR), along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the RMB has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. This depreciation halted in 2017, and the RMB appreciated approximately 7% against the U.S. dollar during this one-year period. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and there is no guarantee that the 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 the RMB and the U.S. dollar in the future.

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Significant revaluation of the RMB may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, repaying our U.S. dollar denominated notes or other payment obligations or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. In addition, appreciation or depreciation in the value of the RMB relative to U.S. dollars would affect our financial results reported in U.S. dollar terms regardless of any underlying change in our business or results of operations.

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.

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

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

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

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds famous trademarks or PRC time-honored brands. Mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the Ministry of Commerce when the threshold under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the Prior Notification Rules, issued by the State Council in August 2008 is triggered. In addition, the security review rules issued by the Ministry of Commerce that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the Ministry of Commerce or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

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

The Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or SAFE Circular No. 75, requires PRC residents to register with the relevant local branch of SAFE before establishing or controlling any company outside of China, referred to as an offshore special purpose company, for the purpose of raising funds from overseas to acquire or exchange the assets of, or acquiring equity interests in, PRC entities held by such PRC residents and to update such registration in the event of any significant changes with respect to that offshore company. SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular No. 37, in July 2014, which replaced the SAFE Circular No. 75. SAFE Circular No. 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular No.37 as a "special purpose vehicle." The term "control" under SAFE Circular No. 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular No. 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a PRC resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions. In February 2015, SAFE issued SAFE Circular No. 13, which took effect on June 1, 2015. SAFE Circular No. 13 has delegated to the qualified banks the authority to register all PRC residents' investment in "special purpose vehicle" pursuant to the SAFE Circular No. 37, except that those PRC residents who have failed to comply with the SAFE Circular No. 37 will remain to fall into the jurisdiction of the local SAFE branch and must make their supplementary registration application with the local SAFE branch.

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We have requested PRC residents who we know hold direct or indirect interest in our company to make the necessary applications, filings and amendments as required under SAFE Circular No. 37 and other related rules. Mr. Richard Qiangdong Liu, our founder and beneficial owner, has completed required registrations with SAFE in relation to our financing and restructuring and will make amendments when needed and required in accordance with SAFE Circular No. 37. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular No. 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

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

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We and our directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted restricted shares, restricted share units or options are subject to these regulations. We have completed the filing procedures with respect to our employee stock incentive plan in 2017. However, we cannot assure you that we will be able to complete the relevant registration for new employees who participate in such stock incentive plan in the future in a timely manner or at all. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our wholly foreign-owned subsidiaries in China and limit these subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors and employees under PRC law.

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

In the past, local governments in China granted certain financial incentives from time to time to our PRC subsidiaries or consolidated variable interest entities as part of their efforts to encourage the development of local businesses. We received approximately RMB388 million, RMB722 million and RMB843 million (US\$130 million) in financial incentives from local governments relating to our business operations in 2015, 2016 and 2017, respectively. The timing, amount and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. We cannot assure you of the continued availability of the government incentives currently enjoyed by our PRC subsidiaries or consolidated variable interest entities. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

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

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

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

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

Under the Arrangement Between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, the dividend withholding tax rate may be reduced to 5%, if a Hong Kong resident enterprise is considered a non-PRC tax resident enterprise and holds at least 25% of the equity interests in the PRC enterprise distributing the dividends, subject to approval of the PRC local tax authority. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%. In October 2009, the State Administration of Taxation issued a circular, known as Circular 601, which provides guidance on determining whether an enterprise is a “beneficial owner” under China’s tax treaties and tax arrangements. Circular 601 provides that, in order to be a beneficial owner, an entity generally must be engaged in substantive business activities, and that a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits will not be regarded as a beneficial owner and will not qualify for treaty benefits such as preferential dividend withholding tax rates. In February 2018, the State Administration of Taxation issued a new circular on issues relating to “beneficial owner” in tax treaties, or Circular No. 9, which will take effect on April 1, 2018 and replace Circular 601. Circular No. 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 No. 9, the enterprise will be deemed as a “beneficial owner.” If our Hong Kong subsidiaries are, in the light of Circular 601, considered to be a non-beneficial owner for purposes of the tax arrangement mentioned above, any dividends paid to them by our wholly foreign-owned PRC subsidiaries would not qualify for the preferential dividend withholding tax rate of 5%, but rather would be subject to a rate of 10%.

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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, excluding trading of a public overseas company's shares through stock exchanges without a reasonable commercial purpose and resulting in the avoidance of PRC enterprise income tax, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the safe harbor available under SAT Circular 7 may not be subject to PRC tax and the scope of the safe harbor includes qualified group restructuring as specifically set out in SAT Circular 7, public market trading and tax treaty exemptions.

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

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

Risks Related to Our ADSs

The trading price of our ADSs may be volatile.

The trading price of our ADSs ranged from US\$25.59 to US\$48.99 per ADS in 2017. The trading prices of our ADSs may be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other listed companies based in China. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of other Chinese companies' securities after their offerings, including internet and e-commerce companies, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009, the second half of 2011, mid-2015 and early 2016, which may have a material and adverse effect on the trading price of our ADSs.

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

- regulatory developments affecting us or our industry, customers, suppliers or third-party sellers;
- 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;
- fluctuations of exchange rates between the RMB and the U.S. dollar;
- release or expiry of lock-up or other transfer restrictions on our outstanding shares or ADSs;
- sales or perceived potential sales of additional ordinary shares or ADSs; and
- proceedings instituted by the SEC against five PRC-based accounting firms, including our independent registered public accounting firm.

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

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

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

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

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

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

Sales of our ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. As of February 28, 2018, we had 2,868,606,683 ordinary shares outstanding, comprising of (i) 2,407,975,132 Class A ordinary shares (excluding the 70,102,216 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) 460,631,551 Class B ordinary shares. Among these shares, 1,775,177,470 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 Class A ordinary shares outstanding and the Class B ordinary shares will be available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. Certain holders of our ordinary shares may cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline.

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

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

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

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

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

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- the voting at the meeting is to be made on a show of hands.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our memorandum and articles of association contain certain provisions that could limit the ability of others to acquire control of our company, including a dual-class voting structure that gives disproportionate voting power to the Class B ordinary shares held by Max Smart Limited, a company wholly owned by our chairman and chief executive officer, Mr. Richard Qiangdong Liu and of which he is the sole director, and those held by Fortune Rising Holdings Limited of which Mr. Liu is the sole shareholder and sole director. As of February 28, 2018, Mr. Liu beneficially owned 79.5% of the aggregate voting power of our company, including the 6.7% 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, and is therefore treated as our consolidated variable interest entity under U.S. GAAP. In addition, our memorandum and articles of association also contains a provision that grants authority to our board of directors to establish and issue from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series. These provisions could have the effect of depriving our shareholders of the opportunity to sell their shares at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

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

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

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

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

As a Cayman Islands 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 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 (2018 Revision) of the Cayman Islands nor our memorandum and articles of association requires a majority of our directors to be independent and we could include non-independent directors as members of our compensation committee and nominating committee, and our independent directors would not necessarily hold regularly scheduled meetings at which only independent directors are present. We follow home country practice with respect to annual meetings and did not hold an annual meeting of shareholders in 2017. We will, however, hold annual shareholders meetings in the future if there are matters that require shareholders' approval. If we choose to follow other home country practice in the future, our shareholders may be afforded less protection than they otherwise would under NASDAQ corporate governance listing standards applicable to U.S. domestic issuers.

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

Depending upon the value of our assets, which may be determined based, in part, on the market value of our ADSs and ordinary shares, and the nature of our assets and income over time, we could be classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes. A non-United States corporation, such as our company, will be classified as a PFIC for United States federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. The average percentage of a corporation’s assets that produce or are held for the production of passive income generally is 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, more than 25% (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, 2017 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, 2017 and we do not expect to be classified as a PFIC in the foreseeable future. Because PFIC status is a fact-intensive determination, no assurance can be given that we will not be classified as a PFIC for that year. While we do not anticipate becoming a PFIC, changes in the nature of our income or assets, or fluctuations in the market price of our ADSs or ordinary shares, may cause us to become a PFIC for future taxable years. In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our market capitalization, which may fluctuate over time. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income or where we determine not to deploy significant amounts of cash for working capital or other purposes, our risk of becoming classified as a PFIC may substantially increase.

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

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

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

Item 4. Information on the Company

A. History and Development of the Company

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

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

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

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

- Jingdong Century, established in April 2007, and certain of its subsidiaries in China, which primarily engage in retail business;
- Shanghai Shengdayuan Information Technology Co., Ltd., or Shanghai Shengdayuan, which was established in April 2011 and primarily operates our online marketplace business;
- Tianjin Star East Corporation Limited, or Star East, which was established in April 2012 and provides primarily warehousing and related services; and
- Xi'an Jingxundi Supply Chain Technology Co., Ltd., or Xi'an Jingxundi, which was established in May 2017 and provides primarily courier services.

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

- Beijing Jingbangda Trade Co., Ltd., or Jingbangda, currently a subsidiary of Xi'an Jingdong Xincheng, which was established in August 2012 and provides primarily courier services;
- Beijing Jingdong 360 Degree E-Commerce Co., Ltd., or Jingdong 360, which was established in April 2007 and holds our ICP license as an internet information provider and operates our *www.jd.com* website;
- Jiangsu Yuanzhou E-Commerce Co., Ltd., or Jiangsu Yuanzhou, which was established in September 2010 and primarily engages in the business of selling books, audio and video products; and
- Xi'an Jingdong Xincheng Information Technology Co., Ltd., or Xi'an Jingdong Xincheng, which was established in June 2017 and provides primarily courier services.

We also rely on other consolidated variable interest entities and their subsidiaries to conduct certain of our business operations, including Jiangsu Jingdong Bangneng Investment Management Co., Ltd., or Jiangsu Jingdong Bangneng and Suqian Jingdong Sanhong Enterprise Management Center (Limited Partnership), or Suqian Sanhong.

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In March 2014, we entered into a series of agreements with Tencent and its affiliates pursuant to which we acquired 100% interests in Tencent's Paipai and QQ Wanggou online marketplace businesses, a 9.9% stake in Shanghai Icsen, logistics personnel and certain other assets. We also entered into a five-year strategic cooperation agreement and an eight-year non-compete agreement with Tencent. In April 2016, we acquired the remaining equity interest in Shanghai Icsen by exercising the right previously granted to us in March 2014.

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

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

In February 2015, we invested a combination of US\$400 million in cash and certain resources valued at US\$497 million, including exclusive access to the new and used car channels on our e-commerce sites including mobile apps and additional support from our key platforms, as consideration for newly issued ordinary shares of Bitauto, an NYSE-listed provider of internet content and marketing services for China's fast-growing automotive industry. In June 2016, we made an additional investment of US\$50 million in cash to purchase newly issued ordinary shares of Bitauto. In addition, we invested US\$100 million in newly issued series A preferred shares of Yixin, a subsidiary of Bitauto primarily engaged in e-commerce-related automotive financing platform business. In August 2016, we, together with Tencent, Baidu, Bitauto and other investors, entered into definitive agreements, pursuant to which we and other investors, invested an aggregate of US\$550 million in cash in Yixin. We currently hold approximately 25.3% of Bitauto's issued and outstanding shares and approximately 10.9% of Yixin's issued and outstanding shares.

In May 2015, we made further investment to acquire newly issued Class A ordinary shares of 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. We currently hold approximately 20.6% of Tuniu's outstanding shares. Our leisure travel channel is currently operated by Tuniu.

In August 2015, we entered into definitive agreements with Yonghui, pursuant to which we subscribed for newly issued ordinary shares of Yonghui with a total consideration of RMB4.23 billion (US\$610 million). The transaction with Yonghui was completed in August 2016. As a result of the transaction, we hold approximately 10% equity interest in Yonghui. In addition, we have formed a strategic partnership with Yonghui to strengthen supply chain management capability primarily through joint procurement, and will continue to explore development opportunities in O2O initiatives and other areas of potential strategic cooperation.

In January 2016, we entered into definitive agreements with a group of investors for a RMB6.65 billion (US\$1.0 billion) financing for JD Finance. Following the closing of the financing in March 2016, we maintained a majority ownership in JD Finance. As of June 30, 2017, the reorganization of JD Finance had been completed, and we disposed of all of our 68.6% equity interest in JD Finance, as a result of which JD Finance was deconsolidated from us. Pursuant to the definitive agreements relating to the reorganization, we received approximately RMB14.3 billion (US\$2.2 billion) in cash with an economic gain of RMB14.2 billion (US\$2.2 billion). As JD Finance 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 Finance, we will receive 40% of the future pre-tax profit of JD Finance when JD Finance has a positive pre-tax income on a cumulative basis. In addition, we may be able to convert our profit-sharing right with respect to JD Finance into 40% of JD Finance's equity interest, subject to applicable regulatory approvals. The above percentage of profit sharing and maximum equity interest issuance to us is subject to potential proportional dilution as a result of any future equity financings or ESOP increases of JD Finance.

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In April 2016, we completed the transaction with Dada Nexus Limited, or Dada, China's largest crowdsourcing delivery company, pursuant to which our O2O business, JD Daojia, became a subsidiary of Dada and we contributed certain resources and US\$200 million in cash in exchange for newly issued equity interest in Dada. In December 2017, we exercised our warrant to acquire additional preferred shares of Dada and upon the exercise, we owned approximately 49.3% equity interest of Dada on a fully diluted basis.

In June 2016, we entered into a series of agreements with Walmart in relation to our strategic alliance with Walmart, pursuant to which Walmart subscribed for 144,952,250 of our newly issued Class A ordinary shares, which amounted to approximately 5% of our total issued and outstanding shares on a fully diluted basis at the time. As of December 31, 2017, Walmart held Class A ordinary shares representing 10.1% of our total issued and outstanding shares, according to Walmart's statement on an amendment to Schedule 13G with respect to our Class A ordinary shares on February 3, 2017. As part of our strategic alliance with Walmart, we acquired ownership of the Yihaodian marketplace platform assets, including the Yihaodian brand, websites and mobile apps. We have collaborated with Walmart on e-commerce, including launching Sam's Club Flagship Store and Walmart China Flagship Store on JD.com, Sam's Club Global Flagship Store, Walmart Global Flagship Store, and ASDA Flagship Store on JD Worldwide and a one-hour delivery service from Walmart Stores in select cities through the JD Daojia app, as well as leveraging one another's supply chain to increase product selection for customers across China. As part of the strategic alliance, we also entered into an eight-year non-compete arrangement with Walmart, subject to certain conditions and exceptions.

In April 2017, we established a new business group, JD Logistics, to leverage our advanced technology and logistics expertise to provide integrated supply chain and logistics services to businesses across a wide range of industries. JD Logistics provides business partners with comprehensive supply chain solutions, including warehousing, transportation, delivery, customer service, after-sales service, as well as logistics technology solutions, including cloud-based service and data analytics, among others. In February 2018, we entered into definitive agreements with third-party investors for the financing for JD Logistics. We raised a total amount of US\$2.6 billion from the third-party investors, who owned an aggregate of 19.0% stake in JD Logistics on a fully diluted basis upon the completion of the transaction and we have remained as the controlling shareholder of JD Logistics.

In June 2017, we invested US\$397 million in cash as consideration to acquire certain number of ordinary shares and preferred shares of Farfetch, the leading global e-commerce platform for the fashion industry. As part of this partnership, we became one of the largest shareholders of Farfetch. The strategic partnership between us and Farfetch leverages our leading logistics and technology capabilities and social media resources, including our partnership with Tencent, with Farfetch's leadership in global luxury, to create a frictionless and seamless brand experience.

In August 2017, we entered into a conditional share subscription agreement with China Unicom, a Chinese telecommunications operator in relation to our investment of approximately RMB5 billion (US\$768 million) in cash to subscribe for certain privately issued shares of China Unicom. Concurrently, we, through a PRC affiliate, also entered into a strategic business cooperation agreement with China Unicom.

In December 2017, we entered into a share subscription agreement along with Tencent to subscribe for newly issued Class A ordinary shares of Vipshop, an NYSE-listed online discount retailer for brands in China. We also purchased the ADSs of Vipshop from open market. As of December 31, 2017, we accumulatively invested approximately US\$425 million in cash as consideration for Class A ordinary shares of Vipshop (including the ADSs). In December 2017, we also entered into a business cooperation agreement with Vipshop, under which we granted Vipshop entries on both the main page of our mobile app and the main page of our Weixin Discovery shopping entry.

In January 2018, a PRC subsidiary of us, along with a PRC subsidiary of Tencent, entered into a strategic partnership agreement with Wanda Commercial Properties, a leading developer, owner and operator of commercial properties in China, and its major shareholder, Dalian Wanda Group Co., Ltd. Pursuant to the agreement, we agreed to invest RMB5 billion (US\$768 million) to purchase the shares of Wanda Commercial Properties from its existing shareholders.

B. Business Overview

We are a leading technology-driven e-commerce company and retail infrastructure service provider in China. We generated total net revenues of RMB181.0 billion, RMB258.3 billion and RMB362.3 billion (US\$55.7 billion) in 2015, 2016 and 2017, respectively. Our GMV increased from RMB590.6 billion in 2015 to RMB939.2 billion in 2016 and further to RMB1,294.5 billion (US\$199.0 billion) in 2017.

We believe we provide consumers an enjoyable online retail experience. Through our content-rich and user-friendly website *www.jd.com* and mobile apps, we offer a wide selection of authentic products at competitive prices which are delivered in a speedy and reliable manner. We also offer convenient online and in-person payment options and comprehensive customer services. In order to have better control over fulfillment and to ensure customer satisfaction, we have built our own nationwide fulfillment infrastructure and last-mile delivery network, staffed by our own employees, which supports both our online direct sales and our online marketplace businesses. We have established strong relationships with our suppliers as we develop our online direct sales business. Leveraging our strengths, we launched our online marketplace business in 2010, which has allowed us to significantly expand our selection of products and services.

We foster an interactive user community that discusses, rates and reviews our products and services. We believe we have the largest online product review database of any online direct sales company in China with approximately 3,259 million product reviews generated by our customers as of December 31, 2017. As a result of our superior customer experience, our business has grown rapidly. We had 155.0 million, 226.6 million and 292.5 million annual active customer accounts in 2015, 2016 and 2017, respectively.

Timely and reliable fulfillment is critical to the success of an online retail business. Given the underdevelopment of third-party fulfillment services in China in terms of both warehousing and logistics facilities and last-mile delivery services, we made a strategic decision in 2007 to build and operate our own nationwide fulfillment infrastructure. We believe we have the largest fulfillment infrastructure of any e-commerce company in China. We operated 486 warehouses with an aggregate gross floor area of approximately 10 million square meters in 78 cities as of December 31, 2017, and had 84,790 delivery personnel, 33,153 warehouse staff and 12,760 customer service personnel as of the same date. Leveraging this nationwide fulfillment infrastructure, we deliver a majority of the orders directly to customers ourselves. As of December 31, 2017, our comprehensive fulfillment facilities covered almost all counties and districts across China, and we provided same-day and next-day delivery in 1,752 counties and districts.

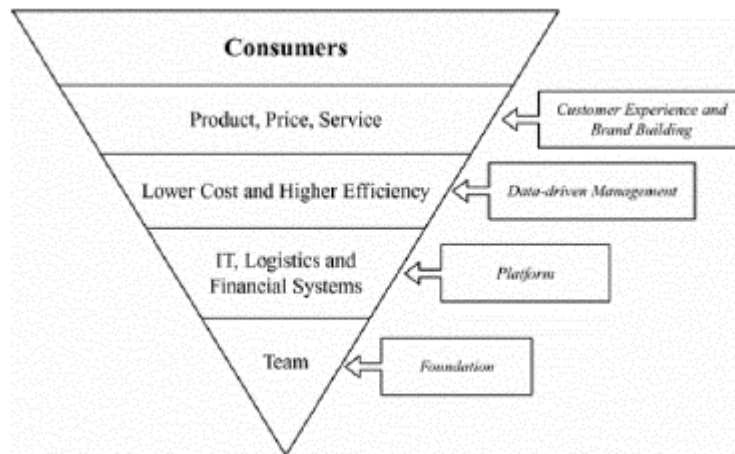
We are a technology-driven company and have invested heavily in developing our own highly scalable proprietary technology platform that supports our rapid growth and enables us to provide value-added technology services. In addition, our sophisticated business intelligence system enables us to refine our merchandise sourcing strategy to manage our inventory turnover and control costs and to leverage our large customer database to create customized product recommendations and cost-effective and targeted advertising.

We introduced an online marketplace to leverage our brand recognition, large and growing customer base, extensive transaction data, fulfillment infrastructure and proprietary technology platform. Our online marketplace allows us to provide customers a much greater selection of products. We attract and select third-party sellers to offer authentic products to our customers through our online marketplace. We monitor third-party sellers' performance and activities on our online marketplace closely to ensure that they meet our requirements for authentic products and high-quality customer service. In addition to basic transaction processing and billing services, we offer third-party sellers a suite of value-added fulfillment and other services.

Furthermore, we launched a cross-border e-commerce platform, JD Worldwide, on JD.com in April 2015. JD Worldwide is committed to providing consumers in China with high-quality, authentic imported products from worldwide and to serving as a gateway for leading international brands to reach the Chinese market. Since its launch in 2015, JD Worldwide has offered products in a wide variety of categories including maternal and childcare, nutrition and healthcare, personal care and cosmetics, electronics, household and kitchenware, food, and car accessories, among others. JD Worldwide sources products from over 70 countries and regions, including the United States, Canada, South Korea, Japan, Australia, New Zealand, France, and Germany, among many others.

Core Philosophy

Our core philosophy to put customers always as our top priority can be illustrated by the following:



- Our team is the foundation of our company. We have built a strong and dedicated team and made significant efforts in hiring, training and retaining our workforce.
- To support our anticipated growth, we have developed a series of comprehensive front-end and back-end systems, including customer interfaces, transaction processing, supply-chain management, merchant services, logistics, and financial systems, among others, to manage our flow of products, services, information and finances.
- Our data-driven management employs an array of key performance indicators to minimize costs and maximize efficiency in our operations.
- As a result, we are able to offer a broad selection of authentic products at competitive prices with comprehensive services. We strive to create a compelling online shopping experience that generates customer loyalty.

Our Strategies

We believe “Boundaryless Retail” represents the future retail trend for our industry because consumers will become ever-more involved in all aspects of a company’s value chain and proactively interact with businesses. Consumers will not only continue seeking out “low cost” and “convenience,” but at the same time they will demand more personalized and diversified scenarios and participation. The interaction between these evolving consumer demands and technology advancement will further transform the retail infrastructure and experience.

Based on the knowledge we have accumulated and the capabilities we have built up throughout our years of operation, we have determined that our strategy for the next twelve years will be based on “Retail-as-a-Service.” On one hand, we will continue to expand our e-commerce businesses while striving to reduce costs, improve efficiency and enhance the customer shopping experience while proactively exploring innovative new business models. On the other hand, we will open up our established infrastructure to all our partners to empower retailers, suppliers and designers, among others, with our supply chain, logistics, technology and other capabilities. Through joint efforts with a wide range of business partners and by leveraging our well-established infrastructure, we believe we can create an even more advanced and comprehensive retail ecosystem to reach consumers wherever and whenever they shop.

To implement this strategy of developing next-generation retail, we are exploring various online and offline integration opportunities and innovative business models. Leveraging our infrastructure, we will enable our partners to achieve digitalization with improved efficiency and expanded access to sales promotions and preferred discounts, regardless of whether consumers are shopping online or in-store.

Our Business Model

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

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

Online Direct Sales

In our online direct sales business, we acquire products from suppliers and sell them directly to customers. We started selling computer products online in 2004 and introduced mobile handsets, consumer electronics products and auto parts and accessories by 2007. We significantly expanded our product offerings in 2008 with home appliances and a wide array of general merchandise product categories, and have been continually adding new products and categories since then. As of December 31, 2017, we offered a wide range of categories through our online direct sales business model. As a result, net revenues from electronics products, which include computers, mobile handsets and other mobile digital products, and home appliances, have declined as a percentage of our total net revenues.

Retail Infrastructure

Online Marketplace. In our online marketplace business, third-party sellers offer products to customers on our online marketplace and pay us commissions on their sales. We launched our online marketplace in October 2010, and have been bringing new products and services since then. As of December 31, 2017, there were more than 170,000 third-party sellers on our online marketplace. We provide transaction processing and billing services on all orders on our online marketplace and require third-party sellers to meet our standards for authenticity and reliability. We aim to offer customers the same high quality customer experience regardless of the source of the products they choose.

Marketing Services. Leveraging our artificial intelligence capabilities and the comprehensive dataset accumulated from a wide range of business scenarios along the entire value chain, we provide a variety of marketing services to suppliers, merchants and other partners in the ecosystem through our proprietary advertisement technology platform.

In 2017, we started to offer our suppliers and merchants a new fully-automated marketing platform that could make targeted product recommendations to users on *www.jd.com* and across JD's publisher partnership network, driving new customers and repeat purchases for advertisers automatically. Powered by artificial intelligence, advertisers only need to input total budget, unit bid price and optimization goals to market to their targeted audiences on this platform, which enables advertisers to lower their operating costs and increase their returns.

In order to provide our partners with better targeted marketing and broader access to advertisement resources, in addition to our successful partnership with Tencent and Toutiao, in 2017, we also formed strategic partnerships with other leading mobile internet companies such as Baidu, Qihoo 360, NetEase, Sogou and iQIYI, with an aim to leverage these companies' powerful big data resources, massive user bases and AI-driven technologies to strengthen collaboration in precision marketing, user access points and content-driven marketing.

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Logistics Services. In April 2017, leveraging our advanced technology and logistics expertise, we established JD Logistics, a new business group under JD.com, to provide logistics services to businesses across a wide range of industries. We have opened up our technology-driven fulfillment infrastructure by offering comprehensive supply chain solutions to third-party sellers on our marketplace and merchants that do not sell products on our online marketplace, including warehousing, transportation, delivery, customer services, after-sale services, as well as logistics technology solutions, including cloud-based service and data analytics, or a combination of these services. Our logistics services to the third-parties have experienced rapid growth and have been well-received by major clients such as Nestle, NetEase, Gree, and others. We are dedicated to developing an effective, environmental-friendly, innovative and smart “green logistics system” through developing and promoting the use of innovative and environmental-friendly materials and a series of technological innovations.

Omni-channel Initiatives. To achieve our “Boundaryless Retail” vision, we are exploring a variety of omni-channel integration opportunities and innovative business models. Leveraging our well-established retail infrastructures, we believe we are well-positioned to create enhanced shopping experience for consumers as well as improved efficiency for our business partners in the ecosystem.

We believe we are well-positioned to provide online-to-offline (O2O) solutions to customers and offline retailers in select locations in China by capitalizing on our strong online presence and leveraging Dada’s crowdsourced delivery system. Dada is one of our equity investees and its O2O supermarket platform JD Daojia, which was JD’s assets before our transaction with Dada in April 2016, leverages the expanded delivery network, focuses on the location-based mobile commerce sector and collaborates with offline supermarkets, convenience stores and other local businesses to provide consumers with speedy premium shopping experience. As of January 31, 2018, Dada had partnered with 163 Walmart stores and 388 Yonghui stores to provide consumers with speedy premium online grocery shopping experience.

In June 2016, we entered into a series of agreements in relation to our strategic alliance with Walmart. As part of the strategic alliance, we acquired ownership of the Yihaodian marketplace platform assets, including the Yihaodian brand, websites and mobile apps. We have collaborated with Walmart on e-commerce, including launching Sam’s Club Flagship Store and Walmart China Flagship Store on JD.com, Sam’s Club Global Flagship Store, Walmart Global Flagship Store, and ASDA Flagship Store on JD Worldwide, and a one-hour delivery service from Walmart Stores in select cities through the JD Daojia app, as well as leveraging each other’s supply chain to enhance product selection for customers across China. We also launched the first Walmart-JD Omni-channel Shopping Festival on August 8, 2017, a new initiative aimed at offering shoppers across China faster and more convenient access to high-quality products through multiple channels.

To provide customers with a more dynamic and interactive integrated omni-channel shopping experience, we have opened up hundreds of JD Home offline franchise stores in popular commercial districts in both higher tier and lower tier cities. Beginning with consumer electronics products and expanding into personal hygiene, books, cosmetics, luxury goods and other general merchandise categories, these stores are offering tens of thousands of stock keep units, or SKUs at competitive prices. Using a new digital price tag system, we are able to support our offline franchise stores with our strong supply chain capability, and we ensure customers will always have transparent prices both online and in-store. Using a variety of latest technologies such as facial recognition, product recognition, tracking system for customers’ in-store activities to name just a few, we have established a closed loop to accumulate large volume of offline shopping data, and through further analysis of the integrated online and offline dataset, we can offer differentiated products in each offline franchise store that best suit potential customer demands.

In December 2017, we opened our first offline fresh food market under the 7FRESH brand and have recently launched a second one. Leveraging JD’s supply chain technology and scale, this hyper-premium market is stocked with thousands of fresh products, including fruit, flowers, imported meat and quality fresh seafood. Offering food preparation, catering service and free 30-minute delivery to customers within three kilometers, 7FRESH integrates advanced supply chain management know-how and cutting-edge store technologies to deliver a unique shopping experience.

We will continue leveraging superior supply chain management know-how, strong logistics capabilities, and cutting-edge technology from our well-established retail infrastructure, to explore a variety of omni-channel opportunities and innovative business models and pursue enhanced shopping experience and improved operating efficiency.

Strategic Cooperation with Tencent

On March 10, 2014, we acquired certain e-commerce businesses and assets from, and entered into a strategic cooperation agreement and formed a strategic partnership with Tencent, a leading internet company serving the largest online community in China. Tencent offers a wide variety of internet services in China including instant messaging, social networking, online games and online media. Tencent has a large mobile internet user base, as evidenced by 989 million monthly active user accounts on Tencent's mobile apps Weixin and Wechat as of December 31, 2017 based on publicly available data.

As part of the strategic partnership, Tencent agrees to offer us prominent level 1 access points in its mobile apps Weixin and Mobile QQ and provide traffic and other support from other key platforms to us. Level 1 access points refer to entries and links that Tencent users can directly access on the interfaces that will launch after one click on the home interface on Tencent's mobile apps. We launched level 1 access on Tencent's Weixin platform for selected Weixin users in Beijing and Shanghai first in May 2014 and subsequently rolled it out to all Weixin users in June 2014, and we also launched direct access on Tencent's Mobile QQ in August 2014. Our partnership with Tencent's dominant Weixin and Mobile QQ platforms has helped us generate mobile user traffic from Tencent's large mobile user base and enhance our customers' mobile shopping experience.

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

On March 10, 2014, we entered into a series of agreements with Tencent and its affiliates pursuant to which we acquired 100% interests in Tencent's Paipai and QQ Wanggou online marketplace businesses, a 9.9% stake in Shanghai Icsen, logistics personnel and certain other assets. Paipai and QQ Wanggou, which we acquired from Tencent, are online marketplaces in China that bring buyers and sellers together online. Paipai was a consumer-to-consumer or C2C marketplace, whereas QQ Wanggou was a business-to-consumer or B2C marketplace. We re-launched the Paipai C2C marketplace in July 2014, but have closed it down as of the date of this annual report. In addition, we obtained the right to acquire the remaining equity of Shanghai Icsen by March 10, 2017 at the higher of the then fair value of Shanghai Icsen or RMB800 million (US\$123 million). In April 2016, we exercised the right paying RMB800 million (US\$123 million) and acquired the remaining equity interest in Shanghai Icsen. Shanghai Icsen operates a B2C e-commerce platform in China.

Concurrent with the above transactions, the execution of the strategic cooperation agreement and for US\$215 million in cash to us, we issued a total of 351,678,637 ordinary shares to Huang River Investment Limited, a wholly owned subsidiary of Tencent. We paid Tencent RMB181 million (US\$26 million) in cash as part of the consideration for the transaction during 2014. As part of the agreements, in a private placement concurrent with our initial public offering in May 2014, we issued an aggregate of 139,493,960 Class A ordinary shares to Huang River Investment Limited at the per share equivalent of the price to the public. Huang River Investment Limited is currently one of our principal shareholders and held 18.0% of our total issued and outstanding shares as of February 28, 2018.

We expect to continue to leverage our strategic partnership with Tencent to enhance our ability to increase our internet and mobile user traffic, to strengthen our direct sales and marketplace businesses on internet and mobile. We believe our continued cooperation with Tencent will raise and maintain our profile among China's fast growing and large mobile internet users, many of whom frequently use Weixin and Mobile QQ in their daily lives. We have further strengthened our team with the addition of former employees from Tencent. In October 2015, we expanded partnership with Tencent to provide merchants with innovative mobile marketing solutions. The collaboration offers businesses advanced online tools to more precisely reach their target customer groups, build brand recognition and increase return on investment on marketing by providing brands access to Tencent users. In October 2017, we and Tencent expanded our partnership with the launch of the JD-Tencent Retail Marketing Solution. The initiative integrates insights on consumer behavior from Tencent's social media platforms with online and offline shopping data from us and our brand partners to enable more precise target marketing and better understanding of consumer behavior for the brands on our platform.

Strategic Cooperation with Vipshop

In December 2017, we, along with Tencent, entered into a share subscription agreement to subscribe for newly issued Class A ordinary shares of Vipshop, an NYSE-listed online discount retailer for brands in China. We also purchased the ADSs of Vipshop from open market. As of December 31, 2017, we accumulatively invested approximately US\$425 million in cash as consideration for Class A ordinary shares of Vipshop (including the ADSs). In December 2017, we also entered into a business cooperation agreement and established a cooperative relationship with Vipshop, pursuant to which we granted Vipshop entries on both the main page of our mobile app and the main page of our Weixin Discovery shopping entry. Leveraging Vipshop's strength in flash sale and apparel businesses, we believe this partnership will further extend the strong inroads that we have made with female shoppers, and will expand the breadth and reach of our fashion business.

Customer Experience

Our slogan is “多快好省” (selection, speed, quality, value), and we are committed to optimizing customer experience and achieving customer satisfaction. This commitment drives every aspect of our operations, which are focused on six core components: extensive product offerings, compelling online experience, superior customer service, competitive pricing, timely and accurate fulfillment, and convenient payment options.

Products

We continually seek to add more products that appeal to our target customers. The number of products we offer has grown rapidly. We offer a wide range of product categories including but not limited to:

- home appliances;
- mobile handsets and other digital products;
- computers, including desktop, laptop and other varieties, as well as printers and other office equipment;
- furniture and household goods;
- apparel;
- cosmetics and other personal care items and pet products;
- women's shoes, bags, jewelry and luxury goods;
- men's shoes, sports gears and fitness equipment;
- automobiles and accessories;
- mother and childcare products, toys and instruments;
- food, beverage and fresh produce;

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- gifts, flowers and plants;
- nutritional supplements;
- books, e-books, music, movies and other media products; and
- virtual goods, including online travel agency, attraction tickets, and prepaid phone cards and game cards.

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

In building up our product offerings, we focus on quality as well as quantity. Due to our nationwide reach and our efficient fulfillment system, suppliers often choose us to launch new products that they expect will be in high demand, and we often act as the preferred distributor for a period of days or weeks when a hot new product first becomes available for sale to the public.

Online Experience

We believe that providing a compelling online experience is critical to attracting and retaining customers. We make sales primarily through our content-rich and user-friendly website *www.jd.com* and mobile apps. Our website not only offers a broad selection of authentic products at competitive prices but also provides easy site navigation, basic and advanced search functions, comprehensive product information and a large volume of customer reviews and ratings. These features address customers' desire to view, understand and compare products before purchasing. With the increasing popularity of mobile internet-enabled devices, we have also developed apps and features adapted to mobile internet users, and we currently offer mobile access through our mobile website *m.jd.com* and our various iOS, Android and Windows-based mobile apps. As part of our strategic partnership with Tencent, we have launched level 1 access on Tencent's Weixin and Mobile QQ, whereby Tencent users can easily access our product offerings and have enjoyable mobile shopping experience. Approximately 86% of orders fulfilled were placed through our mobile apps in the fourth quarter of 2017, as compared to approximately 80% in the fourth quarter of 2016.

Our *www.jd.com* website and mobile apps contain the following information and features:

Comprehensive product information. Each product page contains pictures, descriptions, and sometimes short videos of the product, the price, a pull-down menu to show whether the product is in stock at the customer's location, customer reviews and ratings, and whether the product will be delivered by us or by one of our third-party sellers. Depending on the type of product, there will be additional information to help the customer make a purchase decision or recommendations to steer the customer towards additional products.

Interactive user community. Our websites and mobile apps contain a large volume of helpful user-generated content. For each product, customers can provide reviews and ratings that are featured prominently on the product page. We encourage participation by granting loyalty points for posting reviews and ratings. We believe that we have the largest online product review database of any online direct sales company in China, with approximately 3,259 million product reviews generated by our customers as of December 31, 2017, which benefits our customers, suppliers and third-party sellers.

Product recommendations. We have been making progress in leveraging artificial intelligence technologies to generate personalized recommendations to customers of products they may be potentially interested in. Each product page typically has recommendations of other products that are often purchased together with that product. In addition, our website makes recommendations to customers according to a comprehensive dataset compiled based on customer's behavior. The scale of our business enables us to collect large volume of data about customer behavior and preferences that we believe enable us to make recommendations that are more accurate and appealing to our customers.

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Real-time order tracking. Customers can log into their accounts to check the status of their orders. All packages in our system are given a unique identifier and their location is updated each time they are handled by one of our warehouse or delivery personnel or one of our contracted third-party couriers. Furthermore, each of our delivery personnel carries a mobile personal digital assistant, which allows customers to track their location in real time on an online map.

Customer Service

Providing satisfactory customer services is a high priority. Our commitment to customers is reflected in the high service levels provided by our customer service staff as well as in our product return and exchange policies.

24-7 customer service centers. We operate three 24-7 customer service centers in Suqian and Yangzhou of Jiangsu Province and Chengdu of Sichuan Province, handling all kinds of customer queries and complaints regarding our products and services. We obtained COPC (Customer Operation Performance Center) Certification in November 2014. Customers can make queries and file complaints via various channels such as phone calls, online written instant messengers, JD official accounts in Weixin and Weibo, and emails. As of December 31, 2017, we had a total of 9,085 full-time customer service representatives at the Suqian, Yangzhou and Chengdu centers.

Returns and exchanges. We accept unconditional returns or exchanges within seven days of purchase. Merchandise with defects can be returned for exchange within 15 days of purchase. For customers with good credit, we provide “quick refund” service, that is, the customers are refunded as soon as they submit the return requests. If customers report defects more than 15 days after receipt but still within the warranty period, we will have defective goods repaired or take other appropriate action to compensate the customer, depending on the nature of the problem. We will generally pick up defective items for return or exchange at the customer’s address, provided that the return or exchange is requested within 15 days of receipt of the item and the address within the area that is serviced by our employees or by one of the third-party couriers that have agreed to provide this service for us. Alternatively, customer can also mail the merchandise to one of our regional fulfillment centers or bring the product to the nearby pickup station. The same policies apply to products sold through our online marketplace.

Membership program. We have established a membership program to cultivate customer loyalty and encourage our customers to make repeat purchases. In 2017, we upgraded the membership system and changed from the five-tier membership structure to “Jing Xiang Zhi (京享值)” value system, which takes into account various kinds of indicators, such as consumer behavior, interaction, credit ratings, risk level, among others, to determine the comprehensive score for each consumer. We believe the upgraded membership system will be able to effectively enhance shopping experience and consumer engagement. In addition to our “Jing Xiang Zhi (京享值)” membership program, we continued to promote JD Plus, a premium paid membership program. By the end of 2017, we have attracted millions of JD Plus members and continued to introduce new benefits to JD Plus members, including free shipping, extra rebates, VIP customer services, access to free e-books, free return services and exclusive prices on selected product offerings. Meanwhile, JD Plus has been integrated with other primary forms of promotions such as “Super Brand Days” and “Lightening Deal” channel, as an effort of joint marketing.

Pricing

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

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

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

Delivery

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

Delivery network and personnel. We delivered products directly to customers in almost all counties and districts across China as of December 31, 2017. We deliver a majority of the orders directly to customers ourselves, and therefore our customers interact with delivery personnel more often than with any other representatives of our company. For this reason, we place great emphasis on training our delivery personnel and setting up delivery stations in more and more counties and districts. We believe that our professionally trained delivery personnel are important in helping us to shape customer experience and distinguish ourselves from our competitors.

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

Comprehensive speedy delivery service. We introduced our 211 program in 2010. For goods that we have in stock at the corresponding regional fulfillment center or front distribution center, any orders received by the morning deadline (11:00 a.m. in most of the locations) will be delivered on the same day, and any orders received by the evening deadline (11:00 p.m.) will be delivered by 3:00 p.m. on the following day. Customers also can request that an order placed by 3:00 p.m. be delivered in the evening on the same day in selected cities. There is no extra charge for delivery under our 211 program for orders that satisfy the minimum size requirement, and customers can check the product page on our websites to see whether the product is in stock and thus eligible. The program does not cover delivery to addresses through third-party couriers or products shipped directly from our third-party sellers. Bulky items such as refrigerators or washing machines are also eligible for same-day or next-day delivery in selected areas. Customers can request expedited delivery within two hours by paying an extra charge in the major cities where we have regional fulfillment centers. JD Logistics also provides scheduled delivery service in selected cities, allowing customers to choose a convenient 2-hour delivery window within which to receive their goods. Besides, for luxury products, consumers in major cities can enjoy JD Luxury Express, a premium delivery services. As of December 31, 2017, our same-day and next-day delivery service covered 1,752 counties and districts across China.

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

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

Payment

Payment-on-delivery. We accept payment-on-delivery in almost all of the counties and districts across China where we make deliveries through our own delivery personnel. Our delivery personnel carry mobile POS machines for processing debit cards and credit cards and they also accept cash. Customers chose payment-on-delivery approximately 10% of the time in 2017.

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Online payment. Various kinds of online payment methods are offered to customers at the time they place their orders, such as Weixin Pay, JD Pay, UnionPay, among others. Customers chose online payment approximately 90% of the time in 2017.

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

Merchandise Sourcing

In our online direct sales business, we sourced products from over 15,000 suppliers as of December 31, 2017. Procuring products on such a massive scale requires considerable expertise, which we have built up over a number of years. We negotiate with the manufacturer or a higher-level distributor where possible in order to obtain the most favorable terms, even if we sign a contract with a lower-level distributor for operational reasons. None of our suppliers accounted for over 10% (by value) of the products we purchased in 2017. In addition, we had over 170,000 third-party sellers on our online marketplace as of December 31, 2017.

As we increase in scale in particular product categories, we expect to increase our direct purchases from manufacturers and, where appropriate, to become an authorized reseller. We believe that our ability to establish direct relationships with manufacturers will provide improved product pricing and access to hard-to-get products. We believe that manufacturers and distributors consider us an important channel in certain product categories such as computers and mobile devices, where we are one of the largest channels in China, and we are gaining significant traction in related categories like home electronics. In addition, we have created a supplier interface where our suppliers and third-party sellers access reports regarding inventory status, purchase history and customer reviews of their products. Suppliers and third-party sellers can use this information in their marketing and product development efforts and also in managing their own inventory, which helps them manage costs and makes our services more valuable to them.

We select suppliers and third-party sellers on the basis of brand, reliability, volume and price. They must be able to meet our demands for timely supply of authentic products and also provide high quality post-sale customer service. We perform background checks on each supplier and third-party seller and the products it provides before we enter into any agreement. We examine their business licenses and the qualification certificates for their products, and check their brand recognition and make investigation about the market acceptance of their products among players in the same industry. We also conduct on-site visits to assess and verify their location, scale of business, production capacity, property and equipment, human resources, research and development capability, quality control system and fulfillment capability. Our standard form contract requires suppliers and third-party sellers to represent that their goods are authentic and from lawful sources and do not infringe upon lawful rights of third parties and to pay us liquidated damages for any breach. We normally enter into one-year framework agreements with our suppliers and third-party sellers and renew them annually. We have also put stringent rules in place governing the operations of third-party sellers on our online marketplace. Third-party sellers will be subject to penalties or be asked to end their operations on our online marketplace if they violate the marketplace rules, for example by selling counterfeit products.

Fulfillment

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

Nationwide Fulfillment Infrastructure

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

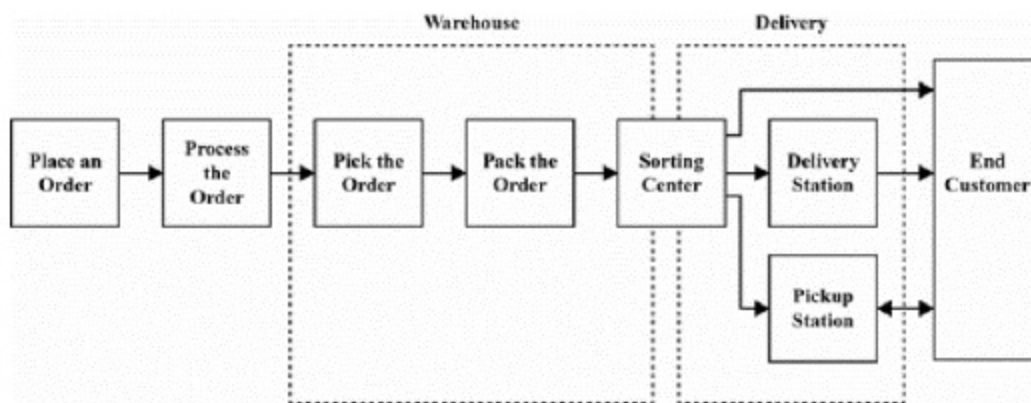
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We had established regional fulfillment centers in seven major cities in China as of December 31, 2017: Shenyang in the northeast, Beijing in the north, Shanghai in the east, Wuhan in the center, Guangzhou in the south, Chengdu in the southwest and Xi'an in the northwest. We had also established front distribution centers in another 27 major cities stocking products that are in high demand and other additional warehouses in another 44 cities in China as of December 31, 2017. We operated a total of 486 warehouses with an aggregate gross floor area of approximately 10 million square meters in 78 cities as of December 31, 2017, and our comprehensive fulfillment facilities covered almost all counties and districts across China as of the same date.

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

Fulfillment Process

The following flow chart outlines our fulfillment process:



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

We are in the process of constructing new, larger, custom-designed warehouses on land where we have obtained land use rights. As of December 31, 2017, we had already launched our custom-designed warehousing facilities in nine cities with an aggregate floor space of over one million square meters. In addition, we are in the process of constructing the warehousing facilities in twelve cities, and plan to construct additional such warehouses. We believe that building our own custom-designed warehouses will not only increase our storage capacity but also allow us to restructure and reorganize our fulfillment workflow and processes.

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

Technology Platform

Technology is the key to the success of our future business development and the evolution of our ecosystem. Our proprietary technology platform supports our rapidly growing processing capacity requirements, and provides us with detailed and accurate visibility and information based on our cloud computing infrastructure, comprehensive operating data from value chain, and advanced business intelligence analytics powered by artificial intelligence technologies.

As of December 31, 2017, we employed 11,938 research and development professionals to design, develop and operate our technology platform. At the same time, we have built up a global team of artificial intelligence and supply-chain technology professionals, including many top-notch AI and supply-chain researchers and scientists.

Our security infrastructure provides encryption service using the industry standard AES algorithm to protect our proprietary data and customer information across all JD custom-designed data centers. With multiple layers of encryption, all sensitive data can only be accessed by authenticated and authorized systems, apps and services without compromising confidentiality and privacy.

Key components of our technology platform include:

Boundaryless Retail Technology to Expand Retail Scenarios

We are striving to leverage AI technologies to generate personalized recommendations on our retail technology platform based on the comprehensive data we accumulate daily. The vast scale of our business gives us extensive data about customers that can provide deep insights into customer interests and behavior.

Our technologies are widely used in a multitude of retail scenarios, from front-end technology that supports our main customer interface on our websites and mobile apps, to the innovative omni-channel technology to support the retail ecosystem with new customer interfaces, such as the 7FRESH offline store, Ding-Dong Smart Speaker, JD Home offline franchise stores and unmanned convenience stores, among others. Our strong retail technology platform is vital in our pursuit of an ever-improving customer experience.

Big-Data Analytics and Smart Supply Chain to Enhance Operating Efficiency

After years of development, we have accumulated a huge amount of data covering the longest value chain in China's e-commerce industry, including customer browsing and buying behavior, product manufacturing and sales information, warehousing and distribution information, customer service information and much more. Leveraging our technical capabilities such as batch computation, real-time computation, machine learning and deep learning, our big data platform can fulfill the computational tasks of various complex application scenarios.

With supply chain management capability quickly becoming an essential component of JD's key smart retail infrastructure, we have established a dedicated internal division to integrate cutting-edge technologies such as big data, blockchain, internet of things, or IoT, natural language processing and understanding, machine learning and deep learning, in building our demand-driven and consumer-centric smart supply-chain management capability to enhance operating efficiency and to empower the business partners in our ecosystem.

Smart Logistics to Achieve Superior Customer Experience

We have also established another dedicated internal division to explore the application of smart logistics and unmanned technology, which we believe represents the future of the logistics industry. Through exploration and development of a series of cutting-edge technologies such as intelligent hardware, IoT, big data, robotics, image and vision recognition, smart logistics devices and other key technologies, we intend to revolutionize the logistics industry and transform it from automation to intelligence. We are also in the process of applying these technologies in a wide range of logistics business areas such as unmanned warehouses, drone delivery, self-driving vehicles, unmanned delivery stations and convenience stores, among others. We will continue to invest in smart logistics to improve the intelligence level of our logistics system and to provide consumers with an unparalleled shopping experience.

Artificial Intelligence Technology to Drive Business Upgrades

We are making continuous efforts to develop our technology strength in artificial intelligence, leveraging our massive volume of data, to explore innovative business models. In September 2017, we established the AI Platform and Research Division as a core component of our company's technological ecosystem. We have incorporated cutting-edge technologies, such as machine learning, natural language processing and related computational approaches, to continue to improve our operations. As of the date of this annual report, our applications of artificial intelligence technology include intelligent customer service assistant JIMI, intelligent SKUs selection system, and AI-driven advertisement platform, among others.

We also strive to assume greater corporate social responsibility by building an advanced public technology platform in order to better serve the community.

Marketing

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

In addition to continuing marketing activities through traditional online and offline channels, we have also designed innovative programs and promotion activities to further enhance the brand awareness of both us and our partners, and to better reach our customers. In 2017, we successfully launched a series of "Super Brand Days", "Super Category Days" and "Super New Product Days" joint marketing campaigns in cooperation with many domestic and international top brands. As part of our overall efforts to help business partners develop brand recognition in China, the customized campaigns bring brands closer to consumers through highly effective, targeted promotions based on data-driven customer insights. Additionally, we strengthened our JD Co-branding Program to jointly promote brand awareness with many of our brand partners.

With the increasing popularity of mobile internet-enabled devices, approximately 82% of our orders fulfilled were placed through our mobile apps in 2017. In order to further improve customer experience and increase user engagement on mobile internet, we are exploring cooperation opportunities with many business partners on the mobile side. In addition to our successful partnership with Tencent and Toutiao in 2017 we also formed strategic partnerships with Baidu, Qihoo 360, NetEase, Sogou and iQIYI, aimed at leveraging these companies' massive user bases to strengthen collaboration in targeted marketing, user access points and content-driven marketing. We incurred RMB7,233 million, RMB10,159 million and RMB14,918 million (US\$2,293 million) of marketing expenses in 2015, 2016 and 2017, respectively.

Competition

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

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

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

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

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

Seasonality

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

Intellectual Property

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of December 31, 2017, we owned 336 computer software copyrights in China relating to various aspects of our operations and maintained 5,719 trademark registrations inside China and 896 trademark registrations outside China. We had approximately 4,402 trademark applications inside China and 475 outside China. As of December 31, 2017, we had 838 patents granted in China, 3,622 patent applications pending in China and 236 patent applications pending outside China. As of December 31, 2017, we had registered approximately 3,662 domain names. Our registered domain names include *jd.com*, *360buy.com*, *360buy.com.cn* and *360buy.cn*, among others.

Insurance

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

Enterprise Social Responsibility

We recognize our responsibility to bring improvements to society in which we live and work, and we believe strongly that our core values, including commitment to brands, customers, our employees and broader society are the backbone that drives our decisions to build a healthy and vibrant ecosystem. Combined with an unrelenting focus on developing our technology capabilities to improve efficiency and service, we believe that we have laid the groundwork for many years of robust growth.

We are committed to leveraging our technology, logistics infrastructure and relationships with consumers and suppliers to benefit society. We believe in putting our business assets to use to build not only the future of retail, but also a better future for all stakeholders. Our social responsibilities include environment sustainability, employee welfare and benefits, poverty alleviation and more. In 2014, we established JD Foundation to manage public welfare related projects.

Environment Sustainability. We have always been committed to using green logistics and reducing resource consumption, environmental degradation and pollution in the process of storage, transportation and packaging. In 2017, together with brand designers, manufacturers, logistics companies, packaging companies, industry associations, among others, we launched the “Green Stream Initiative,” a joint green supply chain campaign with the goal of improving the utilization rate of supply chain resources and reducing carbon emissions. Additionally, as part of our commitment to sustainable energy, JD Logistics plans to gradually upgrade its nationwide fleet of direct-sale delivery trucks to new energy vehicles in the coming years. In the fourth quarter of 2017, JD Logistics distributed 100,000 recyclable “Green Boxes” to reduce packaging waste, and launched the JD Logistics Green Fund to drive innovation of environmental protection technology and promote green consumption.

We proactively participated in the promotion of sustainable production and consumption. In 2013, we issued the first ever digital invoice in China and as of the date of this annual report, we have already issued more than one billion digital invoices covering 30 provinces and replaced paper invoices with digital invoices for all direct sales orders. Meanwhile, we launched the “Recycling Plan” in many cities in China to recycle more than 1.7 million items of clothing, toys and expired medications to reduce carbon emissions and environmental pollutions through donation or professional recycling.

Employee Welfare and Benefits. We have always striven to provide employees with full social benefits, diversified work environment and a wide range of career development opportunities. As of December 31, 2017, we had a total of 157,831 full-time employees, and we signed formal contracts with all of our employees and provided them with social benefits. We have invested significant resources in employee career development and training opportunities. For example, we established comprehensive training programs that cover topics such as corporate culture, employee rights and responsibilities, team-building, professional conduct, job performance, management skills, leadership and executive decision-making. We have a special dedicated training facility, JD Corporate University, to further strengthen our internal training capabilities. We also sponsored selected senior and mid-level managers to participate in part-time EMBA programs. In addition, we launched the “Go to college in JD” program in association with well-known universities in November 2013, through which more than 1,000 employees have received their undergraduate or graduate degrees. All employees are eligible to join the program voluntarily and receive company scholarships once they obtain their undergraduate or graduate degree.

We provide all employees, including those who work on the front lines in delivery roles, with various career development opportunities. More than 80% of our mid-level management, as well as more than 70% of our senior-level management were internally promoted. In addition, to improve our employees’ well-being and satisfaction, we provide a multitude of benefits such as special subsidies and gifts for front-line employees, special fund for families of employees suffering major illnesses or facing disasters, extended maternity and paternity leave, and educational resources for children of employees, among others.

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Poverty alleviation. Leveraging our strong supply chain, cutting-edge technology and logistics network, we participated in the poverty alleviation efforts in rural areas. We pioneered the rural e-commerce strategy, aiming to make agriculture products in rural areas available online and at the same time, allow authentic products to reach residents in rural areas. In 2017, we started a program to deliver critical medical supplies to hard-to-reach villages located in mountainous areas using self-developed drones. We also launched China's trusted online donation platform, through which our hundreds of millions of customers can donate products directly to non-profit organizations and serving groups in need across China, leveraging JD's own logistics network.

Regulation

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

Regulations Relating to Foreign Investment

Industry Catalogue Relating to Foreign Investment. Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, which was promulgated and is amended from time to time by the Ministry of Commerce and the National Development and Reform Commission. Industries listed in the Catalogue are divided into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalogue are generally deemed as constituting a fourth "permitted" category. Establishment of wholly foreign-owned enterprises is generally allowed in encouraged and permitted industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are subject to higher-level government approvals. Foreign investors are not allowed to invest in industries in the prohibited category. Industries not listed in the Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations.

Through our subsidiaries and variable interest entities, we are engaged in certain industries that are classified as "restricted" or "prohibited" under the Catalogue. Pursuant to the latest Catalogue amended in July 2017, the provision of value-added telecommunications services falls in the restricted category and the percentage of foreign ownership cannot exceed 50% (excluding e-commerce). The publication of e-books and online audio and video products and online publication are in the prohibited category.

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. Xi'an Jingxundi primarily engages in courier services that are in the permitted category and Star East primarily engages in warehousing and related services that are in the permitted category as well. Under PRC law, the establishment of a wholly foreign owned enterprise is subject to the approval of, or the requirement for record filing with, the Ministry of Commerce or its local counterparts and the wholly foreign owned enterprise must register with the competent industry and commerce bureau. We have duly obtained the approvals from the Ministry of Commerce or its local counterparts for our interest in our wholly owned PRC subsidiaries and completed the registration of these PRC subsidiaries with the competent industry and commerce bureau.

In October 2016, the Ministry of Commerce issued the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises, or FIE Record-filing Interim Measures, which was amended in July 2017. Pursuant to FIE Record-filing Interim Measures, the establishment and change of foreign-invested enterprises are subject to record-filing procedures, instead of prior approval requirements, provided that the establishment or change does not involve special entry administration measures. If the establishment or change of FIE matters involve the Special Administrative Measures for Admission of Foreign Investments (Negative List for Admission of Foreign Investments), the approval of the Ministry of Commerce or its local counterparts is still required. The Special Administrative Measures for Admission of Foreign Investments (Negative List for Admission of Foreign Investments) are consistent with the Catalogue, setting out on a unified basis the restrictive measures for admission of foreign investments, such as the equity ownership requirements, senior management personnel requirements, etc.

Foreign Investment in Value-Added Telecommunications Businesses. The Regulations for Administration of Foreign-invested Telecommunications Enterprises promulgated by the PRC 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. Due to these regulations, we operate our *www.jd.com* website through Jingdong 360, one of our consolidated variable interest entities.

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

Foreign Investment in Road Transportation Businesses. According to the Administrative Provisions for Foreign Investment in the Road Transportation Industry promulgated in November 2001 by the Ministry of Transport and the Ministry of Foreign Trade and Economic Cooperation, the predecessor of the Ministry of Commerce, and amended in January 2014 and its supplements and implementing rules, investment in a road transportation business (including, among other things, road freight transportation, and flitting, loading, unloading and storage of road cargo) by a foreign investor is subject to the approval of the provincial counterparts of the Ministry of Transport, and the newly established foreign-invested enterprise must obtain a Road Transportation Operation Permit from the provincial-level Ministry of Transport. The incorporation of a subsidiary of a foreign-invested enterprise that intends to engage in a road transportation business is subject to the same approval procedure. Currently, Xi'an Jingdong Xincheng and Jingbangda engage in our road transportation business. Jingbangda has obtained a Road Transportation Operation Permit from the provincial-level Ministry of Transport. Xi'an Jingdong Xincheng obtained the approval from the municipal counterpart of the Ministry of Transport and each of the branches of Xi'an Jingdong Xincheng also obtained a Road Transportation Operation Permit from the county level where it is located. See "Item 3.D. Key Information—Risk Factors—Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse impact on our business, financial condition and results of operations."

Licenses and Permits

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

Value-added Telecommunication License. The Telecommunications Regulations promulgated by the State Council and its related implementation rules, including the Catalogue of Classification of Telecommunications Business issued by the MIIT, categorize various types of telecommunications and telecommunications-related activities into basic or value-added telecommunications services, and internet information services, or ICP services, are classified as value-added telecommunications businesses. Under the Telecommunications Regulations, commercial operators of value-added telecommunications services must first obtain an ICP License from the MIIT or its provincial level counterparts. In 2000, the State Council also issued the Administrative Measures on Internet Information Services, which was amended in 2011. According to these measures, 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 equipment, 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 promulgated the Administrative Measures on Telecommunications Business Operating Licenses and replaced the Administrative Measures on Telecommunications Business Operating Licenses promulgated in 2009, which set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Jingdong 360, as our ICP operator, holds an ICP License issued by the Beijing Telecommunications Administration for the provision of information services through the internet and also a value-added telecommunication license issued by the MIIT for the provision of information services through a mobile network, the provision of internet data center services, internet access services, and online data processing and transaction processing services.

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

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

Internet Drug Information Service Qualification Certificate. The former State Food and Drug Administration, or the SFDA, promulgated the Administrative Measures on Internet Drug Information Service in July 2004, which was amended in November 2017, and certain implementing rules and notices thereafter. These measures set out regulations governing the classification, application, approval, content, qualifications and requirements for internet drug information services. An ICP service operator that provides information regarding drugs or medical equipment must obtain an Internet Drug Information Service Qualification Certificate from the applicable provincial level counterpart of the SFDA. Jingdong 360 holds an Internet Drug Information Service Qualification Certificate issued by the Beijing Drug Administration for the provision of internet medical information services, which will remain valid until August 2019.

Aviation Transport Sales Agency Certificate. The Rules on Cognizance of Qualification for Civil Aviation Transport Sales Agencies, issued by the China Aviation Transportation Association in 2006, require any entity acting as an air-ticketing sales agency to obtain an Aviation Transport Sales Agency Certificate. Supplemental rules issued in 2008 require any air-ticketing sales agency engaging in online ticket sales to obtain an ICP License and complete a commercial website registration with the local administration for industry and commerce. Jingdong 360, has obtained an ICP License as well as Aviation Transport Sales Agency Certificate, which remains valid until October 2018, for sales of air passengers transport tickets for both domestic and international air routes. In addition, Beijing Yuanyi, a subsidiary of another consolidated variable interest entity, has obtained an Aviation Transport Sales Agency Certificate for sales of air freight transport tickets for domestic air routes, which remains valid until October 2018.

Courier Service Operation Permit. Pursuant to the Administrative Measures on the Courier Service Market and the Administrative Measures on Courier Service Operation Permits, any entity engaging in courier services must obtain a Courier Service Operation Permit from the State Post Bureau or its local counterpart and is subject to their supervision and regulation. Entities applying for a permit to operate courier services in a certain province should apply to the provincial level post bureau, while an entity applying for a permit to operate courier services across multiple provinces should apply to the State Post Bureau. An entity holding a cross-provincial Courier Service Operation Permit may provide courier services in cities other than its place of registration by establishing new branches at these cities and then filing with the relevant provincial post bureau for those branches within 20 days. In addition, pursuant to the Interim Regulations of Courier which will take effect in May 2018, express delivery operators and their branches may open express delivery terminal outlets according to their business needs, and shall file with the local postal administrations in the places where such terminal outlets are located within 20 days from the date of opening such terminal outlets. Express delivery terminal outlets are not required to obtain a business license. The courier business must be operated within the permitted scope and valid term of the Courier Service Operation Permit. We have one cross-provincial Courier Service Operation Permit that allows Jingbangda, a subsidiary of Xi'an Jingdong Xincheng that provides logistics services, to operate an express delivery business in 31 provinces and 424 cities in China. As of December 31, 2017, Jingbangda and its 1,268 branches had obtained Courier Service Operation Permits. We are in the process of applying for extension of the coverage of our Courier Service Operation Permits to other areas of China. See "Item 3.D. Key Information—Risk Factors—Risks Related to Our Business—Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse impact on our business, financial condition and results of operations."

Road Transportation Operation Permit. Under the Regulations on Road Transportation promulgated by the State Council in April 2004 and as amended, and the Provisions on Administration of Road Transportation and Stations (Sites) issued by the Ministry of Transport in June 2005 and as amended, anyone engaging in the business of operating road transportation and stations (sites) must obtain a Road Transportation Operation Permit, and each vehicle used for shipping must have a Road Transportation Certificate. As of December 31, 2017, Jiangsu Jingdong and its 39 branches, Jingbangda and its 23 branches had obtained Road Transportation Operation Permits that allow these entities to provide road freight transportation services. We are in the process of applying for additional Road Transportation Operation Permits for Xi'an Jingdong Xincheng and its 11 branches and Jingbangda's branches from the appropriate level of government authorities and obtaining necessary licenses for all of our vehicles used for transporting goods. See "Item 3.D. Key Information—Risk Factors—Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse impact on our business, financial condition and results of operations."

Publication Operation Permit. In May 2016, the Ministry of Commerce and the GAPPRT jointly promulgated the Administrative Measures for the Publication Market (2016 Version), or the Publication Market Measures (2016 Version), which replaced the Administrative Measures for the Publication Market (2011 Version), or the Publication Market Measures (2011 Version). According to the Publication Market Measures (2016 Version), where an entity or individual is engaged in the distribution of publications via the internet or other information networks, the entity or individual is required to obtain a Publication Operation Permit. Entities and individuals engaged in the wholesale or retail of publications are required to carry out the relevant activities within the scope of a Publication Operation Permit. Where an entity or individual has obtained the Publication Operation Permit and is engaged in the distribution of publications via the internet or other information networks within the approved business scope, the entity or individual is required to complete record filing with the publication administrative department within 15 days after launching the online distribution business. Although the Publication Market Measures (2016 Version) allow foreign-invested enterprises to engage in the distribution of publications, it is uncertain how this will be implemented in practice. According to the Publication Market Measures (2011 Version), foreign investors may engage in the distribution of audio and video products in China only in the form of contractual joint ventures between foreign and Chinese investors. Due to these restrictions in practice, we engage in wholesale and retail of books and audio and video products and other publications through Jiangsu Yuanzhou, one of our consolidated variable interest entities. Jiangsu Yuanzhou has obtained a Publication Operation Permit, which remains valid until March 31, 2020.

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

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

Permit for Production and Operation of Radio and TV Programs. Under the Regulations on the Administration of Production of Radio and Television Programs issued by the State Administration of Radio, Film and Television in July 2004 and amended in August 2015, any entities that engage in the production of radio and television programs are required to apply for a Permit for Production and Operation of Radio and TV Programs from the State Administration of Radio, Film and Television, now the SAPPRT, or its provincial branches. Entities with this permit must conduct their business operations in compliance with the approved scope of production and operation. Furthermore, entities other than radio and TV stations are prohibited from producing consolidated radio and TV programs regarding current political news or similar subjects. Jingdong 360 has obtained a Permit for Production and Operation of Radio and TV Programs, which remains valid until December 2019.

Regulations Relating to E-Commerce

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

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

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

We are subject to these measures as a result of our online direct sales and online marketplace.

Regulations Relating to Internet Content and Information Security

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

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

In addition, the Standing Committee of the National People's Congress promulgated the Cyber Security Law of the People's Republic of China, or the Cyber Security Law, effective on June 1, 2017, to protect cyberspace security and order. Pursuant to the Cyber Security Law, any individual or organization using the network must comply with the constitution and the applicable laws, follow the public order and respect social moralities, and must not endanger cyber security, or engage in activities by making use of the network that endanger the national security, honor and interests, or infringe on the fame, privacy, intellectual property and other legitimate rights and interests of others. The Cyber Security Law sets forth various security protection obligations for network operators, which are defined as "owners and administrators of networks and network service providers", including, among others, complying with a series of requirements of tiered cyber protection systems; verifying users' real identity; localizing the personal information and important data gathered and produced by key information infrastructure operators during operations within the PRC; and providing assistance and support to government authorities where necessary for protecting national security and investigating crimes. As a supporting measure, the General Administration of Quality Supervision, Inspection and Quarantine and Standardization Administration jointly issued the Standard of Information Security Technology—Personal Information Security Specification, which will take effect in May 2018. Pursuant to this new standard, the entities or persons who are authorized to use and process personal information, should only collect the necessary information and also obtain a consent from the information provider.

Regulations Relating to Internet Privacy

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

Regulations Relating to Product Quality and Consumer Protection

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

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

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

Regulations Relating to Pricing

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

Regulations Relating to Mobile Telecommunications Resale Business

In May 2013, the MIIT issued the Circular regarding the Pilot Work on Implementation of Mobile Telecommunications Resale Business and the Pilot Program on Mobile Telecommunications Resale Business, pursuant to which private capital is encouraged to invest in the mobile telecommunications resale business. The resale business refers to the business whereby a reseller purchases mobile telecommunications services (excluding mobile satellite telecommunications service) from a basic telecommunications service provider who owns a mobile network, repackages the services with its private brand and sells the services to end users. Under the circular and the pilot program, the mobile telecommunications resale is categorized as a Class II basic telecommunications business but managed by reference to the value-added telecommunications business. A mobile communications reseller does not build its own wireless network, core network, transmission network and other mobile telecommunications network infrastructures, but must build its customer service system and may build its own business management platform, and billing, business accounting and other business supporting systems as needed. The applicant for the mobile telecommunications resale business must be a private company of which the private capital must account for no less than 50% of the capital and the capital contributed by its largest shareholder must come from private capital. A mobile telecommunications reseller is required to enter into a commercial contract for mobile telecommunications resale business with a basic telecommunications service provider, specifying the resources for resale to mobile communications users, division of responsibilities for service quality assurance between both parties, as well as protection of users' rights and interests and user information. Resellers may pre-charge service fees for up to two years from users on the condition that they provide evidence of their measures to ensure long-term services, and must abide by the Telecommunications Regulations, the Administrative Measures on Internet Information Services and other PRC related laws and regulations. Jingdong 360 has been approved to be a pilot to conduct the mobile telecommunications resale business and has cooperated with China Telecom in 50 cities and with China Unicom in 51 cities. Although the pilot program expired on December 31, 2015, the Information and Communications Development Department of MITT issued a notice to pilot enterprises, including Jingdong 360, and basic telecommunications service providers in December 2015. Pursuant to this notice, the pilot enterprises may continue the mobile telecommunications resale business after the expiration of the pilot program.

Regulations Relating to Leasing

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

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

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

Regulations Relating to Advertising Business

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

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

Regulations Relating to Intellectual Property Rights

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

Copyright. Pursuant to the Copyright Law and its implementation rules, creators of protected works enjoy personal and property rights, including, among others, the right of disseminating the works through information networks. Pursuant to the relevant PRC regulations, rules and interpretations, internet service providers will be jointly liable with the infringer if they (a) participate in, assist in or abet infringing activities committed by any other person through the internet, (b) are or should be aware of the infringing activities committed by their website users through the internet, or (c) fail to remove infringing content or take other action to eliminate infringing consequences after receiving a warning with evidence of such infringing activities from the copyright holder. In addition, where an ICP service operator is clearly aware of the infringement of certain content against another's copyright through the internet, or fails to take measures to remove relevant contents upon receipt of the copyright owner's notice, and as a result, it damages the public interest, the ICP service operator could be ordered to stop the tortious act and be subject to other administrative penalties such as confiscation of illegal income and fines. To comply with these laws and regulations, we have implemented internal procedures to monitor and review the content we have licensed from content providers before they are released on our websites and remove any infringing content promptly after we receive notice of infringement from the legitimate rights holder.

Patent. The Patent Law provides for patentable inventions, utility models and designs, which must meet three conditions: novelty, inventiveness and practical applicability. The State Intellectual Property Office under the State Council is responsible for examining and approving patent applications. As of December 31, 2017, we had 838 patents granted in China, 3,622 patent applications pending in China and 236 patent applications pending outside China.

Trademark. The Trademark Law and its implementation rules protect registered trademarks. The PRC Trademark Office of State Administration of Industry and Commerce is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. As of December 31, 2017, we had 5,719 registered trademarks in different applicable trademark categories and had approximately 4,402 trademark applications in China.

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

Regulations Relating to Employment

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

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

Regulations Relating to Dividend Withholding Tax

Pursuant to the Enterprise Income Tax Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to enjoy the reduced withholding tax: (i) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Furthermore, the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties, which became effective in November 2015, require that non-resident enterprises which satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, and be subject to ongoing administration by the tax authorities. In the case where the non-resident enterprises do not apply to the withholding agent to claim the tax treaty benefits, or the materials and the information stated in the relevant reports and statements provided to the withholding agent do not satisfy the criteria for entitlement to tax treaty benefits, the withholding agent should withhold tax pursuant to the provisions of the PRC tax laws. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. Accordingly, JD.com International Limited, Jingdong E-Commerce (Logistics) Hong Kong Corporation Limited, Jingdong E-Commerce (Express) Hong Kong Co., Ltd. and Jingdong E-Commerce (Trade) Hong Kong Corporation Limited may be able to enjoy the 5% withholding tax rate for the dividends they receive from Jingdong Century, Star East, Xi'an Jingxundi and Shanghai Shengdayuan, respectively, if they satisfy the conditions prescribed under Circular 81 and other relevant tax rules and regulations, and obtain the approvals as required. However, according to Circular 81, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

Regulations Relating to Foreign Exchange

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

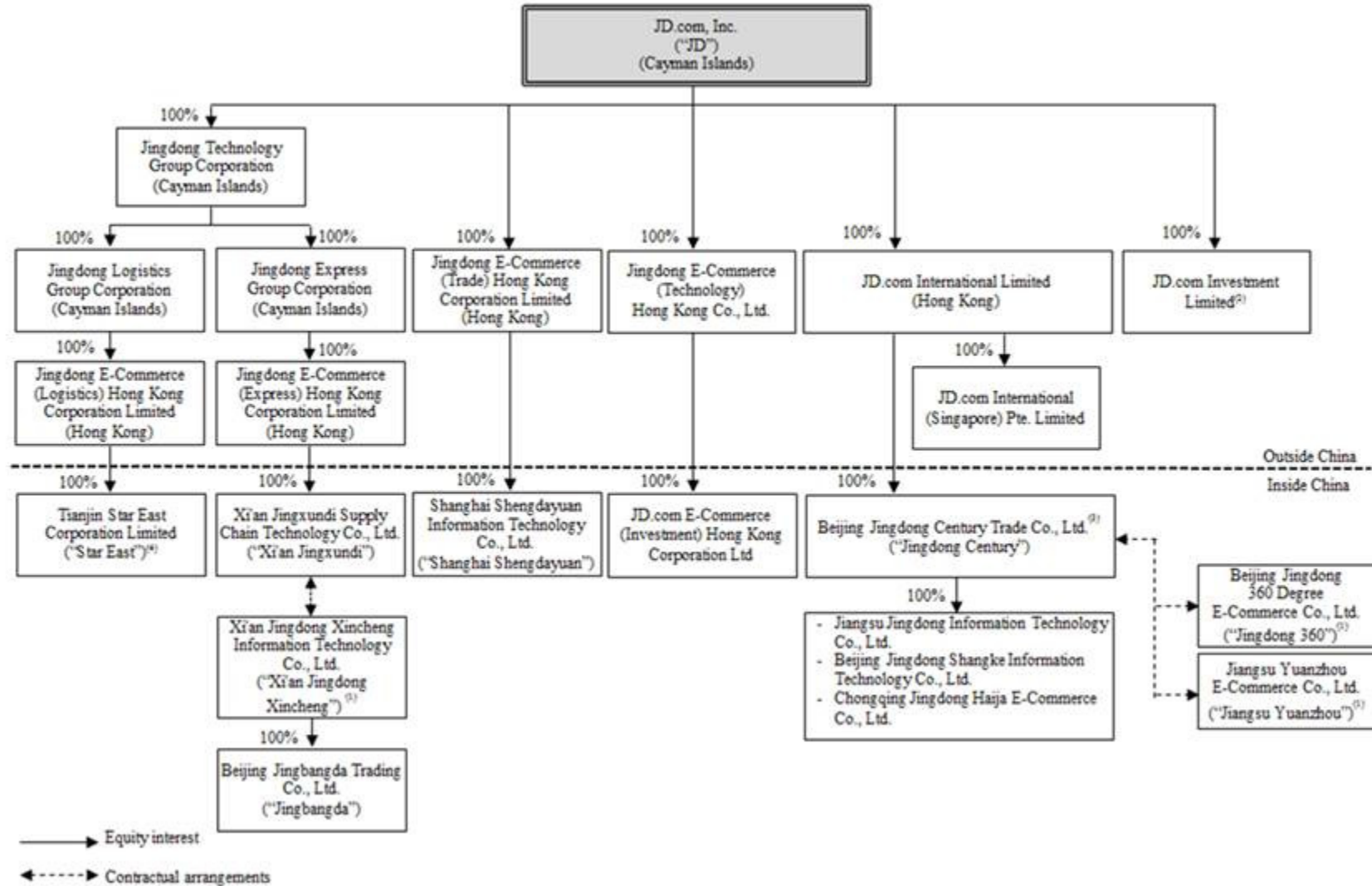
In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular No. 142, regulating the conversion by a foreign-invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular No. 142 provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC. SAFE also strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of foreign-invested enterprises. The use of such RMB capital may not be changed without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. In March 2015, SAFE issued SAFE Circular No. 19, which took effective and replaced SAFE Circular No. 142 from June 1, 2015. Although SAFE Circular No. 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC, the restrictions continue to apply as to foreign-invested enterprises' use of the converted RMB for purposes beyond the business scope, for entrusted loans or for inter-company RMB loans.

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

In February 2015, SAFE promulgated the Circular on Further Simplifying and Improving the Policies Concerning Foreign Exchange Control on Direct Investment, or SAFE Circular No. 13, which took effect on June 1, 2015. SAFE Circular No. 13 delegates the authority to enforce the foreign exchange registration in connection with the inbound and outbound direct investment under relevant SAFE rules to certain banks and therefore further simplifies the foreign exchange registration procedures for inbound and outbound direct investment.

C. Organizational Structure

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



(1) Jingdong 360, Jiangsu Yuanzhou and Xi'an Jingdong Xincheng are our principal consolidated variable interest entities. Each of Jingdong 360, Jiangsu Yuanzhou and Xi'an Jingdong Xincheng is 45% owned by Mr. Richard Qiangdong Liu, our chairman of board of directors and chief executive officer, 30% owned by Ms. Yayun Li, our employee, and 25% owned by Ms. Pang Zhang, also our employee. We effectively control these entities through contractual arrangements.

- (2) JD.com Investment Limited has 23 subsidiaries.
 - (3) Jingdong Century has 32 major subsidiaries. Jingdong Century also has contractual arrangements with another principal consolidated variable interest entity, Jiangsu Jingdong Bangneng Investment Management Co. Ltd. or Jiangsu Jingdong Bangneng. Jiangsu Jingdong Bangneng is 45% owned by Mr. Richard Qiangdong Liu, 30% owned by Ms. Yayun Li, and 25% owned by Ms. Pang Zhang. Suqian Jingdong Sanhong Enterprise Management Center, is a significant subsidiary 100% owned by Jiangsu Jingdong Bangneng and its subsidiaries.
 - (4) Tianjin Star East Corporation Limited has 15 subsidiaries.
- * The diagram above omits our equity investees, which are insignificant individually and in the aggregate.

Our Consolidated Variable Interest Entities

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

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

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

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

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

We have consolidated the financial results of our variable interest entities in our consolidated financial statements in accordance with U.S. GAAP. Our consolidated variable interest entities collectively contributed 1.7%, 1.7% and 4.4% of our consolidated total net revenues for the years ended December 31, 2015, 2016 and 2017, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Exclusive Technology Consulting and Services Agreement. In June 2016, Jingdong Century and Jingdong 360 entered into an amended and restated exclusive technology consulting and services agreement in replacement of the previous exclusive technology consulting and services agreement. Pursuant to the amended and restated exclusive technology consulting and services agreement, Jingdong Century has the sole and exclusive right to provide specified technology consulting and services to Jingdong 360. Without the prior written consent of Jingdong Century, Jingdong 360 may not accept the same or similar technology consulting and services provided by any third party during the term of the agreement. All the benefits and interests generated from the agreement, including but not limited to intellectual property rights, know-how and trade secrets, will be Jingdong Century's sole and exclusive rights. Jingdong 360 agrees to pay service fees to Jingdong Century on a quarterly basis and the amount of the service fee is decided by Jingdong Century on the basis of the work performed and commercial value of the services, subject to annual evaluation and adjustment. The term of this agreement will expire on May 28, 2022 and may be extended unilaterally by Jingdong Century with Jingdong Century's written confirmation prior to the expiration date. Jingdong 360 cannot terminate the agreement early unless Jingdong Century commits fraud, gross negligence or illegal acts, or becomes bankrupt or winds up.

Jingdong Century and Jiangsu Yuanzhou entered into an amended and restated exclusive technology consulting and services agreement in June 2016 in replacement of the previous exclusive technology consulting and services agreement. The amended and restated exclusive technology consulting and services agreement between Jingdong Century and Jiangsu Yuanzhou contains terms substantially similar to the exclusive technology consulting and services agreement relating to Jingdong 360 described above.

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

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

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

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

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

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

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

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

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

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

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

Loan Agreements. Pursuant to the amended and restated loan agreement dated November 20, 2017 between Jingdong Century and the shareholders of Jingdong 360, Jingdong Century made loans in an aggregate amount of RMB920 million (US\$141.4 million) to the shareholders of Jingdong 360 solely for the capitalization of Jingdong 360. Pursuant to the amended and restated loan agreement, the shareholders can only repay the loans by the sale of all their equity interest in Jingdong 360 to Jingdong Century or its designated person. The shareholders must sell all of their equity interests in Jingdong 360 to Jingdong Century or its designated person and pay all of the proceeds from sale of such equity interests or the maximum amount permitted under PRC law to Jingdong Century. In the event that shareholders sell their equity interests to Jingdong Century or its designated person with a price equivalent to or less than the amount of the principal, the loans will be interest free. If the price is higher than the amount of the principal, the excess amount will be paid to Jingdong Century as the loan interest. The maturity date of the loans is on the tenth anniversary of the date when the shareholders received the loans and paid the amount as capital contribution to Jingdong 360. The term of the loans will be extended automatically for an additional 10 years, unless Jingdong Century objects, for an unlimited number of times. The loan must be repaid immediately under certain circumstances, including, among others, (i) if the shareholders terminate their services with us, (ii) if any other third-party claims against shareholders for an amount more than RMB100,000 (US\$15,370) and Jingdong Century has reasonable ground to believe that the shareholders are unable to repay the claimed amount, (iii) if a foreign investor is permitted to hold majority or 100% equity interest in Jingdong 360 and Jingdong Century elects to exercise its exclusive equity purchase option, or (iv) if the loan agreement, relevant equity pledge agreement or exclusive purchase option agreement terminates for cause not attributable to Jingdong Century or is deemed to be invalid by a court.

Pursuant to the amended and restated loan agreement dated June 15, 2016 between Jingdong Century and the shareholders of Jiangsu Yuanzhou, Jingdong Century made loans in an aggregate amount of RMB22 million (US\$3.4 million) to the shareholders of Jiangsu Yuanzhou solely for the capitalization of Jiangsu Yuanzhou. The amended and restated loan agreement contains terms substantially similar to the amended and restated loan agreement relating to Jingdong 360 described above.

Pursuant to the loan agreement dated June 23, 2017 between Xi'an Jingxundi and the shareholders of Xi'an Jingdong Xincheng, Xi'an Jingxundi made loans in an aggregate amount of RMB1 million (US\$0.2 million) to the shareholders of Xi'an Jingdong Xincheng solely for the capitalization of Xi'an Jingdong Xincheng. The loan agreement contains terms substantially similar to the amended and restated loan agreement relating to Jingdong 360 described above.

Additional Contractual Arrangements

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

D. Property, Plant and Equipment

Our national headquarters are located in Yizhuang Economic and Technological Development Zone in Beijing, where we own the office building with an aggregate floor area of approximately 280,000 square meters. We lease our other offices in Beijing and regional offices in 23 other cities with an aggregate floor area of approximately 205,000 square meters.

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We own our national customer service center and our data center in Suqian, each of which has an aggregate floor area of approximately 160,000 and 57,000 square meters, respectively. We lease our customer service centers in Chengdu and Yangzhou with an aggregate floor area of approximately 40,000 square meters.

As of December 31, 2017, we operated regional fulfillment centers in seven cities, including Beijing, Shanghai, Wuhan, Guangzhou, Chengdu, Shenyang and Xi'an, with an aggregate floor area of more than six million square meters.

In addition, we also operated front distribution centers in 27 cities with an aggregate gross floor area of more than one million square meters for stocking products that are in high demand, as well as other additional warehouses in another 44 cities with an aggregate gross floor area of approximately three million square meters, as of December 31, 2017. Our comprehensive fulfillment facilities can cover almost all counties and districts across China.

As of December 31, 2017, we had launched our custom-built warehousing facilities in nine cities with an aggregate floor space of over one million square meters, and we are in the process of constructing warehousing facilities in twelve cities. As of December 31, 2017, we had land use rights in nineteen cities to build our own warehouses. The highly automated and efficient warehouse will not only expand our ability to fulfill orders by ourselves but also support the third-party merchants on our online marketplace as well as a wide range of business partners in the ecosystem. In connection with our expansion of our fulfillment infrastructure, we had paid an aggregate of approximately RMB7.9 billion (US\$1.2 billion) for the acquisition of land use rights, building of warehouses and purchase of warehousing equipment as of December 31, 2017.

We have acquired land use rights in Beijing to build our new headquarters. The phase one construction of the new office buildings was completed in the third quarter of 2015. As of December 31, 2017, we had paid an aggregate of approximately RMB5.8 billion (US\$0.9 billion) for the acquisition of land use rights and construction of the office buildings.

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

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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

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

A. Operating Results

Overview

We are a leading technology-driven e-commerce company and retail infrastructure service provider in China. We generated total net revenues of RMB181.0 billion, RMB258.3 billion and RMB362.3 billion (US\$55.7 billion) in 2015, 2016 and 2017, respectively.

Our primary business model is online direct retail sales, where we acquire products from suppliers and sell them directly to our customers primarily through our websites and mobile apps. We also operate an online marketplace, whereby third-party sellers sell products to customers primarily through our websites and mobile apps. We also offer advertising, logistics and other value-added services.

Our business has grown substantially in recent years. The number of products we offer has grown rapidly. We had 155.0 million, 226.6 million and 292.5 million active customer accounts in 2015, 2016 and 2017, respectively. In addition to our online direct retail business, our online marketplace and other services generated net revenues of RMB13.1 billion, RMB20.3 billion and RMB30.5 billion (US\$4.7 billion) in 2015, 2016 and 2017, respectively.

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

Major Factors Affecting Our Results of Operations

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

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

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

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JD.com, Inc., the holding company that is listed on NASDAQ, has no material operations of its own. We conduct our operations primarily through our subsidiaries and consolidated variable interest entities in China. As a result, JD.com, Inc.'s ability to pay dividends to our shareholders depends in part upon dividends paid by our PRC subsidiaries subject to compliance with applicable PRC regulations. Our wholly owned PRC subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC regulations, each of our wholly owned PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our wholly owned PRC subsidiaries in China may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion fund and staff bonus and welfare fund at its discretion, which are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. As of December 31, 2017, the amount restricted, including paid-in capital and statutory reserve funds, as determined in accordance with PRC accounting standards and regulations, was approximately RMB23,083 million (US\$3,548 million). Our PRC subsidiaries have never paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

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

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

Our Ability to Increase Active Customer Accounts and Orders from Customers

Growth in the number of our active customer accounts and orders are key drivers of our revenue growth. Our annual active customer accounts increased from 155.0 million in 2015 to 226.6 million in 2016 and further to 292.5 million in 2017. This increase was primarily driven by our success in attracting new active customer accounts, as well as by our success in generating repeat purchases from existing customer accounts.

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

We have a growing and loyal active customer base. Over the years, our customers have shown loyalty to us through their increased activity levels. For example, for the same group of customer accounts that were active in 2008, their average number of purchases increased each year thereafter, from approximately 3.7 in 2008 to 4.4 in 2009, 6.2 in 2010, 10.7 in 2011, 14.9 in 2012, 16.6 in 2013, 18.7 in 2014, 21.8 in 2015, 25.7 in 2016 and 30.2 in 2017.

Our Ability to Manage Our Mix of Product and Service Offerings

Our results of operations are also affected by the mix of products and services we offer. We commenced our e-commerce business by primarily selling electronics and home appliances products. We began offering general merchandise products around the end of 2008, and we launched our online marketplace in 2010. We earn commissions and service fees from third-party sellers on our online marketplace. We offer a wide range of products and services and aim to provide one-stop shopping to maximize our wallet share. Our mix of products and services also affects our gross margin. For example, the marketplace service revenues that we earn from third-party sellers and the other services that we offer generally have higher gross margins. The split between our online direct sales business and our online marketplace business thus has a major influence on our revenue growth and our gross margins. Our online marketplace and other services revenues increased from RMB13.1 billion in 2015 to RMB20.3 billion in 2016 and further to RMB30.5 billion (US\$4.7 billion) in 2017. We intend to further expand our selection of general merchandise products, attract more third-party sellers to our online marketplace, and provide more fulfillment and other value-added services to third-party sellers and others.

Our Ability to Further Increase and Leverage our Scale of Business

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

As of December 31, 2017, our nationwide fulfillment infrastructure employed a total of 117,943 warehouse and delivery personnel, and we also employed 11,938 IT professionals to monitor, maintain, upgrade and develop the technology platform that manages this fulfillment infrastructure and the large number of orders we receive, process and fulfill each year. Our fulfillment expenses in absolute amount increased over 2015, 2016 and 2017, while the fulfillment expenses as a percentage of our total net revenues increased from 6.8% in 2015 to 7.2% in 2016 but decreased to 7.1% in 2017. Personnel costs are the largest component of our fulfillment costs and of our technology and content costs and are likely to remain the largest component for the foreseeable future as we continue to expand our operations. We expect our fulfillment expenses to increase in absolute amount in the near future. Labor costs are rising in China and we strive to continue improving efficiency and utilization of our fulfillment and other personnel to mitigate this effect. Our fulfillment expenses and thus operational efficiency are also affected by the average size of orders placed by our customers.

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

Our results of operations depend in part on our ability to invest in our fulfillment infrastructure and technology platform to cost-effectively meet the demands of our anticipated growth. Our nationwide fulfillment infrastructure covered almost all counties and districts across China as of December 31, 2017, which included a warehousing network of 486 warehouses with an aggregate gross floor area of approximately 10 million square meters in 78 cities. We have acquired land use rights to over 5.6 million square meters of land in 21 cities in China. We plan to continue to build large scale, custom-designed warehouse facilities with optimized configurations on these sites to improve our fulfillment efficiency, minimize order splitting, accommodate greater product selection and fulfill the anticipated sales of our own products as well as sales by third-party sellers using our fulfillment services. We had paid an aggregate of approximately RMB7.9 billion (US\$1.2 billion) for the acquisition of land use rights, building of warehouses and purchase of warehousing equipment as of December 31, 2017. In selecting locations for our pickup and delivery stations, order density, a parameter we use to measure the frequency and number of orders generated from a geographical area, is an important criterion. To efficiently deploy our delivery network, we have established delivery stations and pickup stations in areas where we expect order density to increase to the extent where operating our own delivery network will be more cost efficient than using third-party couriers. We also paid significant amounts for upgrading our technology platform during the same periods. To further transform our current business through improved efficiency and better user experience, laying the groundwork for future areas of growth, we intend to further invest in technologies including artificial intelligence, big data and other industry-leading technologies. Our focus on superior technologies will be the key to further extending our industry leadership.

Our Ability to Conduct and Manage Strategic Investments and Acquisitions

We have made, and may continue to make, strategic investments and acquisitions to add assets or businesses that are complementary to our existing business. Our financial results could be adversely affected by our investments or acquisitions. The investments and acquired assets or businesses may not generate the financial results we expect. They could result in occurrence of significant investments and goodwill impairment charges, and amortization expenses for other intangible assets. For example, in November 2015, we decided to terminate the C2C business of Paipai.com acquired from Tencent, combating the marketing and sales of counterfeit products. As a result, we decided that the goodwill arising from the acquisition of the Paipai and QQ Wanggou combined platform business was fully impaired and an impairment charge of RMB2.6 billion (US\$0.4 billion) was recorded in the fourth quarter of 2015. In addition, the remaining balance of the intangible assets arising from the acquisition, which amounted to RMB0.2 billion (US\$0.02 billion) as of December 31, 2015, was also impaired. Moreover, we share the results of the investments which we account for as equity method investments. In 2017, our share of results of equity investees was a loss of RMB1.9 billion (US\$0.3 billion), primarily attributable to losses picked up from our equity method investments. We may continue to incur impairment charges in connection with our investments or acquisitions and pick up the losses of our equity method investments, which could depress our profitability and have a material adverse impact on our financial results.

Selected Statements of Operations Items

Net Revenues

Net revenues include net product revenues and net service revenues. Product sales is further divided into sales of electronics and home appliances products and general merchandise products. Net revenues from electronics and home appliances products include revenues from sales of computer, communication and consumer electronics products as well as home appliances. The following table breaks down our total net revenues by these categories, by amounts and as percentages of total net revenues:

	For the Year Ended December 31,					
	2015		2016		2017	
	RMB	%	RMB	%	RMB	US \$
	(in millions, except for percentages)					
Net product revenues (formerly known as online direct sales):						
Electronics and home appliances products	134,519	74.3	179,822	69.6	236,269	36,314
General merchandise products	33,417	18.5	58,122	22.5	95,555	14,686
Total	167,936	92.8	237,944	92.1	331,824	51,000
Net service revenues (formerly known as services and others)	13,106	7.2	20,346	7.9	30,508	4,689
Total	181,042	100.0	258,290	100.0	362,332	55,689

We expect net revenues from all categories to continue to increase in the foreseeable future. Sales of electronics and home appliances products may decrease as a percentage of our total net revenues and sales from services and others may increase as a percentage of our total net revenues.

Net service revenues primarily consist of commissions earned from third-party sellers for sales made through our online marketplace and service fees we charge them for value-added fulfillment or other services we provide upon their request. Currently, we recognize revenues from the third-party sellers on a net basis as we may not always be the primary obligor, we do not have general inventory risk and we do not have latitude to establish prices for them. In addition, net service revenues also include fees we earn by selling advertisements on our websites and fees we earn by providing logistics services to third-party sellers on our online marketplace and merchants that do not sell products on our online marketplace.

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

Operating Expenses

Operating expenses consist primarily of cost of revenues, fulfillment expenses, marketing expenses, technology and content expenses, and general and administrative expenses. The following table breaks down our total operating expenses by these categories, by amounts and as percentages of total net revenues for each of the periods presented:

	For the Year Ended December 31,						
	2015		2016		2017		
	RMB	%	RMB	%	RMB	US\$	
	(in millions, except for percentages)						
Cost of revenues ⁽¹⁾	158,960	87.8	222,935	86.3	311,517	47,879	86.0
Fulfillment	12,367	6.8	18,560	7.2	25,865	3,975	7.1
Marketing	7,233	4.0	10,159	3.9	14,918	2,293	4.1
Technology and content	2,902	1.6	4,453	1.7	6,652	1,022	1.8
General and administrative	2,188	1.2	3,436	1.3	4,215	648	1.2
Impairment of goodwill and intangible assets	2,750	1.5	—	—	—	—	—
Total	186,400	102.9	259,543	100.4	363,167	55,817	100.2

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

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

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

Our marketing expenses consist primarily of expenses for online and offline marketing and brand promotion activities. We plan to continue to conduct brand promotion and marketing activities to enhance our brand recognition and attract new purchases from new and existing customers.

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Our technology and content expenses consist primarily of payroll and related expenses for IT professionals involved in developing and maintaining our technology platform and websites, server and other equipment depreciation, bandwidth and data center costs, and rental expenses. We expect spending in technology and content to increase over time as we add more experienced IT professionals and continue to invest in our technology platform to enhance customer experience and provide value-added services to suppliers and third-party sellers.

Our general and administrative expenses consist primarily of payroll and related expenses for our management and other employees involved in general corporate functions. As we hire additional management talents and invest in new businesses, our general and administrative expenses are expected to increase in absolute amount.

Taxation

Cayman Islands

We are not subject to income or capital gains tax under the current laws of the Cayman Islands. The Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

Our subsidiaries incorporated in Hong Kong are subject to Hong Kong profit tax at a rate of 16.5%. Hong Kong does not impose a withholding tax on dividends.

China

Generally, our subsidiaries and consolidated variable interest entities in China are subject to enterprise income tax on their taxable income in China at a rate of 25%, except that a few entities in our group benefit from a preferential tax rate of 15% as they conduct business in certain encouraged sectors or areas, and the entity that qualified as a “software enterprise” has been entitled to an exemption from income tax for the first two years and 50% reduction for the next three years from its first profitable year. The enterprise income tax is calculated based on the entity’s global income as determined under PRC tax laws and accounting standards.

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

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

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

Results of Operations

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

	For the Year Ended December 31,						
	2015		2016		2017		
	RMB	%	RMB	%	RMB	US\$	
	(in millions, except for percentages)						
Net revenues:							
Net product revenues (formerly known as online direct sales)	167,936	92.8	237,944	92.1	331,824	51,000	91.6
Net service revenues (formerly known as services and others)	13,106	7.2	20,346	7.9	30,508	4,689	8.4
Total net revenues	181,042	100.0	258,290	100.0	362,332	55,689	100.0
Operating expenses ⁽¹⁾							
Cost of revenues	(158,960)	(87.8)	(222,935)	(86.3)	(311,517)	(47,879)	(86.0)
Fulfillment	(12,367)	(6.8)	(18,560)	(7.2)	(25,865)	(3,975)	(7.1)
Marketing	(7,233)	(4.0)	(10,159)	(3.9)	(14,918)	(2,293)	(4.1)
Technology and content	(2,902)	(1.6)	(4,453)	(1.7)	(6,652)	(1,022)	(1.8)
General and administrative	(2,188)	(1.2)	(3,436)	(1.3)	(4,215)	(648)	(1.2)
Impairment of goodwill and intangible assets	(2,750)	(1.5)	—	—	—	—	—
Total operating expenses	(186,400)	(102.9)	(259,543)	(100.4)	(363,167)	(55,817)	(100.2)
Loss from operations	(5,358)	(2.9)	(1,253)	(0.4)	(835)	(128)	(0.2)
Other income/(expense):							
Share of results of equity investees	(2,852)	(1.6)	(2,782)	(1.1)	(1,927)	(296)	(0.5)
Interest income	673	0.4	1,227	0.5	2,530	389	0.7
Interest expense	(73)	(0.0)	(619)	(0.2)	(964)	(148)	(0.3)
Others, net	(147)	(0.1)	1,544	0.5	1,317	201	0.4
Loss before tax	(7,757)	(4.2)	(1,883)	(0.7)	121	18	0.0
Income tax benefits/(expenses)	15	0.0	(166)	(0.1)	(140)	(21)	0.0
Net loss from continuing operations	(7,742)	(4.2)	(2,049)	(0.8)	(19)	(3)	0.0
Net income/(loss) from discontinued operations, net of tax	(1,376)	(0.8)	(1,365)	(0.5)	7	1	0.0
Net Loss	(9,118)	(5.0)	(3,414)	(1.3)	(12)	(2)	0.0

(1) Share-based compensation expenses are allocated in operating expenses items as follows:

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	For the Year Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$
	(in millions)			
Cost of revenues	(8)	(17)	(28)	(4)
Fulfillment	(164)	(332)	(426)	(65)
Marketing	(48)	(87)	(136)	(21)
Technology and content	(209)	(470)	(671)	(103)
General and administrative	(648)	(1,154)	(1,520)	(234)

Segment Information

We historically had only one single reporting segment. With the development of the new business initiatives, we changed our reporting segments in 2016. Currently, we have two operating segments, namely JD Mall and New Businesses. JD Mall represents our core e-commerce business, and New Businesses include logistics services provided to third parties, technology services, overseas business, insurance and O2O, which has been deconsolidated since its merger with Dada in April 2016. New Businesses also include the impact of Paipai.com for the year ended December 31, 2015. JD Finance was previously included in New Businesses, but was deconsolidated from our financial statements since June 30, 2017 as a result of its reorganization. Accordingly, we updated the presentation of segment information for prior years to conform to the current year's presentation.

The table below provides a summary of our operating segment results for the years ended December 31, 2015, 2016 and 2017:

	For the year ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$
	(in millions)			
Net revenues:				
JD Mall	178,273	254,397	356,020	54,718
New Businesses	2,363	3,297	6,022	926
Inter-segment*	(98)	(223)	(547)	(84)
Total segment net revenues	180,538	257,471	361,495	55,560
Unallocated items**	504	819	837	129
Total consolidated net revenues	181,042	258,290	362,332	55,689
Operating income/(loss):				
JD Mall	152	2,269	4,956	762
New Businesses	(749)	(670)	(2,070)	(318)
Total segment operating income/(loss)	(597)	1,599	2,886	444
Unallocated items**	(4,761)	(2,852)	(3,721)	(572)
Total consolidated operating loss	(5,358)	(1,253)	(835)	(128)

* The inter-segment eliminations mainly consist of revenues from services provided by JD Mall to overseas business, and services provided by JD Logistics to the vendors of JD Mall, which were recorded as a deduction of cost of revenues at the consolidated level.

** Unallocated items include revenue from business cooperation arrangements with equity investees, share-based compensation, amortization of intangible assets resulting from assets and business acquisitions, 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 Mall were 11.7%, 12.6% and 12.9% for the years ended December 31, 2015, 2016 and 2017, respectively, which were lower than our major offline industry peers due to our high operating efficiency.

Years Ended December 31, 2017 and 2016

Net Revenues. Our total net revenues increased by 40.3 % from RMB258,290 million in 2016 to RMB362,332 million (US\$ 55,689 million) in 2017, with increases in both categories of net revenues. Revenues from online marketplace and other services increased by 49.9% from RMB20,346 million in 2016 to RMB30,508 million (US\$4,689 million) in 2017.

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The increase in our total net revenues was primarily due to the growing and loyal active customer base. Our annual active customer accounts increased from 226.6 million in 2016 to 292.5 million in 2017. Over the years, our customers have shown loyalty to us through their increased activity levels. For example, the same group of customer accounts that were active in 2008 increased their average number of purchases each year thereafter, from approximately 3.7 in 2008 to 4.4 in 2009, 6.2 in 2010, 10.7 in 2011, 14.9 in 2012, 16.6 in 2013, 18.7 in 2014, 21.8 in 2015, 25.7 in 2016 and 30.2 in 2017.

Operating Expenses. Our total operating expenses increased by 39.9% from RMB259,543 million in 2016 to RMB363,167 million (US\$55,817 million) in 2017. This increase was due to increases in our cost of revenues, fulfillment expenses, marketing expenses, technology and content expenses and general and administrative expenses.

- *Cost of revenues.* Our cost of revenues increased by 39.7% from RMB222,935 million in 2016 to RMB311,517 million (US\$47,879 million) in 2017. This increase reflects the increase in our volume of product sales, the increased traffic acquisition costs directly related to the online marketing services provided to merchants and suppliers, and costs associated with our third party logistics services.
- *Fulfillment expenses.* Our fulfillment expenses increased by 39.4% from RMB18,560 million in 2016 to RMB25,865 million (US\$3,975 million) in 2017. This increase was primarily due to an increase in compensation costs from RMB9,059 million in 2016 to RMB12,233 million (US\$1,880 million) in 2017 as the number of our fulfillment employees increased from 98,988 as of December 31, 2016 to 136,088 as of December 31, 2017, as well as higher average compensation expenses. The increase in our fulfillment expenses was also attributable to (i) increased shipping charges from contracted third-party shipping companies and couriers from RMB2,913 million in 2016 to RMB4,395 million (US\$675 million) in 2017 as our sales volume increased, even as our use of contracted third-party couriers has declined as a percentage of all orders fulfilled, (ii) an increase in payment processing charges from RMB1,502 million in 2016 to RMB2,504 million (US\$385 million) in 2017, which was primarily due to the increase in our sales volume, and (iii) an increase in the rental expenses for our fulfillment infrastructure from RMB1,789 million in 2016 to RMB2,359 million (US\$363 million) in 2017, which was primarily due to the increase in the aggregate gross floor area leased in 2017. Fulfillment expenses as a percentage of net revenues was 7.1% in 2017, compared to 7.2% in 2016.
- *Marketing expenses.* Our marketing expenses increased by 46.9% from RMB10,159 million in 2016 to RMB14,918 million (US\$2,293 million) in 2017. This increase was primarily due to an increase in our advertising expenditures on both online and offline channels, from RMB7,790 million in 2016 to RMB12,376 million (US\$1,902 million) in 2017 as we continued to enhance our brand recognition and to promote our new business initiatives.
- *Technology and content expenses.* Our technology and content expenses increased by 49.4% from RMB4,453 million in 2016 to RMB6,652 million (US\$1,022 million) in 2017. This increase was primarily due to the increase in the headcount of our technology employees from 7,502 as of December 31, 2016 to 11,938 as of December 31, 2017, which involved the addition of research and development talent and the hiring of additional senior and experienced technology employees to execute our technology-related strategies of continuously improving our mobile, AI, big data and cloud computing technologies.
- *General and administrative expenses.* Our general and administrative expenses increased by 22.7% from RMB3,436 million in 2016 to RMB4,215 million (US\$648 million) in 2017. This increase was primarily due to an increase in share-based compensation expenses from RMB1,154 million in 2016 to RMB1,520 million (US\$ 234 million) in 2017. The increase was also attributable to an increase in staff costs.
- *Impairment of goodwill and intangible assets.* There was no impairment of goodwill and intangible assets in 2017 or in 2016.

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Share of results of equity investees. Share of results of equity investees was RMB1,927 loss (US\$296 million) in 2017, compared to RMB2,782 million loss in 2016. In 2017, our share of results of equity investees was primarily attributable to losses picked up from our equity method investments in Bitauto, Tuniu and Dada.

Interest Income. Our interest income increased from RMB1,227 million in 2016 to RMB2,530 million (US\$389 million) in 2017, primarily due to the increase of loans provided to JD Finance and the larger cash balance we held in 2017, which was primarily attributable to the increase in net cash provided by our operating activities.

Others, Net. Others, net was RMB1,544 million income in 2016 and RMB1,317 million (US\$201 million) income in 2017. This decrease was primarily attributable to the disposition gain recognized in relation to the transaction with Dada in 2016.

Net Loss. As a result of the foregoing, we had a net loss from continuing operations of RMB19 million (US\$3 million) in 2017, as compared to a net loss from continuing operations of RMB2,049 million in 2016.

Gain from Disposition of JD Finance. As of June 30, 2017, the reorganization of JD Finance had been completed, and we disposed all of our equity interest in JD Finance. As part of the transaction, we received approximately RMB14.3 billion (US\$2.2 billion) in cash with an economic gain of RMB14.2 billion (US\$2.2 billion) in 2017. As JD Finance 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 retain the right to receive 40% of future pre-tax profit of JD Finance when JD Finance has a positive pre-tax income on a cumulative basis.

Years Ended December 31, 2016 and 2015

Net Revenues. Our total net revenues increased by 42.7% from RMB181,042 million in 2015 to RMB258,290 million in 2016, with increases in both categories of net revenues. Revenues from online marketplace and other services increased by 55.2% from RMB13,106 million in 2015 to RMB20,346 million in 2016.

The increase in our total net revenues was primarily due to the growing and loyal active customer base. Our annual active customer accounts increased from 155.0 million in 2015 to 226.6 million in 2016. Over the years, our customers have shown loyalty to us through their increased activity levels. For example, the same group of customer accounts that were active in 2008 increased their average number of purchases each year thereafter, from approximately 3.7 in 2008 to 4.4 in 2009, 6.2 in 2010, 10.7 in 2011, 14.9 in 2012, 16.6 in 2013, 18.7 in 2014, 21.8 in 2015, and 25.7 in 2016.

Operating Expenses. Our total operating expenses increased by 39.2% from RMB186,400 million in 2015 to RMB259,543 million in 2016. This increase was due to increases in our cost of revenues, fulfillment expenses, marketing expenses, technology and content expenses and general and administrative expenses.

- **Cost of revenues.** Our cost of revenues increased by 40.2% from RMB158,960 million in 2015 to RMB222,935 million in 2016. This increase reflects the increase in our volume of product sales and the increased traffic acquisition costs directly related to the online marketing services provided to merchants and suppliers, as well as costs related to the logistics services provided to merchants and other partners.
- **Fulfillment expenses.** Our fulfillment expenses increased by 50.1% from RMB12,367 million in 2015 to RMB18,560 million in 2016. This increase was primarily due to the expansion of delivery services provided to merchants on our marketplace and an increase in compensation costs relating to fulfillment expenses from RMB6,149 million in 2015 to RMB9,059 million in 2016, which was due in turn to the increase in the number of our fulfillment employees from 88,534 as of December 31, 2015 to 98,988 as of December 31, 2016, as well as higher average compensation expenses. The increase in our fulfillment expenses was also attributable to (i) increased shipping charges from contracted third-party shipping companies and couriers from RMB1,742 million in 2015 to RMB2,913 million in 2016 as our sales volume increased, even as our use of contracted third-party couriers has declined as a percentage of all orders fulfilled, and (ii) an increase in the rental expenses for our fulfillment infrastructure from RMB1,142 million in 2015 to RMB1,789 million in 2016, which was primarily due to the increase in the aggregate gross floor area leased in 2016.

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- *Marketing expenses.* Our marketing expenses increased by 40.5% from RMB7,233 million in 2015 to RMB10,159 million in 2016. This increase was primarily due to an increase in our advertising expenditures on both online and offline channels, from RMB5,282 million in 2015 to RMB7,790 million in 2016 as we continued to enhance our brand recognition and to promote our new business initiatives.
- *Technology and content expenses.* Our technology and content expenses increased by 53.4% from RMB2,902 million in 2015 to RMB4,453 million in 2016. This increase was primarily due to the increase in the headcount of our technology employees from 6,030 as of December 31, 2015 to 7,502 as of December 31, 2016, which involved the addition of research and development talent and the hiring of additional senior and experienced technology employees to execute our technology-related strategies of continuously improving our mobile, big data and cloud computing technologies.
- *General and administrative expenses.* Our general and administrative expenses increased by 57.0% from RMB2,188 million in 2015 to RMB3,436 million in 2016. This increase was primarily due to an increase in share-based compensation expenses from RMB648 million in 2015 to RMB1,154 million in 2016 and an increase in compensation costs from RMB822 million in 2015 to RMB1,167 million in 2016. The increase was also attributable to an increase in headcount of general and administrative employees from 3,959 as of December 31, 2015 to 4,722 as of December 31, 2016.
- *Impairment of goodwill and intangible assets.* Our impairment of goodwill and intangible assets was nil in 2016, compared to RMB2,750 million in 2015.

Share of results of equity investees. Share of results of equity investees was RMB2,782 million loss in 2016, compared to RMB2,852 million loss in 2015. In 2016, our share of results of equity investees was primarily attributable to impairment of investment in Bitauto and Tuniu and losses picked up from our equity method investments.

Interest Income. Our interest income increased from RMB673 million in 2015 to RMB1,227 million in 2016, primarily due to the increase of loans provided to JD Finance and the larger cash balance we held in 2016, which was primarily attributable to the increase in net cash provided by our operating activities.

Others, Net. Others, net was RMB147 million loss in 2015 and RMB1,544 million income in 2016. This income was primarily attributable to the disposition gain recognized in relation to the transaction with Dada in 2016.

Net Loss. As a result of the foregoing, we had a net loss from continuing operations of RMB2,049 million in 2016, as compared to a net loss from continuing operations of RMB7,742 million in 2015.

Critical Accounting Policies

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

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

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

Consolidation of Affiliated Entities

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

To comply with PRC laws and regulations, we conduct our operations in China through a series of contractual arrangements entered into between our PRC subsidiaries, including Jingdong Century, and our affiliated PRC entities, including, among others, Jingdong 360, Jiangsu Yuanzhou and Xi'an Jingdong Xincheng, and their respective shareholders. As a result of these contractual arrangements, we have the ability to direct the activities of these PRC affiliates that most significantly impact their economic performance, and to obtain a majority of the residual returns of these entities. We are considered the primary beneficiary of these entities, and accordingly these entities are our variable interest entities under U.S. GAAP and we consolidate their results in our consolidated financial statements. Any changes in PRC laws and regulations that affect our ability to control these entities might preclude us from consolidating these entities in the future.

Non-Controlling Interests

For our consolidated subsidiaries, variable interest entities and the subsidiaries of our variable interest entities, non-controlling interests are recognized to reflect the portion of their equity that is not attributable, directly or indirectly, to us as the controlling shareholder. Non-controlling interests are classified as a separate line item in the equity section of our consolidated balance sheets and have been separately disclosed in our consolidated statements of operations and comprehensive loss to distinguish the interests from our interests.

Foreign Currency Translation

Our reporting currency is Renminbi ("RMB"). The functional currency of our entities incorporated in Cayman Islands, British Virgin Islands, Hong Kong, Singapore and the United States of America is the United States dollars. The functional currency of our entities incorporated in The Republic of Indonesia is the Indonesian rupiah. The functional currency of our entities incorporated in Japan is the Japanese yen. The functional currency of our entities incorporated in France is the Euro. Our PRC subsidiaries, variable interest entities and the subsidiaries of our variable interest entities determined their functional currency to be RMB. The determination of the respective functional currency is based on the criteria of ASC 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 our consolidated statements of operations and comprehensive loss.

Our financial statements 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.

Investment in Equity Investees

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

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

For other equity investments 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.

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

Under the cost method, we carry the investment at cost and recognize income to the extent of dividends received from the distribution of the equity investee’s post-acquisition profits.

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

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.

When the consumer financing services are provided to the qualified customers in the online direct sales business, such consumer financing receivables are recorded as accounts receivable. Due to the legacy contractual arrangements in relation to the consumer financing business, we remain as the legal owner of the consumer finance receivables, where JD Finance performs the related credit assessment.

JD Finance agreed to purchase the consumer financing receivables past due over certain agreed period of time from us at carrying values to absorb the risks, and no allowance for doubtful accounts in relation to accounts receivable arising from the consumer financing business was provided. We periodically securitize consumer financing receivables through the transfer of those assets to securitization vehicles. Please refer to “Item 5.A Operating and Financial Review and Prospects—Operating Results—Critical Accounting Policies—Non-recourse Securitization Debt and Transfer of Financial Assets” for further information.

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Other than the accounts receivable arising from the consumer financing business, we consider many factors in assessing the collectability of our accounts receivable, such as the age of the amounts due, the payment history, creditworthiness and financial conditions of the customers and industry trend, to determine the allowance percentage for the overdue balances by age. We adjust the allowance percentage periodically when there are significant differences between estimated bad debts and actual bad debts. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. We also make specific allowance if there is strong evidence indicating that the accounts receivable are likely to be unrecoverable. Accounts receivable balances are written off after all collection efforts have been exhausted. The accounts receivables with the collection period over one year are classified into other non-current assets in our consolidated balance sheets.

Loan Receivables, Net

Loan receivables represent the consumer financing services provided to qualified individual customers by JD Finance. Due to the legacy contractual arrangements in relation to consumer financing business, we remain as the legal owner of the consumer finance receivables, including such loan receivables, where JD Finance performs the related credit assessment. The loan periods extended by us to the individual customers mainly range from one month to twenty-four months. The loan receivables are measured at amortized cost and reported on our consolidated balance sheets at outstanding principal adjusted for doubtful account. The accrued interests are also included in the loan receivable balance, which was immaterial. JD Finance agreed to purchase the receivables past due over certain agreed period of time from us at carrying values to absorb the risks and obtain the returns from such business, and no provision for the doubtful account was recorded for the years ended December 31, 2016 and 2017. As of December 31, 2016 and 2017, the loan receivables with the collection period over one year in the amount of RMB174 million and RMB244 million (US\$37 million) were classified into other non-current assets in our consolidated balance sheets. We periodically securitize loan receivables arising from its consumer financing businesses through the transfer of those assets to securitization vehicles. Please refer to “Item 5.A Operating and Financial Review and Prospects—Operating Results—Critical Accounting Policies—Non-recourse Securitization Debt and Transfer of Financial Assets” for further information.

Investment Securities

We invest in marketable equity securities to meet business objectives. These marketable securities are reported at fair value, classified and accounted for as available-for-sale securities in investment securities. The treatment of a decline in the fair value of an individual security is based on whether the decline is other-than-temporary. We assess our available-for-sale securities for other-than-temporary impairment by considering factors including, but not limited to, our ability and intent to hold the individual security, severity of the impairment, expected duration of the impairment and forecasted recovery of fair value. Investments classified as available-for-sale securities are reported at fair value with unrealized gains or losses, if any, recorded in accumulated other comprehensive income or loss as a component of shareholders’ equity. If we determine a decline in fair value is other-than-temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is accounted for as a realized loss charged in our consolidated statement of operations and comprehensive loss. The fair value of the investment would not be adjusted for subsequent recoveries in fair value.

Revenue

We engage primarily in the sale of electronics products and general merchandise products sourced from manufacturers, distributors and publishers in China on the internet through our websites, mainly *www.jd.com*, and mobile apps. We offer an online marketplace that enables third-party sellers to sell their products to consumers. We provide logistics services to third parties, including third-party sellers on our marketplace and merchants that do not sell products on our online marketplace. We also offered financial services to our suppliers, third-party sellers and qualified individual customers, and the finance business was deconsolidated from our financial statements since June 30, 2017 as a result of the reorganization of JD Finance. Customers place their orders for products or services primarily through our websites and mobile apps. Payment for the purchased products or services is generally made either before delivery or upon delivery.

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Consistent with the criteria of ASC 605, Revenue Recognition, we recognize revenues when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured.

In accordance with ASC 605, Revenue Recognition, we evaluate whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When we are primarily obligated in a transaction, are subject to inventory risk, have latitude in establishing prices and selecting suppliers, or have several but not all of these indicators, revenues should be recorded on a gross basis. When we are not the primary obligor, don't bear the inventory risk and don't have the ability to establish the price, revenues are recorded on a net basis.

Revenue arrangements with multiple deliverables are divided into separate units of accounting and arrangement consideration is allocated using estimated selling prices if we do not have vendor-specific objective evidence or third-party evidence of the selling prices of the deliverables.

We recognize revenue net of discounts and return allowances when the products are delivered and title passes to customers. Return allowances, which reduce net revenues, are estimated based on historical experiences.

Rebates and Subsidies

We periodically receive consideration from certain suppliers, representing rebates for products sold and subsidies for the sales of the suppliers' products over a period of time. The rebates are not sufficiently separable from our purchase of the suppliers' products and they do not represent a reimbursement of costs incurred by us to sell vendors' products. We account for the rebates received from our suppliers as a reduction to the price we pay for the products purchased and therefore we record such amounts as a reduction of cost of revenues when recognized in our consolidated financial statements. Rebates are earned based on reaching minimum purchase thresholds for a specified period. When volume rebates can be reasonably estimated based on our past experiences and current forecasts, a portion of the rebate is recognized as we make progress towards the purchase threshold. Subsidies are calculated based on the volume of products sold through us and are recorded as a reduction of cost of revenues when the sales have been completed and the amount is determinable.

Inventories

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value. Cost of inventory is primarily accounted for using the weighted average cost method. Adjustments are recorded to write down the cost of inventory to the estimated market value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. We take ownership, risks and returns of the products purchased, but have arrangements to return unsold goods with certain vendors. Write-downs are recorded in cost of revenues in our consolidated statements of operations and comprehensive loss. As a measure of sensitivity, for every 1% of additional inventory valuation allowance as of December 31, 2017, we would have recorded an additional cost of sales of approximately RMB422 million (US\$65 million).

Goodwill

We evaluate goodwill for impairment annually or more frequently when an event occurs or circumstances change that indicate that the carrying value may not be recoverable. Our annual testing date is December 31. We test goodwill for impairment by first comparing the book value of net assets to the fair value of the reporting units. If the fair value is determined to be less than the book value or qualitative factors indicate that it is more likely than not that goodwill is impaired, a second step is performed to compute the amount of impairment as the difference between the estimated fair value of goodwill and the carrying value. We estimate the fair value of the reporting units using discounted cash flows. Forecasts of future cash flows are based on our best estimate of future net sales and operating expenses, based primarily on expected category expansion, pricing, market segment share, and general economic conditions. Certain estimates of discounted cash flows involve businesses with limited financial history and developing revenue models. Changes in these forecasts could significantly change the amount of impairment recorded, if any.

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During the years ended December 31, 2015, 2016 and 2017, management monitored the actual performance of the business relative to the fair value assumptions used during our annual goodwill impairment test. In November 2015 we decided to terminate the C2C business of Paipai.com acquired from Tencent, combating the marketing and sales of counterfeit products. As a result, we decided that the goodwill arising from the acquisition of the Paipai and QQ Wanggou combined platform business was fully impaired and an impairment charge of RMB2.6 billion was recorded in the fourth quarter of 2015. There was no goodwill impairment during the years ended December 31, 2016 and 2017.

Non-recourse Securitization Debt and Transfer of Financial Assets

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

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

We will not consolidate the securitization vehicles when no economic interests are retained by us, and we have no continuing involvements, including being the servicer of the securitization vehicles. Transfers are accounted for as sale and the corresponding transferred accounts receivables are de-recognized in our consolidated balance sheets pursuant to ASC 860 only if they meet all of the three criteria: (i) the transferred financial assets have been isolated from the transferor and its creditors, (ii) each transferee has the right 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 disregarded when applying ASC 860 as long as the transferee will not be consolidated by the transferor.

Due to our continuing involvement right in securitization vehicles prior to October 2017, we cannot derecognize the existing receivables through the transfer of the receivables to securitization vehicles. The proceeds from the financing-type transactions are reported as current and non-current nonrecourse securitization debt in our consolidated balance sheets based on their respective expected repayment dates pursuant to ASC 860. While the contractual maturities of the asset-backed debt securities are from 2018 to 2019, the securities are repaid as collections on the underlying collateralized assets occur. As of December 31, 2016 and 2017, the collateralized accounts receivables were RMB10,746 million and RMB11,702 million (US\$1,799 million), respectively, and the collateralized loans receivables were RMB2,757 million and RMB4,513 million (US\$694 million), respectively. The weighted average interest rate for the outstanding nonrecourse securitization debt as of December 31, 2016 and 2017 was approximately 4.49% and 5.33%, respectively. The interest expenses in relation to the nonrecourse securitization debt were charged back to JD Finance.

Beginning October 2017, we revised certain structural arrangements to relinquish our continuing involvement right when setting up the new securitization vehicles, then we derecognized RMB8,000 million of consumer credit receivables financial assets (including the accounts receivables of RMB5,693 million and loan receivables of RMB2,307 million) through the sales type arrangements, with the proceeds of RMB8,000 million in 2017 (2015 and 2016 nil), where JD Finance acted as the servicer and purchased the subordinate tranche of the securitization vehicles. The gain/loss recorded upon the sale accounting was immaterial in 2017.

Unsecured Senior Notes

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 our consolidated statements of operations and comprehensive loss over the maturities of the notes using the effective interest method.

Share-Based Compensation

We grant non-vested ordinary shares, restricted share units and share options of our company and our subsidiaries to eligible employees and non-employee consultants and account for these share-based awards in accordance with ASC 718 *Compensation — Stock Compensation* and ASC 505-50 *Equity-Based Payments to Non-Employees*.

Employees' 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.

Non-employees' share-based awards are measured at fair value at the earlier of the commitment date or the date the services are completed. Awards granted to non-employees are re-measured at each reporting date using the fair value as at each period end until the measurement date, generally when the services are completed and awards are vested. Changes in fair value between the reporting dates are recognized by graded vesting method.

Non-vested ordinary shares and restricted share units

Prior to our initial public offering, the fair value of the non-vested ordinary shares and restricted share units were assessed using the income approach / discounted cash flow method, with a discount for lack of marketability given that the shares underlying the award were not publicly traded at the time of grant, and was determined partly in reliance on a valuation determined with the assistance of an independent valuation firm using our estimates and assumptions. This assessment required complex and subjective judgments regarding our projected financial and operating results, our unique business risks, the liquidity of our ordinary shares and our operating history and prospects at the time the grants were made.

After our initial public offering, in determining the fair value of the restricted share units granted, the closing market price of the underlying shares on the last trading date prior to the grant dates is applied. In determining the fair value of the restricted share units granted on May 22, 2014, the date when our ADSs first commenced trading on NASDAQ, the per share equivalent of our initial public offering price is applied.

Share options

Management is responsible for determining the fair value of options granted to employees and our founder and considered a number of factors including valuations.

In determining the fair value of our stock options, the binomial option pricing model was applied, which requires inputs such as the fair value of our ordinary shares, expected volatility, risk-free interest rate, exercise multiple, expected dividend yield and expected term based on the following assumptions:

1. Fair value of our ordinary shares. Prior to our initial public offering on May 22, 2014, the fair value was determined based on management estimates, as discussed under “—Fair Value of Our Ordinary Shares.” Subsequent to our initial public offering, the market price of our publicly traded ADSs is used as an indicator of fair value for our ordinary shares.

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2. Expected volatility. We estimate expected volatility based on the implied volatility of our own and the historical share prices volatility of comparable companies with a time horizon close to the expected term of the share options.
3. Risk-free interest rate. We estimate risk-free interest rate based on the yield to maturity of U.S. treasury bonds with a maturity similar to the expected life of the share options.
4. Exercise multiple. The exercise multiple is estimated as the ratio of fair value of underlying shares over the exercise price as at the time the option is exercised, based on a consideration of research study regarding exercise pattern based on historical statistical data.
5. Expected dividend yield. We have never declared or paid any cash dividends on our capital stock, and we do not anticipate any dividend payments on our ordinary shares in the foreseeable future.
6. Expected term. Expected term is the contract life of the option.

Changes in these assumptions could significantly affect the fair value of stock options and hence the amount of compensation expenses we recognize in our consolidated financial statements.

Fair Value of Our Ordinary Shares

Prior to our initial public offering, we were a private company with no quoted market prices for our ordinary shares. We therefore needed to make estimates of the fair value of our ordinary shares at various dates for the following purposes:

- determining the fair value of our ordinary shares at the date of issuance of convertible instruments as one of the inputs into determining the intrinsic value of the beneficial conversion feature, if any; and
- determining the fair value of our ordinary shares at the date of the grant of a share-based compensation award to our employees or non-employees as one of the inputs into determining the grant date fair value of the award.

In determining the fair value of our ordinary shares, we applied the income approach/discounted cash flow analysis based on our projected cash flow using our best estimate as of the valuation date with the assistance from an independent valuation firm. The determination of the fair value of our ordinary shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

The major assumptions used in calculating the fair value of ordinary shares include:

Discount rates. The discount rates were based on the weighted average cost of capital, which was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systemic risk factors.

Comparable companies. In deriving the weighted average cost of capital used as the discount rates under the income approach, seven publicly traded companies were selected for reference as our guideline companies. The guideline companies were selected based on the following criteria: (i) they operate in the e-commerce industry and (ii) their shares are publicly traded in developed capital markets, including the United States, the UK and Japan.

Discount for lack of marketability, or DLOM. DLOM was quantified by the Black-Scholes option pricing model. Under this option-pricing method, the cost of the put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the DLOM. This option pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors like timing of a liquidity event (such as an IPO) and estimated volatility of our shares. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. The lower DLOM is used for the valuation, the higher is the determined fair value of the ordinary shares.

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The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts. Our revenues and earnings growth rates, as well as major milestones that we have achieved, contributed to the increase in the fair value of our ordinary shares. However, these fair values are inherently uncertain and highly subjective. The assumptions used in deriving the fair values are consistent with our business plan. These assumptions include: no material changes in the existing political, legal and economic conditions in China; our ability to retain competent management, key personnel and staff to support our ongoing operations; and no material deviation in market conditions from economic forecasts. These assumptions are inherently uncertain.

The option-pricing method was used to allocate enterprise value to preferred and ordinary shares, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid, “Valuation of Privately Held Company Equity Securities Issued as Compensation.” The method treats common stock and preferred stock as call options on the enterprise’s value, with exercise prices based on the liquidation preference of the preferred stock.

The option-pricing method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of our company or an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board of directors and management. Estimating the volatility of the share price of a privately held company is complex because there is no readily available market for the shares. Had we used different estimates of volatility, the allocations between preferred and ordinary shares would have been different.

The fair value of our ordinary shares on May 22, 2014 was US\$9.50, which was based on our initial public offering price.

Income Taxes

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

In accordance with the provisions of ASC 740, we recognize in our financial statements the benefit of a tax position if the tax position is “more likely than not” to prevail based on the facts and technical merits of the position. Tax positions that meet the “more likely than not” recognition threshold are measured at the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement. We estimate our liability for unrecognized tax benefits which are periodically assessed and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in some cases, appeal or litigation process. The actual benefits ultimately realized may differ from our estimates. As each audit is concluded, adjustments, if any, are recorded in our financial statements in the period in which the audit is concluded. Additionally, in future periods, changes in facts, circumstances and new information may require us to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. As of December 31, 2015, 2016 and 2017, we did not have any significant unrecognized uncertain tax positions.

Recent Accounting Pronouncements

See Item 17 of Part III, “Financial Statements—Note 2—Summary of significant accounting policies—Recent accounting pronouncements.”

Liquidity and Capital Resources

Our primary sources of liquidity have been proceeds from operating activities, private issuances of ordinary and preferred shares, our initial public offering, our notes offering and our term and revolving credit facilities.

In May 2014, we completed our initial public offering in which we issued and sold an aggregate of 83,060,200 ADSs, representing 166,120,400 Class A ordinary shares resulting in net proceeds to us of approximately US\$1.5 billion. Concurrently with our initial public offering, we also raised US\$1.3 billion from Huang River Investment Limited, our existing shareholder, by selling 139,493,960 Class A ordinary shares to Huang River via private placement.

In April 2016, we issued an aggregate of US\$500 million unsecured senior notes due in 2021, with stated annual interest rate of 3.125%, and an aggregate of US\$500 million unsecured senior notes due in 2026, with stated annual interest rate of 3.875%. The net proceeds from the sale of the notes were used for general corporate purposes. As of December 31, 2017, the total carrying value and estimated fair value were US\$496 million and US\$500 million, respectively, with respect to the notes due in 2021, and US\$490 million and US\$500 million, respectively, with respect to the notes due in 2026. The estimated fair values were based on quoted prices for our publicly traded debt securities as of December 31, 2017. The unsecured senior notes contain covenants including, among others, limitation on liens, and restriction on consolidation, merger and sale of all or substantially all of our assets. We are in compliance with all covenants. During 2017, we paid an aggregate of US\$35 million in interest payments related to these notes.

In December 2017, we entered into a five-year US\$1.0 billion term and revolving credit facilities agreement with a group of 24 arrangers. The facilities were priced at 115 basis points over LIBOR. The use of proceeds of the facilities were intended for general corporate purposes. As of December 31, 2017, we had an undrawn balance of US\$1.0 billion under the credit facilities agreement, US\$450 million of which will expire at the date falling 6 months after the date of this credit facilities agreement if remained undrawn, and US\$550 million of which will expire one month prior to the final maturity date, which is sixty months after the date of this credit facilities agreement.

As of December 31, 2017, we had a total of RMB38 billion (US\$6 billion) in cash and cash equivalents, restricted cash and short-term investments. This included primarily RMB28 billion (US\$4 billion) and US\$652 million in China, RMB7 billion (US\$1 billion), HK\$12 million (US\$2 million) and US\$7 billion in Hong Kong and US\$10 million in Singapore. Our cash and cash equivalents generally consist of bank deposits and liquid investments with maturities of three months or less. As of December 31, 2017, we had one-year revolving lines of credit for an aggregate amount of RMB40 billion (US\$6 billion) from several Chinese commercial banks. We had RMB19 billion (US\$3 billion) outstanding under these revolving lines of credit as of December 31, 2017.

We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, need additional cash resources in the future if we experience changes in business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, capital expenditure or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand, we may seek to issue debt or equity securities or obtain additional credit facilities.

Our net inventories have increased significantly in recent periods, from RMB20.5 billion as of December 31, 2015 to RMB28.9 billion as of December 31, 2016 and further to RMB41.7 billion (US\$6.4 billion) as of December 31, 2017. These increases reflected the additional inventory required to support our substantially expanded sales volumes. Our annual inventory turnover days were 36.4 days in 2015, 37.6 days in 2016 and 38.1 days in 2017. Annual inventory turnover days are the quotient of average inventory over five quarter ends to total cost of revenues 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.

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Our accounts payable primarily include accounts payable to suppliers associated with our direct sales business and those to third-party sellers on our online marketplace. As of December 31, 2015, 2016 and 2017, our accounts payable amounted to RMB31.2 billion, RMB46.0 billion and RMB74.3 billion (US\$11.4 billion), respectively. These increases reflected a significant growth in our sales volumes and scale of operations for our direct sales business and the related increase in products sourced from our suppliers, as well as the growth in the scale of operations of our online marketplace. Our annual accounts payable turnover days for direct sales business were 44.0 days in 2015, 52.0 days in 2016 and 59.1 in 2017. Annual accounts payable turnover days are the quotient of average accounts payable for direct sales business over five quarter ends to total cost of revenues and then multiplied by 360 days.

Our accounts receivable primarily include amounts due from customers and online payment channels. As of December 31, 2015, 2016 and 2017, our accounts receivable amounted to RMB7.4 billion, RMB16.1 billion and RMB16.4 billion (US\$2.5 billion), respectively. These increases were primarily due to a significant growth in our sales volumes as well as the credit we extended for the financial products offered by JD Finance. From early 2014, JD Finance started to provide consumer financing to our customers. As of December 31, 2015, 2016 and 2017, the balances of current portion of financing provided to our customers that affected accounts receivable balances amounted to RMB6.9 billion, RMB14.8 billion and RMB14.3 billion (US\$2.2 billion), respectively. Our accounts receivable turnover days excluding the impact from consumer financing were 1.4 days in 2015, 1.3 days in 2016 and 1.4 days in 2017. Annual accounts receivable turnover days are the quotient of average accounts receivable over five quarter ends to total net revenues and then multiplied by 360 days.

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

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

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

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

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

	For the Year Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$
	(in millions)			
Summary Consolidated Cash Flows Data:				
Net cash provided by continuing operating activities	3,038	9,994	27,307	4,197
Net cash used in discontinued operating activities	(1,342)	(1,227)	(2,486)	(382)
Net cash provided by operating activities	1,696	8,767	24,821	3,815
Net cash used in continuing investing activities	(7,809)	(17,758)	(21,725)	(3,339)
Net cash provided by/(used in) discontinued investing activities	2,018	(30,511)	(15,773)	(2,424)
Net cash used in investing activities	(5,791)	(48,269)	(37,498)	(5,763)
Net cash provided by continuing financing activities	3,835	8,649	5,180	796
Net cash provided by discontinued financing activities	865	32,050	14,055	2,160
Net cash provided by financing activities	4,700	40,699	19,235	2,956
Effect of exchange rate changes on cash and cash equivalents	344	711	(642)	(99)
Net increase in cash and cash equivalents	949	1,908	5,916	909
Cash and cash equivalents at beginning of year	16,915	17,864	19,772	3,039
Cash and cash equivalents at end of year	17,864	19,772	25,688	3,948
Less: Cash and cash equivalents of held for sale	3,882	4,205	—	—
Cash and cash equivalents of continuing operations at end of period	13,982	15,567	25,688	3,948

Continuing Operating Activities

Net cash provided by operating activities in 2017 was RMB27,307 million (US\$4,197 million). In 2017, the principal items accounting for the difference between our net cash provided by operating activities and our net loss were certain non-cash expenses, principally depreciation and amortization of RMB4,193 million (US\$644 million), share of results of equity investees of RMB1,927 million (US\$296 million), share-based compensation of RMB2,780 million (US\$427 million), and changes in certain working capital accounts, principally an increase in accounts payable of RMB26,106 million (US\$4,012 million), an increase in advance from customers of RMB2,139 million (US\$329 million), an increase in accrued expenses and other current liabilities of RMB4,624 million (US\$711 million) and a decrease in amount due from related parties of RMB2,457 million (US\$378 million), partially offset by an increase in inventories of RMB12,788 million (US\$1,966 million). The increase in our accounts payable was due to the growth of our business. The increase in our accrued expenses and other current liabilities was primarily due to the growth in payroll and related accruals primarily associated with the increase in our headcount and the growth in our online marketplace business which resulted in the increase of vendor deposits. The increase in our advance from customers was due to the increase in our sales of prepaid cards. The increase in our inventories was due to the growth of our business.

Net cash provided by operating activities in 2016 was RMB9,994 million. In 2016, the principal items accounting for the difference between our net cash provided by operating activities and our net loss were certain non-cash expenses, principally depreciation and amortization of RMB3,420 million, share of results of equity investees of RMB2,782 million, share-based compensation of RMB2,061 million and gain from business and investment dispositions of RMB1,233 million, and changes in certain working capital accounts, principally an increase in accounts payable of RMB14,519 million, an increase in advance from customers of RMB4,365 million and an increase in accrued expenses and other current liabilities of RMB3,710 million, partially offset by an increase in accounts receivable of RMB8,703 million, an increase in inventories of RMB8,373 million and an increase in amount due from related parties of RMB1,496 million. The increase in our accounts payable was due to the growth of our business. The increase in our accrued expenses and other current liabilities was primarily due to the growth in payroll and related accruals primarily associated with the increase in our headcount, the growth in our online marketplace business which resulted in the increase of vendor deposits, partially offset by the decrease in the payable to employees in relation to the exercise of options or pursuant to other awards. The increase in our advance from customers was due to the increase in advance from customers related to the sales on our online marketplace, since third-party sellers tend to take longer to complete deliveries to the extent that they do not use our fulfillment services, as well as the increase in our sales of prepaid cards. The increase in our inventories was due to the growth of our business. The increase in accounts receivable was due to the growth of our business as well as the credit we extended for the financial products offered by JD Finance.

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Net cash provided by operating activities in 2015 was RMB3,038 million. In 2015, the principal items accounting for the difference between our net cash used in operating activities and our net loss were certain non-cash expenses, principally share of results of equity investees of RMB2,852 million, impairment of goodwill and intangible assets of RMB2,750 million, depreciation and amortization of RMB2,507 million and share-based compensation of RMB1,077 million, and changes in certain working capital accounts, principally an increase in accounts payable of RMB14,187 million, an increase in accrued expenses and other current liabilities of RMB1,852 million and an increase in advance from customers of RMB2,462 million, partially offset by an increase in inventories of RMB8,346 million, an increase in accounts receivable of RMB5,665 million and an increase in amount due from related parties of RMB1,343 million. The increase in our accounts payable was due to the growth of our business. The increase in our accrued expenses and other current liabilities was primarily due to the growth in payroll and related accruals primarily associated with the increase in our headcount, the growth in our online marketplace business which resulted in the increase of vendor deposits, partially offset by the decrease in the payable to employees in relation to the exercise of options or pursuant to other awards. The increase in our advance from customers was due to the increase in advance from customers related to the sales on our online marketplace, since third-party sellers tend to take longer to complete deliveries to the extent that they do not use our fulfillment services, as well as the increase in our sales of prepaid cards. The increase in our inventories was due to the growth of our business. The increase in accounts receivable was due to the growth of our business as well as the credit we extended for the financial products offered by JD Finance.

Continuing Investing Activities

Net cash used in investing activities in 2017 was RMB21,725 million (US\$3,339 million), consisting primarily of the purchase of short-term investments, investment in equity investees and investment securities, purchases of property, equipment and software, cash paid for construction in progress and land use rights, cash paid for loan originations offered by JD Finance, and increase in loans to JD Finance, partially offset by the maturity of short-term investments, cash received from loan repayments, and cash consideration received with respect to the reorganization of JD Finance.

Net cash used in investing activities in 2016 was RMB17,758 million, consisting primarily of the purchase of short-term investments, investment in equity investees, purchases of property, equipment and software, cash paid for construction in progress and land use rights, cash paid for loan originations offered by JD Finance and cash paid for business combinations, partially offset by the maturity of short-term investments, cash received from loan repayments and decrease in loans to JD Finance.

Net cash used in investing activities in 2015 was RMB7,809 million, consisting primarily of the purchase of short-term investments, investment in equity investees and investment securities, purchases of property, equipment and software, cash paid for construction in progress and land use rights, cash paid for loan originations offered by JD Finance and cash paid for business combinations and increase in loans to JD Finance, partially offset by the maturity of short-term investments and cash received from loan repayment.

Continuing Financing Activities

Net cash provided by financing activities in 2017 was RMB5,180 million (US\$796 million), consisting primarily of proceeds from short-term borrowings and nonrecourse securitization debt, partially offset by the repayment of short-term borrowings and nonrecourse securitization debt.

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Net cash provided by financing activities in 2016 was RMB8,649 million, consisting primarily of proceeds from our unsecured senior notes offering in April 2016, proceeds from short-term borrowings and nonrecourse securitization debt, partially offset by the repayment of short-term borrowings and nonrecourse securitization debt and our repurchase of ADSs.

Net cash provided by financing activities in 2015 was RMB3,835 million, consisting primarily of proceeds from short-term bank loans and nonrecourse securitization debt partially offset by the repayment of short-term bank loans.

Holding Company Structure

JD.com, Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and consolidated variable interest entities in China. As a result, JD.com, Inc.'s ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and our consolidated variable interest entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our wholly foreign-owned subsidiaries in China may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion fund and staff bonus and welfare fund at its discretion. Each of the other PRC subsidiaries and our consolidated variable interest entities may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. As of December 31, 2017, the amount restricted, including paid-in capital and statutory reserve funds, as determined in accordance with PRC accounting standards and regulations, was approximately RMB23,083 million (US\$3,548 million). Our PRC subsidiaries have never paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

Capital Expenditures

We made capital expenditures of RMB5,024 million, RMB4,229 million and RMB11,356 million (US\$1,745 million) in 2015, 2016 and 2017, respectively. Our capital expenditures for 2015, 2016 and 2017 consisted primarily of expenditures related to the expansion of our fulfillment infrastructure, technology platform, logistics equipment as well as our new 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.

C. Research and Development

We have built our technology platform relying primarily on software and systems that we have developed in-house and to a lesser extent on third-party software that we have modified and incorporated. We employed 11,938 IT professionals to design, develop and operate our technology platform as of December 31, 2017.

In the three years ended December 31, 2015, 2016 and 2017, our technology and content expenses, including share-based compensation expenses for research and development staff, were RMB2,902 million, RMB4,453 million and RMB6,652 million (US\$1,022 million), respectively. Our technology and content expenses consist primarily of payroll and related expenses for IT professionals involved in developing and maintaining our technology platform and websites, server and other equipment depreciation, bandwidth and data center costs, and rental expenses. We expect spending in technology and content to increase over time as we add more experienced IT professionals and continue to invest in our technology platform to enhance customer experience and provide value-added services to suppliers and third-party sellers.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2017 that are reasonably likely to have a material and adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions.

E. Off-Balance Sheet Arrangements

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

F. Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2017:

	Total	Payment Due by Period			More than 5 years
		Less than 1 year	1-3 years (in RMB thousands)	3-5 years	
Operating lease commitments ⁽¹⁾					
Rental expenses	7,975,196	2,845,163	3,290,762	1,149,783	689,488
Bandwidth leasing	642,482	438,499	191,345	7,442	5,196
Capital commitments ⁽²⁾	2,658,773	2,658,773	—	—	—
Long-term debt obligations ⁽³⁾	23,694,319	12,684,881	4,475,238	3,267,100	3,267,100
Total	<u>34,970,770</u>	<u>18,627,316</u>	<u>7,957,345</u>	<u>4,424,325</u>	<u>3,961,784</u>

- (1) Our operating lease obligations relate to our leases of offices and fulfillment infrastructures and our lease of bandwidth and data centers.
- (2) Our capital commitments primarily relate to commitments on construction of office buildings and warehouses, and are to be paid in the following years according to the construction progress.
- (3) Our long-term debt obligations are mainly unsecured senior notes, and nonrecourse securitization debt consisting primarily of debt securities issued in connection with securitization of certain financial assets. The amounts exclude the corresponding interest payable.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

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

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Directors and Executive Officers	Age	Position/Title
Richard Qiangdong Liu	45	Chairman of the Board of Directors and Chief Executive Officer
Martin Chiping Lau	45	Director
Ming Huang	54	Independent Director
Louis T. Hsieh	53	Independent Director
David Daokui Li	54	Independent Director
Ye Lan	48	Chief Public Affairs Officer
Yu Long	42	Chief Human Resources Officer and General Counsel
Sidney Xuande Huang	52	Chief Financial Officer
Chen Zhang	54	Chief Technology Officer

Richard Qiangdong Liu has been our chairman and chief executive officer since our inception. Mr. Liu has over 15 years of experience in the retail and e-commerce industries. In June 1998, Mr. Liu started his own business in Beijing, which was mainly engaged in the distribution of magneto-optical products. In January 2004, Mr. Liu launched his first online retail website. He founded our business later that year and has guided our development and growth since then. In December 2011, Mr. Liu received the prestigious award “2011 China Economic Person of the Year” from CCTV, China’s largest nationwide television network. Mr. Liu has received numerous other awards for his achievements in the e-commerce industry in China, such as “2011 Chinese Business Leader” and Fortune China’s “2012 Chinese Businessman.” Mr. Liu received a bachelor’s degree in sociology from Renmin University of China in Beijing and an EMBA degree from the China Europe International Business School.

Martin Chiping Lau has served as our director since March 2014. Mr. Lau is president and executive director of Tencent Holdings Limited, a provider of comprehensive internet services serving the largest online community in China and listed on Hong Kong Stock Exchange. In December 2017, Mr. Lau was appointed as a director of Vipshop Holdings Limited, an online discount retailer listed on the NYSE. In 2007, Mr. Lau was appointed as an executive director of Tencent. In 2006, Mr. Lau was promoted as the president of Tencent to manage the day-to-day operation of Tencent. In February 2005, he joined Tencent as the chief strategy and investment officer, and was responsible for corporate strategies, investments, merger and acquisitions and investor relations. Prior to joining Tencent, Mr. Lau was an executive director at Goldman Sachs (Asia) L.L.C.’s investment banking division and the chief operating officer of its telecom, media and technology group. Prior to that, he worked at McKinsey & Company, Inc. as a management consultant. Mr. Lau also serves as a non-executive director of Kingsoft Corporation Limited, an internet based software developer, distributor and software service provider listed on Hong Kong Stock Exchange, and a director of Leju Holdings Limited, an online-to-offline real estate services provider in China listed on the NYSE. Mr. Lau received a bachelor of science degree in electrical engineering from the University of Michigan, a master of science degree in electrical engineering from Stanford University and an MBA degree from Kellogg Graduate School of Management, Northwestern University.

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

Louis T. Hsieh has served as our independent director since May 2014. Mr. Hsieh has been the group chief financial officer for NIO Inc., an electric and autonomous car designer and manufacturer since May 2017. Mr. Hsieh has served as the director of New Oriental Education & Technology Group Inc., the largest provider of private educational services in China listed on the NYSE (NYSE: EDU), since March 2007, and served as its chief financial officer from December 2005 to April 2015 and its president from May 2009 to January 2016. He also has served as an independent director and chairman of audit committee of YUM China Holdings, Inc., an NYSE-listed fast food restaurant (NYSE: YUMC), since 2016. Mr. Hsieh was an independent director and chairman of audit committee of Nord Anglia Education, Inc. from 2016 to 2017 and assumed the same position with Perfect World Inc. from 2007 to 2010. He was also the chief financial officer of ARIO Data Networks, Inc. in San Jose, California from 2003 to 2005. Prior to that, Mr. Hsieh was a managing director for the private equity firm of Darby Asia Investors (HK) Limited from 2002 to 2003. From 2000 to 2002, Mr. Hsieh was the managing director and the Asia-Pacific tech/media/telecoms head of UBS Capital Asia Pacific, the private equity division of UBS AG. From 1997 to 2000, Mr. Hsieh was a technology investment banker at JP Morgan in San Francisco, California, where he was a vice president, and Credit Suisse First Boston in Palo Alto, California, where he was an associate. From 1990 to 1996, Mr. Hsieh was a corporate and securities attorney at White & Case LLP in Los Angeles. Mr. Hsieh holds a bachelor’s degree in industrial engineering and engineering management from Stanford University, an MBA degree from the Harvard Business School, and a J.D. degree from the University of California at Berkeley.

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David Daokui Li has served as our independent director since May 2014. Mr. Li is currently the Mansfield Freeman Chair Professor of the School of Economics and Management of Tsinghua University. He was also the director of the Schwarzman Scholars Program at Tsinghua University, and the director of Center for China in the World Economy (CCWE) at the School of Economics and Management of Tsinghua University. Before joining Tsinghua University in 2004, Mr. Li was on the faculty of Hong Kong University of Science and Technology from 1999 to 2004 and the University of Michigan from 1992 to 1999. From 1997 to 1998, he was a National Fellow of Hoover Institution at Stanford University. Professor Li is currently a delegate to the Beijing People's Congress and a member of the Chinese People's Political Consultative Committee (CPPCC). He is now a member of the Global Agenda Councils and a Rapporteur of the International Financial Institutions Reform Cluster of the Global Redesign Initiative (GRI) of the World Economic Forum based in Davos, Switzerland. Professor Li received a Ph.D. in economics from Harvard University and a bachelor's degree in management information systems from Tsinghua University as one of the first undergraduate class of the School of Economics and Management, where he is now serving as a faculty member.

Ye Lan has served as our chief public affairs officer since August 2015, and is in charge of overseeing a number of key operational areas, including our public affairs team. Prior to this role, he was our chief marketing officer from February 2012, and was in charge of our procurement, sales, marketing and public relationships functions. Mr. Lan has over 18 years of experience in sales and marketing in the Greater China region. Prior to joining us, Mr. Lan was an executive vice president for the China region at Acer Group, a Taiwan-based electronics company, from October 2010 to February 2012. Mr. Lan was the president and the chief executive officer of Founder Technology Group Corporation, a China-based computer producer listed on the Shanghai Stock Exchange, from October 2008 to September 2010. From 1993 to October 2008, Mr. Lan was at Lenovo Group, where he became the vice president responsible for the sales in the Greater China region. Mr. Lan received an EMBA degree from Tsinghua University in Beijing.

Yu Long (also known as Rain Long) has served as our chief human resources officer and general counsel since August 2012. Ms. Long has extensive experience in handling the legal affairs of U.S. listed companies and managing multinational companies. Prior to joining us, Ms. Long served as the general counsel and chief compliance officer of UTStarcom Holdings Corp., a provider of interactive, IP-based network solutions listed on NASDAQ, from November 2010 to July 2012. Prior to that, Ms. Long worked for several Chinese and multinational telecommunication companies, and last served as the APAC Legal Affairs Director for the Swiss stock market listed Myriad Group AG and was appointed by its head office to be the key member of its China Executive Management Team. Ms. Long received her bachelor's degree in economic law from China Southwest Political and Law University in Chongqing and an EMBA from the China Europe International Business School. Ms. Long is a qualified attorney in the PRC.

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

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Chen Zhang has served as our chief technology officer since November 2015. Mr. Zhang joined us in April 2015 as senior vice president in charge of JD Mall's research and development system. Prior to joining us, he was the president of Yahoo global research and development center in Beijing, responsible for the development of Yahoo's global core platforms, such as its science driven advertising and personalization platforms, mobile and cloud platforms. He worked at Yahoo for 18 years, during which he was also responsible for the development of Yahoo Messenger. Mr. Zhang is currently a non-executive director of Kingdee International Software Group Company Limited, a company listed on the Hong Kong Stock Exchange. Mr. Zhang received a bachelor's degree in computer science from East China Normal University and a master's degree in computer science from Indiana University Bloomington.

B. Compensation

In 2017, we paid an aggregate of approximately RMB11.5 million (US\$1.8 million) in cash to our executive officers, and approximately US\$0.2 million in cash to our non-executive directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries and consolidated variable interest entities are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

Employment Agreements and Indemnification Agreements

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

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

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

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

Share Incentive Plan

We adopted a 2008 stock issuance plan in June 2008, a 2009 employee stock incentive plan in February 2009, a 2010 employee stock incentive plan in March 2010, a 2011 employee stock incentive plan in April 2011 and a 2011 special employee stock incentive plan in April 2011, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. We refer to these plans collectively as the Original Plans. Pursuant to the Original Plans, we issued a total of 106,850,910 ordinary shares to Fortune Rising Holdings Limited. Fortune Rising Holdings Limited holds these ordinary shares for the purpose of transferring such shares to the plan participants according to our awards under our Original Plans, which were replaced by the 2013 Plan as described below, and administers the awards and acts according to our instruction, and is therefore treated as our consolidated variable interest entity under U.S. GAAP.

On December 20, 2013, we adopted a 2013 Share Incentive Plan, or the 2013 Plan, which replaced all of the Original Plans in their entirety, and the Original Plans are no longer effective. The awards granted and outstanding under the Original Plans survive the termination of the Original Plans and remain effective and binding under the 2013 Plan, subject to certain amendments to the original award agreements. We amended and restated the 2013 Plan on March 6, 2014, increasing the number of shares reserved for future awards under the 2013 Plan. In November 2014, the 2013 Plan was replaced by a share incentive plan entitled “Share Incentive Plan” containing substantially the same terms as the 2013 Plan.

The maximum aggregate number of our shares which may be issued pursuant to all awards under the Share Incentive Plan is 468,133,012 shares as of the date of this annual report, consisting of 106,850,910 shares that have been issued to and reserved with Fortune Rising Holdings Limited under the Original Plans, and 361,282,102 shares that are reserved under the Share Incentive Plan. The number of shares reserved for future issuances under the Share Incentive Plan will be increased by a number equal to 1% of the total number of outstanding shares as of the last day of the immediately preceding fiscal year, on the first day of each fiscal year during the term of the Share Incentive Plan commencing with the fiscal year ended December 31, 2018, the sixth fiscal year that occurs after the date when the 2013 Plan was adopted.

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

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

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

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

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

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

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

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

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

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

As of December 31, 2017, 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 106,259,378 ordinary shares, excluding restricted share units that were forfeited, cancelled, or vested after the relevant grant date, and (ii) options to purchase an aggregate of 43,110,108 ordinary shares, excluding options that were forfeited, cancelled, or exercised after the relevant grant date.

In May 2015, the board of directors approved a 10-year compensation plan for Mr. Richard Qiangdong Liu, under which, Mr. Liu will receive RMB1.00 per year in cash salary and zero cash bonus during the 10-year period and in the meantime, Mr. Liu was granted an option to acquire a total of 26,000,000 Class A ordinary shares of our company, at an exercise price of US\$16.70 per share or US\$33.40 per ADS, subject to a 10-year vesting schedule with 10% of the award vested on each anniversary of the grant date. We will not grant any additional equity incentive to Mr. Liu during the 10-year period. The number of restricted shares, restricted share units and options granted to each of our other directors and executive officers represents less than 1% of our total outstanding ordinary shares on an as-converted basis as of the date of this annual report. 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 the year ended December 31, 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.

C. Board Practices

Board of Directors

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

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

Committees of the Board of Directors

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

Audit Committee

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

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

Compensation Committee

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

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;

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- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management.

Nominating and Corporate Governance Committee

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

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

Terms of Directors and Executive Officers

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

D. Employees

As of December 31, 2017, we had a total of 157,831 full-time employees. We had a total of 116,343 employees as of December 31, 2016 and 101,875 employees as of December 31, 2015.

The following tables give breakdowns of our employees as of December 31, 2017, by function and by region:

Function	Number
Procurement	5,385
Warehouses	33,153
Delivery	84,790
Customer Service	12,760
Technology	11,938
Sales and Marketing	5,453
General and Administrative	4,352
TOTAL	<u>157,831</u>

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With so many employees, we place great emphasis on our corporate culture to ensure that we maintain consistently high standards everywhere we operate. We believe that our corporate culture and core philosophy will help us to realize our goal of becoming the largest e-commerce company in the world.

We invest significant resources in the recruitment of employees in support of our fast-growing business operations. In 2017, we recruited additional employees in connection with the expansion of our fulfillment infrastructure and additional research and development personnel in connection with the expansion of our technology platform. We have established comprehensive training programs that cover such topics as our corporate culture, employee rights and responsibilities, team-building, professional behavior, job performance, management skills, leadership and executive decision-making. We have a special dedicated training facility, JD Corporate University, to further strengthen our internal training programs. As of December 31, 2017, over 530 management trainees had undergone our dedicated management training program. We also sponsored selected senior and mid-level managers to participate in part-time EMBA programs. In addition, we launched “Go to college in JD” program in association with well-known universities in November 2013. All employees are eligible to join the program voluntarily and get scholarship from us once they obtain their bachelor’s or master’s degree. To boost our strategy of exploring oversea markets, we also have been recruiting international management trainees from top universities in the United States.

As required by regulations in China, we participate in various government statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund. We are required under PRC law to contribute to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local government from time to time. We also provide entrusted loans with commercial banks as intermediaries to qualified employees to assist them in purchasing houses and cars.

We enter into standard labor contracts with our employees. We also enter into standard confidentiality and non-compete agreements with our senior management. The non-compete restricted period typically expires two years after the termination of employment, and we agree to compensate the employee with a certain percentage of his or her pre-departure salary during the restricted period.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of February 28, 2018 by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our total outstanding shares.

The calculations in the table below are based on 2,868,606,683 ordinary shares outstanding as of February 28, 2018, comprising of (i) 2,407,975,132 Class A ordinary shares, excluding the 70,102,216 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Share Incentive Plan, and (ii) 460,631,551 Class B ordinary shares.

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Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership and voting power percentage of that person, we have included shares and associated votes that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares and associated votes, however, are not included in the computation of the percentage ownership of any other person. Ordinary shares held by a shareholder are determined in accordance with our register of members.

	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	%	% of Aggregate Voting Power
Directors and Executive Officers:					
Richard Qiangdong Liu	25,200,000 ⁽¹⁾	421,507,423 ⁽¹⁾	446,707,423 ⁽¹⁾	15.5 ⁽¹⁾	79.5 ⁽²⁾
Martin Chiping Lau ⁽³⁾	—	—	—	—	—
Ming Huang ⁽⁴⁾	*	—	*	*	*
Louis T. Hsieh ⁽⁵⁾	*	—	*	*	*
David Daokui Li ⁽⁶⁾	*	—	*	*	*
Ye Lan	*	—	*	*	*
Rain Yu Long	*	—	*	*	*
Sidney Xuande Huang	*	—	*	*	*
Chen Zhang	*	—	*	*	*
All Directors and Executive Officers as a Group	32,127,864	421,507,423	453,635,287	15.8	79.5 ⁽²⁾
Principal Shareholders:					
Max Smart Limited ⁽⁷⁾	20,000,000	421,507,423	441,507,423	15.4	72.7
Huang River Investment Limited ⁽⁸⁾	517,065,413	—	517,065,413	18.0	4.4
Walmart ⁽⁹⁾	289,053,746	—	289,053,746	10.1	2.5
Fortune Rising Holdings Limited ⁽¹⁰⁾	—	39,124,128	39,124,128	1.4	6.7

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

** Except for Mr. Martin Chiping Lau, Mr. Ming Huang, Mr. Louis T. Hsieh, and Mr. Daokui Li, the business address of our directors and executive officers is JD national headquarters at No. 18 Kechuang 11 Street, Yizhuang Economic and Technological Development Zone, Daxing District, Beijing 101111, P.R. China.

- (1) Represents (i) 421,507,423 Class B ordinary shares directly held by Max Smart Limited, (ii) 10,000,000 restricted ADSs, representing 20,000,000 Class A ordinary shares, owned by Max Smart Limited, and (iii) 5,200,000 class A ordinary shares Mr. Liu had the right to acquire upon exercise of options that shall have become vested within 60 days after February 28, 2018. Max Smart Limited is a British Virgin Islands company beneficially owned by Mr. Richard Qiangdong Liu through a trust and of which Mr. Richard Qiangdong Liu is the sole director, as described in footnote (7) below. The ordinary shares beneficially owned by Mr. Liu do not include 39,124,128 Class B ordinary shares held by Fortune Rising Holdings Limited, a British Virgin Islands company, as described in footnote (10) below.
- (2) The aggregate voting power includes the voting power with respect to the 39,124,128 Class B ordinary shares held by Fortune Rising Holdings Limited. Mr. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited and he may be deemed to beneficially own the voting power with respect to all of the ordinary shares held by Fortune Rising Holdings Limited in accordance with the rules and regulations of the SEC, notwithstanding the facts described in footnote (10) below.
- (3) Mr. Lau was appointed by Huang River Investment Limited. The business address of Mr. Lau is 39/F, Tencent Building, Kejizhongyi Avenue, Hi-Tech Park, Nanshan District, Shenzhen 518057, P.R. China.
- (4) The business address of Mr. Huang is China Europe International Business School, 699 Hongfeng Road, Pudong District, Shanghai 201206, China.
- (5) The business address of Mr. Hsieh is No. 6 Hai Dian Zhong Street, Haidian District, Beijing 100080, P.R. China.
- (6) The business address of Professor Li is School of Economics and Management, Tsinghua University, Beijing 100084, China.
- (7) Represents (i) 421,507,423 Class B ordinary shares directly held by Max Smart Limited and (ii) 10,000,000 restricted ADSs, representing 20,000,000 Class A ordinary shares, owned by Max Smart Limited. Max Smart Limited is a British Virgin Islands company beneficially owned by Mr. Richard Qiangdong Liu through a trust and of which Mr. Richard Qiangdong Liu is the sole director. The registered address of Max Smart Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

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- (8) Represents (i) 486,245,393 Class A ordinary shares held by Huang River Investment Limited, and (ii) 15,410,010 restricted ADSs, representing 30,820,020 Class A ordinary shares owned by Huang River Investment Limited or its affiliate. Huang River Investment Limited is a company incorporated in the British Virgin Islands, and is wholly owned by Tencent Holdings Limited, a company listed on Hong Kong Stock Exchange. The registered address of Huang River Investment Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.
- (9) Based on an amendment to the statement on Schedule 13G filed on February 3, 2017 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. According to the Schedule 13G, as amended, Walmart wholly owns each of Qomolangma and Newheight indirectly through a number of other wholly owned subsidiaries. Newheight is a wholly owned subsidiary of Qomolangma. The address of the principal business office of Walmart is 702 S.W. Eighth Street, Bentonville, Arkansas 72716. The address of the principal business office of Newheight is PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. The address of the principal business office of Qomolangma is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.
- (10) Represents 39,124,128 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, and is therefore treated as our consolidated variable interest entity under U.S. GAAP. Fortune Rising Holdings Limited exercises the voting power with respect to these shares according to our instruction. Fortune Rising Holdings Limited is a company incorporated in the British Virgin Islands. Mr. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited. The registered address of Fortune Rising Holdings Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

To our knowledge, as of February 28, 2018, a total of 1,846,879,689 class A ordinary shares were held by five record holders in the United States, representing approximately 62.8% of our total outstanding shares on an as-converted basis (including the 70,102,216 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Share Incentive Plan). One of these holders is Deutsche Bank Trust Company Americas, the depository of our ADS program, which held 74.5% Class A ordinary shares on record, representing approximately 62.8% of our total outstanding shares on record as of February 28, 2018 (including the 70,102,216 Class A ordinary shares issued to it for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Share Incentive Plan). The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to twenty votes per share. Holders of Class A and Class B ordinary shares vote together as one class on all matters subject to a shareholders' vote. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstance. See "Item 10.B. Additional Information—Memorandum and Articles of Association" for a more detailed description of our Class A ordinary shares and Class B ordinary shares.

Except for the above, we are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

Please refer to "Item 6.E. Directors, Senior Management and Employees—Share Ownership."

B. Related Party Transactions

Contractual Arrangements with Our Variable Interest Entities and Their Shareholders

PRC laws and regulations currently limit foreign ownership of companies that engage in businesses such as value-added telecommunications service business, the distribution of media products and the provision of air freight transport agency services in China. Due to these restrictions, we operate our relevant business through contractual arrangements with our variable interest entities. For a description of these contractual arrangements, see “Item 4.C. Information on the Company—Organizational Structure.”

Shareholders Agreements and Registration Rights

We entered into our thirteenth amended and restated shareholders agreement on March 10, 2014 with the then-existing shareholders. Pursuant to our thirteenth amended and restated shareholders agreement, we granted certain demand registration rights, piggyback registration rights and F-3 registration rights to holders of our registrable securities, which include our ordinary shares issued or issuable pursuant to conversion of our preferred shares, except those held by Mr. Richard Qiangdong Liu, Max Smart Limited and Mr. Richard Qiangdong Liu’s associate as defined in the agreement.

We have ceased to have any obligation to effect any demand, piggyback or Form F-3 registration since May 28, 2016, the second anniversary after the completion of our initial public offering, except that Huang River Investment Limited has the right to demand on one occasion registration of its shares during the two-year period following March 10, 2017.

Agreements and Business Cooperation with Tencent

Strategic Cooperation Agreement. On March 10, 2014, we entered into a strategic cooperation agreement and formed a strategic partnership with Tencent. As part of the strategic partnership, Tencent agreed to offer us prominent level 1 access points in its mobile apps Weixin and Mobile QQ and provide internet traffic and other support from other key platforms to us. The two parties agreed to cooperate in a number of areas including mobile-related products, social networking services, membership systems and payment solutions. The strategic cooperation agreement has a term of five years and applies within the territory of the Greater China. Under the strategic cooperation agreement, we are Tencent’s preferred partner for all physical goods e-commerce businesses, and Tencent agrees not to engage in any direct sales or managed marketplace business model in physical goods e-commerce businesses in the Greater China and a few selected international markets for a period of eight years, other than through its controlled affiliate Shanghai Icsen.

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 2015, we generated a total amount of RMB140 million commission services revenues from cooperation on advertising business with Tencent, and also purchased a total amount of RMB196 million advertising resources from Tencent and also generated a total amount of RMB0.1 million commission services revenues from online marketplace services provided to Tencent. In 2016, we generated a total amount of RMB184 million commission services revenues from cooperation on advertising business with Tencent, and also purchased a total amount of RMB245 million advertising resources and processing payment services from Tencent and also generated a total amount of RMB52 thousand commission services revenues from online marketplace services provided to Tencent. In 2017, we generated a total amount of RMB261 million (US\$40 million) commission services revenues from cooperation on advertising business with Tencent, and also purchased a total amount of RMB675 million (US\$104 million) advertising resources and processing payment services from Tencent and also generated a total amount of RMB32 million (US\$5 million) fulfillment and commission services revenues from logistics and online marketplace services provided to Tencent. As of December 31, 2017, we had a total amount of RMB595 million (US\$91 million) due from Tencent.

Agreements and Transactions Relating to JD Finance

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 Finance IPLA, with JD Finance, 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 Finance had been completed, and we disposed of all of our 68.6% equity interest in JD Finance, as a result of which JD Finance was deconsolidated from us. Please see “Item 4. Information on the Company—A. History and Development of the Company” for further information.

Framework Agreement

Liquidity Event Payment

Under the Framework Agreement, in the event of a liquidity event of JD Finance, if our total ownership of equity interests in JD Finance, if any, acquired as described under “—Potential Equity Interest” below, has not reached 40%, which we refer to as the full 40% equity interest, we would be entitled, at our election, to receive a one-time payment up to 40% of the equity value, immediately prior to such liquidity event of JD Finance. If we acquire equity interests in JD Finance in an aggregate amount less than the full 40% equity interest, then the percentage of JD Finance’s equity value used to calculate the liquidity event payment will be reduced proportionately. The above-mentioned maximum percentage of JD Finance’s equity interest that may be issued to us and JD Finance’s equity value in the form of liquidity payment to us at our election are subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Finance.

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In lieu of receiving the liquidity event payment, we may elect to receive payments under the profit sharing provision of the JD Finance IPLA described below in perpetuity, subject to the receipt of regulatory approvals, including under applicable stock exchange listing rules, required to permit continuation of the profit share following a liquidity event of JD Finance. If we so elect, in connection with such a liquidity event, JD Finance must use its commercially reasonable efforts to obtain such regulatory approvals. If such approvals are not obtained, then JD Finance will pay us the liquidity event payment described above.

A “liquidity event” as defined in the Framework Agreement includes (i) a qualified initial public offering of JD Finance, (ii) a change of control transaction, (iii) an issuance of 40% or more of the securities of JD Finance (excluding issuance to Mr. Richard Qiangdong Liu, us and the respective controlled affiliates), (iv) a sale of all or substantially all of the assets of JD Finance, and (v) a liquidation, dissolution or winding up of JD Finance.

Potential Equity Interest

The Framework Agreement provides for future potential equity issuances to us by JD Finance. Under the Framework Agreement, in the event that JD Finance applies for and receives certain PRC regulatory approvals in the future, JD Finance will issue and we will purchase newly issued equity interests in JD Finance, up to the full 40% equity interest, or such lesser equity interest as may be permitted by the applicable regulatory approvals. This maximum percentage of potential equity interest that may be issued to us upon receipt of PRC regulatory approvals is subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Finance.

If we were to acquire any of such newly issued equity interests, we will have a pre-emptive right prior to the time of a qualified IPO of JD Finance, in the event JD Finance issues additional equity interests to third parties, that will entitle us to acquire additional equity interests in order to maintain the equity ownership percentage we hold in JD Finance immediately prior to such third-party issuances.

If the liquidity event payment described above under “—Liquidity Event Payment” has not become payable upon a liquidity event of JD Finance, then our right to acquire up to the full 40% equity interest (subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Finance) will continue after such liquidity event.

The consideration to be paid by us to acquire any equity interest in JD Finance up to the full 40% equity interest (subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Finance) will be fully funded by payments from JD Finance in respect of certain intellectual property and software technology services we will provide to JD Finance.

To the extent we acquire the full 40% equity interest (subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Finance) pursuant to the provisions of the Framework Agreement, the liquidity event payment and the profit sharing arrangement under the JD Finance IPLA described in “—JD Finance Intellectual Property License and Software Technology Services Agreement” below will automatically terminate. If we acquire less than the full 40% equity interest (subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Finance) in JD Finance pursuant to the provisions of the Framework Agreement, the liquidity event payment amount and the profit sharing arrangement under the JD Finance IPLA will be proportionately reduced based on the amount of equity interests acquired by us.

We believe that under applicable regulatory rules and practices currently in effect, the relevant PRC approvals necessary for us to own any equity interest in JD Finance would be difficult to obtain. There can be no assurance that such applicable regulatory rules and practices will change in the near future.

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Certain Restrictions on the Transfer of JD Finance Equity Interests

Pursuant to the Framework Agreement, certain parties thereto, including in some cases our company, are subject to restrictions on the transfer of equity interests in JD Finance, including:

- prior to our acquisition of the full 40% equity interest (subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Finance), none of Suqian Linghang, Suqian Dongtai or JD Finance may transfer or issue, as applicable, any equity interest in JD Finance to a non-PRC person or entity, and JD Finance shall cause its other shareholders not to do so; and
- in the event that we acquire any equity interest in JD Finance, any transfer of equity interest in JD Finance by Suqian Linghang or Suqian Dongtai, on the one hand, or our company, on the other hand, will be subject to a right of first refusal by the other party.

Non-competition Undertakings

Under the Framework Agreement, we and JD Finance have each agreed to certain limitations on our respective ability to enter into or participate in the same line of business as the other party. The Framework Agreement provides that JD Finance may not engage in the e-commerce business conducted by us from time to time, or the logical extensions thereof, and we are restricted from engaging in financial, financial derivatives and other finance-related business conducted by JD Finance and its subsidiaries from time to time, including consumer finance, supply chain finance, third-party payment, factoring, insurance brokerage and agency, crowdfunding, wealth management, securities brokerage, banking, financial leasing, asset management and credit reference businesses, except for insurance business and certain other permitted shared businesses. Each party may, however, make passive investments in competing businesses which such party does not control.

Corporate Governance Provisions

Pursuant to the Framework Agreement, we and JD Finance mutually recommended one person who JD Finance nominated as a member of its board of directors.

In addition, prior to our acquisition of the full 40% equity interest (subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Finance), without the prior written consent of the audit committee of our board, JD Finance will not:

- issue any equity securities other than in a qualified IPO, unless the pre-money valuation of JD Finance on a consolidated basis implied by such issuance of equity securities is not less than the valuation of JD Finance implied by its issuance of equity securities to the investors as contemplated under the Framework Agreement;
- undertake or consummate, and neither Suqian Linghang nor Suqian Dongtai will otherwise permit, an initial public offering of JD Finance other than a qualified IPO; or
- undertake or consummate, and neither Suqian Linghang nor Suqian Dongtai will otherwise permit, any liquidity event of JD Finance involving a related party as a counter-party.

JD Finance Intellectual Property License and Software Technology Services Agreement

Under the terms of the JD Finance IPLA, we have agreed to license to JD Finance certain intellectual property rights and provide various software technology services to JD Finance.

Under the JD Finance IPLA, we will receive, in addition to a service fee, royalty streams related to JD Finance and its subsidiaries, which we refer to collectively as the profit sharing payments. The profit sharing payments will be paid annually and will equal the sum of an expense reimbursement plus 40% of the consolidated pre-tax income of JD Finance on a cumulative basis (subject to certain adjustments). The percentage of the consolidated pre-tax income of JD Finance payable to us in the form of the profit sharing payments is also subject to potential proportional dilution as a result of any future equity financings or ESOP pool increases of JD Finance.

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In addition, if we acquire any equity interest in JD Finance as described above under “—Framework Agreement—Potential Equity Interest,” the profit sharing payments will be reduced in proportion to such equity issuance and, at or prior to the time of such equity issuance, JD Finance will make a payment to us in consideration for the reduction in profit sharing payments. This payment by JD Finance will effectively fund our subscription for equity interest of JD Finance, and will result in our acquiring equity interests in JD Finance with effectively no cash impact to us, subject to applicable taxes.

The JD Finance IPLA will terminate (i) after our total equity interest ownership in JD Finance has reached the full 40%, when a qualified IPO of JD Finance occurs; (ii) after a qualified IPO of JD Finance has occurred, when our total equity interest ownership in JD Finance reaches the full 40%, each percentage above being subject to potential dilution as a result of any future equity financings or ESOP pool increases of JD Finance; or (iii) when the liquidity event payment as described above under “—Framework Agreement—Liquidity Event Payment” becomes payable.

Business Transactions with JD Finance and Its Subsidiaries

JD Finance is a related party controlled by the founder of JD.com, Inc., Mr. Richard Qiangdong Liu, through his equity stake and voting arrangements in JD Finance. In 2015, 2016 and 2017, we provided services and sold goods to JD Finance in a total amount of RMB69 million, RMB192 million and RMB181 million (US\$28 million), respectively. During the same periods, we provided traffic support, marketing and promotion services to JD Finance in a total amount of RMB169 million, RMB101 million and RMB91 million (US\$14 million), respectively. In 2015, 2016 and 2017, we received payment and other services provided by JD Finance in the amount of RMB986 million, RMB1,670 million and RMB2,936 million (US\$451 million), respectively. In 2015, 2016 and 2017, interest income in the amount of RMB112 million, RMB533 million and RMB871 million (US\$134 million) was recognized in relation to the financial support provided to JD Finance by us. Based on a series of agreements signed on January 1, 2016, JD Finance will perform the credit risk assessment services and earn fees for providing such services, and JD Finance will purchase the consumer financing receivables past due over certain agreed period of time from us at carrying values without recourse and also agree to bear other cost directly related to the consumer financing business to absorb the risks. In connection with the agreements, the total amount of over-due receivables related to the consumer financing business transferred from us to JD Finance were nil, RMB423 million and RMB497 million (US\$76 million) for the years ended December 31, 2015, 2016 and 2017, respectively.

In 2017, we also transferred certain financial assets to JD Finance with or without recourse at fair value. The accounts receivables transferred with recourse was RMB168 million (US\$26 million) and was not derecognized, while the accounts receivables transferred without recourse was RMB1,584 million (US\$243 million), and was derecognized.

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As of December 31, 2017, we had a total amount of RMB12,076 million (US\$1,856 million) due from JD Finance. As of June 30, 2017, the reorganization of JD Finance had been completed, and we disposed all of our equity interest in JD Finance. As part of the transaction, we received approximately RMB14.3 billion (US\$2.2 billion) in cash with an economic gain of RMB14.2 billion (US\$2.2 billion) in 2017. As JD Finance 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 Finance when JD Finance has a positive pre-tax income on a cumulative basis.

Transactions with Our Equity Investees

Business Transactions with Shanghai Ictson and its subsidiaries, or Shanghai Ictson Group. As part of our transactions with Tencent in March 2014, we acquired a 9.9% stake in Shanghai Ictson. In 2015 and 2016, we provided service in a total amount of RMB6 thousand and nil, respectively, to Shanghai Ictson Group, and in the same periods, we also had purchases and received services from Shanghai Ictson Group in a total amount of RMB169 million, RMB21 million, respectively. As we acquired the remaining equity interest in Shanghai Ictson from Tencent in April 2016, we have consolidated its financial results since then.

Services Provided and Goods Sold to LexinFintech Holdings Ltd. (formerly named Staging Finance Holding Ltd.) and its subsidiaries, or Lexin Group. Lexin Group is an equity investee of us. In 2015, 2016 and 2017, we provided services and sold goods to Lexin Group in a total amount of RMB1,016 million, RMB667 million and RMB543 million (US\$84 million), respectively. As of December 31, 2017, we had a total amount of RMB1 million (US\$0.2 million) due to Lexin Group.

Traffic Support, Marketing and Promotion Services Provided to Bitauto and its subsidiaries, or Bitauto Group. Bitauto Group is an equity investee of us. In February 2015, we invested a combination of US\$400 million in cash and certain resources valued at US\$497 million as consideration for the newly issued ordinary shares of Bitauto. On the completion date of the transaction, the traffic support, marketing and promotion services to be provided to Bitauto which had a fair value of US\$497 million were recorded as deferred revenues and would be recognized as net service revenues over the cooperation period of five years on a straight line basis starting from April 2015. In 2015, 2016 and 2017, net service revenues in the amount of RMB446 million, RMB611 million and RMB609 million (US\$94 million) had been recognized, respectively. In June 2016, we subscribed for 2,471,577 of newly issued ordinary shares from Bitauto for a consideration of US\$50 million. As of December 31, 2017, we had a total amount of RMB1,380 million (US\$212 million) deferred revenues in relation to traffic support, marketing and promotion services to be provided to Bitauto Group.

Traffic Support, Marketing and Promotion Services Provided to Tuniu and its subsidiaries, or Tuniu Group. Tuniu Group is an equity investee of us. In May 2015, we invested in Tuniu with a combination of US\$250 million in cash and certain resources valued at US\$108 million as consideration for the newly issued ordinary shares of Tuniu. On the completion date of the transaction, the traffic support, marketing and promotion services to be provided to Tuniu which had a fair value of US\$108 million were recorded as deferred revenues and would be recognized as net service revenues over the cooperation period of five years on a straight line basis starting from August 2015. In 2015, 2016 and 2017, net service revenues in the amount of RMB49 million, RMB132 million and RMB132 (US\$20 million) had been recognized, respectively. As of December 31, 2017, we had a total amount of RMB347 million (US\$53 million) deferred revenues in relation to traffic support, marketing and promotion services to be provided to Tuniu Group. As of December 31, 2017, we had an amount of RMB5 million (US\$0.8 million) due to Tuniu Group.

Traffic Support, Marketing and Promotion Services Provided to and Non-compete Obligation with Dada and its subsidiaries, or Dada Group. Dada Group is an equity investee of us. In April 2016, we contributed certain resources and US\$200 million in cash in exchange for newly issued equity interest in Dada. On the completion date of the transaction, the traffic support, marketing and promotion services to be provided to Dada which had a fair value of approximately US\$67 million were recorded as deferred revenues and would be recognized as net service revenues, and the non-compete obligation with Dada Group which had a fair value of approximately US\$83 million were recorded as other liabilities and would be recognized as other income over a period of seven years on a straight line basis starting from May 2016. In 2016 and 2017, net service revenues in the amount of RMB41 million and RMB62 million (US\$10 million) and other income in the amount of RMB53 million and RMB80 million (US\$12 million) had been recognized, respectively. As of December 31, 2017, we had a total amount of RMB331 million (US\$51 million) deferred revenues in relation to traffic support, marketing and promotion services to be provided to Dada Group and a total amount of RMB415 million (US\$64 million) other liabilities in relation to non-compete obligation with Dada Group.

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Business Transactions with Dada and its subsidiaries, or Dada Group. In 2016 and 2017, we provided services and sold goods to Dada Group in a total amount of RMB124 million and RMB38 million (US\$6 million), respectively, and in the same period, we also received services from Dada Group in a total amount of RMB137 million and RMB694 million (US\$107 million), respectively. As of December 31, 2017, we had a total amount of RMB7 million (US\$1 million) due to Dada Group.

Bridge Financing to Yixin and its subsidiaries, or Yixin Group. On October 27, 2017, to provide a temporary bridge financing to Yixin Group, we entered into an entrusted loan agreement with Yixin Group and an independent third-party PRC commercial bank whereby we lent a total of RMB1,000 million (US\$154 million) to Yixin Group. The commercial terms of the bridge loan were comparable to the terms in arms' length transactions with third-party borrowers. Yixin Group repaid the bridge loan and associated interest before December 31, 2017.

Our transactions with equity investees other than those discussed above were insignificant, individually or in the aggregate, in each of the past three fiscal years.

In addition, Mr. Richard Qiangdong Liu, our chairman and chief executive officer, has purchased his own aircraft for both business and personal use. The use of the aircraft in connection with the performance of his duty as employee is free of charge to us, and we have agreed to assume the cost of maintenance, crew and operations of the aircraft relating to the use of the aircraft. Such maintenance and incidental costs were insignificant for the years ended December 31, 2016 and 2017.

Employment Agreements and Indemnification Agreements

See "Item 6.B. Directors, Senior Management and Employees—Compensation."

Share Incentives

See "Item 6.B. Directors, Senior Management and Employees—Compensation."

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

From time to time, we may be involved in legal proceedings in the ordinary course of our business. We are currently not a party to any material legal or administrative proceedings.

Dividend Policy

Our board of directors has complete discretion on whether to distribute dividends subject to our memorandum and articles of association and certain restrictions under Cayman Islands law. Our shareholders may by ordinary resolution declare dividends, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

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We have not declared or paid any dividends on our ordinary shares, nor do we have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company registered by way of continuation under the laws of the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.”

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the ordinary shares underlying our ADSs to the depository, as the registered holder of such ordinary shares, and the depository will then pay such amounts to our ADS holders in proportion to the ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. The Offer and Listing

A. Offering and Listing Details

Our ADSs, each representing two of our Class A ordinary shares, have been listed on NASDAQ since May 22, 2014. Our ADSs trade under the symbol “JD.” The following table provides the high and low trading prices for our ADSs on NASDAQ since the date of our initial public offering.

	Trading Price	
	High	Low
Annual Highs and Lows		
2014 (Since May 22, 2014)	33.10	19.94
2015	38.00	21.55
2016	30.66	19.51
2017	48.99	25.59
Quarterly Highs and Lows		
First Quarter 2016	30.66	22.14
Second Quarter 2016	30.01	19.51
Third Quarter 2016	27.29	20.04
Fourth Quarter 2016	29.24	23.38
First Quarter 2017	32.47	25.59
Second Quarter 2017	44.18	31.23
Third Quarter 2017	48.99	37.82
Fourth Quarter 2017	43.48	35.79
Monthly Highs and Lows		
November 2017	42.77	37.10
December 2017	43.48	35.81
January 2018	50.68	41.90
February 2018	49.25	40.93
March 2018	47.65	39.12
April 2018 (through April 26, 2018)	41.30	34.88

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B. Plan of Distribution

Not applicable.

C. Markets

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

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and the Companies Law (2018 Revision) of the Cayman Islands, which is referred to as the Companies Law below, and the common law of the Cayman Islands.

The following are summaries of material provisions of our current amended and restated memorandum and articles of association that became effective immediately prior to the completion of our initial public offering in May 2014, insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited at PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands, or at such other location within the Cayman Islands as our board of directors may from time to time decide. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law, as amended from time to time, or any other law of the Cayman Islands.

Board of Directors

See “Item 6.C. Directors, Senior Management and Employees—Board Practices.”

Ordinary Shares

General. All of our issued and outstanding ordinary shares are fully paid and non-assessable. Our ordinary shares are issued in registered form, and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Our company will issue only non-negotiable shares, and will not issue bearer or negotiable shares.

Ordinary Shares. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon (i) any transfer of Class B ordinary shares or the voting power attached to Class B ordinary shares by a holder thereof to any person or entity that is not an Affiliate (as defined in our memorandum and articles of association) of such holder, or (ii) the transfer of a majority of the issued and outstanding voting securities or the voting power attached to such voting securities or the sale of all or substantially all of the assets of a holder of Class B ordinary shares that is an entity to any person or entity that is not an Affiliate of such holder, such Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary shares. All Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary shares when Mr. Richard Qiangdong Liu ceases to be a director and the chief executive officer of our company, or in some other specified situations.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our share premium account, and provided further that a dividend may not be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Dividends received by each Class B ordinary share and Class A ordinary share in any dividend distribution shall be the same.

Voting Rights. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law or provided for in our memorandum and articles of association. In respect of matters requiring shareholders’ vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to twenty votes. Voting at any shareholders’ meeting is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any shareholder holding not less than 10% of the votes of the outstanding voting shares in our company present in person or by proxy.

A quorum required for a meeting of shareholders consists of one or more shareholders present and holding shares which represent, in aggregate, not less than one-third of the votes attaching to the issued and outstanding voting shares in our company entitled to vote at general meeting. Shareholders may be present in person or by proxy or, if the shareholder is a legal entity, by its duly authorized representative. Shareholders’ meetings may be convened by our board of directors on its own initiative or by our chairman or upon a request to the directors by one or more shareholders holding shares which represent, in aggregate, no less than one-third of the votes attaching to our voting share capital. Advance notice of at least seven days is required for the convening of our annual general shareholders’ meeting and any other general shareholders’ meeting.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution. A special resolution requires the affirmative vote of no less than two-thirds of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Law and our memorandum and articles of association.

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Under our memorandum and articles of association, so long as the total issued and outstanding Class B ordinary shares constitute a majority of our aggregate voting rights and a majority of the total issued and outstanding Class A ordinary shares are held by the persons (exclusive of Max Smart Limited, Fortune Rising Holdings Limited, Mr. Richard Qiangdong Liu and their Affiliates) that were our shareholders immediately prior to the completion of our initial public offering, any amendments to our memorandum and articles of association and certain related party transactions between Mr. Richard Qiangdong Liu or any of his immediate family members or Affiliates, on one hand, and us on the other hand, require approval by both (i) holders of a majority of the total issued and outstanding Class A ordinary shares (exclusive of Max Smart Limited, Fortune Rising Holdings Limited, Mr. Richard Qiangdong Liu and their Affiliates) and (ii) holders of a majority of our aggregate voting rights.

Liquidation. On a winding up of our company, if the assets available for distribution among our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus will be distributed among our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. The rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not our company is being wound-up, may only be varied with the consent in writing of the holders of a majority of the issued shares of that class or series or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class or series.

Anti-Takeover Provisions. Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

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- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

General Meetings of Shareholders and Shareholder Proposals. Our shareholders' general meetings may be held in such place within or outside the Cayman Islands as our board of directors considers appropriate.

As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting.

Shareholders' annual general meetings and any other general meetings of our shareholders may be convened by a majority of our board of directors or our chairman. Our board of directors shall give not less than seven days' written notice of a shareholders' meeting to those persons whose names appear as members in our register of members on the date the notice is given (or on any other date determined by our directors to be the record date for such meeting) and who are entitled to vote at the meeting.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association allow one or more of our shareholders holding shares representing in aggregate not less than one-third of the votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings, to requisition an extraordinary general meeting of our shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Limitations on the Right to Own Shares. There are no limitations on the right to own our shares.

Transfer of Shares. Any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

However, our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which our company has a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- the ordinary shares transferred are free of any lien in favor of us;
- any fee related to the transfer has been paid to us; or
- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

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If our directors refuse to register a transfer they are required, within three months after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

Directors' Power to Issue Shares. Our memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our memorandum and articles of association also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent of available authorized but unissued shares. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Exempted Company. We are an exempted company with limited liability under the Companies Law. The Companies Law in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not required to be open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value, negotiable or bearer shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder's shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil). We are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. Except as otherwise disclosed in this annual report, we currently intend to comply with the NASDAQ rules in lieu of following home country practice.

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Register of Members. Under the Companies Law, we must keep a register of members and there should be entered therein:

- the names and addresses of our members, a statement of the shares held by each member, and of the amount paid or agreed to be considered as paid, on the shares of each member;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members is deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

C. Material Contracts

Other than in the ordinary course of business and other than those described under this item, “Item 4. Information on the Company” or “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions” or elsewhere in this annual report, we have not entered into any material contract during the two years immediately preceding the date of this annual report.

Certain Agreements with Walmart

In June 2016, we entered into a series of agreements with Walmart in relation to our strategic alliance with Walmart. Set forth below is a summary of certain of the agreements.

Share Subscription Agreement. On June 20, 2016, we entered into a share subscription agreement with Newheight, a wholly owned subsidiary of Walmart, pursuant to which Newheight subscribed for 144,952,250 of our newly issued Class A ordinary shares, which amounted to approximately 5% of our total outstanding shares as of the date of the agreement. In return, Walmart transferred to us Yihaodian marketplace platform assets, including the Yihaodian brand, websites and mobile apps, and entered into business cooperation arrangements with us.

Investor Rights Agreement. On June 20, 2016, we entered into an investor rights agreement with Newheight. Pursuant to the investor rights agreement:

- *Observer right.* So long as Newheight and certain other wholly owned subsidiaries of Walmart hold no less than 289,053,746 shares of our Class A ordinary shares (including ADSs representing Class A ordinary shares), Newheight has the right to designate one of its senior executives to attend all meetings of our board of directors in a non-voting observer capacity;
- *Registration rights.* After the expiration of a period of 60 months following June 20, 2016, Walmart has certain demand registration rights, piggyback registration rights and F-3 registration rights under the investor rights agreement with respect to their registrable securities, including ordinary shares issued under the share subscription agreement;
- *Preemptive rights with respect to share issuance.* Within the first 24 months after June 20, 2016 (and regardless of Newheight’s percentage of ownership of our share capital) and, after such period, for so long as Newheight holds at least 10% of our then outstanding share capital on a fully diluted basis, if we propose to issue certain new securities, Newheight or a wholly owned subsidiary of Walmart designated by Newheight has the right to purchase such number of new securities under the same terms and conditions at its election so as to enable Newheight to hold a pro rata portion of the new securities equal to the percentage of our share capital on a fully diluted basis then held by Newheight.

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- *Transfer restrictions.* Walmart agreed to certain lock-up, standstill, rights of first refusal and other transfer restrictions provided in the investor rights agreement.

D. Exchange Controls

See “Item 4.B. Information on the Company—Business Overview—Regulation—Regulations Relating to Foreign Exchange.”

E. Taxation

The following summary of the principal Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People’s Republic of China and the United States.

Cayman Islands Taxation

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

There is no income tax treaty or convention currently in effect between the United States and the Cayman Islands.

People’s Republic of China Taxation

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

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We believe that none of JD.com, Inc. and its subsidiaries outside of China is a PRC resident enterprise for PRC tax purposes. JD.com, Inc. is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that JD.com, Inc. meets all of the conditions above. JD.com, Inc. is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. For the same reasons, we believe our other subsidiaries outside of China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.”

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

Provided that our Cayman Islands holding company, JD.com, Inc., is not deemed to be a PRC resident enterprise, holders of our ADSs and ordinary shares who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our shares or ADSs. SAT Circular 7 further clarifies that, if a non-resident enterprise derives income by acquiring and selling shares in an offshore listed enterprise in the public market, such income will not be subject to PRC tax. In addition, SAT Public Notice 37 provided certain key changes to the current withholding regime, such as (i) the withholding obligation for a non-resident enterprise deriving dividend arises on the date on which the payment is actually made rather than on the date of the resolution that declared the dividends, (ii) non-resident enterprises are not obligated to report tax to relevant authorities if their withholding agents fail to perform the withholding obligation is removed. However, there is uncertainty as to the application of SAT Public Notice 37 and SAT Circular 7, we and our non-PRC resident investors may be at risk of being required to file a return and being taxed under SAT Public Notice 37 and SAT Circular 7 and we may be required to expend valuable resources to comply with SAT Public Notice 37 and SAT Circular 7 or to establish that we should not be taxed under SAT Public Notice 37 and SAT Circular 7. See “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China—We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies, and heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.”

United States Federal Income Tax Considerations

The following discussion is a summary of United States federal income tax considerations relating to the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that holds our ADSs or ordinary shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the “Code”). This discussion is based on the tax laws of the United States as in effect on the date of this annual report on Form 20-F and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report on Form 20-F, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax considerations described below. No ruling has been sought from the United States Internal Revenue Service (the “IRS”) with respect to any United States federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This discussion does not address all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, banks, certain financial institutions, insurance companies, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships and their partners, tax-exempt entities (including private foundations), investors who are not U.S. Holders, investors liable for the alternative minimum tax, investors who acquired their ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation, investors who own (directly, indirectly, or constructively) 10% or more of our stock (by vote or value), investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, investors subject to the 3.8% Medicare tax on their net investment income, or investors that have a functional currency other than the United States dollar), all of whom may be subject to tax rules that differ significantly from those summarized below.

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In addition, this discussion does not address any state, local or non-United States tax considerations (other than the discussion below relating to certain withholding rules and the United States-PRC income tax treaty). Each U.S. Holder is urged to consult its tax advisor regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our ADSs or ordinary shares.

General

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or ordinary shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the law of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person under the Code.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) owns our ADSs or ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or ordinary shares.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with their terms. U.S. Holders who hold ADSs will be treated as the holder of the underlying ordinary shares represented by those ADSs for US. Federal income tax purposes.

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be classified as a “passive foreign investment company,” or PFIC, for United States federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company’s unbooked intangibles associated with active business activity are taken into account as a non-passive asset. The average percentage of a corporation’s assets that produce or are held for the production of passive income generally is determined on the basis of the fair market value of the corporation’s assets at the end of each quarter. 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, more than 25% (by value) of the stock. Although the law in this regard is unclear, we treat our VIEs as being owned by us for United States federal income tax purposes because we control their management decisions and we are entitled to substantially all of the economic benefits associated with these entities, and, as a result, we consolidate their results of operations in our U.S. GAAP financial statements and treat them as being owned by us for United States federal income tax purposes. If it were determined, however, that we are not the owner of our VIEs for United States federal income tax purposes, we may be treated as a PFIC for our taxable year ended December 31, 2017 and in future taxable years.

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Subject to the foregoing uncertainties, based on our current income and assets and the value of our ADSs and outstanding ordinary shares, we do not expect to be classified as a PFIC for our taxable year ended December 31, 2017 or in the foreseeable future. While we do not anticipate becoming a PFIC, changes in the nature of our income or assets, or fluctuations in the market price of our ADSs or ordinary shares, may cause us to become a PFIC for future taxable years. In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our market capitalization, which may fluctuate over time. Among other factors, if our market capitalization subsequently declines, we may be or become classified as a PFIC for the current or future taxable years. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income or where we determine not to deploy significant amounts of cash for working capital or other purposes, our risk of becoming classified as a PFIC may substantially increase.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, and unless the U.S. Holder makes a “mark-to-market” election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder’s holding period for the ADSs or ordinary shares), and (ii) any gain realized on the sale or other disposition, including a pledge, of ADSs or ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period for the ADSs or ordinary shares;
- amounts allocated to the current taxable year and any taxable years in a U.S. Holder’s holding period prior to the first taxable year in which we are classified as a PFIC (a “pre-PFIC year”) will be taxable as ordinary income; and
- amounts allocated to each prior taxable year, other than the current taxable year or a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to such U.S. Holder for that year, and such amounts will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to such years.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or ordinary shares cannot be treated as capital, even if such ADSs or ordinary shares are held as capital assets.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by a lower-tier PFIC and a disposition of shares of a lower-tier PFIC even though such U.S. Holders would not receive the proceeds of those distributions or dispositions. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election with respect to our ADSs, but not our ordinary shares, provided that our ADSs remained listed on NASDAQ and that the ADSs are regularly traded. The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter, or “regularly traded” on a qualified exchange or other market, as defined in applicable Treasury regulations. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes this election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder’s adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of our ADSs and we cease to be a PFIC, the holder will not be required to take into account the gain or loss described above during any period that we are not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election. In the case of a U.S. Holder who has held ADSs during any taxable year in respect of which we were classified as a PFIC and continues to hold such ADSs (or any portion thereof) and has not previously determined to make a mark-to-market election and who is now considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs.

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Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the general PFIC rules described above with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

A U.S. Holder that holds ADSs or ordinary shares in any year in which we are classified as a PFIC may make a "deemed sale" election with respect to such ADSs or ordinary shares in a subsequent taxable year in which we are not classified as a PFIC. If a U.S. Holder makes a valid deemed sale election with respect to such ADSs or ordinary shares, such U.S. Holder will be treated as having sold all of its ADSs or ordinary shares for their fair market value on the last day of the last taxable year in which we were a PFIC and such ADSs or ordinary shares will no longer be treated as PFIC stock. A U.S. Holder will recognize gain (but not loss), which will be subject to tax as an "excess distribution" received on the last day of the last taxable year in which we were a PFIC. A U.S. Holder's basis in the ADSs or ordinary shares would be increased to reflect gain recognized, and such U.S. Holder's holding period would begin on the day after we ceased to be a PFIC.

The deemed sale election is only relevant to U.S. Holders that hold the ADSs or ordinary shares during a taxable year in which we cease to be a PFIC. U.S. Holders are urged to consult their tax advisors regarding the advisability of making a deemed sale election and the consequences thereof in light of the U.S. Holder's individual circumstances.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from the tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or ordinary shares during any taxable year that we are a PFIC, the holder must file an annual Internal Revenue Service Form 8621.

Each U.S. Holder is urged to consult its tax advisor concerning the United States federal income tax consequences of purchasing, holding, and disposing of ADSs or ordinary shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market election and the unavailability of the qualified electing fund election.

Dividends

Any cash distributions (including any amount of any PRC tax withheld) paid on our ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of ordinary shares, or by the depository, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution we pay will generally be reported as a "dividend" for United States federal income tax purposes. Dividends received on our ADSs or ordinary shares will not be eligible for the dividends received deduction allowed to corporations under the Code.

Individuals and other non-corporate recipients will be subject to tax at the lower capital gain tax rate applicable to "qualified dividend income" on dividends paid on our ADSs, provided that certain conditions are satisfied, including that (i) our ADSs are readily tradable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefit of the United States-PRC income tax treaty (the "Treaty"), (ii) we are neither a passive foreign investment company nor treated as such with respect to a U.S. Holder (as discussed above) for the taxable year in which the dividend was paid and the preceding taxable year, and (iii) certain holding period requirements are met. Because (i) U.S. Treasury guidance indicates that ADSs representing ordinary shares, such as ours, listed on the NASDAQ Global Select Market are considered to be readily tradable on an established securities market in the United States, and (ii) we believe that we were not a PFIC for United States federal income tax purposes for our taxable year ended December 31, 2016 and we do not expect to be a PFIC in subsequent years, we believe that we are a qualified foreign corporation with respect to dividends paid on the ADSs, but not with respect to dividends paid on our ordinary shares. In the event that we are deemed to be a PRC resident enterprise under PRC tax law, we believe that we would be eligible for the benefits under the Treaty and that we should be treated as a qualified foreign corporation with respect to dividends paid on our ordinary shares or ADSs. U.S. Holders should consult their tax advisors regarding the availability of the reduced tax rate on dividends in their particular circumstances.

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For United States foreign tax credit purposes, dividends generally will be treated as income from foreign sources and generally will constitute passive category income. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit not in excess of any applicable treaty rate in respect of any nonrefundable foreign withholding taxes imposed on dividends received on our ADSs or ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for United States federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Ordinary Shares

Subject to the PFIC discussion above, a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the sale or other disposition and the holder's adjusted tax basis in such ADSs or ordinary shares. The gain or loss will generally be capital gain or loss. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year. An individual U.S. Holder or other non-corporate U.S. Holder who has held the ADSs or ordinary shares for more than one year will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss recognized by a U.S. Holder will generally be treated as U.S. source income or loss for foreign tax credit purposes, which will generally limit the availability of foreign tax credits. However, in the event we are deemed to be a PRC "resident enterprise" under PRC tax law, we may be eligible for the benefits of the Treaty. In such event, if PRC tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares, a U.S. Holder that is eligible for the benefits of the Treaty may elect to treat such gain as PRC source income. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Backup Withholding and Information Reporting

Individual U.S. Holders and certain entities may be required to submit to the IRS certain information with respect to his or her beneficial ownership of the ADSs or ordinary shares, if such ADSs or ordinary shares are not held on his or her behalf by a financial institution. If an individual U.S. Holder is required to submit such information to the IRS and fails to do so, such U.S. Holder may be subject to penalties.

Proceeds from the sale, exchange or other disposition of, or a distribution on, the ADSs or ordinary shares may be subject to information reporting to the IRS and possible backup withholding. Backup withholding generally will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on IRS Form W-9.

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Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder's United States federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS. Each U.S. Holder is encouraged to consult its tax advisor regarding the application of the information reporting and backup withholding rules.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers, and are required to file reports and other information with the SEC. Specifically, we are required to file annually an annual report on Form 20-F within four months after the end of each fiscal year, which is December 31. All information filed with the SEC can be obtained over the internet at the SEC's website at www.sec.gov or inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of documents, upon payment of a duplicating fee, by writing to the SEC. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Deutsche Bank Trust Company Americas, the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

In accordance with NASDAQ Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at <http://ir.jd.com>. In addition, we will provide hardcopies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Foreign Exchange Risk

All of our revenues and substantially all of our expenses are denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although in general our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while our ADSs will be traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. The depreciation of the Renminbi against the U.S. dollar was approximately 4.4% and 7.2% in 2015 and 2016, respectively, while the Renminbi appreciated 6.9% against the U.S. dollar in 2017. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

As of December 31, 2017, we had RMB-denominated cash and cash equivalents, restricted cash and short-term investments of RMB28.3 billion, and U.S. dollar-denominated cash, cash equivalents and short-term investments of US\$1.5 billion. Assuming we had converted RMB28.3 billion into U.S. dollars at the exchange rate of RMB6.5063 for US\$1.00 as of December 29, 2017, our U.S. dollar cash balance would have been US\$5.9 billion. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US\$5.4 billion instead. Assuming we had converted US\$1.5 billion into RMB at the exchange rate of RMB6.5063 for US\$1.00 as of December 29, 2017, our RMB cash balance would have been RMB38.3 billion. If the RMB had depreciated by 10% against the U.S. dollar, our RMB cash balance would have been RMB39.4 billion instead.

Inflation

Inflation in China has not affected our results of operations in recent years. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2015, 2016 and 2017 were increases of 1.6%, 2.1% and 1.8%, respectively. Although we have not been affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

An ADS holder will be required to pay the following service fees to the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of the ADSs):

Service	Fees
<ul style="list-style-type: none"> to any person to whom ADSs are issued or to any person to whom a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash) 	Up to US\$0.05 per ADS issued
<ul style="list-style-type: none"> Surrendering ADSs for cancellation and withdrawal of deposited securities 	Up to US\$0.05 per ADS surrendered
<ul style="list-style-type: none"> Distribution of cash dividends 	Up to US\$0.05 per ADS held
<ul style="list-style-type: none"> Distribution of cash entitlements (other than cash dividends) and/or cash proceeds, including proceeds from the sale of rights, securities and other entitlements 	Up to US\$0.05 per ADS held
<ul style="list-style-type: none"> Distribution of ADSs pursuant to exercise of rights 	Up to US\$0.05 per ADS held
<ul style="list-style-type: none"> Operation and maintenance costs 	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary bank

An ADS holder will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of the ADSs) such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex, fax and electronic transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery of ordinary shares on deposit or the servicing of ordinary shares, deposited securities and/or ADSs.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, deposited securities, ADSs and ADRs.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

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The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Fees and Other Payments Made by the Depositary to Us

Deutsche Bank Trust Company Americas, as depositary, has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. Further, the depositary has agreed to reimburse us certain fees payable to the depositary by holders of ADSs. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this time. In 2017, we received approximately US\$11.0 million reimbursement from the depositary for our expenses incurred in connection with investor relationship programs related to the ADS facility and the travel expense of our key personnel in connection with such programs.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, as of December 31, 2017, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, our management including our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of internal control over financial reporting as of December 31, 2017 using the criteria set forth in the report “Internal Control—Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our company’s internal control over financial reporting as of December 31, 2017, as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Louis T. Hsieh, an independent director (under the standards set forth in NASDAQ Stock Market Rule 5605(a)(2) and Rule 10A-3 under the Exchange Act) and member of our audit committee, is an audit committee financial expert.

Item 16B. Code of Ethics

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers and employees in April 2014. We have posted a copy of our code of business conduct and ethics on our website at <http://ir.jd.com>.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our principal external auditors, for the periods indicated.

	2016		2017	
Audit fees ⁽¹⁾	US\$	3,871,127	US\$	4,291,709
Audit-related fees ⁽²⁾	US\$	129,083	US\$	41,324
All other fees ⁽³⁾	US\$	304,180	US\$	228,015

(1) “Audit fees” means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements and assistance with and review of documents filed with the SEC. In 2016 and 2017, the audit refers to financial audit and audit pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.

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- (2) “Audit-related fees” means fees billed in each of the fiscal years listed for the issue of comfort letter, rendering of listing advice and other audit-related services.
- (3) “All other fees” means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors associated with certain financial due diligence projects, permissible services to review and comment on internal control design over financial reporting and other advisory services.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by PricewaterhouseCoopers Zhong Tian LLP, including audit services, audit-related services, tax services and other services as described above, other than those for de minimis services which are approved by the audit committee prior to the completion of the audit.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In September 2015, our board of directors authorized a share repurchase program, whereby our company may repurchase up to US\$1.0 billion of ADSs over the next 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 our management, including through Rule 10b5-1 share repurchase plans.

In 2016, we repurchased approximately 31 million ADSs for US\$800 million on the open market, at a weighted average price of US\$25.75 per ADS. We did not make any repurchase on the open market in 2017. As of December 31, 2017, we had repurchased approximately 31 million ADSs.

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Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

As a Cayman Islands company listed on NASDAQ, we are subject to the NASDAQ corporate governance listing standards. However, NASDAQ rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NASDAQ corporate governance listing standards. Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, has provided a letter to the NASDAQ Stock Market certifying that under Cayman Islands law, we are not required to hold annual shareholders meetings every year. We follow home country practice with respect to annual meetings and did not hold an annual meeting of shareholders in 2017. We will, however, hold annual shareholders meetings in the future if there are matters that require shareholders’ approval.

Other than the annual meeting practice described above, there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under NASDAQ Stock Market Rules.

However, if we choose to follow other home country practice in the future, our shareholders may be afforded less protection than they otherwise would under the NASDAQ corporate governance listing standards applicable to U.S. domestic issuers. See “Item 3.D. Key Information—Risk Factors—Risks Related to Our ADSs—We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.”

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of JD.com, Inc., its subsidiaries and its consolidated variable interest entities are included at the end of this annual report.

Item 19. Exhibits

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
2.1	Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3)
2.2	Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
2.3	Deposit Agreement dated May 21, 2014 among the Registrant, the depositary and holder of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-198578), filed with the Securities and Exchange Commission on September 5, 2014)
2.4	Thirteenth Amended and Restated Shareholders Agreement between the Registrant and other parties therein dated March 10, 2014 (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
2.5	Form of Indenture between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the registration statement on Form F-3 (File No. 333-210795) filed with the Securities and Exchange Commission on April 18, 2016)
2.6	First Supplemental Indenture dated April 29, 2016 between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the current report on Form 6-K (File No. 001-36450) furnished to the Securities and Exchange Commission on April 29, 2016)
2.7	Form of 3.125% Notes Due 2021 (included in Exhibit 2.6)
2.8	Form of 3.875% Notes Due 2026 (included in Exhibit 2.6)
4.1	Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-200450), as amended, initially filed with the Securities and Exchange Commission on November 21, 2014)
4.2	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.3	Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.4*	English translation of the Amended and Restated Loan Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated November 20, 2017
4.5	English translation of the Amended and Restated Equity Pledge Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.5 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)

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Exhibit Number	Description of Document
4.6	<u>English translation of the Power of Attorney by the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.6 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)</u>
4.7	<u>English translation of the Amended and Restated Exclusive Technology Consulting and Service Agreement between Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated May 29, 2012 (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)</u>
4.8	<u>English translation of the Amended and Restated Intellectual Property Rights License Agreement between Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 25, 2013 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)</u>
4.9	<u>English translation of the Amended and Restated Business Cooperation Agreement between Beijing Jingdong Century Trade Co., Ltd., Shanghai Shengdayuan Information Technology Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated May 29, 2012 (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)</u>
4.10	<u>English translation of the Amended and Restated Exclusive Purchase Option Agreement between Beijing Jingdong Century Trade Co., Ltd., Beijing Jingdong 360 Degree E-Commerce Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.10 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)</u>
4.11*	<u>English translation of the Business Operations Agreement between Beijing Jingdong Century Trade Co., Ltd., Beijing Jingdong 360 Degree E-Commerce Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated November 20, 2017</u>
4.12	<u>English translation of the Amended and Restated Loan Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.12 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)</u>
4.13	<u>English translation of the Amended and Restated Equity Pledge Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.13 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)</u>
4.14	<u>English translation of the Power of Attorney by the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.14 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)</u>
4.15	<u>English translation of the Amended and Restated Exclusive Technology Consulting and Service Agreement between Beijing Jingdong Century Trade Co., Ltd. and Jiangsu Yuanzhou E-Commerce Co., Ltd. dated May 29, 2012 (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)</u>
4.16	<u>English translation of the Amended and Restated Intellectual Property Rights License Agreement between Beijing Jingdong Century Trade Co., Ltd. and Jiangsu Yuanzhou E-Commerce Co., Ltd. dated December 18, 2013 (incorporated herein by reference to Exhibit 10.15 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)</u>
4.17	<u>English translation of the Amended and Restated Exclusive Purchase Option Agreement between Beijing Jingdong Century Trade Co., Ltd., Jiangsu Yuanzhou E-Commerce Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.17 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)</u>

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Exhibit Number	Description of Document
4.18	English translation of the Business Operations Agreement between Beijing Jingdong Century Trade Co., Ltd., Jiangsu Yuanzhou E-Commerce Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.18 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.19	Strategic Cooperation Agreement by and between the Registrant and Tencent Holdings Limited dated March 10, 2014 (incorporated herein by reference to Exhibit 10.22 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.20	Subscription Agreement by and among Bitauto Holdings Limited, JD.com Global Investment Limited, JD.com, Inc. and Dongting Lake Investment Limited dated January 9, 2015 (incorporated herein by reference to Exhibit 99.2 to Schedule 13D (File No. 005-85981) filed with the Securities and Exchange Commission on February 26, 2015)
4.21	English translation of Business Cooperation Agreement between the Registrant and Bitauto Holdings Limited, dated January 9, 2015 (incorporated herein by reference to Exhibit 99.3 to Schedule 13D (File No. 005-85981) filed with the Securities and Exchange Commission on February 26, 2015)
4.22	Amended and Restated Investor Rights Agreement by and among Bitauto Holdings Limited, JD.com Global Investment Limited, Dongting Lake Investment Limited, Morespark Limited and Baidu Holdings Limited dated June 17, 2016 (incorporated herein by reference to Exhibit 99.6 to Schedule 13D/A (File No. 005-85981) filed with the Securities and Exchange Commission on June 21, 2016)
4.23*	English translation of Executed Form of the Equity Pledge Agreement between a wholly owned subsidiary of the Registrant and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.24*	English translation of Executed Form of the Power of Attorney by the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.25*	English translation of Executed Form of the Exclusive Technology Consulting and Service Agreement between a wholly owned subsidiary of the Registrant and a Chinese variable interest entity of the Registrant, as currently in effect
4.26*	English translation of Executed Form of the Business Operations Agreement between a wholly owned subsidiary of the Registrant, a Chinese variable interest entity of the Registrant, and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.27*	English translation of Executed Form of the Exclusive Purchase Option Agreement between a wholly owned subsidiary of the Registrant, a Chinese variable interest entity of the Registrant, and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.28*	English translation of Executed Form of the Loan Agreement between a wholly owned subsidiary of the Registrant and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.29	English translation of Executed Form of the Termination Agreement between a wholly owned subsidiary of the Registrant, a Chinese variable interest entity of the Registrant, and the former shareholders of a Chinese variable interest entity, as currently in effect (incorporated herein by reference to Exhibit 4.29 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.30	English translation of Executed Form of the Subscription Agreement between a Chinese variable interest entity of the Registrant and Yonghui, dated August 7, 2015 (incorporated herein by reference to Exhibit 4.29 to the annual report on Form 20-F (File No. 001-36450) filed with the Securities and Exchange Commission on April 18, 2016)
4.31	English translation of Subscription Agreement of Beijing Jingdong Shangboguanyi Investment Management Co., Ltd. by and among Beijing Jingdong Shangboguanyi Investment Management Co., Ltd., the investors and other parties listed therein, dated January 8, 2016 (incorporated herein by reference to Exhibit 4.30 to the annual report on Form 20-F (File No. 001-36450) filed with the Securities and Exchange Commission on April 18, 2016)
4.32	English translation of Executed Form of Commitment by the investors relating to investment in Beijing Jingdong Shangboguanyi Investment Management Co., Ltd., dated January 2016 (incorporated herein by reference to Exhibit 4.31 to the annual report on Form 20-F (File No. 001-36450) filed with the Securities and Exchange Commission on April 18, 2016)

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Exhibit Number	Description of Document
4.33	Share Purchase Agreement by and among the Registrant, Dada Nexus Limited and other parties listed therein, dated April 15, 2016 (incorporated herein by reference to Exhibit 4.32 to the annual report on Form 20-F (File No. 001-36450) filed with the Securities and Exchange Commission on April 18, 2016)
4.34	Subscription Agreement between the Registrant and Newheight Holdings Ltd., dated June 20, 2016 (incorporated herein by reference to Exhibit 4.34 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.35	Investor Rights Agreement between the Registrant and Newheight Holdings Ltd., dated June 20, 2016 (incorporated herein by reference to Exhibit 4.35 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.36	Framework Agreement by and among the Registrant, Beijing Jingdong Financial Technology Holding Co., Ltd. and other parties listed therein, dated March 1, 2017 (incorporated herein by reference to Exhibit 4.36 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.37	Intellectual Property License and Software Technology Services Agreement between the Registrant and Beijing Jingdong Financial Technology Holding Co., Ltd., dated March 1, 2017 (incorporated herein by reference to Exhibit 4.37 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.38*	English translation of Conditional Share Subscription Agreement by and between Suqian Jingdong Sanhong Enterprise Management Center (Limited Partnership) and China United Network Communications Limited, dated August 16, 2017
4.39	Subscription Agreement by and among Vipshop Holdings Limited, Windcreek Limited, and Tencent Mobility Limited, dated December 17, 2017 (incorporated herein by reference to Exhibit 99.2 to our report on Schedule 13D filed with the Securities and Exchange Commission with respect to Vipshop Holdings Limited on January 8, 2018)
4.40	Investor Rights Agreement by and among Vipshop Holdings Limited, Windcreek Limited, Tencent Mobility Limited and other parties listed therein, dated December 29, 2017 (incorporated herein by reference to Exhibit 99.4 to our report on Schedule 13D filed with the Securities and Exchange Commission with respect to Vipshop Holdings Limited on January 8, 2018)
4.41*	English summary of Strategic Partnership Agreement regarding Dalian Wanda Commercial Properties Co., Ltd. by and among Dalian Wanda Group Co., Ltd., Dalian Wanda Commercial Properties Co., Ltd., Tencent Technology (Shenzhen) Co., Ltd. and Beijing Jingdong Century Trading Co., Ltd., dated January 27, 2018
4.42*	Series A Preference Shares Subscription Agreement by and between Jingdong Express Group Corporation and purchasers listed therein, dated February 14, 2018
4.43*	Shareholders Agreement of Jingdong Express Group Corporation, dated March 7, 2018
4.44*	US\$1,000,000,000 Term and Revolving Credit Facilities Agreement dated between the Registrant and other parties thereto, dated December 21, 2017
8.1*	List of Principal Subsidiaries and Consolidated Variable Interest Entities
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of PricewaterhouseCoopers Zhong Tian LLP

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Exhibit Number	Description of Document
15.2*	Consent of Zhong Lun Law Firm
99.1***	Consolidated Financial Statements of Dada Nexus Limited as of December 31, 2016 and 2017 and for the year ended December 31, 2016 and 2017
99.2***	Consolidated Financial Statements of Bitauto Holdings Limited as of December 31, 2016 and 2017 and for the year ended December 31, 2016 and 2017
99.3***	Consolidated Financial Statements of Tuniu Corporation as of December 31, 2016 and 2017 and for the year ended December 31, 2016 and 2017
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** Furnished herewith

*** To be filed by amendment within six months of December 31, 2017

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

JD.com, Inc.

By: /s/ Richard Qiangdong Liu
Name: Richard Qiangdong Liu
Title: Chairman and Chief Executive Officer

Date: April 27, 2018

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JD.com, Inc.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of JD.com, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of JD.com, Inc. and its subsidiaries (the “Company”) as of December 31, 2017 and December 31, 2016, and the related consolidated statements of operations and comprehensive income/(loss), changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and December 31, 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People’s Republic of China
April 27, 2018

We have served as the Company’s auditor since 2010.

JD.com, Inc.
Consolidated Balance Sheets
 (All amounts in thousands, except for share and per share data)

	As of December 31,		
	2016	2017	
	RMB	RMB	US\$ Note 2(g)
ASSETS			
Current assets			
Cash and cash equivalents	15,567,036	25,688,327	3,948,224
Restricted cash	2,293,640	4,110,210	631,728
Short-term investments	6,548,001	8,587,852	1,319,929
Accounts receivable, net	16,141,007	16,359,147	2,514,355
Advance to suppliers	257,117	394,574	60,645
Inventories, net	28,909,425	41,700,379	6,409,231
Loan receivables, net	4,016,323	5,132,698	788,881
Prepayments and other current assets	1,970,780	2,258,904	347,185
Amount due from related parties	9,074,275	10,796,561	1,659,401
Assets held for sale	22,154,494	—	—
Total current assets	106,932,098	115,028,652	17,679,579
Non-current assets			
Property, equipment and software, net	7,023,409	12,574,178	1,932,616
Construction in progress	1,992,123	3,196,516	491,296
Intangible assets, net	8,310,657	6,692,717	1,028,652
Land use rights, net	2,447,511	7,050,809	1,083,690
Goodwill	6,527,019	6,650,570	1,022,174
Investment in equity investees	14,628,786	18,551,319	2,851,286
Investment securities	1,059,632	10,027,813	1,541,247
Deferred tax assets	—	158,250	24,323
Other non-current assets	2,223,672	2,227,942	342,428
Amount due from related parties	1,896,200	1,896,200	291,441
Assets held for sale	7,332,411	—	—
Total non-current assets	53,441,420	69,026,314	10,609,153
Total assets	160,373,518	184,054,966	28,288,732

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

JD.com, Inc.
Consolidated Balance Sheets
 (All amounts in thousands, except for share and per share data)

	As of December 31,		
	2016	2017	
	RMB	RMB	US\$ Note 2(g)
LIABILITIES			
Current liabilities (including amounts of the consolidated VIEs and VIEs' subsidiaries without recourse to the primary beneficiaries of RMB2,165,164 and RMB7,577,086 as of December 31, 2016 and 2017 respectively. Note 1)			
Short-term borrowings	1,878,286	200,000	30,739
Nonrecourse securitization debt	9,231,101	12,684,881	1,949,631
Accounts payable	46,035,884	74,337,708	11,425,497
Advance from customers	11,466,334	13,605,298	2,091,096
Deferred revenues (including amounts in relation to traffic support, marketing and promotion services to be provided to related parties of RMB813,525 as of December 31, 2016 and 2017, respectively)	1,138,426	1,592,332	244,737
Taxes payable	565,288	658,220	101,167
Amount due to related parties	154,924	54,342	8,352
Accrued expenses and other current liabilities	10,512,590	15,117,840	2,323,570
Liabilities held for sale	23,757,402	—	—
Total current liabilities	104,740,235	118,250,621	18,174,789
Non-current liabilities			
Deferred revenues (including amounts in relation to traffic support, marketing and promotion services to be provided to related parties of RMB2,087,137 and RMB1,273,545 as of December 31, 2016 and 2017, respectively)	2,104,461	1,273,545	195,740
Nonrecourse securitization debt	2,318,389	4,475,238	687,831
Unsecured senior notes	6,831,012	6,447,357	990,941
Deferred tax liabilities	907,356	882,248	135,599
Other non-current liabilities	440,670	337,254	51,835
Liabilities held for sale	1,811,612	—	—
Total non-current liabilities	14,413,500	13,415,642	2,061,946
Total liabilities	119,153,735	131,666,263	20,236,735

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

JD.com, Inc.
Consolidated Balance Sheets
 (All amounts in thousands, except for share and per share data)

	As of December 31,		
	2016	2017	
	RMB	RMB	US\$ Note 2(g)
Commitments and contingencies (Note 32)			
MEZZANINE EQUITY			
Redeemable non-controlling interests held for sale	7,056,921	—	—
SHAREHOLDERS' EQUITY:			
JD.com, Inc. shareholders' equity			
Ordinary shares (US\$0.00002 par value; 100,000,000,000 shares authorized; 2,467,134,904 Class A ordinary shares issued and 2,384,954,010 outstanding, 471,573,995 Class B ordinary shares issued and 451,490,387 outstanding as of December 31, 2016; 2,477,346,590 Class A ordinary shares issued and 2,406,652,132 outstanding, 461,362,309 Class B ordinary shares issued and 446,011,297 outstanding as of December 31, 2017.)	377	377	58
Additional paid-in capital	59,258,417	76,254,607	11,720,119
Statutory reserves	132,938	635,966	97,746
Treasury stock	(5,181,880)	(4,457,608)	(685,122)
Accumulated deficit	(21,860,345)	(22,234,609)	(3,417,397)
Accumulated other comprehensive income	1,543,393	1,842,081	283,123
Total JD.com, Inc. shareholders' equity	33,892,900	52,040,814	7,998,527
Non-controlling interests	269,962	347,889	53,470
Total shareholders' equity	34,162,862	52,388,703	8,051,997
Total liabilities, mezzanine equity and shareholders' equity	160,373,518	184,054,966	28,288,732

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

JD.com, Inc.
Consolidated Statements of Operations and Comprehensive Income/(Loss)
(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$ Note 2(g)
Net revenues				
Net product revenues (formerly known as online direct sales)	167,936,020	237,943,632	331,824,410	51,000,478
Net service revenues (formerly known as services and others)	13,106,280	20,346,315	30,507,344	4,688,893
Total net revenues	<u>181,042,300</u>	<u>258,289,947</u>	<u>362,331,754</u>	<u>55,689,371</u>
Operating expenses				
Cost of revenues	(158,960,400)	(222,934,637)	(311,516,831)	(47,879,260)
Fulfillment	(12,367,030)	(18,559,691)	(25,865,128)	(3,975,397)
Marketing	(7,232,717)	(10,158,686)	(14,918,107)	(2,292,871)
Technology and content	(2,902,033)	(4,452,708)	(6,652,374)	(1,022,451)
General and administrative	(2,187,890)	(3,435,878)	(4,214,790)	(647,801)
Impairment of goodwill and intangible assets	(2,750,129)	—	—	—
Total operating expenses	<u>(186,400,199)</u>	<u>(259,541,600)</u>	<u>(363,167,230)</u>	<u>(55,817,780)</u>
Loss from operations	<u>(5,357,899)</u>	<u>(1,251,653)</u>	<u>(835,476)</u>	<u>(128,409)</u>
Other income/(expense)				
Share of results of equity investees	(2,852,677)	(2,781,909)	(1,926,720)	(296,131)
Interest income	673,006	1,226,852	2,530,490	388,929
Interest expense	(72,595)	(618,567)	(963,742)	(148,124)
Others, net	(145,807)	1,543,376	1,316,408	202,328
Income/(loss) before tax	<u>(7,755,972)</u>	<u>(1,881,901)</u>	<u>120,960</u>	<u>18,593</u>
Income tax benefits/(expenses)	14,646	(166,391)	(139,593)	(21,455)
Net loss from continuing operations	<u>(7,741,326)</u>	<u>(2,048,292)</u>	<u>(18,633)</u>	<u>(2,862)</u>
Net income/(loss) from discontinued operations, net of tax	(1,376,180)	(1,365,432)	6,915	1,063
Net loss	<u>(9,117,506)</u>	<u>(3,413,724)</u>	<u>(11,718)</u>	<u>(1,799)</u>
Net loss from continuing operations attributable to non-controlling interests shareholders	(9,566)	(47,848)	(135,452)	(20,819)
Net loss from discontinued operations attributable to non-controlling interests shareholders	—	(3,743)	(5,030)	(773)
Net income from discontinued operations attributable to mezzanine classified non-controlling interests shareholders	—	444,657	281,021	43,192
Net loss attributable to ordinary shareholders	<u>(9,107,940)</u>	<u>(3,806,790)</u>	<u>(152,257)</u>	<u>(23,399)</u>
Including: Net loss from discontinued operations attributable to ordinary shareholders	<u>(1,376,180)</u>	<u>(1,806,346)</u>	<u>(269,076)</u>	<u>(41,356)</u>
Net income/(loss) from continuing operations attributable to ordinary shareholders	<u>(7,731,760)</u>	<u>(2,000,444)</u>	<u>116,819</u>	<u>17,957</u>

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

JD.com, Inc.
Consolidated Statements of Operations and Comprehensive Income/(Loss)
(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2015 RMB	2016 RMB	2017 RMB	US\$ Note 2(g)
Net loss	(9,117,506)	(3,413,724)	(11,718)	(1,799)
Other comprehensive income:				
Foreign currency translation adjustments	954,787	943,616	(822,052)	(126,347)
Net change in unrealized gains/(losses) on available-for-sale securities:				
Unrealized gains/(losses), nil of tax	(238,852)	(78,792)	1,473,014	226,398
Reclassification adjustment for (gains)/losses recorded in net income, nil of tax	216,230	123,743	(352,274)	(54,144)
Net unrealized gains/(losses) on available-for-sale securities	(22,622)	44,951	1,120,740	172,254
Total other comprehensive income	932,165	988,567	298,688	45,907
Total comprehensive income/(loss)	(8,185,341)	(2,425,157)	286,970	44,108
Total comprehensive loss attributable to non-controlling interests shareholders	(8,352)	(51,591)	(140,482)	(21,592)
Total comprehensive income attributable to mezzanine classified non-controlling interests shareholders	—	444,657	281,021	43,192
Total comprehensive income/(loss) attributable to ordinary shareholders	(8,176,989)	(2,818,223)	146,431	22,508
Net income/(loss) per share				
Basic				
Continuing operations	(2.83)	(0.71)	0.04	0.01
Discontinued operations	(0.50)	(0.64)	(0.09)	(0.01)
Net loss per share	(3.33)	(1.36)	(0.05)	(0.01)
Diluted				
Continuing operations	(2.83)	(0.71)	0.04	0.01
Discontinued operations	(0.50)	(0.64)	(0.09)	(0.01)
Net loss per share	(3.33)	(1.36)	(0.05)	(0.01)
Weighted average number of shares				
Basic	2,735,034,034	2,804,767,889	2,844,826,014	2,844,826,014
Diluted	2,735,034,034	2,804,767,889	2,911,461,817	2,911,461,817
Share-based compensation expenses included in:				
Cost of revenues	(7,529)	(17,485)	(27,513)	(4,229)
Fulfillment	(164,162)	(332,383)	(425,706)	(65,430)
Marketing	(47,510)	(87,261)	(135,749)	(20,864)
Technology and content	(208,898)	(470,234)	(670,612)	(103,071)
General and administrative	(648,187)	(1,154,069)	(1,520,482)	(233,694)

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

JD.com, Inc.
Consolidated Statements of Cash Flows
(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$ Note2(g)
Cash flows from operating activities:				
Net loss	(9,117,506)	(3,413,724)	(11,718)	(1,799)
(Income)/loss from discontinued operation, net of income tax	1,376,180	1,365,432	(6,915)	(1,063)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	2,507,324	3,420,289	4,192,716	644,409
Share-based compensation	1,076,286	2,061,432	2,780,062	427,288
Loss from disposal of property, equipment and software	7,714	18,478	11,591	1,781
Deferred income tax	(42,584)	(34,782)	(221,010)	(33,969)
Amortization of discounts and issuance costs of the unsecured senior notes	—	8,622	13,426	2,064
Impairment of goodwill and intangible assets	2,750,129	—	—	—
Impairment of investments accounted for under cost method and available-for-sale securities	611,108	542,946	139,823	21,490
Gain from business and investment disposals	(1,507)	(1,232,853)	(74,965)	(11,522)
Share of results of equity investees	2,852,677	2,781,909	1,926,720	296,131
Foreign exchange (gains)/losses	56,992	143,125	(213,482)	(32,812)
Changes in operating assets and liabilities:				
Accounts receivable	(5,664,769)	(8,703,383)	(545,991)	(83,917)
Restricted cash	(1,084,678)	526,646	(2,035,454)	(312,844)
Inventories	(8,345,617)	(8,372,953)	(12,788,337)	(1,965,531)
Advance to suppliers	242,964	341,817	(137,457)	(21,127)
Prepayments and other current assets	295,669	(472,714)	(328,041)	(50,419)
Amount due from related parties	(1,342,747)	(1,496,349)	2,456,933	377,624
Other non-current assets	(1,161,731)	178,815	(372,576)	(57,264)
Accounts payable	14,186,532	14,518,806	26,106,191	4,012,448
Advance from customers	2,461,505	4,365,280	2,138,964	328,753
Deferred revenues	(456,896)	(725,788)	(374,042)	(57,489)
Taxes payable	(91,251)	445,585	92,932	14,283
Accrued expenses and other current liabilities	1,851,928	3,710,000	4,624,014	710,697
Amount due to related parties	69,946	16,907	(66,370)	(10,201)
Net cash provided by continuing operating activities	3,037,668	9,993,543	27,307,014	4,197,011
Net cash used in discontinued operating activities	(1,341,346)	(1,226,526)	(2,485,741)	(382,051)
Net cash provided by operating activities	1,696,322	8,767,017	24,821,273	3,814,960

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

JD.com, Inc.
Consolidated Statements of Cash Flows
(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$ Note2(g)
Cash flows from investing activities:				
Purchase of short-term investments	(2,607,000)	(15,832,188)	(8,288,743)	(1,273,957)
Maturity of short-term investments	14,425,621	11,828,500	6,211,608	954,707
Purchases of investment securities	(1,139,386)	(50,000)	(7,824,277)	(1,202,569)
Cash received from disposal of investment securities	—	16,440	—	—
Prepayments and investments in equity investees	(6,871,616)	(7,146,498)	(6,207,880)	(954,135)
Cash received from disposal of equity investment	—	29,558	202,774	31,166
Changes in restricted cash	—	(705,372)	218,884	33,642
Cash paid for loan originations	(3,453,390)	(14,003,737)	(24,379,691)	(3,747,090)
Cash received from loan repayments	2,236,558	11,093,692	23,019,358	3,538,011
Purchase of property, equipment and software	(2,550,641)	(2,140,802)	(3,294,286)	(506,322)
Cash paid for construction in progress	(1,540,615)	(1,359,364)	(3,267,277)	(502,171)
Purchase of intangible assets	(6,556)	(50,438)	(8,774)	(1,349)
Purchase of land use rights	(925,758)	(678,328)	(4,785,538)	(735,524)
Cash paid for business combination, net of cash acquired (Note 8)	(290,339)	(615,849)	(160,658)	(24,693)
Loans (provided to)/settled by JD Finance	(5,085,864)	1,856,144	(6,187,891)	(951,061)
Proceeds from JD Finance Reorganization (Note 6)	—	—	13,027,155	2,002,237
Net cash used in continuing investing activities	(7,808,986)	(17,758,242)	(21,725,236)	(3,339,108)
Net cash provided by/(used in) discontinued investing activities	2,018,461	(30,510,335)	(15,772,856)	(2,424,243)
Net cash used in investing activities	(5,790,525)	(48,268,577)	(37,498,092)	(5,763,351)

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

JD.com, Inc.
Consolidated Statements of Cash Flows
(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$ Note 2(g)
Cash flows from financing activities:				
Repurchase of ordinary shares	—	(5,338,274)	—	—
Purchase of capped call options	—	(2,007,100)	—	—
Proceeds from settlement of capped call options	—	1,463,218	737,501	113,352
Proceeds from issuance of ordinary shares pursuant to stock plans	75,713	82,396	135,745	20,864
Capital injection from non-controlling interest shareholders	146,185	173,550	209,725	32,234
Proceeds from short-term borrowings	4,021,004	3,029,576	700,000	107,587
Repayment of short-term borrowings	(3,576,171)	(3,491,500)	(2,356,888)	(362,247)
Proceeds from unsecured senior notes, net of discount and debt issuance costs	—	6,355,969	—	—
Proceeds from nonrecourse securitization debt	3,168,000	9,302,000	16,500,000	2,536,004
Repayment of nonrecourse securitization debt	—	(920,510)	(10,889,371)	(1,673,666)
Proceeds from other financing activities	—	—	143,653	22,079
Net cash provided by continuing financing activities	3,834,731	8,649,325	5,180,365	796,207
Net cash provided by discontinued financing activities	865,542	32,050,146	14,054,620	2,160,156
Net cash provided by financing activities	4,700,273	40,699,471	19,234,985	2,956,363
Effect of exchange rate changes on cash and cash equivalents	343,147	709,916	(641,534)	(98,602)
Net increase in cash and cash equivalents	949,217	1,907,827	5,916,632	909,370
Cash and cash equivalents at beginning of year	16,914,651	17,863,868	19,771,695	3,038,854
Cash and cash equivalents at end of year	17,863,868	19,771,695	25,688,327	3,948,224
Less: Cash and cash equivalents of discontinued operations at end of year	3,881,475	4,204,659	—	—
Cash and cash equivalents of continuing operations at end of year	13,982,393	15,567,036	25,688,327	3,948,224
Supplemental cash flow disclosures of continuing operations:				
Cash paid for income taxes	(21,272)	(110,498)	(240,899)	(37,026)
Cash paid for interest	(56,507)	(515,234)	(577,306)	(88,730)
Supplemental disclosures of non-cash investing and financing activities:				
Issuance of ordinary shares in connection with Walmart Transactions, net	—	9,592,258	—	—
Equity investments obtained through commitment of future services and contribution of certain business	3,821,272	2,164,050	—	—

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

JD.com, Inc.
Consolidated Statements of Changes in Shareholders' Equity
(All amounts in thousands, except for share and per share data)

	Ordinary shares		Treasury stock		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income/(loss)	Accumulated deficit	Non-controlling interests	Total Shareholders' equity
	Shares	Amount RMB	Shares	Amount RMB						
Balance as of December 31, 2014	<u>2,793,756,650</u>	<u>358</u>	<u>(62,038,293)</u>	<u>(4)</u>	<u>47,131,172</u>	<u>15,009</u>	<u>(376,125)</u>	<u>(9,272,343)</u>	<u>—</u>	<u>37,498,067</u>
Exercise of share-based awards	—	—	2,694,404	1	68,009	—	—	—	—	68,010
Share-based compensation and vesting of share-based awards	—	—	7,577,725	—	1,193,945	—	—	—	—	1,193,945
Net loss	—	—	—	—	—	—	—	(9,107,940)	(9,566)	(9,117,506)
Foreign currency translation adjustment	—	—	—	—	—	—	953,573	—	1,214	954,787
Net change in unrealized losses on available for sale securities	—	—	—	—	—	—	(22,622)	—	—	(22,622)
Statutory reserves	—	—	—	—	—	40,551	—	(40,551)	—	—
Capital injection from non-controlling interests shareholders	—	—	—	—	—	—	—	—	146,185	146,185
Balance as of December 31, 2015	<u>2,793,756,650</u>	<u>358</u>	<u>(51,766,164)</u>	<u>(3)</u>	<u>48,393,126</u>	<u>55,560</u>	<u>554,826</u>	<u>(18,420,834)</u>	<u>137,833</u>	<u>30,720,866</u>
Issuance of ordinary shares	144,952,250	19	—	—	9,592,239	—	—	—	—	9,592,258
Repurchase of ordinary shares	—	—	(62,131,568)	(5,338,276)	(543,880)	—	—	—	—	(5,882,156)
Surrender of ordinary shares by certain shareholder	(1)	—	—	—	—	—	—	—	—	—
Accretion of redeemable non-controlling interests	—	—	—	—	(444,657)	—	—	—	—	(444,657)
Exercise of share-based awards	—	—	2,820,648	77,496	(3,293)	—	—	—	—	74,203
Share-based compensation and vesting of share-based awards	—	—	8,812,582	78,903	2,264,882	—	—	—	—	2,343,785
Net loss	—	—	—	—	—	—	—	(3,362,133)	(51,591)	(3,413,724)
Foreign currency translation adjustment	—	—	—	—	—	—	943,616	—	—	943,616
Net change in unrealized gains on available for sale securities	—	—	—	—	—	—	44,951	—	—	44,951
Statutory reserves	—	—	—	—	—	77,378	—	(77,378)	—	—
Capital injection from non-controlling interests shareholders	—	—	—	—	—	—	—	—	183,720	183,720
Balance as of December 31, 2016	<u>2,938,708,899</u>	<u>377</u>	<u>(102,264,502)</u>	<u>(5,181,880)</u>	<u>59,258,417</u>	<u>132,938</u>	<u>1,543,393</u>	<u>(21,860,345)</u>	<u>269,962</u>	<u>34,162,862</u>
Repurchase of ordinary shares	—	—	—	—	737,501	—	—	—	—	737,501
Accretion of redeemable non-controlling interests	—	—	—	—	(281,021)	—	—	—	—	(281,021)
Exercise of share-based awards	—	—	4,116,816	259,583	(114,556)	—	—	—	—	145,027
Share-based compensation and vesting of share-based awards	—	—	12,102,216	464,689	2,460,785	—	—	—	—	2,925,474
Net loss	—	—	—	—	—	—	—	128,764	(140,482)	(11,718)
Foreign currency translation adjustment	—	—	—	—	—	—	(822,052)	—	—	(822,052)
Net change in unrealized gains on available for sale securities	—	—	—	—	—	—	1,120,740	—	—	1,120,740
Statutory reserves	—	—	—	—	—	503,028	—	(503,028)	—	—
Capital injection from non-controlling interests shareholders	—	—	—	—	—	—	—	—	231,055	231,055
Gain from JD Finance reorganization	—	—	—	—	14,193,481	—	—	—	(12,646)	14,180,835
Balance as of December 31, 2017	<u>2,938,708,899</u>	<u>377</u>	<u>(86,045,470)</u>	<u>(4,457,608)</u>	<u>76,254,607</u>	<u>635,966</u>	<u>1,842,081</u>	<u>(22,234,609)</u>	<u>347,889</u>	<u>52,388,703</u>

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

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share and per share data)

1. Principal activities and organization

JD.com, Inc. (the “Company”), through its wholly-owned subsidiaries, consolidated variable interest entities (“VIEs”) and VIEs’ subsidiaries (collectively, the “Group”) serves consumers through its retail websites mainly www.jd.com and mobile apps, focuses on selection, price and convenience, offers programs that enable third party sellers to sell their products on its websites and to fulfill the orders either by the sellers or through the Group (known as “online marketplace”), provides comprehensive supply chain solutions, including warehousing, transportation, delivery to third-party sellers on its online marketplace and merchants that do not sell products on its online marketplace through the Group’s logistics business (“JD Logistics”), and also offered financial services to its suppliers, third party sellers and qualified individual customers through the Group’s finance business (“JD Finance”), which was deconsolidated from the Group since June 30, 2017 as a result of the reorganization of JD Finance (Note 6). The Group’s principal operations and geographic markets are in the People’s Republic of China (“PRC”). The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries, consolidated VIEs and VIEs’ subsidiaries.

As of December 31, 2017, the Company’s major subsidiaries, consolidated VIEs and VIE’s subsidiaries are as follows:

<u>Subsidiaries</u>	<u>Equity interest held</u>	<u>Place and date of incorporation</u>
Beijing Jingdong Century Trade Co., Ltd. (“Jingdong Century”)	100%	Beijing, China, April 2007
Jiangsu Jingdong Information Technology Co., Ltd.	100%	Jiangsu, China, June 2009
Shanghai Shengdayuan Information Technology Co., Ltd. (“Shanghai Shengdayuan”)	100%	Shanghai, China, April 2011
Jingdong E-Commerce (Express) Hong Kong Co., Ltd.	100%	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	100%	Cayman Islands, January 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
Tianjin Star East Co., Ltd.	100%	Tianjin, China, April 2012
JD.com E-commerce (Investment) Hong Kong Corporation Limited	100%	Hong Kong, China, July 2013
Chongqing Jingdong Haijia E-commerce Co., Ltd. (“Chongqing Haijia”)	100%	Chongqing, China, June 2014
JD.com Investment Limited	100%	British Virgin Islands, January 2015
JD.com International (Singapore) Pte. Ltd.	100%	Singapore, November 2014
Xi’an Jingxundi Supply Chain Technology Co., Ltd. (“Xi’an Jingxundi”)	100%	Xi’an, China, May 2017
		<u>Place and date of incorporation</u>
<u>Consolidated VIEs</u>		
Beijing Jingdong 360 Degree E-commerce Co., Ltd. (“Jingdong 360”)		Beijing, China, April 2007
Fortune Rising Holdings Ltd. (“Fortune Rising”)		British Virgin Islands, May 2008
Jiangsu Yuanzhou E-commerce Co., Ltd. (“Jiangsu Yuanzhou”)		Jiangsu, China, September 2010
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.		Jiangsu, China, August 2015
Xi’an Jingdong Xincheng Information Technology Co., Ltd. (“Xi’an Jingdong Xincheng”)		Xi’an, China, June 2017
<u>Consolidated VIEs’ Subsidiaries</u>		
Beijing Jingbangda Trade Co., Ltd. (“Beijing Jingbangda”)		Beijing, China, August 2012
Suqian Jingdong Sanhong Enterprise Management Center(limited partnership)(“Suqian Sanhong”)		Jiangsu, China, August 2017

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share and per share data)

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 and June 2017, Jingdong 360, Jiangsu Yuanzhou 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 and Jiangsu Yuanzhou 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 and Jiangsu Yuanzhou, 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.

In May 2008, Fortune Rising, a BVI incorporated company and a consolidated variable interest entity of the Group, was established by the Group to facilitate the adoption of the Company’s stock incentive plans.

• **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 agreements and business operation agreements. These contractual agreements can be extended at the Group’s relevant PRC subsidiaries’ options prior to the expiration date. Management concluded that these PRC domestic companies are consolidated VIEs of the Group, of which the Group is the ultimate primary beneficiary. As such, the Group consolidated the financial results of these PRC domestic companies and their subsidiaries in the Group’s consolidated financial statements. Refer to Note 2(b) to the consolidated financial statements for the principles of consolidation.

The following is a summary of the contractual agreements (collectively, “Contractual Agreements”) that the Group, through its subsidiaries, entered into with the consolidated VIEs and their Nominee Shareholders:

• **Loan agreements**

Pursuant to the relevant loan agreements, the Group’s relevant PRC subsidiaries have granted interest-free loans to the relevant Nominee Shareholders of the VIEs with the sole purpose of providing funds necessary for the capital injection to the relevant VIEs. The loans for initial and subsequent capital injections are eliminated with the capital of the relevant VIEs during consolidation. The Group’s relevant PRC subsidiaries can require the Nominee Shareholders to settle the loan amount with the equity interests of relevant VIEs, subject to any applicable PRC laws, rules and regulations. The loan agreements are renewable upon expiration.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share and per share data)

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 right to purchase from the Nominee Shareholders, to the extent permitted under 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 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 PRC. Jingdong 360 has agreed to pay license fees to Jingdong Century and the amount of the license fee is decided based on the agreed arrangement.

• ***Equity pledge agreements***

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

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share and per share data)

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 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 their board of directors in accordance with applicable laws and the articles of association of VIEs, and must cause the persons recommended by the Group's relevant PRC subsidiaries to be appointed as their general manager, chief financial officer and other senior executives.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share and per share data)

1. Principal activities and organization (Continued)

• *Risks in relations to the VIE structure*

In the opinion of management, the Group's relevant PRC subsidiaries' Contractual Arrangements with the VIEs and the Nominee Shareholders are in compliance with PRC laws and regulations and are legally binding and enforceable. The Nominee Shareholders are also shareholders or nominees of shareholders of the Group and therefore have no current interest in seeking to act contrary to the Contractual Arrangements. However, there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations including those that govern the Group's Contractual Arrangements, which could limit the Group's ability to enforce these Contractual Arrangements and if the Nominee Shareholders of the VIEs were to reduce their interests in the Group, their interest may diverge from that of the Group and that may potentially increase the risk that they would seek to act contrary to the Contractual Arrangements. The Group's ability to control the VIEs also depends on the powers of attorney the Group's relevant PRC subsidiaries have to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Group believes these powers of attorney are legally enforceable but may not be as effective as direct equity ownership. In addition, if the Group's corporate structure and the Contractual Arrangements with the VIEs through which the Group conducts its business in PRC were found to be in violation of any existing or future PRC laws and regulations, the Group's relevant PRC regulatory authorities could:

- revoke or refuse to grant or renew the Group's business and operating licenses;
- restrict or prohibit related party transactions between the Group's relevant PRC subsidiaries and their subsidiaries, the VIEs;
- impose fines, confiscate income or other requirements which the Group may find difficult or impossible to comply with;
- require the Group to alter the corporate structure operations; and
- restrict or prohibit the Group's ability to finance its operations.

The imposition of any of these government actions could result in a material adverse effect on the Group's ability to conduct its operations. In such case, the Group may not be able to operate or control the VIEs, which may result in deconsolidation of the VIEs in the Group's consolidated financial statements. In the opinion of management, the likelihood for the Group to lose such ability is remote based on current facts and circumstances. The Group's operations depend on the VIEs to honor their contractual agreements with the Group. These agreements are governed by PRC laws and disputes arising out of these agreements are expected to be decided by arbitration in China. The management believes that each of the Contractual Agreements constitutes valid and legally binding obligations of each party to such contractual agreements under PRC Laws. However, the interpretation and implementation of the laws and regulations in the PRC and their application to an effect on the legality, binding effect and enforceability of contracts are subject to the discretion of competent PRC authorities, and therefore there is no assurance that relevant PRC authorities will take the same position as the Group herein in respect of the legality, binding effect and enforceability of each of the Contractual Agreements. Meanwhile, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to the Group to enforce the Contractual Arrangements should the VIEs or the Nominee Shareholders of the VIEs fail to perform their obligations under those arrangements.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share and per share data)

1. Principal activities and organization (Continued)

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

	As of December 31,		
	2016	2017	
	RMB	RMB	
Total assets	6,729,295	19,281,227	
Total liabilities	6,978,241	19,547,831	

	For the year ended December 31,		
	2015	2016	2017
	RMB	RMB	RMB
Total net revenues	3,100,744	4,338,450	15,926,297
Net loss	(214,011)	(8,366)	(115,318)

	For the year ended December 31,		
	2015	2016	2017
	RMB	RMB	RMB
Net cash provided by/(used in) operating activities	(445,200)	118,007	1,188,220
Net cash used in investing activities	(58,135)	(4,708,901)	(10,117,516)
Net cash provided by financing activities	518,019	4,499,914	9,626,497
Net increase/(decrease) in cash and cash equivalents	14,684	(90,980)	697,201
Cash and cash equivalents at beginning of year	98,255	112,939	21,959
Cash and cash equivalents at end of year	112,939	21,959	719,160

As of December 31, 2016 and 2017, the total assets of the Group's consolidated VIEs and VIEs' subsidiaries were mainly consisting of cash and cash equivalents, accounts receivable, inventories, prepayments and other current assets, investment securities, investment in equity investees, property, equipment and software and intangible assets. As of December 31, 2016 and 2017, the total liabilities of the consolidated VIEs and VIEs' subsidiaries were mainly consisting of short-term borrowings, accounts payable, advance from customers, accrued expenses and other current liabilities and liabilities to the Group's other subsidiaries. These balances have been reflected in the Group's consolidated financial statements with intercompany transactions eliminated.

In accordance with the Contractual Agreements, the Group's relevant PRC subsidiaries have the power to direct activities of the Group's consolidated VIEs and VIEs' subsidiaries, and can have assets transferred out of the Group's consolidated VIEs and VIEs' subsidiaries. Therefore, the Group's relevant PRC subsidiaries consider that there is no asset in the Group's consolidated VIEs and VIEs' subsidiaries that can be used only to settle their obligations except for registered capitals and PRC statutory reserves of the Group's consolidated VIEs amounting to RMB1,035,877 as of December 31, 2017. As the Group's consolidated VIEs and VIEs' subsidiaries 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 and VIEs' subsidiaries. The total shareholders' deficit of the Group's consolidated VIEs and VIEs' subsidiaries was RMB248,946 and RMB266,604 as of December 31, 2016 and 2017, 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 and VIEs' subsidiaries. As the Group is conducting certain businesses in the PRC through the consolidated VIEs and VIEs' subsidiaries, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss.

JD Finance which was deconsolidated from the Group since June 30, 2017 as a result of the reorganization of JD Finance (Note 6) is a VIE where the Group or any subsidiary has a variable interest but is not the primary beneficiary.

JD.com, Inc.
Notes to the Consolidated Financial Statements
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2. Summary of significant accounting policies

a. Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America (“U.S. GAAP”). Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

b. Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the consolidated VIEs and VIEs’ subsidiaries 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 VIE is an entity in which the Company, or its subsidiaries, through Contractual Arrangements, bears the risks of, and enjoys 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, the consolidated VIEs and VIEs’ subsidiaries have been eliminated upon consolidation.

c. Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation to facilitate comparison.

In April 2017, the Company established JD Logistics, a new business group under JD.com, which leverages the Company’s advanced technology and logistics expertise to provide logistics services to businesses across a wide range of industries. As JD Logistics has changed from supporting the overall JD platform to an independently operated business unit, cost related to the logistics services provided to merchants and other third parties are reclassified from fulfillment expenses to cost of revenues. The amount of fulfillment expenses that have been reclassified to conform to the current period financial statement presentation were RMB1,663,959 and RMB2,560,688 for the years ended December 31, 2015 and 2016, respectively.

d. Non-controlling interests

For the Company’s consolidated subsidiaries, VIEs and VIEs’ subsidiaries, non-controlling interests are recognized to reflect the portion of their equity that is not attributable, directly or indirectly, to the Company as the controlling shareholder. Non-controlling interests are classified as a separate line item in the equity section of the Group’s Consolidated Balance Sheets and have been separately disclosed in the Group’s Consolidated Statements of Operations and Comprehensive Income/(Loss) to distinguish the interests from that of the Company.

e. Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent liabilities at the balance sheet date, and the reported revenues and expenses during the reported period in the consolidated financial statements and accompanying notes. Significant accounting estimates are used for, but not limited to, sales returns, vendor and customer incentives, the valuation and recognition of share-based compensation arrangements, taxation, fair value of assets and liabilities acquired in business combinations, assessment for impairment of long-lived assets, investment in equity investees, investment securities, intangible assets and goodwill, allowance for doubtful accounts, inventory reserve for excess and obsolete inventories, lower of cost and net realizable value of inventories, depreciable lives of property, equipment and software, useful lives of intangible assets and redemption value of the redeemable preferred shares. Actual results may differ materially from those estimates.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share and per share data)

2. Summary of significant accounting policies (Continued)

f. Foreign currency translation

The Group's reporting currency is Renminbi ("RMB"). The functional currency of the Group's entities incorporated in Cayman Islands, British Virgin Islands, Hong Kong ("HK"), Singapore and The United States of America is the United States dollars ("US\$"). The functional currency of the Group's entities incorporated in The Republic of Indonesia is the Indonesian rupiah ("IDR"). The functional currency of the Group's entities incorporated in Japan is the Japanese yen ("JPY"). The functional currency of the Group's entities incorporated in France is the Euro ("EUR"). The functional currency of the Group's entities incorporated in Australia is the Australian Dollar ("AUD"). The Group's PRC subsidiaries, consolidated VIEs and VIEs' subsidiaries determined their functional currency to be RMB. The determination of the respective functional currency is based on the criteria of ASC 830, *Foreign Currency Matters*.

Transactions denominated in currencies other than functional currency are translated into functional currency at the exchange rates quoted by authoritative banks prevailing at the dates of the transactions. Exchange gains and losses resulting from those foreign currency transactions denominated in a currency other than the functional currency are recorded as a component of others, net in the Consolidated Statements of Operations and Comprehensive Income/(Loss). Total exchange gains/(losses) were a loss of RMB56,992, a loss of RMB143,125 and a gain of RMB213,482 for the years ended December 31, 2015, 2016 and 2017, respectively.

The financial statements of the Group are translated from the functional currency into RMB. Assets and liabilities denominated in foreign currencies are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings generated in current period are translated into RMB at the appropriate historical rates. Revenues, expenses, gains and losses are translated into RMB using the periodic average exchange rates. The resulting foreign currency translation adjustments are recorded in accumulated other comprehensive income/(loss) as a component of shareholders' equity. Total foreign currency translation adjustments to the Group's other comprehensive income/(loss) were a gain of RMB954,787, a gain of RMB943,616 and a loss of RMB822,052 for the years ended December 31, 2015, 2016 and 2017, respectively.

g. Convenience translation

Translations of the Consolidated Balance Sheets, the Consolidated Statements of Operations and Comprehensive Income/(Loss) and the Consolidated Statements of Cash Flows from RMB into US\$ as of and for the year ended December 31, 2017 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.5063, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 29, 2017. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 31, 2017, or at any other rate.

h. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, money market fund investments, time deposits, as well as highly liquid investments, some of which are subject to certain penalty as to early withdrawal, which have original maturities of three months or less.

i. Restricted cash

Cash that is restricted as to withdrawal or for use or pledged as security is reported separately on the face of the Consolidated Balance Sheets, and is not included in the total cash and cash equivalents in the Consolidated Statements of Cash Flows. The Group's restricted cash mainly represents (a) security deposits held in designated bank accounts for issuance of bank acceptance and letter of guarantee; (b) time deposits that are pledged for short-term bank loans; (c) security deposits held in designated bank accounts related to prepaid cards issued to the customers.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share and per share data)

2. Summary of significant accounting policies (Continued)

j. Short-term investments

Short-term investments include wealth management products, which are certain deposits with variable interest rates or principal not-guaranteed with certain financial institutions. The Group classifies the wealth management products as “available-for-sale” securities. These investments are recorded at fair market value with the unrealized gains or losses recorded in accumulated other comprehensive income/(loss) as a component of shareholders’ equity. Realized gains are reflected as a component of interest income.

In addition, short-term investments are also comprised of time deposits placed with banks with original maturities longer than three months but less than one year.

k. Accounts receivable, net

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

When the consumer financing services are provided to the qualified customers in the online direct sales business, such consumer financing receivables are recorded as accounts receivable. Due to the legacy contractual arrangements in relation to the consumer financing business, the Group remained as the legal owner of the consumer financing receivables, where JD Finance performs the related credit assessment.

JD Finance agreed to purchase the consumer financing receivables past due over certain agreed period of time from the Group at carrying values to absorb the risks, no allowance for doubtful accounts in relation to accounts receivable arising from the consumer financing business were provided. The Group periodically securitizes consumer financing receivables through the transfer of those assets to securitization vehicles, please refer to Note 2(v).

Other than the accounts receivable arising from the consumer financing business, the Group considers many factors in assessing the collectability of its accounts receivable, such as the age of the amounts due, the payment history, creditworthiness and financial conditions of the customers and industry trend, to determine the allowance percentage for the overdue balances by age. The Group adjusts the allowance percentage periodically when there are significant differences between estimated bad debts and actual bad debts. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. The Group also makes specific allowance if there is strong evidence indicating that the accounts receivable are likely to be unrecoverable. Accounts receivable balances are written off after all collection efforts have been exhausted.

The accounts receivable with the collection period over one year are classified into other non-current assets in the Consolidated Balance Sheets.

l. Inventories, net

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value. Cost of inventory is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. The Group takes ownership, risks and rewards of the products purchased, but has arrangements to return unsold goods with certain vendors. Write downs are recorded in cost of revenues in the Consolidated Statements of Operations and Comprehensive Income/(Loss).

The Group also provides fulfillment-related services in connection with the Group’s online marketplace. Third-party sellers maintain ownership of their inventories and therefore these products are not included in the Group’s inventories.

JD.com, Inc.
Notes to the Consolidated Financial Statements
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2. Summary of significant accounting policies (Continued)

m. Loan receivables, net

Loan receivables represent the consumer financing business made to qualified individual customers who are the end user in the online marketplace business. Due to the legacy contractual arrangements in relation to the consumer financing business, the Group remained as the legal owner of the consumer finance receivables, including such loan receivables, where JD Finance performs the related credit assessment. The loan periods extended by the Group to the individual customers mainly range from 1 month to 24 months. The loan receivables are measured at amortized cost and reported on the Consolidated Balance Sheets at outstanding principal adjusted for doubtful account. The accrued interests are also included in the loan receivable balance, which was immaterial. JD Finance agreed to purchase the receivables past due over certain agreed period of time from the Group at carrying values to absorb the risks, hence no provision for the doubtful account was recorded for the years ended December 31, 2016 and 2017. As of December 31, 2016 and 2017, the loan receivables with the collection period over one year with the amount of RMB173,930 and RMB243,624 were classified into other non-current assets in the Consolidated Balance Sheets. The Group periodically securitizes loan receivables arising from its consumer financing businesses through the transfer of those assets to securitization vehicles, please refer to Note 2(v).

n. Property, equipment and software, net

Property, equipment and software are stated at cost less accumulated depreciation and impairment. Property, equipment and software are depreciated at rates sufficient to write off their costs less impairment and residual value, if any, over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

Category	Estimated useful lives
Electronic equipment	3-4 years
Office equipment	5 years
Vehicles	5 years
Logistic and warehouse equipment	5 years
Leasehold improvement	Over the shorter of the expected life of leasehold improvements or the lease term
Software	3-5 years
Building	40 years
Building improvement	5-10 years

Repairs and maintenance costs are charged to expenses as incurred, whereas the costs of renewals and betterment that extend the useful lives of property, equipment and software are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the costs, accumulated depreciation and impairment with any resulting gain or loss recognized in the Consolidated Statements of Operations and Comprehensive Income/(Loss).

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2. Summary of significant accounting policies (Continued)

o. Construction in progress

Direct costs that are related to the construction of property, equipment and software and incurred in connection with bringing the assets to their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property, equipment and software items and the depreciation of these assets commences when the assets are ready for their intended use. As of December 31, 2016 and 2017, the balances of construction in progress were RMB1,992,123 and RMB3,196,516, which were primarily relating to the construction of office buildings and warehouses.

p. Land use rights, net

Land use rights are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives which are 34 to 70 years and represent the shorter of the estimated usage periods or the terms of the agreements.

q. Intangible assets, net

Intangible assets purchased from third parties are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives. The Group performs valuation of the intangible assets arising from business combination to determine the relative fair value to be assigned to each asset acquired. The acquired intangible assets are recognized and measured at fair value and are expensed or amortized using the straight-line approach over the estimated economic useful lives of the assets.

The estimated useful lives of intangible assets are as follows:

Category	Estimated useful lives
Strategic Cooperation	5 years
Non-compete	5-8 years
Technology	2-7 years
Domain names and trademarks	5-20 years
Others	2-10 years

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2. Summary of significant accounting policies (Continued)

r. Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired in a business combination.

Goodwill is not depreciated or amortized but is tested for impairment on an annual basis as of December 31, and in between annual tests when an event occurs or circumstances change that could indicate that the asset might be impaired. In accordance with the FASB guidance on “Testing of Goodwill for Impairment,” a company first has the option to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the company decides, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount of each reporting unit exceeds its fair value, an impairment loss equal to the difference between the implied fair value of the reporting unit’s goodwill and the carrying amount of goodwill will be recorded. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

s. Investment in equity investees

Investment in equity investees represents the Group’s investments in privately held companies and publicly traded companies. 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 323 “Investment—Equity Method and Joint Ventures”, 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.

For other equity investments that are not considered as debt securities or equity securities that have readily determinable fair values and over which the Group has neither significant influence nor control through investments in common stock or in-substance common stock, the cost method of accounting is used.

Under the equity method, the Group’s share of the post-acquisition profits or losses of the equity investees are recorded in share of results of equity investees in the Consolidated Statements of Operations and Comprehensive Income/(Loss) and its share of post-acquisition movements are recorded in accumulated other comprehensive income/(loss) as a component of shareholders’ equity. The Group records its share of the results of equity investments in publicly listed companies and certain privately held companies on a 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.

Under the cost method, the Group carries the investment at cost and recognizes income to the extent of dividends received from the distribution of the equity investee’s post-acquisition profits.

The Group continually reviews its investment in equity investees 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.

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2. Summary of significant accounting policies (Continued)

t. Investment securities

The Group invests in marketable equity securities to meet business objectives. These marketable securities are reported at fair value, classified and accounted for as available-for-sale securities in investment securities. The treatment of a decline in the fair value of an individual security is based on whether the decline is other-than-temporary. The Group assesses its available-for-sale securities for other-than-temporary impairment by considering factors including, but not limited to, its ability and intent to hold the individual security, severity of the impairment, expected duration of the impairment and forecasted recovery of fair value. Investments classified as available-for-sale securities are reported at fair value with unrealized gains or losses, if any, recorded in accumulated other comprehensive income/(loss) as a component of shareholders' equity. If the Group determines a decline in fair value is other-than-temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is accounted for as a realized loss charged in others, net in the Consolidated Statements of Operations and Comprehensive Income/(Loss). The fair value of the investment would not be adjusted for subsequent recoveries in fair value.

u. Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets.

v. Nonrecourse securitization debt and transfer of financial assets

The Group periodically securitizes accounts receivable and loan receivables arising from its consumer financing businesses through the transfer of those assets to securitization vehicles. The securitization vehicles then issue debt securities to third party investors and JD Finance, 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 810. The Company 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 Company 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 Company will not consolidate the securitization vehicles when no economic interests are retained by the Company, and the Company has no continuing involvements, including the servicer of the securitization vehicles. Transfers are accounted for as sale and corresponding transferred accounts receivables are de-recognized in the Consolidated Balance Sheets pursuant to 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 right to pledge or exchange the transferred assets, or the transferor have no continuing involvement with the transferred financial assets, and (iii) the transferor do 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.

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2. Summary of significant accounting policies (Continued)

v. Nonrecourse securitization debt and transfer of financial assets(Continued)

Due to the Company's continuing involvement right in securitization vehicles prior to October 2017, the Company cannot derecognize the existing receivables through the transfer the receivables to securitization vehicles. The proceeds from the financing type transactions are reported as current and non-current nonrecourse securitization debt in the Consolidated Balance Sheets based on their respective expected repayment dates pursuant to ASC 860. While the contractual maturities of the asset-backed debt securities are from 2018 to 2019, the securities are repaid as collections on the underlying collateralized assets occur. As of December 31, 2016 and 2017, the collateralized accounts receivable were RMB10,745,565 and RMB11,701,973, respectively, and the collateralized loan receivables were RMB2,756,762 and RMB4,512,764, respectively. The weighted average interest rate for the outstanding nonrecourse securitization debt as of December 31, 2016 and 2017 was approximately 4.49% and 5.33%, respectively. The interest expenses in relation to the nonrecourse securitization debt were charged back to JD Finance.

Beginning October 2017, the Company revised certain structural arrangements to relinquish its continuing involvement right when setting up the new securitization vehicles, then the Company derecognized RMB8,000,000 consumer credit receivables financial assets (including the accounts receivable of RMB5,693,223 and loan receivables of RMB2,306,777) of financial assets through the sales type arrangements, with the proceeds of RMB8,000,000 (2015 and 2016: Nil), where JD Finance acted as the servicer and purchased the subordinate tranche of the securitization vehicles. The gain/loss recorded upon the sale accounting was immaterial in 2017.

w. Unsecured senior notes

Unsecured senior notes are recognized initially at fair value, net of debt discounts or premiums and debt issuance costs. Debt discount or premium and debt issuance costs are recorded as a reduction of the principal amount and the related accretion is recorded as interest expense in the Consolidated Statements of Operations and Comprehensive Income/(Loss) over the maturities of the notes using the effective interest method.

x. Fair value

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The Group measures certain financial assets, including the investments under the cost method and equity method on other-than-temporary basis, intangible assets, goodwill and fixed assets at fair value when an impairment charge is recognized.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 — Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

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2. Summary of significant accounting policies (Continued)

y. Revenue

The Group through its websites mainly www.jd.com and mobile apps, engages primarily in the sale of electronics and home appliance products and general merchandise products (including audio, video products and books) sourced from manufacturers, distributors and publishers in China on the internet, and offers an online marketplace that enables third-party sellers to sell their products to consumers. The Group provides logistics services to third parties, including third-party sellers on its online marketplace and merchants that do not sell products on its online marketplace through the its logistics business. The Group also offered financial services to its suppliers, third party sellers and qualified individual customers, and the finance business was deconsolidated from the Group since June 30, 2017 as a result of the reorganization of JD Finance (Note 6). Customers place their orders for products or services online through the Group's websites. Payment for the purchased products or services is generally made either before delivery or upon delivery.

Consistent with the criteria of ASC 605, *Revenue Recognition*, the Group recognizes revenues when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured.

In accordance with ASC 605, *Revenue Recognition*, 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 primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, revenues should be recorded on a gross basis. When the Group is not the primary obligor, doesn't bear the inventory risk and doesn't have the ability to establish the price, revenues are recorded on a net basis.

Revenue arrangements with multiple deliverables are divided into separate units of accounting and arrangement considerations are allocated using estimated selling prices if the Group does not have vendor-specific objective evidence or third-party evidence of the selling prices of the deliverables.

The Group recognizes revenue net of discounts and return allowances when the products are delivered and title passes to customers. Return allowances, which reduce net revenues, are estimated based on historical experiences.

The Group also sells prepaid cards which can be redeemed to purchase products sold on the website www.jd.com. The cash collected from the sales of prepaid cards is initially recorded in advance from customers in the Consolidated Balance Sheets and subsequently recognized as revenues upon the sales of the respective products through redemption of prepaid cards are completed.

Revenue is recorded net of value-added taxes, business taxes and related surcharges.

Net Product Revenues (formerly known as Online Direct Sales)

The Group primarily sells electronics and home appliance products and general merchandise products through online direct sales. The Group recognizes the product revenues from the online direct sales on a gross basis as the Group is primarily obligated in these transactions, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has met several but not all of these indicators. Revenues from the sales of electronics and home appliance products were RMB134,519,246, RMB179,821,655 and RMB236,268,621, and revenues from the sales of general merchandise products were RMB33,416,774, RMB58,121,977 and RMB95,555,789, for the years ended December 31, 2015, 2016 and 2017, respectively.

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2. Summary of significant accounting policies (Continued)

y. Revenue (Continued)

Net Service Revenues (formerly known as Services and Others)

The service revenues primarily consist of commission fees charged to third-party sellers for participating in the Group's online marketplace, where the Group generally is not the primary obligor, does not bear the inventory risk, does not have the ability to establish the price or control the related shipping services when utilized by the online marketplace merchants. Upon successful sales at www.jd.com, the Group will charge the third-party sellers 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 allowance.

The Group also provides online marketing services to merchants and suppliers on its various website channels and third party marketing affiliate's websites, including but not limited to advertising placements such as banners, links, logos and buttons, and pay for performance marketing services on which merchants and suppliers are charged based on effective click on their products or service listings. The Group recognizes revenues from advertising placements 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, and recognizes revenues from pay for performance marketing services based on effective clicks. Advertising arrangements involving multiple deliverables are allocated into single-element arrangements based on their relative selling price in the absence of both vendor specific objective evidence and third party evidence, and the related revenue is recognized over the period during which the element is provided. Significant assumptions and estimates have been made in estimating the relative selling price of each single-element, and changes in judgments on these assumptions and estimates could materially impact the timing of advertising revenue recognition. The Group did not enter into material advertising-for-advertising barter transactions.

The Group opened its fulfillment infrastructure by offering comprehensive supply chain solutions to third-party sellers on its online marketplace and business customers that do not sell products on its online marketplace through JD Logistics, including transportation, delivery, warehousing. Revenues resulting from these services are recognized when services are performed, such as when goods are arrived at designated place, packages are delivered to the recipients, or based on the storage space and time.

The Group offered consumer financing to individual customers and supply chain financing to suppliers and merchants on the Group's online marketplace through JD Finance. Revenues resulting from these financing services are recognized in accordance with the contractual terms, and were reflected in discontinued operation results as JD Finance was deconsolidated from the Group since June 30, 2017 as a result of the reorganization of JD Finance (Note 6).

The Group offers comprehensive customer services, primarily include 7*24 hours customer service to respond to customer post-sales requests, return and exchange service to facilitate customer's return, exchange and repair of defective goods. These services are free of charge. The Group also provides return/exchange logistic service to the customers, of which the revenues recognized was not material for the periods presented.

z. 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 their 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 right to purchase discounted products in the future is not considered an element of an arrangement within the scope of the multiple-element arrangements guidance in ASC 605, as the right does not represent a significant and incremental discount 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 revenue on the future purchase.

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2. Summary of significant accounting policies (Continued)

z. Customer incentives and loyalty programs (Continued)

- J Coupons are given to a customer upon their qualified purchase or can be given for free to promote future purchases and is 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 an element of an arrangement within the scope of ASC 605-25, as the J Coupons represent a significant and incremental discount to the customer. Therefore, the delivered products and the J Coupons awarded are treated as separate unit of accounting. The selling price of the J Coupons awarded is generally determined by management's best estimate of the selling price in the absence of both vendor specific objective evidence and third party evidence. The amount allocated to the J Coupons is deferred and recognized when the J Coupons are redeemed or at the coupon's expiration, whichever occurs first. J Coupons have an expiration of one year after issuance. For the years ended December 31, 2015, 2016 and 2017, the amount of expired J Coupons was not material.

Registered customers may also earn J Beans, which was launched in October 2013 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, and such arrangements are considered to have multiple elements. Therefore, the sales consideration is allocated to the products and J Beans based on the relative selling price of the products and J Beans awarded. Consideration allocated to the J Beans is initially recorded as deferred revenues, and recognized as revenues when the D Coupons for which the J Beans are redeemed, or when J Beans are used or expired. J Beans will expire at the subsequent year end after issuance. For the years ended December 31, 2015, 2016 and 2017, the amount of expired J Beans was not material.

aa. Cost of revenues

Cost of revenues consists primarily of purchase price of products, inbound shipping charges, write-downs of inventory, 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 the inventories, and recognized as cost of revenues upon sale of the products to the customers.

bb. Rebates and subsidies

The Group periodically receives considerations from certain vendors, representing rebates for products sold and subsidies for the sales of the vendors' products over a period of time. The rebates are not sufficiently separable from the Group's purchase of the vendors' products and they do not represent a reimbursement of costs incurred by the Group to sell vendors' products. The Group accounts for the rebates received from its vendors as a reduction to the prices it pays for the products purchased and therefore the Group records such amounts as a reduction of cost of revenues when recognized in the Consolidated Statements of Operations and Comprehensive Income/(Loss). Rebates are earned upon reaching minimum purchase thresholds for a specified period. When volume rebates can be reasonably estimated based on the Group's past experiences and current forecasts, a portion of the rebates is recognized as the Group makes progress towards the purchase threshold. Subsidies are calculated based on the volume of products sold through the Group and are recorded as a reduction of cost of revenues when the sales have been completed and the amount is determinable.

cc. Fulfillment

Fulfillment costs represent packaging material costs and those costs incurred in outbound shipping, operating and staffing the Group's fulfillment and customer service centers, including costs attributable to buying, receiving, inspecting and warehousing inventories; picking, packaging and preparing customer orders for shipment; processing payment and related transaction costs and responding to inquiries from customers. Fulfillment costs also contain third party transaction fees, such as credit card processing and debit card processing fees. The cost related to logistics services provided to third parties are classified in cost of revenues in the Consolidated Statements of Operations and Comprehensive Income/(Loss). Shipping cost included in fulfillment costs amounted to RMB5,866,294, RMB9,329,269 and RMB12,691,013 for the years ended December 31, 2015, 2016 and 2017, respectively.

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2. Summary of significant accounting policies (Continued)

dd. Marketing

Marketing expenses consist primarily of advertising costs, public relations expenditures, and payroll and related expenses for employees involved in marketing and business development activities. The Group pays commissions to participants in the associates program when their customer referrals result in successful product sales and records such costs in marketing in the Consolidated Statements of Operations and Comprehensive Income/(Loss). The Group also participates in cooperative advertising arrangements with certain of the Group's vendors and third-party sellers.

Advertising costs, which consist primarily of online advertising, offline television, movie and outdoor advertising, are expensed as incurred, and totaled RMB5,282,375, RMB7,789,906 and RMB12,375,922 for the years ended December 31, 2015, 2016 and 2017, respectively.

ee. Technology and content

Technology and content expenses consist primarily of technology infrastructure expenses and payroll and related expenses for employees involved in platform development, category expansion, editorial content, buying and merchandising selection systems support, as well as costs associated with the computing, storage and telecommunications infrastructure for internal use that support the Group's web services. Technology and content expenses are expensed as incurred. Software development costs are recorded in "Technology and content" as incurred as the costs qualifying for capitalization have been insignificant.

ff. General and administrative

General and administrative expenses consist of payroll and related expenses for employees involved in general corporate functions, including accounting, finance, tax, legal and human relations; costs associated with use by these functions of facilities and equipment, such as depreciation expenses, rental and other general corporate related expenses.

gg. Share-based compensation

The Company grants non-vested ordinary shares, restricted share units ("RSUs") and share options of the Company or its subsidiaries to eligible employees, non-employee consultants and accounts for these share-based awards in accordance with ASC 718 *Compensation — Stock Compensation* and ASC 505-50 *Equity-Based Payments to Non-Employees*.

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.

Non-employees' share-based awards are measured at fair value at the earlier of the commitment date or the date the services are completed. Awards granted to non-employees are re-measured at each reporting date using the fair value as at each period end until the measurement date, generally when the services are completed and awards are vested. Changes in fair value between the reporting dates are recognized by graded vesting method.

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2. Summary of significant accounting policies (Continued)

gg. Share-based compensation(Continued)

Prior to the Company's initial public offering, the fair value of the non-vested ordinary shares and RSUs were assessed using the income approach/discounted cash flow method, with a discount for lack of marketability given that the shares underlying the awards were not publicly traded at the time of grant. This assessment required complex and subjective judgments regarding the Company's projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants were made. In addition, the binomial option-pricing model is used to measure the value of share options. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee and nonemployee share option exercise behavior, risk-free interest rates and expected dividend yield. Binomial option-pricing model incorporates the assumptions about grantees' future exercise patterns. The fair value of these awards was determined with the assistance from an independent valuation firm using management's estimates and assumptions.

After the Company's initial public offering, in determining the fair value of the RSUs granted, the closing market price of the underlying shares on the last trading date prior to the grant dates is applied. In determining the fair value of the RSUs granted on May 22, 2014, the date when the Group's ADSs first commenced trading on Nasdaq Global Select Stock Market ("Nasdaq"), the per share equivalent of the Company's initial public offering price is applied.

The assumptions used in share-based compensation expense recognition represent management's best estimates, but these estimates involve inherent uncertainties and application of management judgment. If factors change or different assumptions are used, the share-based compensation expenses could be materially different for any period. Moreover, the estimates of fair value of the awards are not intended to predict actual future events or the value that ultimately will be realized by grantees who receive share-based awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company for accounting purposes.

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

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2. Summary of significant accounting policies (Continued)

hh. Income tax

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

The Group recognizes in its consolidated financial statements the benefit of a tax position if the tax position is “more likely than not” to prevail based on the facts and technical merits of the position. Tax positions that meet the “more likely than not” recognition threshold are measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. The Group estimates its liability for unrecognized tax benefits which are periodically assessed and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in some cases, appeal or litigation process. The actual benefits ultimately realized may differ from the Group’s estimates. As each audit is concluded, adjustments, if any, are recorded in the Group’s consolidated financial statements in the period in which the audit is concluded. Additionally, in future periods, changes in facts, circumstances and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. As of December 31, 2015, 2016 and 2017, the Group did not have any significant unrecognized uncertain tax positions.

ii. Leases

Each lease is classified at the inception date as either a capital lease or an operating lease. For the lessee, a lease is a capital lease if any of the following conditions exist: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property’s estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases. Payments made under operating lease are charged to the Consolidated Statements of Operations and Comprehensive Income/(Loss) on a straight-line basis over the terms of underlying lease. The Group has no capital leases for any of the periods presented.

jj. Comprehensive income/(loss)

Comprehensive income/(loss) is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments from shareholders and distributions to shareholders. Comprehensive income/(loss) for the periods presented includes net loss, changes in unrealized gains/(losses) on available for sales securities, foreign currency translation adjustments, and share of change in other comprehensive income/(loss) of equity investments.

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2. Summary of significant accounting policies (Continued)

kk. Net income/(loss) per share

Basic net income/(loss) per share is computed by dividing net income/(loss) attributable to holders of ordinary shares, considering the net income attributable to mezzanine classified non-controlling interests shareholders, by the weighted average number of ordinary shares outstanding during the period. Diluted net income/(loss) per share is calculated by dividing net income/(loss) attributable to ordinary shareholders, as adjusted for the allocation of net income related to the mezzanine classified non-controlling interests shareholders, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of unvested restricted shares, restricted share units and ordinary shares issuable upon the exercise of outstanding share options using the treasury stock method. Ordinary equivalent shares are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive.

ll. 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 historically had only one single reportable segment because the CODM formerly relied on the consolidated results of operations when making decisions about allocating resources and assessing performance of the Group. With the development of the new business initiatives, the CODM started to separately evaluate performance and allocate resources by different business segments, thus the Group changed its reportable segments in 2016. The Group’s principal operations are currently organized into two major business segments, the JD Mall segment and the New businesses segment, which are defined based on the products and services provided. JD Mall represents core e-commerce business. New businesses include O2O (deconsolidated since its merger with Dada Nexus on April 26, 2016), insurance, technology initiatives, overseas business as well as logistics services provided to third parties. New businesses also include the business of Paipai.com for the year ended December 31, 2015. JD Finance was previously included in New businesses, which was deconsolidated from the Group since June 30, 2017 as a result of the reorganization of JD Finance (Note 6), accordingly, the Group updated the presentation of segment information for prior years to conform to the current year’s presentation in accordance with ASC 280 *Segment Reporting*.

mm. Statutory reserves

The Company’s subsidiaries, consolidated VIEs and VIEs’ subsidiaries established in the PRC are required to make appropriations to certain non-distributable reserve funds.

In accordance with the laws applicable to the Foreign Investment Enterprises established in the PRC, the Group’s subsidiaries registered as wholly-owned foreign enterprise have to make appropriations from their after-tax profits (as determined under generally accepted accounting principles in the PRC (“PRC GAAP”)) to reserve funds including general reserve fund, enterprise expansion fund and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the company. Appropriations to the enterprise expansion fund and staff bonus and welfare fund are made at the respective company’s discretion.

In addition, in accordance with the PRC Company Laws, the Group’s consolidated VIEs and VIEs’ subsidiaries, registered as Chinese domestic companies, must make appropriations from their after-tax profits as determined under the PRC GAAP to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

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2. Summary of significant accounting policies (Continued)

mm. Statutory reserves (Continued)

The use of the general reserve fund, enterprise expansion fund, statutory surplus fund and discretionary surplus fund are restricted to the offsetting of losses or increasing of the registered capital of the respective company. The staff bonus and welfare fund is a liability in nature and is restricted to fund payments of special bonus to employees and for the collective welfare of employees. None of these reserves are allowed to be transferred to the company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

For the years ended December 31, 2015, 2016 and 2017, profit appropriation to statutory surplus fund for the Group's entities incorporated in the PRC was approximately RMB40,551, RMB77,378 and RMB503,028 respectively. No appropriation to other reserve funds was made for any of the periods presented.

nn. Recent accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)", and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB deferred the effective date of the revenue recognition guidance to reporting periods beginning after December 15, 2017. Early adoption is permitted for reporting periods beginning after December 15, 2016. The Group adopted the new revenue standard beginning January 1, 2018 using the modified retrospective transition method that increased retained earnings by approximately RMB0.3 billion rather than retrospectively adjusting prior periods. The Group began to recognize revenue from estimated unredeemed prepaid cards over the expected customer redemption period, rather than waiting until prepaid cards expire or when the likelihood of redemption becomes remote.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities", which amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments. The ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted only for certain provisions. The Group would apply this update by a cumulative-effect adjustment to the retained earnings as of the beginning of the fiscal year of adoption. After the adoption of this new accounting update in the first quarter of 2018, the Company will measure long-term investments other than equity method investments at fair value through earnings, which could vary significantly quarter to quarter. For those investments without readily determinable fair values, the Company will elect to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Changes in the basis of these investments will be reported in current earnings. The Group adopted this ASU beginning January 1, 2018 and RMB1.2 billion of accumulated other comprehensive income for our available-for-sale equity securities that existed as of December 31, 2017 was reclassified into retained earnings upon the adoption.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which introduces a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The ASU will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Group is in the process of implementing changes to its systems and processes in conjunction with the review of existing lease agreements. The Group is currently evaluating the impact, and expects this ASU will have a material impact on the consolidated financial statements, primarily to the consolidated balance sheets and related disclosures.

In March 2016, the FASB issued ASU 2016-09, "Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting", which relates to the accounting for employee share-based payments. This standard addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows; (d) accounting for forfeitures of share-based payments. The ASU will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Group adopted this ASU beginning January 1, 2017 with no material impact on its consolidated financial statements.

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2. Summary of significant accounting policies (Continued)

nn. Recent accounting pronouncements (Continued)

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments-Credit Losses (Topic 326)”, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Group is currently evaluating the impact that the standard will have on its consolidated financial statements.

In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-15, Statement of Cash Flows — Classification of Certain Cash Receipts and Cash Payments, which clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Group does not expect the standard to have a material impact on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, “Statement of cash flows (Topic 230): restricted cash”, which requires entities to include restricted cash and restricted cash equivalents in the cash and cash equivalent balances in the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Group adopted this ASU beginning January 1, 2018. As of December 31, 2016 and 2017, the balances of restricted cash were RMB2,293,640 and RMB4,110,210, respectively.

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 is currently evaluating the impact of adopting this standard on its consolidated financial statements.

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2. Summary of significant accounting policies (Continued)

nn. Recent accounting pronouncements (Continued)

In February 2017, the FASB issued ASU 2017-05, “Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets”, which clarifies that ASC 610-20 applies to the derecognition of nonfinancial assets and in substance nonfinancial assets unless other specific guidance applies. As a result, it will not apply to the derecognition of businesses, nonprofit activities, or financial assets (including equity method investments), or to revenue transactions (contracts with customers). The new guidance also clarifies that an in substance nonfinancial asset is an asset or group of assets for which substantially all of the fair value consists of nonfinancial assets and the group or subsidiary is not a business. The new guidance will also impact the accounting for partial sales of nonfinancial assets (including in substance real estate). When an entity transfers its controlling interest in a nonfinancial asset, but retains a non-controlling ownership interest, the entity will measure the retained interest at fair value. This is similar to the guidance on the sale of controlling interests in businesses. This will result in full gain/loss recognition upon the sale of a controlling interest in a nonfinancial asset. Current guidance generally prohibits gain recognition on the retained interest. The ASU will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Public entities may apply the guidance earlier but only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Group does not expect the adoption to have a material impact on its consolidated financial statements. The Group adopted this ASU beginning January 1, 2018.

In May 2017, the FASB issued ASU 2017-09, “Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting”, which amends the scope of modification accounting for share-based payment arrangements, provides guidance on the types of changes to the terms or conditions of share-based payment awards to which the Group would be required to apply modification accounting under ASC 718. The ASU is effective for annual reporting periods beginning after December 15, 2017 with early adoption permitted. The Group adopted this ASU beginning January 1, 2018. The Group does not expect the adoption to have a material impact on its consolidated financial statements.

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3. Concentration and risks

Concentration of customers and suppliers

There are no customers or suppliers from whom revenues or purchases individually represent greater than 10% of the total revenues or the total purchases of the Group for the years ended December 31, 2015, 2016 and 2017.

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, 2016 and 2017, all 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 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 PRC 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 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 process of outstanding balances.

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 RMB9,944,039 and RMB27,566,040 as of December 31, 2016 and 2017, 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 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\$, and the RMB appreciated more than 20% against the US\$ over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the US\$ remained within a narrow band. 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 7.2% in 2016. The appreciation of the RMB against the US\$ was approximately 6.3% in 2017. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US\$ in the future.

4. Restricted cash and restricted time deposit

To meet the requirements of specific business operations, primarily including secured deposits held in designated bank accounts for issuance of bank acceptance and for prepaid cards, the Group held restricted cash of RMB2,293,640 and RMB4,110,210 as of December 31, 2016 and 2017, respectively. Changes in the restricted cash balances associated with the bank acceptance are classified as cash flows from operating activities in the Consolidated Statements of Cash Flows as the Group considers restricted cash arising from these activities directly related to the Group's ordinary business operations. Changes in the restricted cash balances associated with prepaid cards are classified as cash flow from investing activities in the Consolidated Statements of Cash Flows as the Group considers restricted cash arising from these activities similar to an investment.

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5. Fair value measurement

As of December 31, 2016 and 2017, information about inputs into the fair value measurement of the Group's assets and liabilities that are measured or disclosed at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

Description	Fair value as of December 31, 2016 RMB	Fair value measurement at reporting date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1) RMB	Significant Other Observable Inputs (Level 2) RMB	Significant Unobservable Inputs (Level 3) RMB
Assets:				
Cash equivalents				
Time deposits	4,472,900	—	4,472,900	—
Restricted cash	2,293,640	—	2,293,640	—
Short-term investments				
Time deposits	3,512,000	—	3,512,000	—
Wealth management products	3,036,001	—	3,036,001	—
Investment securities				
Listed equity securities	1,059,632	1,059,632	—	—
Total assets	14,374,173	1,059,632	13,314,541	—
Liabilities:				
Unsecured senior notes	(6,750,950)	—	(6,750,950)	—

Description	Fair value as of December 31, 2017 RMB	Fair value measurement at reporting date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1) RMB	Significant Other Observable Inputs (Level 2) RMB	Significant Unobservable Inputs (Level 3) RMB
Assets:				
Cash equivalents				
Time deposits	5,076,650	—	5,076,650	—
Money market funds	1,372,182	1,372,182	—	—
Restricted cash	4,110,210	—	4,110,210	—
Short-term investments				
Time deposits	5,098	—	5,098	—
Wealth management products	8,582,754	—	8,582,754	—
Investment securities				
Listed equity securities	10,027,813	10,027,813	—	—
Total assets	29,174,707	11,399,995	17,774,712	—
Liabilities:				
Unsecured senior notes	(6,527,960)	—	(6,527,960)	—

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. Following is a description of the valuation techniques that the Group uses to measure the fair value of assets that the Group reports in its Consolidated Balance Sheets at fair value on a recurring basis.

Cash equivalents

Time deposits. The Group values its time deposits held in certain bank accounts using quoted prices for securities with similar characteristics and other observable inputs, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 2.

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.

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5. Fair value measurement (Continued)

Restricted cash

Restricted cash are valued based on the pervasive interest rate in the market, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 2.

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, 2016 and 2017, gross unrealized gains of RMB18,001 and RMB23,755 were recorded on wealth management products, respectively. No impairment charges were recorded for the years ended December 31, 2015, 2016 and 2017, 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. The following table summarizes the carrying value and fair value of the investment securities which are accounted for as available-for-sale securities:

	<u>Cost Basis</u> RMB	<u>Gross Unrealized Gains</u> RMB	<u>Gross Unrealized Losses</u> RMB	<u>Provision for decline in value</u> RMB	<u>Fair Value</u> RMB
December 31, 2016	1,181,710	116,434	(37,551)	(200,961)	1,059,632
December 31, 2017	9,087,935	1,476,834	(513,047)	(23,909)	10,027,813

In 2016, the Group invested in Bluefocus Communication Group Co., Ltd. (“BlueFocus”) by subscription of its newly issued ordinary shares, representing approximately 0.8% of the outstanding ordinary shares of BlueFocus. Total cash consideration for the investment in BlueFocus was RMB200,000.

In 2015, the Group invested in LexinFintech Holdings Ltd. (“Lexin”, formerly known as Staging Finance Holding Ltd.) with the total consideration of USD33,000 (RMB218,018 as of December 20, 2017). On December 20, 2017, Lexin completed its initial public offering on Nasdaq. Concurrently during Lexin’s IPO, the Company purchased additional shares with a total amount of RMB29,730. As of December 31, 2017, the fair value of the Group’s investment in Lexin was approximately RMB1,357,229, with unrealized gain of RMB1,109,481.

In 2017, the Company invested in China United Network Communications Limited (“China Unicom”) with a total consideration of RMB5,000,000, and held approximately 2.4% of China Unicom’s equity interest. The investment to China Unicom is accounted for as available-for-sale equity securities. As of December 31, 2017, the unrealized loss related to the investment in China Unicom was RMB366,032.

In 2017, the Company also invested in Vipshop Holdings Ltd. (“Vipshop”) with a total consideration of RMB2,794,547 and held approximately 5.5% of Vipshop’s equity interest. The investment in Vipshop is accounted for as available-for-sale equity securities. As of December 31, 2017, the unrealized loss related to the investment in Vipshop was RMB37,064.

The Group reviews its available-for-sale securities investments regularly to determine if an investment is other-than-temporarily impaired due to changes in quoted market price or other impairment indicators. Impairment charges of RMB200,961 and RMB23,909 were recorded for the years ended December 31, 2016 and 2017, respectively.

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5. Fair value measurement (Continued)

Unsecured senior notes

The carrying amounts of unsecured senior notes approximate their fair values due to the fact that the related interest rates approximate rates currently offered by financial institutions for similar debt instruments of comparable maturities. The fair value of unsecured senior notes was categorized as Level 2 in the fair value hierarchy.

Other financial instruments

The followings are other financial instruments not measured at fair value in the Consolidated Balance Sheets, but for which the fair value is estimated for disclosure purposes.

Short-term receivables and payables. Accounts receivable, loan receivables and prepayments and other current assets are financial assets with carrying values that approximate 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 fair value due to their short-term nature.

Short-term borrowings. Interest rates under the borrowing agreements with the lending parties were determined based on the prevailing interest rates in the market. The carrying value of short-term borrowing approximates to fair value. The Group classifies the valuation techniques that use these inputs as Level 2 fair value measurement.

Nonrecourse securitization debt. The carrying amounts of nonrecourse securitization debt approximate its fair values due to the fact that the related interest rates approximate rates currently offered by financial institutions for similar debt instruments of comparable maturities. The Group classifies the valuation techniques that use these inputs as Level 2 fair value measurement.

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 fair value measurement due to the significance of unobservable inputs using company-specific information. The valuation methodology used to estimate the fair value of goodwill is discussed in Note 8 —“Business Combination”.

Investment in equity investees. Investments in privately held companies and publicly traded companies included within investment in equity investees in the Consolidated Balance Sheets are reviewed periodically for impairment using fair value measurement. The primary factors that the Group considers include the duration and severity that the fair value of the investment is below its carrying value; post-balance sheet date fair value of the investment; the financial condition, operating performance, strategic collaboration with and the prospects of the investee; the economic or technological environment in which the investee operates; and other entity specific information such as recent financing rounds completed by the investee companies. The investments in privately held companies were measured using significant unobservable inputs (Level 3) as of December 31, 2015, 2016 and 2017, with impairment charges of RMB285,051, RMB341,984 and RMB59,987 were recorded in others, net in the Consolidated Statements of Operations and Comprehensive Income/(Loss) for the years ended December 31, 2015, 2016 and 2017, respectively. The valuation methodology used to estimate the fair value of investments in publicly traded companies and associated impairment charges are discussed in Note 7 —“Investment in equity investees”.

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6. JD Finance reorganization

In the first half of 2017, the Group entered into a series of definitive agreements relating to the reorganization of JD Finance. Pursuant to the definitive agreements, the Group disposed of all its equity stake of 68.6% in JD Finance so that it holds neither legal ownership nor effective control of JD Finance, received RMB14.3 billion in cash and is entitled to a royalty and software technical services fee of 40% of the future pre-tax profit of JD Finance when JD Finance 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 Finance into 40% of JD Finance's equity interest, subject to applicable regulatory approvals. Mr. Richard Qiangdong Liu, the Group's Chairman of the Board and Chief Executive Officer, also participated in the reorganization of JD Finance, and purchased an equity stake of JD Finance at the same price as third-party investors and pursuant to the same set of definitive agreements. Mr. Richard Qiangdong Liu also obtained majority voting rights in JD Finance through his equity stake and act-in-concert arrangement with other investors and ESOP participants. The transaction was completed by June 30, 2017 and all of the cash consideration was received in 2017.

Because the Group is entitled to a royalty and software technical services fee of 40% of the future pre-tax profit of JD Finance when JD Finance has a positive pre-tax income on a cumulative basis, and therefore the Group is considered to have a variable interest in JD Finance even though the Group has no equity interest in JD Finance. As the Group shares a large portion of JD Finance's expected residual returns, it limits the right of holders of the equity investment at risk to receive JD Finance's expected residual returns, hence, JD Finance is a VIE.

Mr. Richard Qiangdong Liu holds a minority equity stake in JD Finance, and obtains majority voting rights in JD Finance through his equity stake and voting arrangements, possesses the power to direct the activities of JD Finance that would most significantly impact its economic performance, and also exposes to benefits and losses of JD Finance. As a result, JD Finance is an unconsolidated VIE of the Group as the Group is not considered the primary beneficiary of JD Finance.

Hence upon the completion of the transaction on June 30, 2017, JD Finance was deconsolidated from the Group as a result of the reorganization. The Group and JD Finance are both controlled by Mr. Richard Qiangdong Liu before and after the transaction, so the disposal of JD Finance was achieved through an under the common control transaction, accordingly, the gain of RMB14,193,481 from the disposal of JD Finance was recorded in equity account as additional paid-in capital. The gain represented the excess of cash consideration, net of taxes, over the net carrying value of the disposed equity stake in JD Finance.

The disposal of JD Finance has met the discontinued operation criteria. However, given the facts that the disposal is achieved through an under common control transaction, and therefore the held-for-sale and discontinued operation presentation can only be adopted upon the disposal date, which is June 30, 2017.

The Group has classified the historical financial results of JD Finance as discontinued operations in the Group's Consolidated Statements of Operations and Comprehensive Income/(Loss) for all periods presented prior to July 1, 2017. Additionally, the related assets and liabilities associated with discontinued operations in the prior year consolidated balance sheets were classified as assets/liabilities held for sale to provide the comparable financial information.

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6. JD Finance reorganization (Continued)

The following tables set forth the assets, liabilities, redeemable non-controlling interests, results of operations and cash flows of discontinued operations, which were included in the Group's consolidated financial statements:

	As of December 31, 2016
	RMB
ASSETS	
Current assets	
Cash and cash equivalents	4,204,659
Restricted cash	2,098,315
Accounts receivable, net	1,323,401
Advance to suppliers	1,166,619
Loan receivables, net	8,681,592
Other investments (*)	10,766,920
Other current assets	1,577,213
Elimination adjustments (**)	(7,664,225)
Total current assets held for sale	22,154,494
Non-current assets	
Other investments (*)	6,997,425
Other non-current assets	2,231,186
Elimination adjustments (**)	(1,896,200)
Total non-current assets held for sale	7,332,411
Total assets held for sale	29,486,905
Current liabilities	
Short-term borrowings	6,455,031
Nonrecourse securitization debt	158,112
Other current liabilities	17,144,259
Total current liabilities held for sale	23,757,402
Non-current liabilities	
Nonrecourse securitization debt	1,759,238
Other non-current liabilities	52,374
Total non-current liabilities held for sale	1,811,612
Total liabilities held for sale	25,569,014
Redeemable non-controlling interests held for sale	7,056,921

(*) Other investments represent various financial products with variable interest rates or principal non-guaranteed purchased by JD Finance from financial institutions, which are referred to as the issuers, such as commercial banks, insurance companies and trust companies. The underlying assets of the financial products mainly include debt securities, equity securities and loan receivables, and the interest generated from the financial products depends on the performance of the underlying assets. The issuers of these products generally attempt to maintain a relatively fixed "expected" interest rate throughout the terms of such structured products. The financial products are used by JD Finance as underlying assets in designing new financial products that it will in turn offer to third-party investors. These redesigned financial products to be resold to third-party investors have relatively lower yield rates such that JD Finance will earn yield differentials.

(**) The intra-group transactions should be eliminated in full as normal. As the Group will continue provide the financial support to JD Finance, therefore, the elimination entries were recorded in discontinued operations/held for sales assets/liabilities.

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6. JD Finance reorganization (Continued)

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 ^(***) RMB
Net revenues	233,125	1,831,698	2,392,903
Operating expenses	(1,346,212)	(2,724,942)	(2,067,622)
Income/(Loss) from operations of discontinued operations	(1,113,087)	(893,244)	325,281
Other expenses	(262,709)	(459,079)	(316,245)
Income/(Loss) from discontinued operations before tax	(1,375,796)	(1,352,323)	9,036
Income tax expenses	(384)	(13,109)	(2,121)
Net income/(loss) from discontinued operations, net of tax	(1,376,180)	(1,365,432)	6,915
Net loss from discontinued operations attributable to non-controlling interests shareholders	—	(3,743)	(5,030)
Net income from discontinued operations attributable to mezzanine classified non-controlling interests shareholders	—	444,657	281,021
Net loss from discontinued operations attributable to ordinary shareholders	(1,376,180)	(1,806,346)	(269,076)

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 ^(***) RMB
Net cash used in discontinued operating activities	(1,341,346)	(1,226,526)	(2,485,741)
Net cash provided by/(used in) discontinued investing activities	2,018,461	(30,510,335)	(15,772,856)
Net cash provided by discontinued financing activities	865,542	32,050,146	14,054,620

(***) Included financial results of discontinued operations from January 1, 2017 to June 30, 2017.

There were no profit sharing payments recognized in the Group's consolidated financial statements after the JD Finance reorganization as JD Finance was in a loss position on a cumulative basis.

According to the JD Finance reorganization arrangements, upon certain redemption events of JD Finance, and on the premise that JD Finance is the first obligator, the Group and Suqian Dongtai Jinrong Investment Management Center, an entity controlled by Mr. Richard Qiangdong Liu, further has the obligation to make up the remaining gap (if any) of the redemption price to the shareholders of JD Finance when all other means are exhausted, and such amount the Group needs to pay will be capped by the proceeds from the sale of the Group's shares of JD Finance if the Group becomes a shareholder of JD Finance or the liquidity payment the Group would receive upon the liquidity events. As the Group and JD Finance are under common control of Mr. Richard Qiangdong Liu, the Group is therefore exempted from recording a guarantee liability in its consolidated financial statements. Based on the Group's assessment, the chance to settle the guarantee obligation by the Group is remote as of December 31, 2017.

As disclosed above, the Group's exposure to pay the redemption price is limited to the proceeds from the sales of the Group's shares of JD Finance or the liquidity event payment the Group received upon the certain liquidity events. And the Group's maximum exposure to loss as a result of its involvement with JD Finance relates to net amounts due from JD Finance were RMB9,560,426 and RMB12,076,035 as of December 31, 2016 and 2017, respectively (Note 28).

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7. Investment in equity investees

Cost method

As of December 31, 2016 and 2017, the carrying values of the Group’s cost method investments were RMB5,138,973 and RMB9,750,726, respectively. Investments were accounted for under the cost method if the Group had no significant influence over the investee or if the underlying shares the Group invested in were not considered in-substance common stock and had no readily determinable fair value. For the years ended December 31, 2016 and 2017, the Group invested RMB2,210,552 and RMB6,217,682 in multiple private companies accounted for under cost method respectively, which may have operational synergy with the Group’s core business. During the year ended December 31, 2017, investment consideration for the top two investees were RMB2,688,954 and RMB1,029,608, respectively.

Equity method

As of December 31, 2017, the Group’s investments accounted for under the equity method totaled RMB8,800,593 (as of December 31, 2016: RMB9,489,813), which mainly included the investment in Yonghui Superstores Co., Ltd. (“Yonghui”) amounting to RMB4,245,001, the investment in Bitauto Holdings Limited (“Bitauto”) amounting to RMB2,128,409, the investment in Dada Nexus Limited (“Dada”) amounting to RMB139,147, the investment in Tuniu Corporation (“Tuniu”) amounting to RMB947,500 and investment in Yixin Group Limited (“Yixin”) amounting to RMB860,992. The Group applies the equity method of accounting to account for its equity investments, in common stock or in-substance common stock, over which it has significant influence but does not own a majority equity interest or otherwise control.

Investment in Yonghui

On August 11, 2016, the Group completed the investment in Yonghui through the subscription of newly issued ordinary shares representing 10% equity interest in Yonghui. 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 RMB4,234,929 in cash. Investment in Yonghui is accounted for using the equity method as the Group has obtained significant influence by the right to nominate two board members out of eleven. On May 2, 2017, Yonghui announced to distribute a cash dividend of RMB0.12 per share to its shareholders, and the Group received dividend of RMB114,845 in total which has been recorded as a reduction to the investment in Yonghui.

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

	As of August 11, 2016 RMB	As of December 31, 2016 RMB	As of December 31, 2017 RMB
Carrying value of investment in Yonghui	4,234,929	4,234,845	4,245,001
Proportionate share of Yonghui’s net tangible and intangible assets	1,869,905	1,877,196	1,946,349
Excess of carrying value of the investment over proportionate share of Yonghui’s net tangible and intangible assets	<u>2,365,024</u>	<u>2,357,649</u>	<u>2,298,652</u>
The excess of carrying value has been primarily assigned to:			
Goodwill	1,270,190	1,270,190	1,270,190
Amortizable intangible assets (*)	1,459,779	1,449,946	1,371,283
Deferred tax liabilities	(364,945)	(362,487)	(342,821)
	<u>2,365,024</u>	<u>2,357,649</u>	<u>2,298,652</u>
Cumulative gains/(losses) in equity interest in Yonghui	—	(84)	124,917

(*) Weighted average life of the intangible assets not included in Yonghui’s consolidated financial statements was 17 years.

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7. Investment in equity investees (Continued)

As of December 31, 2016 and 2017, the market value of the Group's investment in Yonghui was approximately RMB4,699,097 and RMB9,666,167 based on its quoted closing price, respectively.

The Proportionate share of Yonghui's net income recorded in "share of results of equity investees" in the Consolidated Statements of Operations and Comprehensive Income/(Loss) was a loss of RMB84, and a gain of RMB122,893 for the years ended December 31, 2016 and 2017, respectively. The following table includes the summarized financial information of Yonghui since the date when it was invested by the Company.

	<u>During the period from August 11, 2016 to December 31, 2016</u> RMB	<u>For the year ended December 31, 2017</u> RMB
Revenue	6,248,703	55,524,229
Gross profit	1,230,057	11,319,620
Income from operations	95,453	2,065,795
Net income	71,130	1,721,628
Net income attributable to shareholder	72,905	1,818,910
Percentage of ownership in Yonghui	10%	10%
Proportionate share of Yonghui's net income, before basis adjustments	7,291	181,891
Basis adjustments	(7,375)	(58,998)
Proportionate share of Yonghui's net income	<u>(84)</u>	<u>122,893</u>

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7. Investment in equity investees (Continued)

Investment in Bitauto

On February 16, 2015, the Group completed its investment in Bitauto through the subscription of newly issued ordinary shares, representing approximately 25% of the outstanding ordinary shares of Bitauto. Bitauto is a leading provider of internet content and marketing services for China's fast-growing automotive industry that is listed on Nasdaq. Total consideration for the initial investment in Bitauto was RMB5,496,188 with a combination of RMB2,450,920 in cash and RMB3,045,268 in the form of future services, including exclusive access to the new and used car channels on the Group's website and mobile apps 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. After the subsequent investment in June 2016, the Group held approximately 26% 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 February 16, 2015 RMB	As of December 31, 2016 RMB	As of December 31, 2017 RMB
Carrying value of investment in Bitauto (*)	5,496,188	2,386,118	2,128,409
Proportionate share of Bitauto's net tangible and intangible assets	2,119,109	2,492,056	2,228,925
Excess of carrying value of the investment over proportionate share of Bitauto's net tangible and intangible assets	<u>3,377,079</u>	<u>(105,938)</u>	<u>(100,516)</u>
The excess of carrying value has been primarily assigned to:			
Goodwill (*)	2,846,260	—	—
Amortizable intangible assets (**)	707,758	(105,938)	(100,516)
Deferred tax liabilities	(176,939)	—	—
	<u>3,377,079</u>	<u>(105,938)</u>	<u>(100,516)</u>
Cumulative losses in equity interest in Bitauto	—	(3,439,045)	(3,696,754)

(*) In the fourth quarter of 2015 and 2016, the Group conducted an 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 a charge of RMB2,585,641 and RMB672,886 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 December 31, 2015 and 2016, respectively.

(**) Weighted average life of the intangible assets not included in Bitauto's consolidated financial statements was 4 years.

As of December 31, 2016 and 2017, the market value of the Group's investment in Bitauto was approximately RMB2,386,118 and RMB3,773,634 based on its quoted closing price, respectively.

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 five with the founder of Dada holding the casting vote after the transaction.

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7. Investment in equity investees (Continued)

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

As the Group disposed a consolidated business (JD Daojia) in 2016, a disposal gain of RMB1,227,760 was recorded in others, net in the Consolidated Statements of Operations and Comprehensive Income/(Loss), which equals to the difference between the fair value and carrying value of JD Daojia as of the disposal date of April 26, 2016.

The investment in Dada's preferred shares is accounted for under the cost method as the underlying preferred shares were not considered in-substance common stock and had no readily determinable fair value. The warrant is a freestanding financial instrument and was recorded at fair value of RMB45,450 upon initial recognition. On December 28, 2017, the Company exercised the warrant in entirety in cash and purchased additional preferred shares of Dada, at the a pre-determined price with the total consideration of RMB983,820 (US\$150,404). As of December 31, 2017, the carrying amount of preferred shares of Dada totaled RMB2,335,346.

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

	As of April 26, 2016 RMB	As of December 31, 2016 RMB	As of December 31, 2017 RMB
Carrying value of investment in Dada's ordinary shares	2,164,050	1,443,239	139,147
Proportionate share of Dada's net tangible and intangible assets	424,140	(290,365)	(1,579,323)
Excess of carrying value of the investment over proportionate share of Dada's net tangible and intangible assets	1,739,910	1,733,604	1,718,470
The excess of carrying value has been primarily assigned to:			
Goodwill	1,605,891	1,605,891	1,605,891
Amortizable intangible assets (*)	178,692	170,284	150,105
Deferred tax liabilities	(44,673)	(42,571)	(37,526)
	1,739,910	1,733,604	1,718,470
Cumulative losses in equity interest in Dada	—	(720,811)	(2,024,903)

(*) Weighted average life of the intangible assets not included in Dada's consolidated financial statements was 8 years.

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7. Investment in equity investees (Continued)

Investment in Tuniu

In December 2014, the Group acquired 6.5% equity interest in Tuniu with cash consideration of RMB305,930 (“Initial Investment”). Tuniu is a leading online leisure travel company in China that is listed on the 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 right, for a period of 5 years, to operate the leisure travel channels on the Group’s website and mobile apps, and Tuniu becomes the Group’s preferred partner for hotel and air ticket booking services. After the subsequent investment in May 2015, the Group held approximately 28% of Tuniu’s issued and outstanding shares and had one board seat. Hence, the Group adopted equity method of accounting to account for the investment in Tuniu. In accordance with ASC 323, accumulated unrealized gains of RMB14,395 that were previously recorded for fair value change of the Initial Investment were reversed in the second quarter of 2015, and the cost of Initial Investment balance was adjusted as if the equity method of accounting had been applied since the Initial Investment was made and reclassified from investment securities to investment in equity investees in the Consolidated Balance Sheets. In January 2016, Tuniu issued new shares to HNA Tourism Group, a third party investor, for an aggregate price of approximately US\$500,000 and the Group’s interest in Tuniu was diluted to approximately 21% as of January 21, 2016. As the issuance price per share was higher than the Group’s average carrying value per share, the Group recorded a gain of RMB108,495 to reflect the deemed disposal.

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

	As of May 22, 2015 RMB	As of December 31, 2016 RMB	As of December 31, 2017 RMB
Carrying value of investment in Tuniu (*)	2,494,145	1,198,405	947,500
Proportionate share of Tuniu’s net tangible and intangible assets	1,014,296	1,006,763	779,525
Excess of carrying value of the investment over proportionate share of Tuniu’s net tangible and intangible assets	<u>1,479,849</u>	<u>191,642</u>	<u>167,975</u>
The excess of carrying value has been primarily assigned to:			
Goodwill (*)	1,212,149	23,899	23,899
Amortizable intangible assets (**)	356,933	223,657	192,101
Deferred tax liabilities	(89,233)	(55,914)	(48,025)
	<u>1,479,849</u>	<u>191,642</u>	<u>167,975</u>
Cumulative losses in equity interest in Tuniu	—	(1,295,740)	(1,546,645)

(*) In the second quarter of 2016, the Group conducted an impairment 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 a charge of RMB721,501 to write down the carrying value of its investment in Tuniu to its then fair value of RMB1,454,578, based on quoted closing price of Tuniu as of June 30, 2016.

(**) Weighted average life of the intangible assets not included in Tuniu’s financial statements was 7 years.

As of December 31, 2016 and 2017, the market value of the Group’s investment in Tuniu was approximately RMB1,579,417 and RMB1,304,082 based on quoted closing price, respectively.

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7. Investment in equity investees (Continued)

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 series A and series B 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 ("HKEx"). After the offering, the Group held approximately 10.9% 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 has obtained significant influence through the nomination of one non-executive board member out of nine and the significant influence on its controlling shareholder, Bitauto.

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

	As of November 16, 2017
	RMB
Carrying value of investment in Yixin	860,992
Proportionate share of Yixin's net tangible and intangible assets	1,703,448
Total negative basis difference	(842,456)

The negative basis difference will be amortized into net income over the remaining useful lives of the underlying assets, which is 3 years. As of December 31, 2017, the market value of the Group's investment in Yixin was approximately RMB3,586,393 based on quoted closing price.

The Group summarizes the condensed financial information of the Group's equity investments as a group below in accordance with Rule 4-08 of Regulation S-X:

	For the year ended December 31,		
	2015	2016	2017
	RMB	RMB	RMB
Operating data:			
Revenue	9,937,684	37,122,299	72,206,753
Gross profit	2,935,620	4,829,228	19,162,739
Loss from operations	(1,592,094)	(3,126,138)	(2,200,140)
Net loss	(1,572,381)	(3,369,075)	(2,549,137)
Net loss attributable to shareholder	(1,597,903)	(3,729,119)	(2,977,210)
	As of December 31,		
	2015	2016	2017
	RMB	RMB	RMB
Balance sheet data:			
Current assets	13,606,870	47,136,935	78,125,211
Non-current assets	6,838,075	26,244,217	62,806,104
Current liabilities	6,518,096	27,103,212	58,734,790
Non-current liabilities	146,008	4,559,231	16,703,429
Redeemable stock	—	4,795,473	5,877,854
Non-controlling interests	1,714,021	4,072,998	717,106

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

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Audited financial statements of Bitauto, Tuniu and Dada for the year ended December 31, 2016 and 2017 will be included in separate filing in accordance with Regulation S-X Rule 3-09.

The Group performs impairment assessment of its investments under the cost method 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 cost method investments of RMB285,051, RMB341,984 and RMB59,987 were recorded in others, net in the Consolidated Statements of Operations and Comprehensive Income/(Loss) for the years ended December 31, 2015, 2016 and 2017, respectively. Impairment charges in connection with the equity method investments of RMB2,585,641, RMB1,416,801 and nil were recorded in share of results of equity investees in the Consolidated Statements of Operations and Comprehensive Income/(Loss) for the years ended December 31, 2015, 2016 and 2017, respectively.

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8. Business Combination**Transaction with Tencent**

On March 10, 2014, the Group entered into a Strategic Cooperation Agreement (“Agreement”) with Tencent Holdings Limited (“Tencent”), for a period of 5 years from April 1, 2014 to March 31, 2019. Pursuant to the Agreement, the Group has become Tencent’s preferred partner in the development of physical goods e-Commerce business in Greater China and such cooperation was referred as “Strategic Cooperation”. In addition, for a period of 8 years from April 1, 2014 to March 31, 2022, other than the operation of Shanghai Icsen E-Commerce Development Group Limited (“Shanghai Icsen”), a subsidiary of Tencent, Tencent will not engage in any online direct sales or managed marketplace business model in physical goods e-Commerce businesses in Greater China and a few selected international markets, hereinafter referred to as “Non-Compete”.

On the same date, the Group also entered into a series of agreements with Tencent and its affiliates, pursuant to which, the Group acquired from Tencent: (i) 100% business operation of two online marketplace platforms, Paipai and QQ Wanggou (“Combined Platform Business”); (ii) 9.9% equity interest in Shanghai Icsen (“Investment in Shanghai Icsen”); (iii) a call option (“Call Option”) to acquire the remaining equity interest of Shanghai Icsen, with a price higher of the fair value of the remaining equity interest or RMB800,000 within three years commencing the closing of the Transaction; (iv) certain logistic workforce; and (v) a land use right. The above (i) to (v), Strategic Cooperation and Non-Compete are collectively referred to as “Transaction”. In April, 2016, the Group exercised the Call Option by paying RMB800,000 to acquire the remaining equity interest in Shanghai Icsen.

As consideration for the Transaction, the Company issued 351,678,637 ordinary shares to Huang River Investment Limited, a wholly-owned subsidiary of Tencent, representing 15% shares on a fully diluted basis under treasury method upon the closing of the Transaction, on March 10, 2014. The total consideration was RMB11,665,015.

The Group made estimates and judgments in determining the fair value of the assets and business acquired with the assistance from an independent valuation firm. The following table summarizes the goodwill and intangible assets recognized as a result of the Transaction:

	<u>Amount</u>	<u>Amortization</u>
	<u>RMB</u>	<u>Years</u>
Strategic Cooperation Agreement	6,075,289	5
Non-compete Agreement	1,442,389	8
Logistic workforce	13,900	3
Technology*	108,800	5
Domain names and trademark*	33,100	10
Advertising customer relationship*	80,400	7
Deferred tax liability	(41,893)	
Goodwill*	2,593,420	

* In November 2015, the Group announced its decision to terminate the consumer-to-consumer (C2C) business of Paipai.com by December 31, 2015 with a transitional period of three months. The shut-down of Paipai.com is to combat the marketing and sales of counterfeit products and to protect the interests of consumers and brands. As a result, the Group decided that the goodwill arisen from the acquisition of the Combined Platform Business was fully impaired and an impairment charge of RMB2,593,420 was recorded in the fourth quarter of 2015. Concurrently, the remaining balance of the intangible assets arisen from the acquisition amounted to RMB156,709 as of December 31, 2015 was also determined to be impaired and the related deferred tax liability of RMB27,796 recorded from the acquisition of the Combined Platform Business was reversed as a tax benefit in the fourth quarter of 2015.

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8. Business Combination (Continued)

Transaction with Walmart

On June 20, 2016, the Group, Wal-Mart Stores, Inc. (“Walmart”), and Yihaodian (“YHD”), a subsidiary of Walmart, entered into a series of agreements to form a strategic alliance to better serve the consumers across China. Pursuant to the series agreements, (a) the Group acquired the YHD marketplace platform assets, including the YHD brand, websites and mobileapps (“YHD marketplace”). Walmart will continue to operate the YHD direct sales business as one of the merchants on the YHD marketplace; (b) In a period of 8 years commencing from June 20, 2016, Walmart agreed not to engage in or invest in any ecommerce direct sale, e-commerce marketplace or online to offline (“O2O”) platform in China (other than Dada), hereinafter referred to as “Non-Compete”.

As consideration for the acquisition of YHD marketplace and Non-Compete, the Company issued 144,952,250 Class A ordinary shares to Walmart, representing approximately 5% shares on a fully diluted basis under the treasury method upon the closing of the transaction, on June 20, 2016. In accordance with the agreement, Walmart cannot transfer such shares in a 5 years period starting from June 20, 2016.

In addition, the Group and Walmart also entered into Business Cooperation Agreement (“BCA”) in several strategic areas for a period of 5 years commencing from June 20, 2016. Pursuant to BCA, the Group and Walmart agreed to partner in several strategic areas, including: a) Sam’s Club China agreed to open a flagship store on JD.com, expanding the availability of Sam’s Club’s high-quality imported products across China; b) The Group and Walmart agreed to work together to leverage their supply chains to increase the product selection for customers across China, including a broader range of imported products; c) The Group agreed to give the Sam’s flagship store preferential traffic entrance.

The acquisition of YHD marketplace is accounted for as a business combination and the results of operations of the YHD marketplace from the acquisition date have been included in the Group’s consolidated financial statements. The acquisition of Non-Compete is considered asset acquisitions separate from the acquisition of YHD marketplace. The identifiable intangible assets acquired are amortized on a straight-line basis over the respective useful lives.

The terms of BCA were negotiated separately and are similar to the terms with third parties, which were based on an arm’s-length basis, and the fair value of the BCA are not material to the Group as a whole.

The Group has performed the following steps to estimate the fair value of the assets and business acquired with the assistance from an independent valuation firm: 1) estimate the total fair value of 144,952,250 ordinary shares issued to Walmart as the consideration of the transaction using the quoted closing price on June 20, 2016; 2) estimate the stand-alone fair value of the YHD marketplace and Non-Compete; Additionally, in accordance with the relevant accounting guidance, non-transferability relating to lock-up period associated with the shares issued to Walmart for a period of 5 years commencing from June 20, 2016, is factored in estimating the fair value of shares issued to acquire Non-Compete, but is not factored in estimating the fair value of shares issued to acquire YHD marketplace.

Non-compete Agreement—In a period of 8 years commencing from June 20, 2016, Walmart agreed not to directly or indirectly engage in or invest in any e-commerce direct sale, e-commerce marketplace or online to offline (O2O) platform in China (other than Dada). The fair value of the Non-Compete was determined based on the “with and without” method, which takes into consideration the cash flow increments between the scenario where the Non-Compete is not in place and the scenario where the Non-Compete is in place for a period of 8 years commencing from June 20, 2016. The most significant assumption inherent in this approach when valuing the Non-Compete was the amount of economic impact to the Group that would occur from competition during the period when Non-Compete agreement is effective. Based on the CAPM, the Group concluded a discount rate of 17%, reflecting market participant’s required rate of return for the risks of investing in the Non-Compete, was appropriate for discounting the cash flow attributable to the Non-Compete.

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8. Business Combination (Continued)

The Group made estimates and judgments in determining the fair value of the assets and business acquired with the assistance from an independent valuation firm. The purchase price allocation is as follows:

	<u>Amount</u> <u>RMB</u>	
Fair value of the Company's shares issued	9,592,258	
	<u>Amount</u>	<u>Amortization</u> <u>Years</u>
	<u>RMB</u>	
Non-compete Agreement	1,019,816	8
YHD marketplace		
Property, plant and equipment, net	65,887	
Customer relationship	29,896	10
Technology	537,785	7
Domain names and trademark	3,099,958	20
Goodwill	5,755,826	
Deferred tax liability	(916,910)	
Total Purchase price	<u>9,592,258</u>	

Goodwill arising from this acquisition was attributable to the synergies expected from the combined business which will increase both product selection and overall user experience.

Based on the assessment on financial performance of the acquired YHD marketplace made by the Group, the acquired business is not considered material to the Group. Thus the presentation of the pro-forma financial information with regard to a summary of the results of operations of the Group for the business combination is not required.

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9. Accounts receivable, net

Accounts receivable, net, consists of the following:

	As of December 31,	
	2016	2017
	RMB	RMB
Online direct sales and online marketplace receivables	15,636,019	14,819,862
Advertising receivables	179,498	572,495
Logistics receivables	362,483	1,020,771
Accounts receivable	16,178,000	16,413,128
Allowance for doubtful accounts	(36,993)	(53,981)
Accounts receivable, net	<u>16,141,007</u>	<u>16,359,147</u>

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

	For the year ended December 31,		
	2015	2016	2017
	RMB	RMB	RMB
Balance at beginning of the year	(27,108)	(38,633)	(36,993)
Additions	(11,525)	—	(16,988)
Reverse	—	1,640	—
Balance at end of the year	<u>(38,633)</u>	<u>(36,993)</u>	<u>(53,981)</u>

The value-added tax receivables due from customers are recorded in online direct sales and online marketplace receivables.

For the account receivables in relation to consumer financing business, as JD Finance 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.

10. Inventories, net

Inventories, net, consist of the following:

	As of December 31,	
	2016	2017
	RMB	RMB
Products	29,191,782	41,840,945
Packing materials and others	130,897	358,207
Inventories	29,322,679	42,199,152
Inventory valuation allowance	(413,254)	(498,773)
Inventories, net	<u>28,909,425</u>	<u>41,700,379</u>

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11. Property, equipment and software, net

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

	As of December 31,	
	2016	2017
	RMB	RMB
Electronic equipment	3,779,766	7,172,694
Office equipment	265,815	287,282
Vehicles	1,091,556	1,164,376
Logistic and warehouse equipment	1,578,653	2,693,969
Leasehold improvement	493,765	827,408
Software	175,418	203,848
Building and building improvement	3,066,343	5,855,920
Total	10,451,316	18,205,497
Less: Accumulated depreciation	(3,427,907)	(5,631,319)
Net book value	7,023,409	12,574,178

Depreciation expenses were RMB1,027,312, RMB1,751,086 and RMB2,310,065 for the years ended December 31, 2015, 2016 and 2017, respectively.

12. Land use rights, net

Land use rights, net, consist of the following:

	As of December 31,	
	2016	2017
	RMB	RMB
Land use rights	2,567,271	7,254,974
Less: Accumulated amortization	(119,760)	(204,165)
Net book value	2,447,511	7,050,809

Amortization expenses for land use rights were RMB30,360, RMB48,528 and RMB84,405 for the years ended December 31, 2015, 2016 and 2017, respectively.

As of December 31, 2017, amortization expenses related to the land use rights for future periods are estimated to be as follows:

	For the year ending December 31,					
	2018	2019	2020	2021	2022	2023 and thereafter
	RMB	RMB	RMB	RMB	RMB	RMB
Amortization expenses	146,238	146,238	146,238	146,238	146,238	6,319,619

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13. Intangible assets, net

Intangible assets, net, consist of the following:

As of December 31, 2016					
	Weighted- Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Impairment Amount	Net Carrying Amount
	Year	RMB	RMB	RMB	RMB
Strategic Cooperation	5.0	6,075,289	(3,348,899)	—	2,726,390
Non-compete	8.0	2,467,005	(576,654)	—	1,890,351
Technology	6.7	682,685	(85,168)	(69,922)	527,595
Domain names and trademark	19.6	3,224,832	(112,173)	(27,124)	3,085,535
Others	6.2	203,634	(63,185)	(59,663)	80,786
Total	9.4	12,653,445	(4,186,079)	(156,709)	8,310,657

As of December 31, 2017					
	Weighted- Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Impairment Amount	Net Carrying Amount
	Year	RMB	RMB	RMB	RMB
Strategic Cooperation	5.0	6,075,289	(4,563,957)	—	1,511,332
Non-compete	8.0	2,467,005	(885,390)	—	1,581,615
Technology	6.5	754,560	(168,051)	(69,922)	516,587
Domain names and trademark	19.5	3,250,789	(278,372)	(27,124)	2,945,293
Others	5.6	286,108	(88,555)	(59,663)	137,890
Total	9.3	12,833,751	(5,984,325)	(156,709)	6,692,717

Amortization expenses for intangible assets were RMB1,449,652, RMB1,620,675 and RMB1,798,246 for the years ended December 31, 2015, 2016 and 2017, respectively. The Group recorded an impairment charge of RMB156,709, nil and nil for the years ended December 31, 2015, 2016 and 2017, respectively. Please refer to Note 8 for details.

As of December 31, 2017, amortization expenses related to the intangible assets for future periods are estimated to be as follows:

For the year ending December 31,						
	2018	2019	2020	2021	2022	2023 and thereafter
	RMB	RMB	RMB	RMB	RMB	RMB
Amortization expenses	1,823,387	903,045	599,535	595,022	439,736	2,331,992

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14. Goodwill

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

	<u>JD Mall</u> <u>RMB</u>	<u>New Businesses</u> <u>RMB</u>	<u>Total</u> <u>RMB</u>
Balance as of December 31, 2014			
Goodwill	14,401	2,593,420	2,607,821
Accumulated impairment loss	—	—	—
	<u>14,401</u>	<u>2,593,420</u>	<u>2,607,821</u>
Transaction in 2015			
Impairment	—	(2,593,420)	(2,593,420)
Balance as of December 31, 2015			
Goodwill	14,401	2,593,420	2,607,821
Accumulated impairment loss	—	(2,593,420)	(2,593,420)
	<u>14,401</u>	<u>—</u>	<u>14,401</u>
Transaction in 2016			
Additions	6,512,618	—	6,512,618
Balance as of December 31, 2016			
Goodwill	6,527,019	2,593,420	9,120,439
Accumulated impairment loss	—	(2,593,420)	(2,593,420)
	<u>6,527,019</u>	<u>—</u>	<u>6,527,019</u>
Transaction in 2017			
Additions	123,551	—	123,551
Balance as of December 31, 2017			
Goodwill	6,650,570	2,593,420	9,243,990
Accumulated impairment loss	—	(2,593,420)	(2,593,420)
	<u>6,650,570</u>	<u>—</u>	<u>6,650,570</u>

The Group recorded an impairment charge of RMB2,593,420, nil and nil for the years ended December 31, 2015, 2016 and 2017, respectively. Please refer to Note 8 for details.

15. Short-term borrowings

Short-term borrowings as of December 31, 2016 and 2017 amounted to RMB1,878,286 and RMB200,000, respectively, which consisted of borrowings from financial institutions. All of these borrowings were repayable within one year, and secured by account receivables that approximate to the borrowing amount. The weighted average interest rate for the outstanding borrowings as of December 31, 2016 and 2017 was approximately 5.45% and 7.00%, respectively.

16. Accounts payable

Accounts payable consists of the following:

	<u>As of December 31,</u>	
	<u>2016</u>	<u>2017</u>
	<u>RMB</u>	<u>RMB</u>
Vendor payable	38,216,484	62,548,717
Shipping charges payable and others	7,819,400	11,788,991
Total	<u>46,035,884</u>	<u>74,337,708</u>

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17. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of December 31,	
	2016	2017
	RMB	RMB
Salary and welfare payables	1,995,315	3,131,752
Deposits	6,816,340	9,787,387
Payable related to employees' exercise of share-based awards	74,119	152,177
Rental fee payables	250,154	400,632
Professional fee accruals	62,181	59,802
Others	1,314,481	1,586,090
Total	10,512,590	15,117,840

18. 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 following table provides a summary of the Company's unsecured senior notes as of December 31, 2017:

	Amounts	Effective interest rate
	RMB	
US\$500,000 3.125% notes due 2021	3,242,565	3.37%
US\$500,000 3.875% notes due 2026	3,204,792	4.15%
Carrying value	6,447,357	
Unamortized discount and debt issuance costs	86,843	
Total principal amounts of unsecured senior notes	6,534,200	

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 on the Consolidated Balance Sheets. The effective interest rates for the unsecured senior notes include the interest charged on the notes as well as amortization of the debt discounts and debt issuance costs.

The unsecured senior notes contain covenants including, among others, limitation on liens, consolidation, merger and sale all or substantially all of the Company's assets. The Company is in compliance with all covenants. The notes will rank senior in right of payment to all of the Company's existing and future obligations expressly subordinated in right of payment to the notes and rank at least equal in right of payment with all of the Company's existing and future unsecured and unsubordinated obligations (subject to any priority rights pursuant to applicable law).

The proceeds from issuance of the unsecured senior notes were used for general corporate purposes.

As of December 31, 2017, the principal of the unsecured senior notes of RMB3,267,100 and RMB3,267,100 will be due in 2021 and 2026, respectively.

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19. Interest income and interest expense

Interest income and interest expense consist of the following:

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Interest income:			
Interest income in relation to nonrecourse securitization debt charged to JD Finance	26,024	371,579	702,147
Interest income in relation to loans provided to JD Finance	85,699	161,601	569,395
Interest income in relation to bank deposits, wealth management products and others	561,283	693,672	1,258,948
Total	673,006	1,226,852	2,530,490
Interest expense:			
Interest expense in relation to nonrecourse securitization debt	(26,024)	(371,579)	(702,147)
Others	(46,571)	(246,988)	(261,595)
Total	(72,595)	(618,567)	(963,742)

20. Others, net

Others, net, consist of the following:

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Foreign exchange gains/(losses), net	(56,992)	(143,125)	213,482
Government financial incentives	387,774	721,564	843,447
Impairment of investments	(611,108)	(542,946)	(139,823)
Gain from business and investment disposals	1,507	1,232,853	74,965
Others	133,012	275,030	324,337
Total	(145,807)	1,543,376	1,316,408

Government financial incentives represent rewards provided by the relevant PRC municipal government authorities to the Group for business achievements made by the Group. As there is no further obligation for the Group to perform, government financial incentives are recognized as other income when received. 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.

21. Taxation

a) Value added tax

The Group is subject to statutory VAT rate of 13% prior to July 1, 2017 and 11% since July 1, 2017 for revenues from sales of audio, video products and books, and 17% for sales of other products, respectively, in the PRC. The Group is exempted from VAT for revenues from sales of books from January 1, 2014 to December 31, 2017.

The Group is subject to VAT at the rate of 6% and 11% for the revenues from logistics services and 6% for the revenues from online advertising and other services.

The Group is also subject to cultural undertaking development fees at the rate of 3% on revenues from online advertising services in the PRC.

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21. Taxation (Continued)

b) Income tax

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gain. 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 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 Group's subsidiaries in Hong Kong are subject to 16.5% Hong Kong profit tax on its taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

China

On March 16, 2007, the National People's Congress of PRC enacted a new Corporate Income Tax Law ("new CIT law"), under which Foreign Investment Enterprises ("FIEs") and domestic companies would be subject to corporate income tax at a uniform rate of 25%. The new CIT law became effective on January 1, 2008. Under the new CIT law, preferential tax treatments will continue to be granted to entities which conduct businesses in certain encouraged sectors and to entities otherwise classified as "high and new technology enterprises".

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 "high and new technology enterprise" and enjoys a preferential income tax rate of 15% from 2013 to 2018. The privileges cannot be applied simultaneously. Beijing Shangke applied the privilege of "software enterprise" and was exempted from income tax in 2016 and 2017.

Chongqing Haijia and Chengdu Century have been recognized as encouraged industries in the Western Regions of China and enjoyed a preferential income tax rate of 15% from 2015 to 2017.

The Group's other PRC subsidiaries, consolidated VIEs and VIEs' subsidiaries are subject to the statutory income tax rate of 25%.

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21. Taxation (Continued)**b) Income tax (Continued)***Withholding tax on undistributed dividends*

The new CIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside of the PRC should be considered a resident enterprise for PRC tax purposes.

The new CIT law also imposes a withholding income tax of 10% on dividends distributed by an FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Company did not record any dividend withholding tax, as it has no retained earnings for any of the periods presented.

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

	For the year ended December 31,		
	2015	2016	2017
	RMB	RMB	RMB
Income/(loss) before tax			
Income/(loss) from China operations	(3,329,238)	1,730,549	3,681,735
Loss from non-China operations	(4,426,734)	(3,612,450)	(3,560,775)
Total income/(loss) before tax	<u>(7,755,972)</u>	<u>(1,881,901)</u>	<u>120,960</u>
Income tax benefits/(expenses) applicable to China operations			
Current income tax expenses	(27,938)	(201,173)	(360,603)
Deferred tax benefits	42,584	34,782	221,010
Subtotal income tax benefits/(expenses) applicable to China operations	<u>14,646</u>	<u>(166,391)</u>	<u>(139,593)</u>
Total income tax benefits/(expenses)	<u>14,646</u>	<u>(166,391)</u>	<u>(139,593)</u>

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21. Taxation (Continued)

b) Income tax (Continued)

Reconciliation of difference between PRC statutory income tax rate and the Group's effective income tax rate for the years ended December 31, 2015, 2016 and 2017 is as follows:

	For the year ended December 31,		
	2015	2016	2017
Statutory income tax rate	25.0%	25.0%	25.0%
Tax effect of preferential tax treatments	1.0%	45.3%	-942.7%
Tax effect of tax-exempt entities	-13.5%	-36.1%	588.6%
Effect on tax rates in different tax jurisdiction	-0.3%	-3.6%	30.5%
Tax effect of non-deductible expenses	-10.8%	-28.1%	536.0%
Tax effect of non-taxable income	0.2%	0.1%	-14.0%
Changes in valuation allowance	-0.9%	-11.4%	-120.8%
Expiration of loss carry forwards	-0.5%	0.0%	12.8%
Effective tax rates	<u>0.2%</u>	<u>-8.8%</u>	<u>115.4%</u>

The following table set forth the effect of tax holiday:

	For the year ended December 31,		
	2015	2016	2017
Tax holiday effect	80,892	852,776	1,140,251
Effect of tax holiday on basic net loss per share	0.03	0.30	0.40
Effect of tax holiday on diluted net loss per share	0.03	0.30	0.39

c) Deferred tax assets and deferred tax liabilities

	As of December 31,	
	2016	2017
	RMB	RMB
Deferred tax assets		
- Allowance for doubtful accounts	54,116	52,117
- Deferred revenues	186,291	299,723
- Net operating loss carry forwards	1,386,273	1,286,980
Less: valuation allowance	<u>(1,626,680)</u>	<u>(1,480,570)</u>
Net deferred tax assets	<u>—</u>	<u>158,250</u>
Deferred tax liabilities		
- Intangible assets arisen from business combination	<u>907,356</u>	<u>882,248</u>
Total deferred tax liabilities	<u>907,356</u>	<u>882,248</u>

As of December 31, 2017, the Group had net operating loss carry forwards of approximately RMB5,159,379 which mainly arose from the subsidiaries, consolidated VIEs and VIEs' subsidiaries established in the PRC. The loss carry forwards from PRC entities will expire during the period from 2018 to 2022.

A valuation allowance is provided against deferred tax assets when the Group determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Group evaluates a variety of factors including the Group's entities' operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

The Group has incurred net accumulated operating losses for income tax purposes since its inception. The Group believes that it is more likely than not that these net accumulated operating losses (except for the net operating loss generated by certain entities in 2017) and other deferred tax assets will not be utilized in the future based on its estimate of the operation performance of these PRC entities. The Group has provided full valuation allowances for the deferred tax assets as of December 31, 2015 and 2016, and RMB1,480,570 in deferred tax assets were offset by a valuation allowance as of December 31, 2017.

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21. Taxation (Continued)**c) Deferred tax assets and deferred tax liabilities (Continued)***Movement of valuation allowance*

	As of December 31,		
	2015	2016	2017
	RMB	RMB	RMB
Balance at beginning of the period	931,458	1,299,200	1,626,680
Additions	1,148,265	1,324,793	807,558
Reversals	(780,523)	(997,313)	(953,668)
Balance at end of the period	<u>1,299,200</u>	<u>1,626,680</u>	<u>1,480,570</u>

22. Redeemable non-controlling interests held for sale

In January 2016, JD Finance, its founding shareholders and certain investors entered into a share subscription and purchase agreement (the “SPA”) and certain co-investment agreements to issue ordinary shares with preferential rights to certain investors mainly including Sequoia Capital China, China Harvest Investments and China Taiping Insurance, etc. (collectively, the “Investors”) for RMB6,650,000. JD Finance, as a privately owned company registered in China, is not allowed to issue legal form preferred shares or a separate class of ordinary shares under China regulations. Therefore, the shares issued by JD Finance to the Investors are, in legal form, ordinary shares. However, due to the preferential rights as specified in the SPA, these shares are considered in substance a separate class of shares other than the ordinary shares held by the founding shareholders. Here and then after, they are referred to as JD Finance Preferred Shares. The issuance was closed in March, 2016. After the issuance of the JD Finance Preferred Shares, the Group still held approximately 86% equity interests in JD Finance on a fully-diluted, post-investment basis.

The JD Preferred Shares were entitled to certain preferences with respect to redemption and preemption. The Group determined that the preferred shares should be classified as mezzanine equity since they are contingently redeemable within 60 months after the closing of the issuance by the holders in the event that (i) a qualified initial public offering (“Qualified IPO”) has not occurred, or (ii) any significant incompliance with laws, cancellation of significant business license, which causes a substantial obstacle to the Qualified IPO, or (iii) a change in control in JD Finance. These matters are not certain to occur, and they are not solely within the control of JD Finance.

The Group accreted the JD Finance Preferred Shares to their redemption value, which is purchase price plus 8% compound interest per year over the period since issuance to the redemption date. The Group recorded net income attributable to mezzanine classified non-controlling interests shareholders of nil, RMB444,657 and RMB281,021 for the years ended December 31, 2015, 2016 and 2017, respectively. As JD Finance was deconsolidated from the Group since June 30, 2017 as a result of the reorganization of JD Finance, the redeemable non-controlling interests was deconsolidated from the Group’s Consolidated Balance Sheets since June 30, 2017, refer to Note 6 for details.

23. 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, in connection with Tencent Transaction (Note 8). 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 (Note 8).

The ordinary shares reserved for future exercise of the RSUs and share options were 130,816,834 and 149,369,486 as of December 31, 2016 and 2017, respectively.

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24. Share repurchase program

In September 2015, the Company's Board of Directors authorized a share repurchase program under which the Company may repurchase up to US\$1,000,000 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. The Company had no activity related to share repurchase program during the year ended December 31, 2015.

During the year ended December 31, 2016, the Company had repurchased 31,065,784 ADSs for US\$800,000 on the open market, at a weighted average price of US\$25.75 per ADS. The Company accounts for repurchased ordinary shares under the cost method and includes such treasury stock as a component of the shareholders' equity.

Additionally, in order to lower the average cost of acquiring shares in the ongoing share repurchase program, the Company entered into structured repurchase agreements involving the use of capped call options for the purchase of shares. The Company paid a fixed sum of cash upon execution of the agreements. Upon expiration of the agreements, if the closing market price of the Company's common stock is at or above the pre-determined price (the "Strike Price"), the Company will have its initial investment returned with a premium in either cash or shares at the Company's election. If the closing market price is below the Strike Price, the Company will receive the number of shares specified in the agreements. As the outcome of these arrangements is based entirely on the Company's stock price and does not require the Company to deliver either shares or cash, other than the initial investment, the entire transaction is recorded in equity. During the year ended December 31, 2016, the aggregate price that the Company paid to enter into these agreements was US\$300,000. For those agreements that settled during the year ended December 31, 2016 and December 31, 2017, the Company received approximately US\$216,220 (RMB1,463,218) and US\$107,239 (RMB737,501) of cash respectively.

No repurchase activity was incurred in 2017.

25. Other comprehensive income/(loss)

Changes in the composition of accumulated other comprehensive income/(loss) for the years ended December 31, 2015, 2016 and 2017 are as follows:

	Foreign currency translation adjustments	Net unrealized gains/(losses) on available-for-sale securities	Total
	RMB	RMB	RMB
Balances as of December 31, 2014	(413,452)	37,327	(376,125)
Other comprehensive income/(loss)	953,573	(22,622)	930,951
Balances as of December 31, 2015	540,121	14,705	554,826
Other comprehensive income	943,616	44,951	988,567
Balances as of December 31, 2016	1,483,737	59,656	1,543,393
Other comprehensive income/(loss)	(822,052)	1,120,740	298,688
Balances as of December 31, 2017	661,685	1,180,396	1,842,081

Amounts included in accumulated other comprehensive loss are recorded net of their related income tax effects.

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26. Share-based Compensation

For the years ended December 31, 2015, 2016 and 2017, total share-based compensation expenses recognized were RMB1,076,286, RMB2,061,432 and RMB2,780,062, respectively.

Share incentive plan

The Company granted share-based awards to eligible employees and non-employees pursuant to the 2008, 2009, 2010, 2011 stock incentive plans and 2011 special stock incentive plan (collectively, the “Plans”), which govern the terms of the awards. On December 20, 2013, the Company adopted a 2013 Share Incentive Plan (“2013 Plan”), which was approved by the Board of Directors of the Company, to replace the Plans. The awards granted and outstanding under the Plans will survive and remain effective and binding under the 2013 Plan, subject to certain amendments to the original award agreements. The adoption of 2013 Plan did not result in any significant incremental share-based compensation expenses. The 2013 Plan was replaced by a share incentive plan entitled “Share Incentive Plan” containing substantially the same terms as the 2013 Plan on November 13, 2014.

As of December 31, 2017, the Group had reserved 112,408,197 ordinary shares available to be granted as share-based awards under the Share Incentive Plan.

(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 JD Finance reorganization, the employees’ status of JD Finance changed from the employee of the Company’s subsidiary to non-employee of the Company. Share-based awards granted by the Company to employees of JD Finance and share-based awards granted by JD Finance to employees of the Company are insignificant for the all years presented.

RSUs*a) Service-based RSUs*

A summary of activities of the service-based RSUs for the years ended December 31, 2015, 2016 and 2017 is presented below:

	Number of RSUs	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2015	32,118,491	5.80
Granted	18,595,642	14.35
Vested	(7,368,335)	5.05
Forfeited	(3,934,276)	9.73
Unvested at December 31, 2015	39,411,522	9.58
Granted	59,254,734	12.82
Vested	(8,692,792)	7.98
Forfeited	(7,125,648)	10.66
Unvested at December 31, 2016	82,847,816	11.97
Granted	41,450,212	16.27
Vested	(12,005,700)	10.14
Forfeited	(6,246,436)	13.42
Unvested at December 31, 2017	106,045,892	13.77

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26. Share-based Compensation (Continued)**(1) Employee and non-employee awards (Continued)**

As of December 31, 2016 and 2017, 1,052,398 and 5,719,884 outstanding RSUs were held by non-employees including employees of JD Finance, respectively.

For the years ended December 31, 2015, 2016 and 2017, total share-based compensation expenses recognized by the Group for the service-based RSUs granted were RMB714,047, RMB1,613,204 and RMB2,462,881, respectively.

As of December 31, 2017, there were RMB5,840,090 of unrecognized share-based compensation expenses related to the service-based RSUs granted. The expenses are expected to be recognized over a weighted-average period of 5.8 years.

The total fair value and intrinsic value of RSUs vested was US\$116,799, US\$111,956 and US\$213,155 during the years ended December 31, 2015, 2016 and 2017, respectively.

b) Performance-based RSUs

A summary of activities of the performance-based RSUs for the years ended December 31, 2015, 2016 and 2017 is presented below:

	<u>Number of RSUs</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Unvested at January 1, 2015	1,466,658	6.33
Granted	—	—
Vested	(188,936)	6.33
Forfeited	(401,358)	6.33
Unvested at December 31, 2015	<u>876,364</u>	<u>6.33</u>
Granted	—	—
Vested	(118,540)	6.33
Forfeited	(447,822)	6.33
Unvested at December 31, 2016	<u>310,002</u>	<u>6.33</u>
Granted	—	—
Vested	(96,516)	6.33
Forfeited	—	—
Unvested at December 31, 2017	<u><u>213,486</u></u>	<u>6.33</u>

For the years ended December 31, 2015, 2016 and 2017, total share-based compensation expenses recognized by the Group for the performance-based RSUs granted were RMB4,630, RMB4,334 and RMB1,157, respectively.

As of December 31, 2017, there were RMB1,095 of unrecognized share-based compensation expenses related to the performance-based RSUs granted. The expenses are expected to be recognized over a weighted-average period of 1.1 years.

The total fair value and intrinsic value of RSUs vested was US\$2,347, US\$1,524 and US\$1,371 during the years ended December 31, 2015, 2016 and 2017, respectively.

Share options

A summary of activities of the service-based share options for the years ended December 31, 2015, 2016 and 2017 is presented below:

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26. Share-based Compensation (Continued)

(1) Employee and non-employee awards (Continued)

Share options	Number of share options	Weighted Average Exercise Price US\$	Weighted Average Remaining Contractual Term Year	Aggregate Intrinsic Value US\$
Outstanding as of January 1, 2015	26,201,252	4.37	8.5	189,729
Granted	5,652,500	13.17		
Exercised	(2,694,404)	4.07		
Forfeited or cancelled	(1,724,726)	6.07		
Expired	—			
Outstanding as of December 31, 2015	<u>27,434,622</u>	6.10	8.1	275,040
Granted	—			
Exercised	(2,820,648)	3.97		
Forfeited or cancelled	(2,954,958)	7.21		
Expired	—			
Outstanding as of December 31, 2016	<u>21,659,016</u>	6.23	7.3	142,433
Granted	—			
Exercised	(4,116,816)	5.20		
Forfeited or cancelled	(432,092)	5.92		
Expired	—			
Outstanding as of December 31, 2017	<u>17,110,108</u>	6.49	6.2	243,327
Vested and expected to vest as of December 31, 2017	<u>16,110,208</u>	6.41	6.2	230,350
Exercisable as of December 31, 2017	8,777,612	5.31	5.9	135,192

As of December 31, 2016 and 2017, nil and 1,379,780 outstanding share options were held by non-employees mainly including employees of JD Finance, respectively.

There was no option granted during the years ended December 31, 2016 and 2017. The weighted average grant date fair value of options granted for the year ended December 31, 2015 was US\$5.59 per share.

The total intrinsic value of options exercised during the years ended December 31, 2015, 2016 and 2017 was US\$29,522, US\$23,796 and US\$55,278, respectively. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the share options. Cash received from the exercises of share options of the Company during the years ended December 31, 2015, 2016 and 2017 was US\$12,332, US\$12,454 and US\$19,942, respectively. Cash receivable from the exercises of share options of the Company as of December 31, 2016 and 2017 was US\$747 and US\$2,201, respectively.

For the years ended December 31, 2015, 2016 and 2017, total share-based compensation expenses recognized by the Group for the share options granted were RMB103,962, RMB125,225 and RMB60,739, respectively. As of December 31, 2017, there were RMB77,383 of unrecognized share-based compensation expenses related to the share options granted. The expenses are expected to be recognized over a weighted-average period of 3.6 years.

The estimated fair value of each option grant is estimated on the date of grant using the Binominal option-pricing model with the following assumptions:

	<u>2015</u>
Expected volatility	33%~50%
Risk-free interest rate (per annum)	2.17%~2.65%
Exercise multiples	2.0~2.8
Expected dividend yield	—
Expected term (in years)	10.0
Fair value of the underlying shares on the date of option grants (US\$)	11.57~14.69

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26. Share-based Compensation (Continued)**(1) Employee and non-employee awards (Continued)**

The Group estimated the risk free interest rate based on the yield to maturity of U.S. treasury bonds denominated in US\$ at the option valuation date. The exercise multiple is estimated as the ratio of fair value of underlying shares over the exercise price as at the time the option is exercised, based on a research study regarding exercise pattern from historical statistical data. Expected term is the contract life of the option. The expected volatility at the date of grant date and each option valuation date was estimated based on the implied volatility of the Company and the historical stock price volatility of listed comparable companies over a period comparable to the expected term of the options. The Group has never declared or paid any cash dividends on its capital stock, and the Group does not anticipate any dividend payments in the foreseeable future.

(2) Founder awards**Share options**

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

For the years ended December 31, 2015, 2016 and 2017, total share-based compensation expenses recognized for the Founder's share options granted were RMB240,024, RMB318,156 and RMB227,326, respectively.

As of December 31, 2017, there were RMB574,653 of unrecognized share-based compensation expenses related to the Founder's share options granted. The expenses are expected to be recognized over a weighted-average period of 7.4 years.

The method used to determine fair value of the share options granted to the Founder was the same as the method used for the share options granted to the employees as described above. The assumptions used in the Binominal option-pricing model to estimate fair value of the Founder's share option on the date of grant is presented below:

	2015
Expected volatility	36%~38%
Risk-free interest rate (per annum)	2.74%~2.79%
Exercise multiples	2.0
Expected dividend yield	—
Expected term (in years)	10.0
Fair value of the underlying shares on the date of option grants (US\$)	16.70~16.93

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27. Net income/(loss) per share

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

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Numerator:			
Net income/(loss) from continuing operations attributable to ordinary shareholders	(7,731,760)	(2,000,444)	116,819
Net loss from discontinued operations attributable to ordinary shareholders	(1,376,180)	(1,806,346)	(269,076)
Net loss attributable to ordinary shareholders	(9,107,940)	(3,806,790)	(152,257)
Denominator:			
Weighted average number of shares — basic	2,735,034,034	2,804,767,889	2,844,826,014
Adjustments for dilutive options and RSUs	—	—	66,635,803
Weighted average number of shares — diluted	2,735,034,034	2,804,767,889	2,911,461,817
Basic net income/(loss) per share from continuing operations attributable to ordinary shareholders	(2.83)	(0.71)	0.04
Basic net loss per share from discontinued operations attributable to ordinary shareholders	(0.50)	(0.64)	(0.09)
Basic net loss per share attributable to ordinary shareholders	(3.33)	(1.36)	(0.05)
Diluted net income/(loss) per share from continuing operations attributable to ordinary shareholders	(2.83)	(0.71)	0.04
Diluted net loss per share from discontinued operations attributable to ordinary shareholders	(0.50)	(0.64)	(0.09)
Diluted net loss per share attributable to ordinary shareholders	(3.33)	(1.36)	(0.05)

Generally, basic net loss per share is computed using the weighted average number of ordinary shares outstanding during the period. Diluted net loss per share is computed using the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the period.

Diluted net loss per share is computed using the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the respective year. The potentially dilutive ordinary shares that were not included in the calculation of diluted net loss per share in the periods presented where their inclusion would be anti-dilutive include non-vested ordinary shares, RSUs and options to purchase ordinary shares of 81,737,438, 117,014,016 and 146,268,314 for the years ended December 31, 2015, 2016 and 2017 on a weighted average basis, respectively.

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28. Related party transactions

The table below sets forth the major related parties and their relationships with the Group as of December 31, 2017:

Name of related parties	Relationship with the Group
Tencent and its subsidiaries (“Tencent Group”)	A shareholder of the Group
Shanghai Ictson and its subsidiaries (“Shanghai Ictson Group”)	An investee of the Group and has been fully acquired since April 2016
Lexin and its subsidiaries (“Lexin Group”)	An investee of the Group
Bitauto and its subsidiaries (“Bitauto Group”)	An investee of the Group
Tuniu and its subsidiaries (“Tuniu Group”)	An investee of the Group
Dada and its subsidiaries (“Dada Group”)	An investee of the Group
JD Finance	An entity and its subsidiaries controlled by the Founder
Yixin and its subsidiaries (“Yixin Group”)	An investee of the Group

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

Transactions	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Revenues:			
Services and sales of goods to Lexin Group	1,016,286	667,495	543,304
Commission service revenue from cooperation on advertising business with Tencent Group	139,602	184,241	260,572
Services to Tencent Group	111	52	31,505
Services and sales of goods to Dada Group	—	124,092	38,165
Services to Shanghai Ictson Group	6	—	—
Traffic support, marketing and promotion services provided to Bitauto Group	445,526	610,722	609,055
Traffic support, marketing and promotion services provided to Tuniu Group	49,200	132,405	132,042
Traffic support, marketing and promotion services provided to Dada Group	—	41,409	62,195
Services and sales of goods to JD Finance	69,359	191,524	181,307
Traffic support, marketing and promotion services provided to JD Finance	169,122	101,114	90,506
Operating expenses:			
Services and purchases from Shanghai Ictson Group	168,875	20,871	—
Services and purchases from Tencent Group	195,805	244,644	674,727
Services from Dada Group	—	136,515	694,207
Payment and other services from JD Finance	986,246	1,669,840	2,936,416
Other income:			
Income from non-compete agreement with Dada Group	—	53,186	80,447
Interest income from loans provided to JD Finance	111,724	533,180	871,014

Revenues from related parties, excluding those from the major related parties as stated above, represented approximately 0.07%, 0.02% and 0.01% of total net revenues of the Group for the years ended December 31, 2015, 2016, and 2017, respectively.

Transactions with related parties included in operating expenses, excluding those with the major related parties as stated above, represented 0.02%, 0.03% and 0.07% of total operating expenses of the Group for the years ended December 31, 2015, 2016, and 2017, respectively.

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28. Related party transactions (Continued)

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

	As of December 31,	
	2016	2017
	RMB	RMB
Due from Tencent Group	962,002	595,105
Due from Lexin Group	95,021	—
Due from Dada Group	88,971	—
Due from JD Finance	9,560,426	12,076,035
Total	10,706,420	12,671,140
Due to Tencent Group	(85,092)	—
Due to Lexin Group	—	(1,367)
Due to Tuniu Group	(12,311)	(5,451)
Due to Dada Group	—	(7,378)
Total	(97,403)	(14,196)
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to Bitauto Group	(1,989,020)	(1,379,965)
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to Tuniu Group	(478,610)	(346,568)
Deferred revenues in relation to traffic support, marketing and promotion services to be provided to Dada Group	(393,549)	(331,354)
Total	(2,861,179)	(2,057,887)
Other liabilities in relation to non-compete obligation to Dada Group	(523,296)	(415,082)
Total	(523,296)	(415,082)

As of December 31, 2016 and 2017, the balances with major related parties primarily consisted of outstanding loans the Group provided to JD Finance, and the interest rate of the loans were based on the market rate. As of December 31, 2016 and 2017, the Group recorded amount due from related parties other than the major related parties as stated above of RMB264,055 and RMB21,621, which represented approximately 1.46% and 0.12% of the Group's total accounts receivable, net and prepayments and other current assets, respectively. As of December 31, 2016 and 2017, 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 as stated above of RMB97,004 and RMB69,329, which represented approximately 0.14% and 0.07% of the Group's total accounts payable, advance from customers, accrued expenses and other current liabilities, deferred revenues and other non-current liabilities, respectively.

On October 27, 2017, to provide a temporary bridging finance to Yixin Group, the Group entered into an entrusted loan agreement with Yixin Group and an independent third-party PRC commercial bank whereby the Group lent a total of RMB1 billion to Yixin Group. The bridge loan was on normal commercial terms and Yixin Group repaid the loan and associated interest before December 31, 2017.

Based on a series of agreements signed on January 1, 2016, JD Finance 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 Finance 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 Finance were nil, RMB423,356 and RMB497,239 for the years ended December 31, 2015, 2016 and 2017, respectively. In connection with the consumer financing business, JD Finance charged the Group RMB233,051, RMB553,612, and RMB793,218, for the years ended December 31, 2015, 2016, and 2017 for payment processing services provided to the Group, which are included in "payment and other services from JD Finance" stated above.

In 2017, the Group also transferred certain financial assets to JD Finance with or without recourse at fair value. The accounts receivables transferred with recourse was RMB167,897, which was not derecognized, while the accounts receivables transferred without recourse was RMB1,583,968, and was derecognized.

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28. Related party transactions (Continued)

Mr. Richard Qiangdong Liu, the Group's Chairman of the Board and Chief Executive Officer, has purchased his own aircraft for both business and personal use. The use of the aircraft in connection with the performance of his duty as employee is free of charge to the Company, and the Company 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 the years ended December 31, 2016 and 2017.

The Group believes that the terms of the agreements with the related parties are comparable to the terms in arm's-length transactions with third-party customers and vendors.

29. Segment reporting

The Group has determined that it operates in two operating segments: (1) JD Mall, (2) New Business. JD Mall represents core e-commerce business. New businesses include O2O (deconsolidated since its merger with Dada Nexus on April 26, 2016), insurance, technology initiatives, overseas business as well as logistics services provided to third parties. New businesses also include the business of Paipai.com for the years ended December 31, 2015. JD Finance was previously included in New businesses, which was deconsolidated from the Group since June 30, 2017 as a result of the reorganization of JD Finance (Note 6), accordingly, the Group updated the presentation of segment information for prior years to conform to the current year's presentation.

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 revenue and earnings from operations and uses these results to evaluate the performance of, and to allocate resources to, each of the segments. The Group currently does not allocate assets, share-based compensation expenses and certain operating expenses to its segments, as the CODM does not use such information to allocate resources to or evaluate the performance of the operating segments. As most of the Group's long-lived assets are located in the PRC and most of the Group's revenues are derived from the PRC, no geographical information is presented.

The table below provides a summary of the Group's operating segment results for the years ended December 31, 2015, 2016 and 2017.

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Net revenues:			
JD Mall	178,272,993	254,396,326	356,020,374
New businesses	2,362,902	3,297,434	6,021,508
Inter-segment*	(98,044)	(223,300)	(546,667)
Total segment net revenues	180,537,851	257,470,460	361,495,215
Unallocated items**	504,449	819,487	836,539
Total consolidated net revenues	181,042,300	258,289,947	362,331,754
Operating income/(loss):			
JD Mall	151,589	2,269,500	4,956,264
New businesses	(748,775)	(670,430)	(2,070,668)
Total segment operating income/(loss)	(597,186)	1,599,070	2,885,596
Unallocated items **	(4,760,713)	(2,850,723)	(3,721,072)
Total consolidated operating loss	(5,357,899)	(1,251,653)	(835,476)
Total other income/(expense)	(2,398,073)	(630,248)	956,436
Income/(loss) before tax	(7,755,972)	(1,881,901)	120,960

(*) The inter-segment eliminations mainly consisted of services provided by JD Mall to overseas business, and services provided by JD Logistics to the vendors of JD Mall, which we recorded as a deduction of cost of revenues at the consolidated level.

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

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30. 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, consolidated VIEs and VIEs' subsidiaries 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 RMB1,677,363, RMB2,575,150 and RMB3,546,241 for the years ended December 31, 2015, 2016 and 2017, respectively.

31. Lines of credit and loan facilities

As of December 31, 2017, the Group had agreements with the PRC commercial banks for unsecured revolving lines of credit, and increased its revolving lines of credit to RMB39,924,280. The Company was in compliance with the financial covenants, if any, under those lines of credit as of December 31, 2017.

As of December 31, 2017, under the lines of credit, the Company had nil outstanding for the liquidity loans, RMB18,762,657 reserved for the issuance of bank acceptance, RMB605,713 reserved for the bank guarantee and RMB2,631 outstanding for other facilities.

In December 2017, the Group entered into a five-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 LIBOR. The use of proceeds of the facilities was intended for general corporate purposes. As of December 31, 2017, the Group had an undrawn balance of US\$1,000,000 under the credit facilities agreement, US\$450,000 of which will be expired at the date falling 6 months after the date of this credit facilities agreement if remained undrawn, and US\$550,000 of which will be expired one month prior to the final maturity date, which is sixty months after the date of this credit facilities agreement.

32. Commitments and contingencies*Operating lease commitments*

The Group leases office, fulfillment centers and bandwidth under non-cancelable operating lease agreements. The rental and bandwidth leasing expenses were RMB1,827,441, RMB2,827,353 and RMB3,892,365 for the years ended December 31, 2015, 2016 and 2017, respectively, and were charged to Consolidated Statements of Operations and Comprehensive Income/(Loss) when incurred.

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

	Office and fulfillment centers rental RMB	Bandwidth leasing RMB	Total RMB
2018	2,845,163	438,499	3,283,662
2019	1,977,245	144,877	2,122,122
2020	1,313,517	46,468	1,359,985
2021	737,960	4,085	742,045
2022	411,823	3,357	415,180
2023 and Thereafter	689,488	5,196	694,684
	<u>7,975,196</u>	<u>642,482</u>	<u>8,617,678</u>

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32. Commitments and contingencies (Continued)

Capital commitments

The Group's capital commitments primarily relate to commitments on construction of office building and warehouses. Total capital commitments contracted but not yet reflected in the consolidated financial statements amounted to RMB2,658,773 as of December 31, 2017. 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 nonrecourse securitization debt which consists of asset-backed debt securities issued in connection with securitization of certain financial assets (Note 2(v)). The amounts exclude the corresponding interest payable. The expected repayment schedule of the unsecured senior notes has been disclosed in Note 18. The expected repayment amount of the nonrecourse securitization debt is approximately RMB12,684,881 and RMB4,475,238 for the years ended December 31, 2018 and 2019, 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, 2015, 2016 and 2017.

33. Restricted net assets

The Group's ability to pay dividends is primarily dependent on the Group receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Group's subsidiaries, consolidated VIEs and VIEs' subsidiaries incorporated in PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Group's subsidiaries.

In accordance with the PRC Regulations on Enterprises with Foreign Investment, a foreign invested enterprise established in the PRC is required to provide certain statutory reserve funds, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profits as reported in the enterprise's PRC statutory financial statements. A foreign invested enterprise is required to allocate at least 10% of its annual after-tax profits to the general reserve fund until such reserve fund has reached 50% of its registered capital based on the enterprise's PRC statutory financial statements. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors for all foreign invested enterprises. The aforementioned reserved funds can only be used for specific purposes and are not distributable as cash dividends.

Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide statutory surplus fund at least 10% of its annual after-tax profits until such statutory surplus fund has reached 50% of its registered capital based on the enterprise's PRC statutory financial statements. A domestic enterprise is also required to provide discretionary surplus fund, at the discretion of the board of directors, from the net profits reported in the enterprise's PRC statutory financial statements. The aforementioned reserve funds can only be used for specific purposes and are not distributable as cash dividends.

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33. Restricted net assets (Continued)

As a result of these PRC laws and regulations that require annual appropriations of 10% of net after-tax profits to be set aside prior to payment of dividends as general reserve fund or statutory surplus fund, the Group's PRC subsidiaries, consolidated VIEs and VIEs' subsidiaries are restricted in their ability to transfer a portion of their net assets to the Company.

Amounts restricted include paid-in capital and statutory reserve funds, as determined pursuant to PRC GAAP, totaling approximately RMB23,083,427 as of December 31, 2017; therefore in accordance with Rules 4.08 (e) (3) of Regulation S-X, the condensed parent company only financial statements as of December 31, 2016 and 2017 and for the years ended December 31, 2015, 2016 and 2017 are disclosed in Note 35.

34. Subsequent events

On February 14, 2018, the Group entered into definitive agreements with third party investors to raise financing for JD Logistics with the total amount of US\$2.55 billion, representing 19% of the ownership of JD Logistic on a fully diluted basis. As of the date of the report, the subscription price has been fully paid by the investors, among which the subscription price of US\$0.29 billion was paid as an equivalent RMB deposit by certain investors. The Group will repay such deposit once the cash consideration in U.S. dollar is paid by them within six months starting from March 7, 2018. Upon completion of the transaction, the Group remains as the majority shareholder of JD Logistic.

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share and per share data)

35. Parent company only condensed financial information

The Company performed a test on the restricted net assets of consolidated subsidiaries, VIEs and VIEs' subsidiaries in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that it was applicable for the Company to disclose the financial information for the parent company only.

The subsidiaries did not pay any dividend to the Company for the years presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company.

The Company did not have significant capital and other commitments, or guarantees as of December 31, 2017.

Condensed Balance Sheets

	As of December 31,		
	2016 RMB	2017 RMB	US\$ Note 2(g)
ASSETS			
Current assets:			
Cash and cash equivalents	6,116,574	8,964,809	1,377,866
Prepayments and other current assets	38,160	63,853	9,814
Amount due from related parties	684,510	715,671	109,997
Total current assets	6,839,244	9,744,333	1,497,677
Non-current assets:			
Investment in equity investees	—	7,514	1,155
Investments in subsidiaries and VIEs	29,322,026	45,675,625	7,020,215
Investment securities	38,226	35,893	5,517
Intangible assets, net	4,615,708	3,092,549	475,316
Total non-current assets	33,975,960	48,811,581	7,502,203
Total assets	40,815,204	58,555,914	8,999,880
LIABILITIES			
Current liabilities:			
Accrued expenses and other liabilities	91,292	67,743	10,412
Total current liabilities	91,292	67,743	10,412
Non-current liabilities:			
Unsecured senior notes	6,831,012	6,447,357	990,941
Total non-current liabilities	6,831,012	6,447,357	990,941
Total liabilities	6,922,304	6,515,100	1,001,353
SHAREHOLDERS' EQUITY:			
Ordinary shares (US\$0.00002 par value; 100,000,000,000 shares authorized; 2,467,134,904 Class A ordinary shares issued and 2,384,954,010 outstanding, 471,573,995 Class B ordinary shares issued and 451,490,387 outstanding as of December 31, 2016; 2,477,346,590 Class A ordinary shares issued and 2,406,652,132 outstanding, 461,362,309 Class B ordinary shares issued and 446,011,297 outstanding as of December 31, 2017)	377	377	58
Additional paid-in capital	59,258,417	76,254,607	11,720,119
Statutory reserves	132,938	635,966	97,746
Treasury stock	(5,181,880)	(4,457,608)	(685,122)
Accumulated deficit	(21,860,345)	(22,234,609)	(3,417,397)
Accumulated other comprehensive income	1,543,393	1,842,081	283,123
Total shareholders' equity	33,892,900	52,040,814	7,998,527
Total liabilities and shareholders' equity	40,815,204	58,555,914	8,999,880

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share and per share data)

35. Parent company only condensed financial information (Continued)

Condensed Statements of Operations and Comprehensive Income/(Loss)

	For the year ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$ Note 2(g)
Operating expenses				
Marketing	(1,221,580)	(1,218,760)	(1,215,222)	(186,776)
General and administrative	(445,095)	(577,350)	(556,534)	(85,538)
Loss from operations	(1,666,675)	(1,796,110)	(1,771,756)	(272,314)
Share of income/(loss) of subsidiaries, consolidated VIEs and VIEs' subsidiaries	(7,520,216)	(1,948,761)	1,717,151	263,924
Interest income	143,757	55,373	66,848	10,274
Interest expense	—	(164,910)	(260,756)	(40,077)
Others, net	(64,806)	47,618	96,256	14,794
Net loss	(9,107,940)	(3,806,790)	(152,257)	(23,399)
Net loss attributable to ordinary shareholders	(9,107,940)	(3,806,790)	(152,257)	(23,399)
Net loss	(9,107,940)	(3,806,790)	(152,257)	(23,399)
Other comprehensive income:				
Foreign currency translation adjustments	953,573	943,616	(822,052)	(126,347)
Net change in unrealized gains/(losses) on available-for-sale securities:				
Unrealized gains/(losses), nil of tax	(238,852)	(78,792)	1,473,014	226,398
Reclassification adjustment for (gains)/losses recorded in net income, nil of tax	216,230	123,743	(352,274)	(54,144)
Net unrealized gains/(losses) on available-for-sale securities	(22,622)	44,951	1,120,740	172,254
Total other comprehensive income	930,951	988,567	298,688	45,907
Total comprehensive income/(loss)	(8,176,989)	(2,818,223)	146,431	22,508

JD.com, Inc.
Notes to the Consolidated Financial Statements
(All amounts in thousands, except for share and per share data)

35. Parent company only condensed financial information (Continued)

Condensed Statements of Cash Flows

	For the year ended December 31,			
	2015	2016	2017	US\$
	RMB	RMB	RMB	Note 2(g)
Net cash provided by/(used in) operating activities	169,018	(33,756)	(105,219)	(16,172)
Cash flows from investing activities:				
Maturity of short-term investments	6,367,600	—	—	—
Purchases of investment securities	(92,090)	—	—	—
Cash received from disposal of investment securities	—	16,440	—	—
Receipts from / (prepayments and investments in) subsidiaries, consolidated VIEs and VIEs' subsidiaries	(5,380,720)	(3,364,402)	2,359,092	362,585
Prepayments and investments in equity investees	—	—	(7,646)	(1,175)
Loans provided to JD Finance	(314,940)	(369,570)	(31,161)	(4,789)
Net cash provided by/(used in) investing activities	579,850	(3,717,532)	2,320,285	356,621
Cash flows from financing activities:				
Repurchase of ordinary shares	—	(5,338,274)	—	—
Purchase of capped call options	—	(2,007,100)	—	—
Proceeds from settlement of capped call options	—	1,463,218	737,501	113,352
Proceeds from issuance of ordinary shares pursuant to stock plans	75,713	82,396	135,745	20,864
Proceeds from unsecured senior notes, net of discount and debt issuance costs	—	6,355,969	—	—
Net cash provided by financing activities	75,713	556,209	873,246	134,216
Effect of exchange rate changes on cash and cash equivalents	(10,834)	369,104	(240,077)	(36,899)
Net increase/(decrease) in cash and cash equivalents	813,747	(2,825,975)	2,848,235	437,766
Cash and cash equivalents at beginning of year	8,128,802	8,942,549	6,116,574	940,100
Cash and cash equivalents at end of year	8,942,549	6,116,574	8,964,809	1,377,866

Basis of presentation

The Company's accounting policies are the same as the Group's accounting policies with the exception of the accounting for the investments in subsidiaries, consolidated VIEs and VIEs' subsidiaries.

For the Company only condensed financial information, the Company records its investments in subsidiaries, consolidated VIEs and VIEs' subsidiaries under the equity method of accounting as prescribed in ASC 323, Investments-Equity Method and Joint Ventures. Such investments are presented in the Condensed Balance Sheets as "Investment in subsidiaries, consolidated VIEs and VIEs' subsidiaries" and shares in the subsidiaries, consolidated VIEs and VIEs' subsidiaries' financial results are presented as "Share of income/(loss) of subsidiaries, consolidated VIEs and VIEs' subsidiaries" in the Condensed Statements of Operations and Comprehensive Income/(Loss). The parent company only condensed financial information should be read in conjunction with the Group' consolidated financial statements.

AMENDED AND RESTATED LOAN AGREEMENT

This AMENDED AND RESTATED LOAN AGREEMENT (this “**Agreement**”), dated November 20, 2017, is made in Beijing, the People’s Republic of China (“**PRC**”) by and among:

Lender: **Beijing Jingdong Century Trade Co., Ltd.**, with registered address at Room B168, Building 2, No. 99, Kechuang 14 Street, Beijing Economic and Technological Development Zone, Beijing;

And

Borrowers:

Richard Qiangdong Liu;

Pang Zhang; and

Yayun Li

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

Whereas, the Lender and the Borrowers have executed a loan agreement dated June 15, 2016 (the “**Original Loan Agreement**”), pursuant to which the lender provided a loan at an aggregate amount of two hundred million (¥200,000,000) (the “**Original Loan Amount**”) to the Borrowers, to be used to pay for investment in the registered capital of Beijing Jingdong 360 Degree E-commerce Co., Ltd. (the “**Borrower Company**”).

Whereas, the Borrowers collectively hold 100% equity interests in the Borrower Company of which 45% is owned by Richard Qiangdong Liu, 30% is owned by Yayun Li, and 25% is owned by Pang Zhang.

Whereas, the Lender is a validly existing wholly foreign-owned enterprise incorporated under the PRC Laws. The lender confirms that it has provided a loan to the Borrowers in the aggregate amount of two hundred million (¥200,000,000), and the Borrowers confirm receipt of the funds.

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

1. Loan

- 1.1 Subject to the terms and conditions of this Agreement, the Lender agrees to provide a loan at an aggregate amount of seven hundred and twenty million (¥720,000,000) (the “**Loan**”) to the Borrowers, which Loan will be provided by Richard Qiangdong Liu, Pang Zhang and Yayun Li at the amount of RMB three hundred and twenty four million (¥324,000,000), RMB two hundred and sixteen million (¥216,000,000) and RMB one hundred and eighty million (¥180,000,000), respectively.
 - 1.2 It is confirmed that the Lender has provided, and the Borrowers have received, the full amount of the Original Loan Amount upon execution of this Agreement. Upon execution of this Agreement, the Lender shall promptly provide the funds to the Borrowers.
 - 1.3 The Borrowers agree to use the Loan to pay for its investment in the registered capital of the Borrower Company and, unless with prior written consent of the Lender, will not use the Loan for any other purpose, or transfer or pledge its shares or other interests in the Borrower Company to any third party.
 - 1.4 The Borrowers undertake that when they receive the Loan pursuant to this Agreement, they shall immediately use the Loan to pay for their investments in the Registered Capital of the Borrower Company. The Borrowers may not withdraw such investment during the term of operations of the Borrower Company.
 - 1.5 It is confirmed that the Lender will not charge any interest upon the Loan, unless otherwise provided herein.
-

2. Term of Loan

- 2.1 The term of the Loan hereunder shall be ten (10) years from the date when the Borrowers actually receive all or any part of the Loan. Unless otherwise indicated by the Lender prior to its expiration, the term of the Loan will be automatically extended for another ten (10) years, and so forth thereafter.
- 2.2 During the term or any extended term of the Loan, the Loan will become immediately due and payable by the Borrowers pursuant to the terms of this Agreement if:
- (1) The Borrowers die or become a person incapacitated or with limited capacity for civil acts;
 - (2) The Borrowers resign or are dismissed by the Lender, the Borrower Company or any affiliate of the Lender;
 - (3) The Borrowers commit a crime or are involved in a crime;
 - (4) Any third party pursue any claim of more than RMB 100,000 against any of the Borrowers and the Lender has reasonable ground to believe that the Borrowers will not be capable to pay for such claim;
 - (5) The Lender decides to perform the Exclusive Purchase Option Agreement (as defined below) when foreign enterprises are allowed to control or wholly own the Borrower Company under applicable PRC laws;
 - (6) The Borrowers fail to comply with or perform any of their commitments or obligations under this Agreement (or any other agreement between them and the Lender), and further fails to remedy such breach within 30 business days upon its occurrence; and
 - (7) This Agreement, the Equity Pledge Agreement, or the Exclusive Purchase Option Agreement is terminated or held invalid by any court for any reason other than the Lender's.

3. Repayment of Loan

- 3.1 The Lender and the Borrowers agree and confirm that the Loan will be repaid in the following manner only: the Borrowers will transfer all of its equity interests in the Borrower Company to the Lender or any legal or natural person designated by the Lender pursuant to requirements from the Lender.
- 3.2 The Lender and the Borrowers agree and confirm that to the extent permitted by the laws, the Lender has the right but no obligation to purchase or designate any legal or natural person designated by it to purchase all or any part of the equity interests in the Borrower Company from the Borrowers at the price set forth under the Exclusive Purchase Option Agreement.

- 3.3 It is agreed and confirmed by the Parties that the Borrowers shall be deemed to have fulfilled their repayment obligations hereunder only after both of the following conditions have been satisfied.
- (1) The Borrowers have transferred all of their equity interests in the Borrower Company to the Lender and/or its designated person; and
 - (2) The Borrowers have repaid to the Lender all of the transfer proceeds or an amount equivalent to the maximum amount permitted by the laws.
- 3.4 The Loan will be deemed as a zero interest loan if the price to transfer the equity interests in the Borrower Company to the Lender from the Borrowers concluded by the Parties under this Agreement any other related agreements is equal or less than the amount of the Loan. Under such circumstance, the Borrowers are not required to repay any remaining amount of and/or any interest upon the Loan; provided, however, that if the equity interest transfer price exceeds the amount of the Loan, the exceeding amount will be deemed as the interest upon the Loan (calculated by the highest interest permitted by the PRC laws) and financing cost thereof.
- 3.5 Notwithstanding anything to the contrary, if the Borrower Company goes bankruptcy, dissolution or is ordered for closure during the term or extended term of this Agreement, and Borrowers will liquidate the Borrower Company according to laws and all of the proceeds from such liquidation will be used to repay the principal, interest (calculated by the highest interest permitted by the PRC laws) and financing cost of the Loan.

4. **Obligations of the Borrowers**

- 4.1 The Borrowers will repay the Loan according to the provisions of this Agreement and requirements from the Lender.
- 4.2 The Borrowers will enter into an Amended and Restated Equity Pledge Agreement (the “**Equity Pledge Agreement**”) with the Lender and the Borrower Company, whereby the Borrowers agree to pledge all of its equity interests in the Borrower Company to the Lender.
- 4.3 The Borrowers will enter into an Amended and Restated Exclusive Purchase Option Agreement (the “**Exclusive Purchase Option Agreement**”) with the Lender and the Borrower Company, whereby the Borrowers will to the extent permitted by the PRC laws grant an irrevocable and exclusive purchase option for the Lender to purchase all or any part of the equity interest in the Borrower Company from the Borrowers.
- 4.4 The Borrowers will perform its obligations under this Agreement, the Equity Pledge Agreement and the Exclusive Purchase Option Agreement, and provide support for the Lender to complete all filings, approvals, authorizations, registration and other government procedures necessary to perform such agreements.

4.5 The Borrowers will sign an irrevocable power of attorney authorizing a person designated by the Lender to exercise on their behalf all of their rights as the shareholders of the Borrower Company.

5. Representations and Warranties

- 5.1 The Lender represents and warrants to the Borrowers that from the date of this Agreement until termination hereof:
- (a) It is a wholly foreign-owned company duly incorporated and validly existing under the laws of the PRC;
 - (b) It has the power and receives all approvals and authorities necessary and appropriate to execute and perform this Agreement. Its execution and performance of this Agreement are in compliance with its articles of association or other organizational documents;
 - (c) None of its execution or performance of this Agreement is in breach of any law, regulation, government approval, authorization, notice or any other government document, or any agreement between it and any third party or any covenant issued to any third party; and
 - (d) This Agreement, once executed, becomes legal, valid and enforceable obligations upon the Lender.
- 5.2 The Borrowers represent and warrant that from the date of this Agreement until termination hereof:
- (a) They are fully capable to conduct civil acts;
 - (b) The Borrower Company is a limited liability company incorporated and validly existing under the PRC laws, and the Borrowers are the legal owners of the Borrower Equity;
 - (c) None of their execution or performance of this Agreement is in breach of any law, regulation, government approval, authorization, notice or any other government document, or any agreement between them and any third party or any covenant issued to any third party;
 - (d) This Agreement, once executed, becomes legal, valid and enforceable obligations upon the Borrowers;
 - (e) They have paid the full investment relating to the Borrower Equity according to law, and received a verification report for such payment from a qualified accounting firm;
 - (f) Except for those provided under the Equity Pledge Agreement, they create no mortgage, pledge or any other security upon the Borrower Equity, provides no offer to any third party to transfer the Borrower Equity, make no covenant regarding any offer to purchase the Borrower Equity from any third party, or enter into any agreement with any third party to transfer the Borrower Equity;

- (g) There is no existing or potential dispute, suit, arbitration, administrative proceeding or any other legal proceeding in which the Borrowers and/or the Borrower Equity is involved; and
- (h) The Borrower Company has completed all government approvals, authorizations, licenses, registrations and filings necessary to conduct its businesses and own its assets.

6. Covenants from the Borrowers

- 6.1 The Borrowers covenant in their capacity of the shareholders of the Borrower Company that during the term of this Agreement they will procure the Borrower Company:
- (a) without prior written consent from the Lender, not to supplement, amend or modify its articles of association, or increase or decrease its registered capital, or change its capital structures of the Company;
 - (b) to maintain its existence, prudently and effectively operate its businesses and deal with its affairs in line with fair financial and business standards and customs;
 - (c) without prior written consent from the Lender, not to sell, transfer, pledge or otherwise dispose any legal or beneficial interest of any of its assets, businesses or income, or allow creation of any other security interests thereupon;
 - (d) without prior written consent from the Lender, not to incur, inherit, guarantee or allow the existence of any debt, except for (i) any debt incurred during its ordinary course of business rather than from borrowing; and (ii) any debt which has been disclosed to and obtained the written consent from The Lender;
 - (e) to always conduct its business operations in ordinary course to maintain the value of its assets;
 - (f) without prior written consent from the Lender, not to enter into any material agreement other than those executed in its ordinary course of business;
 - (g) not to provide any loan or credit to any party without prior written consent from the Lender;
 - (h) to provide any and all information regarding its operations and financial conditions at the request from the Lender;

- (i) to buy and maintain requisite insurance policies from an insurer acceptable to the Lender, the amount and type of which will be the same with those maintained by the companies having similar operations, properties or assets in the same region;
- (j) without prior written consent from the Lender, not to combine, merge with, acquire or make investment to any person;
- (k) to immediately notify the Lender of any actual or potential litigation, arbitration or administrative proceeding regarding its assets, business and income;
- (l) to execute any document, conduct any action, and make any claim or defense necessary or appropriate to maintain its ownership of all of its assets;
- (m) without prior written consent from the Lender, not to distribute any dividend or bonus to any of its shareholders;
- (n) to appoint any person nominated by the Lender or the parent of the Lender to its board at the request of the Lender; and
- (o) to strictly comply with the provisions of the Exclusive Purchase Option Agreement, and not to make any act or omission which may affect its validity and enforceability.

6.2 The Borrowers covenant during the term of this Agreement:

- (a) except those provided under the Equity Pledge Agreement and without prior written consent from the Lender, not to sell, transfer, pledge or otherwise dispose any legal or beneficial interest of the Borrower Equity, or allow creation of any other security interests thereupon;
- (b) to procure the shareholders of the Borrower Company not to approve any sale, transfer, pledge or otherwise disposal of any legal or beneficial interest of the Borrower Equity, or creation of any other security interests thereupon without prior written consent from the Lender, except to the Lender or its designated person;
- (c) to procure the shareholders of the Borrower Company not to approve its merger or association with, or acquisition of or investment in any person without prior written consent from the Lender;
- (d) to immediately notify the Lender of any actual or potential litigation, arbitration or administrative proceeding regarding the Borrower Equity;

- (e) to execute any document, conduct any action, and make any claim or defense necessary or appropriate to maintain its ownership of the Borrower Equity;
- (f) not to make any act and/or omission which may affect any asset, business or liability of the Borrower Company without prior written consent from the Lender;
- (g) to appoint any person nominated by the Lender or the parent of the Lender to the board of the Borrower Company at the request of the Lender;
- (h) to the extent permitted under the PRC laws and at the request of the Lender at any time, to transfer unconditionally and immediately all of the equity interests owned by the Borrowers to the Lender or any person designated by it, and procure any other shareholder of the Borrower Company to waive the right of first refusal regarding such equity interests;
- (i) to the extent permitted under the PRC laws and at the request of the Lender at any time, to procure any other shareholder of the Borrower Company to transfer unconditionally and immediately all of the equity interests owned by such shareholder to the Lender or any person designated by it, and the Borrowers hereby waive their right of first refusal regarding such equity interests;
- (j) if the Lender purchases the Borrower Equity from the Borrowers pursuant to the Exclusive Purchase Option Agreement, to use the price of such purchase to repay the Loan to the Lender on priority; and
- (k) to strictly comply with the provisions of this Agreement, the Equity Pledge Agreement and the Exclusive Purchase Option Agreement, perform its obligations under each of such agreements, and not to make any act or omission which may affect the validity and enforceability of each of such agreements.

7. Liabilities for Breach of Contract

- 7.1 If any party (“**Defaulting Party**”) breaches any provision of this Agreement, which causes damage to the other party (“**Non-defaulting Party**”), the Non-defaulting Party could notify the Defaulting Party in writing and request it to rectify and correct such breach of contract; if the Defaulting Party fails to take any action satisfactory to the Non-defaulting Party to rectify and correct such breach within fifteen (15) working days upon the issuance of the written notice by the Non-defaulting Party, the Non-defaulting Party may immediately take the actions pursuant to this Agreement or take other remedies in accordance with laws.

7.2 If the Borrowers fail to repay the Loan pursuant to the terms under this Agreement, they will be liable for a penalty interest accrued upon the amount due and payable at a daily interest rate of 0.02% until the Loan as well as any penalty interest and any other amount accrued thereupon are fully repaid by the Borrowers.

8. Notices

Notices or other communications required to be given by any Party pursuant to this Agreement shall be made in writing and delivered personally or sent by mail or facsimile transmission to the addresses of the other Parties set forth below or other designated addresses notified by such other Parties to such Party from time to time. The date when the notice is deemed to be duly served shall be determined as the follows: (a) a notice delivered personally is deemed duly served upon the delivery; (b) a notice sent by mail is deemed duly served on the seventh (7th) day after the date when the air registered mail with postage prepaid has been sent out (as is shown on the postmark), or the fourth (4th) day after the delivery date to the internationally recognized courier service agency; and (c) a notice sent by facsimile transmission is deemed duly served upon the receipt time as is shown on the transmission confirmation of relevant documents.

If to the Lender: Beijing Jingdong Century Trade Co., Ltd.

Address: ***

Phone: ***
Fax: ***
Attention: ***

If to the Borrowers:

Richard Qiangdong Liu

Address: ***

Phone: ***
Fax: ***

Yayun Li

Address: ***

Phone: ***
Fax: ***

Pang Zhang
Address: ***

Phone: ***
Fax: ***

9. Confidentiality

All Parties acknowledge and confirm that any oral or written materials exchanged by and between the Parties in connection with this Agreement are confidential. All Parties shall keep in confidence all such information and not disclose it to any third party without prior written consent from other Parties unless: (a) such information is known or will be known by the public (except by disclosure of the receiving party without authorization); (b) such information is required to be disclosed in accordance with applicable laws or rules or regulations; or (c) if any information is required to be disclosed by any party to its legal or financial advisor for the purpose of the transaction of this Agreement, such legal or financial advisor shall also comply with the confidentiality obligation similar to that stated hereof. Any disclosure by any employee or agency engaged by any Party shall be deemed the disclosure of such Party and such Party shall assume the liabilities for its breach of contract pursuant to this Agreement. This Article shall survive expiration or termination of this Agreement.

10. Applicable Law and Dispute Resolution

- 10.1 The formation, validity, performance and interpretation of this Agreement and the disputes resolution under this Agreement shall be governed by the PRC laws.
- 10.2 The Parties shall strive to settle any dispute arising from or in connection with this Agreement through friendly consultation. In case no settlement can be reached through consultation within thirty (30) days after the request for consultation is made by any Party, any Party can submit such matter to China International Economic and Trade Arbitration Commission for arbitration in accordance with its then effective rules. The arbitration shall take place in Beijing. The arbitration award shall be final and binding upon all the Parties.

11. Miscellaneous

- 11.1 The headings contained in this Agreement are for the convenience of reference only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.
- 11.2 This Agreement shall be effective as of the date of its execution. The Parties agree and confirm that the effect of this Agreement shall retrospect to November 20, 2017. Once effective, this Agreement will expire until the Parties have performed their respective obligations under this Agreement.
- 11.3 The Parties agree to promptly execute any document and take any other action reasonably necessary or advisable to perform provisions and purpose of this Agreement.

- 11.4 The Parties confirm that this Agreement shall, upon its effectiveness, constitute the entire agreement and common understanding of the Parties with respect to the subject matters herein and fully supersede all prior verbal and/or written agreements and understandings with respect to the subject matters herein.
- 11.5 The Parties may amend and supplement this Agreement in writing. Any amendment and/or supplement to this Agreement by the Parties is an integral part of and has the same effect with this Agreement.
- 11.6 This Agreement shall be binding upon and for the benefit of all the Parties hereto and their respective inheritors, successors and the permitted assigns.
- 11.7 Any Party's failure to exercise the rights under this Agreement in time shall not be deemed as its waiver of such rights and would not affect its future exercise of such rights.
- 11.8 If any provision of this Agreement is held void, invalid or unenforceable by a court of competent jurisdiction, governmental agency or arbitration authority, the validity, legality and enforceability of the other provisions hereof shall not be affected or impaired in any way. The Parties shall cease performing such void, invalid or unenforceable provisions and revise such void, invalid or unenforceable provisions only to the extent closest to the original intention thereof to recover its validity or enforceability for such specific facts and circumstances.
- 11.9 Unless with prior written consent from the Lender, the Borrowers may not assign any of their rights and obligations under this Agreement to any third party.
- 11.10 This Agreement is made in four (4) originals with each Party holding one (1) original. Each original has the same effect.

(No text below)

(Signature Page)

IN WITNESS THEREOF, each Party has signed or caused its legal representative to sign this Agreement as of the date first written above.

Party A: Beijing Jingdong Century Trade Co., Ltd.

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

By: /s/ Richard Qiangdong Liu

Party B:

Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

Pang Zhang

By: /s/ Pang Zhang

Yayun Li

By: /s/ Yayun Li

Business Operations Agreement

This Business Operations Agreement (this “**Agreement**”) is made as of November 20, 2017, in Beijing, the People’s Republic of China (the “**PRC**”) by and among:

Beijing Jingdong Century Trade Co., Ltd., with registered address at Room B168, Building 2, 99 Kechuang 14 Street, Beijing Economic and Technological Development Zone, Beijing (“**Party A**”)

Beijing Jingdong 360 Degree E-Commerce Co., Ltd., a limited liability company incorporated and existing under the laws of the PRC, with registered address at Room 222, Building C, No. 18 Kechuang Street, Beijing Economic and Technological Development Zone, Beijing (“**Party B**”).

And

Richard Qiangdong Liu, with PRC identification number of ***;

Yayun Li, with PRC identification number of ***; and

Pang Zhang, with PRC identification number of ***

(LIU Qiangdong, Yayun Li and Pang Zhang collectively, “**Party C**”)

(Party A, Party B and Party C Individually a “**Party**”, and collectively the “**Parties**”)

WHEREAS:

- A Party A is a wholly foreign-owned enterprise duly incorporated and validly existing under the PRC laws;
- B Party B is a limited liability company duly incorporated and validly existing under the PRC laws;
- C A business relationship has been established between Party A and Party B by entering into an Exclusive Consulting and Services Agreement, whereby Party B is required to make all payments to Party A thereunder. Therefore, the daily operations of Party B will have a material impact on its ability to pay the payables to Party A; and
- D Party C is shareholders of Party B whose 45%, 30% and 25% equity interests are respectively owned by Richard Qiangdong Liu, Yayun Li and Pang Zhang.

NOW, THEREFORE, the Parties hereby agree and intend to be legally bound as follows through friendly negotiations and in the principles of equity and mutual benefit:

1. Negative Undertakings

In order to ensure Party B's performance of the agreements between Party A and Party B and all its obligations owed to Party A, Party B and Party C hereby confirm and agree that unless with prior written consent from Party A or a third party appointed by Party A, Party B shall not conduct any transaction which may materially affect any of its assets, businesses, employees, duties, rights or operations, including but not limited to the following:

- 1.1 to conduct any business that is beyond the normal business scope or in a manner inconsistent with past practices;
- 1.2 to borrow money or incur any debt from any third party;
- 1.3 to change or dismiss any director or to dismiss and replace any senior management member;
- 1.4 to sell to or acquire from any third party, or otherwise dispose any of its material assets or rights, including but not limited to any intellectual property rights;
- 1.5 to provide guarantee in favor of any third party or impose any encumbrance upon any of its assets (including intellectual property rights);
- 1.6 to amend its articles of association or change its scope of business;
- 1.7 to change its ordinary course of business or modify any material internal bylaws or systems;
- 1.8 to assign any of the rights or obligations under this Agreement to any third party;
- 1.9 to make significant adjustment to any of its business operations, marketing strategies, operation policies or client relations; and
- 1.10 to make any form of distribution of dividend or bonus.

2. Operational and Human Resource Management

- 2.1 Party B and Party C hereby agree to accept and strictly perform the comments and instructions from Party A from time to time regarding employment and dismissal of its employees, the daily business management and financial management.
- 2.2 Party B and Party C hereby jointly and severally agree that Party C shall appoint the person elected in accordance with the procedures required by applicable laws and regulations and the articles of association of Party B or designated by Party A as director (or managing director) or supervisor of Party B, and cause such director to elect the person recommended by Party A as the chairman of the board (if any), and appoint the persons designated by Party A as Party B's General Manager, Chief Financial Officer, and other officers.

- 2.3 If any of the above directors or officers resigns or is dismissed by Party A, he or she will lose the qualification to hold any position in Party B and, under such circumstance, Party C shall remove such person from his or her position in Party B and immediately elect or appoint any other candidate designated by Party A to assume such position.
- 2.4 For the purpose of Section 2.3, Party C shall effect all internal or external procedures necessary to accomplish the dismissal and appointment in accordance with relevant laws and regulations, the articles of association of Party B and this Agreement.
- 2.5 Party C hereby agree to, upon execution of this Agreement, simultaneously sign a Power of Attorney whereby Party C shall authorize irrevocably any individual appointed by Party A to exercise shareholders' rights, including the full voting right of a shareholder at Party B's shareholders' meetings. Party C further agrees to replace the authorized person appointed according to the above mentioned power of attorney (the "Trustee") at any time pursuant to the requirements of Party A by revoking its authorization to the Trustee and granting the same authorization to such other person designated by Party A by execution of a power of attorney in the form and substance similar to that contemplated in the preceding sentence with immediate effect.

3. Right of Information

The Trustee may be provided with any information regarding operations, clients, financial conditions and employees of Party B and have access to relevant materials of Party B in connection with exercising any of the rights authorized to it. The right of information provided in this Section 3 shall be the same with the right to access Party B's information by any of its shareholders, and will be exercised with sufficient facility from Party B without any interference.

4. Waiver

It is agreed by the Parties that unless caused by the material neglect or willful misconduct of Party A, Party A will not be held liable for any indemnity by any other Party or any third Party due to the Trustee's exercise of any of its rights.

5. Representations and Warranties by Party C

- 5.1 Party C, in the capacity of natural person, is Chinese citizens having full civil capabilities to execute, deliver and perform this Agreement and perform its obligations hereunder or, in the capacity of legal person, is a limited liability company duly incorporated and validly existing under the PRC laws, has full and independent capabilities to execute, deliver and perform this Agreement.
- 5.2 Party C has the right to execute, deliver and perform this Agreement without any approval or authorization.

- 5.3 None of Party C's execution and performance of this Agreement is in violation of any of its articles of association, or any laws, regulations, governmental approvals, authorizations, notices or other documents binding upon or having effect upon Party C, or any contracts with or any covenants to any third party by Party C.
- 5.4 Once executed, this Agreement will constitute legal and valid obligations enforceable against Party C.
- 5.5 Unless otherwise provided under this Agreement or the Equity Pledge Agreement, there is no mortgage, pledge or any other security interest, or restrictive agreement with any third party, or offer to transfer to any third party, or covenant in response to any offer to buy from any third party, or any agreement with any third party to transfer, in each case regarding any of Party B's equity interests by Party C.
- 5.6 Party C will be in strict compliance with this Agreement and actively perform its obligations hereunder. Party C will also cause Party B to be in strict compliance with this Agreement and refrain from any action or omission which may affect validity or enforceability of this Agreement.

6. Representations and Warranties by Party B

- 6.1 Party B is a limited liability company duly incorporated and validly existing under the PRC laws.
- 6.2 Party B has received all consents and authorizations necessary and desirable to execute, deliver and perform this Agreement.
- 6.3 Party C will be in strict compliance with this Agreement, actively perform its obligations hereunder, and refrain from any action or omission which may affect validity or enforceability of this Agreement.

7. Breach Liability

- 7.1 Subject to provisions under Section 4 of this Agreement, Party B and Party C shall jointly and severally indemnify and hold harmless Party A and any of its shareholders, directors, employees, affiliates, agents, successors and trustees from any claim, harm, expenses, indemnities, liabilities, fines or any other loss or damages arising from:
 - 7.1.1 any breach or failure to perform this Agreement by Party C and/or Party B; or
 - 7.1.2 any material neglect or willful misconduct, or any breach of applicable laws or regulations by Party C and/or Party B.
- 7.2 Without prejudice to the indemnity liability provided under Section 7.1, Party A may require Party C and Party B to stop or prevent any breach of this Agreement, and/or require Party C and Party B to perform its obligations under this Agreement.

8. Confidentiality

Each of the Parties acknowledges and confirms that the existence and terms of this Agreement, as well as any oral or written information exchanged among the Parties in connection with preparation or performance of this Agreement, will be confidential information. Each of Party C and party B will keep all confidential information in confidence and, without prior written consent from Party A, may not disclose any confidential information to any third party, unless such information (a) is in the public domain (not due to unauthorized disclosure by the receiving Party); (b) is required for disclosure by any applicable laws or regulations, rules of any exchange, or requirements or orders from any government authority or court having jurisdiction; or (c) is disclosed by Party C or Party B to any of its legal or financial advisors on as-needed basis, provided that such legal or financial advisor shall comply with the confidentiality obligations similar to this Section 8. Disclosure of any confidential information by any person or entity engaged by Party C or Party B shall be deemed as disclosure of such information by Party C and/or Party B, and consequently Party C and/or Party B shall be held liable for breach of this Agreement.

9. Other Agreements

- 9.1 This Agreement shall be binding on and inure to the benefit of each of the Parties and their respective successors, heirs and permitted assigns. Without prior written consent from Party A, Party C may not transfer any of its rights, interests or obligations under this Agreement.
- 9.2 Party C hereby agrees that Party A may transfer any of its rights and obligations under this Agreement to any third party at its discretion with notice to Party C in writing but without consent from Party C.
- 9.3 If any agreement between Party A and Party B terminates or expires, Party A will have the right to terminate all of the agreements between Party A and Party B including, among others, the Exclusive Consulting and Services Agreement.
- 9.4 Considering the business relationship between Party A and Party B has been established through execution of the Exclusive Consulting and Services Agreement, and daily business activities of Party B will have a material impact on Party B's ability to pay the payables to Party A, Party C agrees that subject to Section 1 of this Agreement, any dividend, distribution or other gain or interest received by it as shareholder of Party B will be immediately, unconditionally and freely paid or transferred to Party A, and provide any document or take any action necessary to accomplish such payment or transfer at the request of Party A.
- 9.5 Party C will provide assistance sufficient for the Trustee to exercise any right authorized to it, including without limitation prompt signing any resolution of the shareholders or any other relevant legal document when it is necessary to do so (including required in connection with any approval, registration and filing from or with any government authority). Party C hereby confirms that its covenants under Section 9.5 of this Agreement will not restrict its authorization of any right to the Trustee.

10. Entire Agreements and Amendments

- 10.1 This Agreement and all agreements and/or documents referred to or expressly included herein represent all agreements among the Parties regarding the subject matter hereof, and supersede all previous agreements, contracts, understandings and communications among all the Parties, oral or written, with respect to the subject matters of this Agreement.
- 10.2 Any amendment of this Agreement will not be effective without agreement of the Parties in writing. Any amendment and supplement duly executed by the Parties shall be an integral part of and have the same effect with this Agreement.

11. Governing Law

This Agreement shall be governed by and construed in accordance with the PRC laws.

12. Dispute Resolution

- 12.1 Any dispute arising from or in connection with this Agreement will be settled through negotiations and, if the negotiations fail, be submitted to Beijing Arbitration Commission (“**BAC**”) for arbitration in accordance with its rules then effect. The arbitration shall take place in Beijing. The language of arbitration shall be in Chinese. The arbitrary award shall be final and binding upon each of the Parties. This Section 12.1 will survive termination or expiration of this Agreement.
- 12.2 each of the Parties shall continue to perform its obligations under this Agreement in good faith other than the matter under dispute.

13. Notice

Any and all notices given by any of the Parties regarding any of its rights or obligations under this Agreement shall be made in writing and delivered in person, by registered mail, postage prepaid mail, recognized courier service or facsimile to the following addresses.

If to Party A: **Beijing Jingdong Century Trade Co., Ltd.**

Address: ***

Phone: ***
Fax: ***
Attention: ***

If to Party B: **Beijing Jingdong 360 Degree E-Commerce Co., Ltd.** with registered address at

Address: ***

Phone: ***
Fax: ***
Attention: ***

If to Party C:

Richard Qiangdong Liu

Address: ***

Phone: ***
Fax: ***

Pang Zhang

Address: ***

Phone: ***
Fax: ***

Yayun Li

Address: ***

Phone: ***
Fax: ***

14. Effect, Term and Others

- 14.1 Any written consent, proposal, appointment relating to Party A under this Agreement and any other decision having material effect upon daily business operations of Party B will be made by the board of directors/managing director of Party A.
- 14.2 The term of this Agreement will commence as of the date hereof and, unless early terminated by Party A, expire upon dissolution of Party B under the PRC laws. At the request of Party A, the Parties may extend the term of this Agreement prior to its expiration, and enter into separate business operation agreement or continue to perform this Agreement, in each case at the request of Party A.
- 14.3 Neither Party B nor Party C may terminate this Agreement during the term hereof. Party A shall have the right to terminate this Agreement at any time with written notice to Party B and Party C no less than thirty (30) days in advance.

- 14.4 It is confirmed by the Parties that this Agreement represent their fair and reasonable agreements made on the basis of equity and mutual benefits. If any clause hereof is held invalid or unenforceable under applicable laws, such clause shall be deemed to have been deleted from this Agreement and invalid, and the remainder of this Agreement will continue to have effect and be deemed to have excluded such clause. The Parties will negotiate to replace the deleted clause with legal, valid one acceptable to each of the Parties.
- 14.5 Any failure or delay on the part of any Party to exercise any rights, powers or privileges hereunder shall not operate as a waiver thereof. Any single or partial exercise of such rights, powers or privileges shall not preclude any further exercise of such rights, powers or privileges.
- 14.6 This Agreement is in four originals with each Party holding one thereof. Each of the originals has the same effect.

[Remaining intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on their behalf by a duly authorized representative as of the date first written above.

PARTY A: BEIJING JINGDONG CENTURY TRADE CO., LTD.

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

By: /s/ Richard Qiangdong Liu

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

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

By: /s/ Richard Qiang Dong Liu

PARTY C:

By: /s/ LIU Qiangdong

By: /s/ Yayun Li

By: /s/ Pang Zhang

Equity Pledge Agreement

This EQUITY PLEDGE AGREEMENT, (this “**Agreement**”), dated August 25, 2016, is made in Beijing, the People’s Republic of China (“**PRC**”) by and among:

Party A: Beijing Jingdong Century Trade Co., Ltd.

Registered address: Room B168, Building 2, No. 99, Kechuang 14 Street, Beijing
Economic and Technological Development Zone, Beijing

Party B: Richard Qiangdong Liu;

Pang Zhang;
Yayun Li

Party C: Beijing Jiasheng Investment Management Co., Ltd.

Registered address: Floor 20, Block A, Building 1, 19 Ronghua Middle Street, Beijing
Economic and Technological Development Zone, Beijing

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

Whereas,

- (1) Beijing Jiasheng Investment Management Co., Ltd. (“Beijing Company”) is a limited liability company duly incorporated and validly existing under the PRC laws.
 - (2) The Pledgors hold 100% equity interests of Beijing Company in total, of which 45%, 30% and 25% equity interests are owned by Richard Qiangdong Liu, Yayun Li and Pang Zhang, respectively.
 - (3) The Pledgee is a wholly foreign owned company duly incorporated and existing under the laws of the PRC.
 - (4) The Pledgee and Beijing Company entered into an Exclusive Technology Consulting and Service Agreement on August 25, 2016 (“Services Agreement”).
 - (5) The Pledgors and the Pledgee entered into a Loan Agreement on August 25, 2016 (“Loan Agreement”), and entered into an Exclusive Purchase Option Agreement on August 25, 2016 (“Exclusive Purchase Option Agreement”). In addition, the Pledgors delivered the Power of Attorney to the Pledgee on August 25, 2016 (“Power of Attorney”, together with the Services Agreement, Loan Agreement and Exclusive Purchase Option Agreement, collectively referred as “Master Agreement”).
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- (6) In order to secure the Pledgors' performance of their obligations under this Agreement, the Loan Agreement, the Exclusive Purchase Option Agreement and the Power of Attorney, and in order to ensure Beijing Company to be able to perform its obligations under the Services Agreement, the Pledgors hereby pledge all the equity interests held by them in Beijing Company as the guaranty for their and/or Beijing Company's performance of obligations under the Master Agreement.

NOW, THEREFORE, the Parties hereby agree as follows through friendly negotiations:

1. Definition

Unless otherwise specified herein, the following words shall have the meanings as follows:

- 1.1 Pledge Right: means the priority right the Pledgee owns, with respect to the proceedings arising from selling at a discount, auction of, or selling off the equity interests pledged by the Pledgors to the Pledgee.
- 1.2 Pledged Equity Interests: means all the equity interests duly held by the Pledgors in Beijing Company, i.e. 100% equity interests of Beijing Company, as well as all the other rights created over it.
- 1.3 Term of Pledge: means the period of term specified in Article 3 hereof.
- 1.4 Event of Default: means any of the circumstances listed in Article 7 hereof.
- 1.5 Notice of Default: means any notice issued by the Pledgee to the Pledgors in accordance with this Agreement specifying an Event of Default.

2. Pledge Right and Scope of Guaranty

- 2.1 The Pledgors agree to pledge all the Pledged Equity Interests to the Pledgee as the guaranty for their and/or Beijing Company's performance of all the obligations under the Master Agreement and all the liabilities of indemnification to the Pledgee which may arise due to the invalidity or cancellation of the Master Agreement. Beijing Company agrees with such equity pledge arrangement.
- 2.2 The effect of guaranty under the Master Agreement will not be prejudiced by any amendment or change of the Master Agreement. The invalidity or cancellation of the Master Agreement does not impair the validity of this Agreement. In the event that the Master Agreement is deemed as invalid, or cancelled or revoked for any reason, the Pledgee is entitled to realized its pledge right in accordance with Article 8 hereof.

3. Creation and Term of Pledge

- 3.1 The Pledge Right hereunder shall be reflected on the register of shareholders and the capital contribution certificate of Beijing Company in accordance with the form as attached to this Agreement.
- 3.2 The term of the Pledge Right is two (2) years effective from the registration of pledge of equity interests with the Administration for Industry and Commerce of the place where Beijing Company is registered, till the day on which all the obligations under the Master Agreement are fully performed (“Term of Pledge”).
- 3.3 During the Term of Pledge, if the Pledgors and/or Beijing Company fails to perform any obligation under or arising from the Master Agreement, the Pledgee has the right to dispose of the Pledge Right in accordance with Article 8 hereof.

4. Possession of Pledge Certificates

- 4.1 The Pledgors shall deliver the register of shareholders and capital contribution certificate of Beijing Company which reflects the pledge of equity interests as mentioned in above Article 3 within three (3) business days upon the pledge is recorded on such documents, to the Pledgee for its possession , and the Pledgee is obligated to keep the received pledge documents.
- 4.2 The Pledgee is entitled to all the proceeds in cash including the dividends and all the other non-cash proceeds arising from the Pledge Equity Interests since August 25, 2016.

5. Representations and Warranties of the Pledgors

- 5.1 The Pledgors are the legal owners of Pledged Equity Interests.
- 5.2 Once the Pledgee intends to exercise the rights of the Pledgee under this Agreement anytime, it shall be protected from any interference from any other party.
- 5.3 The Pledgee has the right to dispose of or transfer the Pledge Right in the way as described hereunder.
- 5.4 Neither of the Pledgors has ever created any other pledge right or any other third party right over the equity interests except towards the Pledgee.

6. Covenants from the Pledgor

- 6.1 During the term of this Agreement, the Pledgors covenant to the Pledgee as follows:
 - 6.1.1 Without prior written consent of the Pledgee, the Pledgors should not transfer the Pledged Equity Interests, or create or allow creation of any new pledge or any other security upon the Pledged Equity Interests which may impair the rights and/or interest of the Pledgee, except for the transfer of equity interests to the Pledgee or the person designated by the Pledgee in accordance with the Exclusive Purchase Option Agreement.

- 6.1.2 The Pledgors shall abide by and exercise all the provisions of laws and regulations in relation to the pledge of rights, and shall present the Pledgee any and all notices, directions or suggestions issued by related competent authorities within two (2) days upon the receipt of such notices, directions or suggestions, and shall comply with such notices, directions or suggestions, or present its opposite opinions and representations regarding the above mentioned issues according to the reasonable request of the Pledgee or with the consent from the Pledgee;
- 6.1.3 The Pledgors shall give prompt notice to the Pledgee regarding any occurrence or received notice which may influence the equity interests or any part of the equity interests held by the Pledgee, or may change any warranties or obligations of the Pledgors under this Agreement or may influence the performance of obligations by the Pledgors hereunder.
- 6.2 The Pledgors agree that, the right of the Pledgee to exercise of Pledge Right hereunder in accordance with this Agreement, shall not be interfered or impaired by any legal proceedings taken by the Pledgors, or the successor or designated person of the Pledgors or any other person.
- 6.3 The Pledgors warrant to the Pledgee that, in order to protect or consummate the guaranty provided by this Agreement regarding the performance of the Master Agreement, the Pledgors will faithfully sign, or cause any other party which is materially related to the Pledge Right to sign, any and all right certificates and deeds, and/or take, or cause any other party which is materially related to the Pledge Right to take, any and all actions, reasonably required by the Pledgee, and will facilitate the exercise of the rights and authorizations granted to the Pledgee under this Agreement, enter into any change to related equity certificate with the Pledgee or the Pledgee's designated person (individual/legal person), and provide to the Pledgee any and all notices, orders and decisions as deemed necessary by the Pledgee.
- 6.4 The Pledgors undertake to the Pledgee they will abide by and perform all representations, warranties and undertakings to protect the interests of the Pledgee. The Pledgors shall indemnify the Pledgee any and all losses suffered by the Pledgee due to the Pledgors' failure or partial failure in performance of their representations, warranties or undertakings.
- 6.5 The Pledgors covenant to the Pledgee they assume several and joint liabilities with respect to the obligations hereunder.

6.6 The Pledgors irrevocably agree to waive the preemptive right with respect to the Pledged Equity Interests pledged by other shareholders of Beijing Company to the Pledgee, as well as the transfer of equity interests due to the exercise of Pledge Right by the Pledgee.

7. Event of Default

7.1 Any of the following is deemed as an Event of Default:

7.1.1 Beijing Company fails to perform its obligations under the Master Agreement;

7.1.2 Any representation or warranty of the Pledgors under this Agreement is substantially misleading or untrue, and/or any of the Pledgors breaches any of his representations and warranties under this Agreement;

7.1.3 Any of the Pledgors breaches its covenants hereunder;

7.1.4 Any of the Pledgors breaches any provision hereof;

7.1.5 Except that any of the Pledgors transfers the equity interests to the Pledgee or the Pledgee's designated person in accordance with the Exclusive Purchase Option Agreement, any of the Pledgors waives the Pledged Equity Interests or transfers the Pledged Equity Interests without the written consent from the Pledgee;

7.1.6 Any external borrowings, guaranty, indemnification, undertakings or any other liabilities of the Pledgors (1) is required to be repaid or exercised early due to its default; or (2) is not repaid or exercised when due, which makes the Pledgee reasonably believes that the ability of the Pledgors to perform their obligations under this Agreement has been impaired.

7.1.7 Any of the Pledgors fails to repay general debts or other liabilities;

7.1.8 This Agreement is deemed to be illegal with promulgation of related laws, or any of the Pledgors is unable to continue to perform his obligations hereunder;

7.1.9 The consent, permit, approval or authorization from the competent authorities for making this Agreement enforceable, legal or valid is revoked, suspended, invalidated or materially amended;

7.1.10 Adverse change occur with respect to the assets of the Pledgors, which makes the Pledgee reasonably believes that the ability of the Pledgors to perform their obligations under this Agreement has been impaired.

7.1.11 Successor of the Pledgors or Beijing Company can only perform part of, or refuses to perform, its obligations under this Agreement.

7.1.12 Other circumstances occur which make the Pledgee unable to exercise or dispose of the Pledge Right in accordance with related laws.

7.2 In the event that is aware of or discover that any issue described in the above Article 7.1 or any other issue which may cause the occurrence of such mentioned issues has occurred, the Pledgors shall give a prompt written notice to the Pledgee.

7.3 Unless that the Event of Default specified in above Article 7.1 has been resolved to the satisfaction of the Pledgee, otherwise the Pledgee is entitled to (not obligated to) serve a Notice of Default to the Pledgors immediately following or any time after the occurrence of the Event of Default, to require the Pledgors and Beijing Company to immediately perform its obligations under the Master Agreement (including without limitation to payment of the due and unpaid debts and other amounts payable under the Services Agreements) or dispose of the Pledge Right in accordance with Article 8 hereof.

8. Exercise of Pledge Right

8.1 Prior to the fulfillment of performance of the obligations under the Master Agreement, neither of the Pledgors may transfer the Pledged Equity Interests without the written consent of the Pledgee.

8.2 In the event of occurrence of the Event of Default described in above Article 7, the Pledgee shall give a Notice of Default to the Pledgors when exercising the Pledge Right. The Pledgee may exercise the right to dispose of the Pledge Right at the same time of or any time after the service of the Notice of Default.

8.3 The Pledgee has the right to sell in accordance with legal procedure or dispose of in the other way allowed by law the Pledged Equity Interests hereunder. If the Pledgee decides to exercise the Pledge Right, the Pledgors both undertake to transfer all of their shareholder rights to the Pledgee for exercise. In addition, the Pledgee has the priority to receive the proceedings arising from selling at a discount, auction of, or selling off the equity interests pledged by the Pledgors to the Pledgee according to the legal proceedings.

8.4 When the Pledgee is disposing of the Pledge Right in accordance with this Agreement, neither of the Pledgors may create any obstacle, and shall provide any necessary assistance to help the Pledgee to realize the Pledge Right.

9. Transfer of Agreement

9.1 Unless with the prior consent from the Pledgee, the Pledgors have no right to grant or transfer any of their rights and obligations hereunder.

9.2 This Agreement is binding upon the Pledgors and their successor, as well as the Pledgee, and its successors and assignees permitted by the Pledgee.

- 9.3 The Pledgee is entitled to transfer any or all rights and obligations under the Master Agreement to any person (individual/legal person) designated by it at anytime. Under this circumstance, the assignee have the same rights and obligations as the Pledgee under this Agreement, as if such rights and obligations are granted to it as a party to this Agreement. When transferring the rights and obligations under the Services Agreements, this Agreement, the Loan Agreement, the Exclusive Purchase Option Agreement and/or Power of Attorney, the Pledgors shall sign any and all related agreement and/or documents as required by the Pledgee.
- 9.4 With the change of pledgee due to the transfer, all the parties to the new pledge shall enter into a new pledge contract, which shall be substantially same to this Agreement in the content and to the satisfaction of the Pledgee.

10. Effectiveness and Termination

- 10.1 This Agreement becomes effective on the date hereof. All Parties agree and confirm that the terms and conditions hereof become effective since August 25, 2016.
- 10.2 The Parties confirm that whether the pledge hereunder has been registered and recorded or not will not impair the effectiveness and validity of this Agreement.
- 10.3 This Agreement will terminate two (2) years after the Pledgors and /or Beijing Company no longer assume any liability under or arising from the Master Agreement.
- 10.4 Release of pledge shall be recorded accordingly on the register of shareholders of Beijing Company and related deregistration formalities shall be proceeded with at the Administration for Industry and Commerce of the place where Beijing Company is registered.

11. Processing Fee and Other Costs

All fees and actual costs related to this Agreement, including not limited to legal fees, processing fee, duty stamp and all the other related taxes and expenses shall be borne by the Pledgors. If related taxes is borne by the Pledgee in accordance with laws, then the Pledgor shall fully indemnify the Pledgee all the taxes withheld by the Pledgee.

12. Force Majeure

- 12.1 "Force Majeure Event" shall mean any event beyond the reasonable controls of the Party so affected, which are unpredictable, unavoidable, irresistible even if the affected Party takes a reasonable care, including but not limited to governmental acts, Act of God, fires, explosion, geographical variations, storms, floods, earthquakes, morning and evening tides, lightning or wars, riot, strike, and any other such events that all Parties have reached a consensus upon. However, any shortage of credits, funding or financing shall not be deemed as the events beyond reasonable controls of the affected Party.

12.2 In the event that the performance of this Agreement is delayed or interrupted due to the said Force Majeure Event, the affected Party shall be excused from any liability to the extent of the delayed or interrupted performance. The affected Party which intends to seek exemption from its obligations of performance under this Agreement or any provision of this Agreement shall immediately inform the other Party of such a Force Majeure Event and the measures it needs to take in order to complete its performance.

13. Dispute Resolution

13.1 The formation, validity, performance and interpretation of this Agreement and the disputes resolution under this Agreement shall be governed by the PRC laws.

13.2 The Parties shall strive to settle any dispute arising from or in connection with this Agreement through friendly consultation. In case no settlement can be reached through consultation within thirty (30) days after the request for consultation is made by any Party, any Party can submit such matter to Beijing Arbitration Commission for arbitration in accordance with its then effective rules. The arbitration shall take place in Beijing. The arbitration award shall be final and binding upon all the Parties.

14. Notices

Notices or other communications required to be given by any Party pursuant to this Agreement shall be made in writing and delivered personally or sent by mail or facsimile transmission to the addresses of the other Parties set forth below or other designated addresses notified by such other Parties to such Party from time to time. The date when the notice is deemed to be duly served shall be determined as the follows: (a) a notice delivered personally is deemed duly served upon the delivery; (b) a notice sent by mail is deemed duly served on the seventh (7th) day after the date when the air registered mail with postage prepaid has been sent out (as is shown on the postmark), or the fourth (4th) day after the delivery date to the internationally recognized courier service agency; and (c) a notice sent by facsimile transmission is deemed duly served upon the receipt time as is shown on the transmission confirmation of relevant documents.

If to the Pledgee: Beijing Jingdong Century Trade Co., Ltd.

Address: ***

Phone: ***
Facsimile: ***
Attention: ***

If to the Pledgors: Richard Qiangdong Liu

Address: ***

Phone: ***
Facsimile: ***

Pang Zhang

Address: ***

Phone: ***
Facsimile: ***

Yayun Li

Address: ***

Phone: ***
Facsimile: ***

15. Miscellaneous

- 15.1 The headings contained in this Agreement are for the convenience of reference only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.
- 15.2 The Parties agree to promptly execute any document and take any other action reasonably necessary or advisable to perform provisions and purpose of this Agreement.
- 15.3 The Parties confirm that this Agreement shall, upon its effectiveness, constitute the entire agreement and common understanding of the Parties with respect to the subject matters herein and fully supersede all prior verbal and/or written agreements and understandings with respect to the subject matters herein.
- 15.4 The Parties may amend and supplement this Agreement in writing. Any amendment and/or supplement to this Agreement duly signed by the Parties is an integral part of and has the same effect with this Agreement.
- 15.5 Any Party's failure to exercise the rights under this Agreement in time shall not be deemed as its waiver of such rights and would not affect its future exercise of such rights.

- 15.6 If any provision of this Agreement is held void, invalid or unenforceable by a court of competent jurisdiction, governmental agency or arbitration authority, the validity, legality and enforceability of the other provisions hereof shall not be affected or impaired in any way. The Parties shall cease performing such void, invalid or unenforceable provisions and revise such void, invalid or unenforceable provisions only to the extent closest to the original intention thereof to recover its validity or enforceability for such specific facts and circumstances.
- 15.7 Any schedule hereto is an integral part of and has the same effect with this Agreement.
- 15.8 This Agreement is made in five (5) originals with each Party holding one (1) original. And other originals are submitted to the AIC for proceeding with the formalities of registration of pledge of equity interests.

[No text below]

(Signature Page)

IN WITNESS THEREOF, each Party has signed or caused its legal representative to sign this Agreement as of the date first written above.

Party A: Beijing Jingdong Century Trade Co., Ltd.

Signature of authorized representative: /s/ Richard Qiangdong Liu

Party B: Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

Yayun Li

By: /s/ Yayun Li

Pang Zhang

By: /s/ Pang Zhang

Party C: Beijing Jiasheng Investment Management Co., Ltd.

Signature of authorized representative: /s/ Pang Zhang

Signature page for the Amended and Restated Equity Pledge Agreement

Schedule 1:

Register of Shareholders of Beijing Jiasheng Investment Management Co., Ltd.

Name of Shareholder	Capital Contribution Amount/Shareholding Percentage	Registration of Pledge
Richard Qiangdong Liu	RMB 450,000 45%	In accordance with the Equity Pledge Agreement by and among Richard Qiangdong Liu, Yayun Li, Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016, Richard Qiangdong Liu has pledged all the equity interests held by him to Beijing Jingdong Century Trade Co., Ltd.
Yayun Li	RMB 300,000 30%	In accordance with the Equity Pledge Agreement by and among Richard Qiangdong Liu, Yayun Li, Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016, Yayun Li has pledged all the equity interests held by her to Beijing Jingdong Century Trade Co., Ltd.
Pang Zhang	RMB 250,000 25%	In accordance with the Equity Pledge Agreement by and among Richard Qiangdong Liu, Yayun Li, Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016, Pang Zhang has pledged all the equity interests held by him to Beijing Jingdong Century Trade Co., Ltd.

Beijing Jiasheng Investment Management Co., Ltd.

Signature of authorized

representative: /s/ Pang Zhang

Schedule 2:

**Beijing Jiasheng Investment Management Co., Ltd.
Capital Contribution Certificate
(No.: 001)**

Company: Beijing Jiasheng Investment Management Co., Ltd.
Date of Incorporation: November 18, 2014
Registered Capital: RMB 1,000,000
Shareholder: Richard Qiangdong Liu
Capital Contributed by Shareholder: RMB 450,000

In accordance with the Equity Pledge Agreement by and among Richard Qiangdong Liu, Yayun Li, Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016, Richard Qiangdong Liu has pledged all the equity interests held by him to Beijing Jingdong Century Trade Co., Ltd.

Beijing Jiasheng Investment Management Co., Ltd.
(seal)

Signature: /s/ Pang Zhang
Name: Pang Zhang
Title: Legal representative
Date: August 25, 2016

Beijing Jiasheng Investment Management Co., Ltd.
Capital Contribution Certificate
(No.: 002)

Company: Beijing Jiasheng Investment Management Co., Ltd.
Date of Incorporation: November 18, 2014
Registered Capital: RMB 1,000,000
Shareholder: Yayun Li
Capital Contributed by Shareholder: RMB 300,000

In accordance with the Equity Pledge Agreement by and among Richard Qiangdong Liu, Yayun Li, Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016, Yayun Li has pledged all the equity interests held by her to Beijing Jingdong Century Trade Co., Ltd.

Beijing Jiasheng Investment Management Co., Ltd.
(seal)

Signature: /s/ Pang Zhang
Name: Pang Zhang
Title: Legal representative
Date: August 25, 2016

Beijing Jiasheng Investment Management Co., Ltd.
Capital Contribution Certificate
(No.: 003)

Company: Beijing Jiasheng Investment Management Co., Ltd.
Date of Incorporation: November 18, 2014
Registered Capital: RMB 1,000,000
Shareholder: Pang Zhang
Capital Contributed by Shareholder: RMB 250,000

In accordance with the Equity Pledge Agreement by and among Richard Qiangdong Liu, Yayun Li, Pang Zhang, Beijing Jingdong Century Trade Co., Ltd. and Beijing Jiasheng Investment Management Co., Ltd. dated August 25, 2016, Pang Zhang has pledged all the equity interests held by him to Beijing Jingdong Century Trade Co., Ltd.

Beijing Jiasheng Investment Management Co., Ltd.
(seal)

Signature: /s/ Pang Zhang
Name: Pang Zhang
Title: Legal representative
Date: August 25, 2016

Schedule A

The following schedule sets forth all other similar agreements the registrant entered into with the relevant Chinese variable interest entity of the registrant. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

VIE	Executing Parties	Capital Contribution	Date of Entitlement to all Proceeds for Pledgee	Effective Date	Execution Date
Beijing Yuanyi Freight Forwarding Co., Ltd.	Party A: Beijing Jingbangda Trade Co., Ltd.	The registered capital of Beijing Yuanyi Freight Forwarding Co., Ltd. is RMB 3,000,000.00.	January 5, 2017	January 5, 2017	January 5, 2017
	Party B: Richard Qiangdong Liu, Pang Zhang and Yayun Li	The capital contribution amount and shareholding percentage of the shareholders are as follows:			
	Party C: Beijing Yuanyi Freight Forwarding Co., Ltd.	Richard Qiangdong Liu: RMB 1,350,000.00 (45%) Yayun Li: RMB 900,000.00 (30%) Pang Zhang: RMB 750,000.00 (25%)			
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd.	The registered capital of Jiangsu Jingdong Bangneng Investment Management Co., Ltd. is RMB 80,000,000.00.	June 15, 2016	September 8, 2016	September 8, 2016
	Party B: Richard Qiangdong Liu, Pang Zhang and Yayun Li	The capital contribution amount and shareholding percentage of the shareholders are as follows:			
	Party C: Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Richard Qiangdong Liu: RMB 36,000,000.00 (45%) Yayun Li: RMB 24,000,000.00 (30%) Pang Zhang: RMB 20,000,000.00 (25%)			
Suqian Limao Donghong Investment Management Co., Ltd.	Party A: Suqian Yitong Information Technology Co., Ltd.	The registered capital of Suqian Limao Donghong Investment Management Co., Ltd. is RMB 1,000,000.00.	December 28, 2016	December 8, 2015	December 28, 2016
	Party B: Richard Qiangdong Liu, Pang Zhang and Yayun Li	The capital contribution amount and shareholding percentage of the shareholders are as follows:			
	Party C: Suqian Limao Donghong Investment Management Co., Ltd.	Richard Qiangdong Liu: RMB 620,000.00 (62%) Yayun Li: RMB 380,000.00 (38%)			
Beijing Andist Technology Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd.	The registered capital of Beijing Andist Technology Co., Ltd. is RMB 2,000,000.00.	December 1, 2016	December 1, 2016	December 1, 2016
	Party B: Richard Qiangdong Liu, Pang Zhang and Yayun Li	The capital contribution amount and shareholding percentage of the shareholders are as follows:			
	Party C: Beijing Andist Technology Co., Ltd.	Richard Qiangdong Liu: RMB 900,000.00 (45%) Yayun Li: RMB 600,000.00 (30%) Pang Zhang: RMB 500,000.00 (25%)			
Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd.	The registered capital of Shanghai Jingdong Cai'ao E-commercial Co., Ltd. is RMB 10,000,000.00.	December 20, 2016	December 20, 2016	December 20, 2016
	Party B: Richard Qiangdong Liu, Pang Zhang and Yayun Li	The capital contribution amount and shareholding percentage of the shareholders are as follows:			
	Party C: Shanghai Jingdong Cai'ao E-commercial Co., Ltd.,	Richard Qiangdong Liu: RMB 4,500,000.00 (45%) Yayun Li: RMB 3,000,000.00 (30%) Pang Zhang: RMB 2,500,000.00 (25%)			
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Party A: Xi'an Jingxundi Supply Chain Technology Co., Ltd. Party B: Richard	The registered capital of Xi'an Jingdong Xincheng Information Technology Co., Ltd. is RMB 1,000,000.00.	June 23, 2017	June 23, 2017	June 23, 2017

	Qiangdong Liu, Yayun Li and Pang Zhang	The capital contribution amount and shareholding percentage of the shareholders are as follows: Richard Qiangdong Liu: RMB 450,000.00 (45%) Yayun Li: RMB 300,000.00 (30%) Pang Zhang: RMB 250,000.00 (25%)			
Suzhou Guanyinghou Media Technology Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd. Party B: Qian Yang Party C: Suzhou Guanyinghou Media Technology Co., Ltd.	The registered capital of Suzhou Guanyinghou Media Technology Co., Ltd. is RMB 10,000,000.00. The capital contribution amount and shareholding percentage of the shareholders are as follows: Qian Yang: RMB 10,000,000.00 (100%)	December 11, 2017	December 11, 2017	December 11, 2017

Power of Attorney

The undersigned, Richard Qiangdong Liu, a citizen of the People's Republic of China (the "PRC") and a holder of 45% of the equity interests of Beijing Jiasheng Investment Management Co., Ltd. (the "Beijing Company") (the "Shareholding"), hereby irrevocably authorizes any natural person appointed by Beijing Jingdong Century Trading Co., Ltd. (the "WFOE") to exercise the following rights during the term of this Power of Attorney:

Any natural person appointed by the WFOE is hereby authorized to exercise on behalf of the undersigned as his sole and exclusive agent the rights in respect of the Shareholding including without limitation: (1) attend shareholders' meeting of the Beijing Company and sign resolutions thereof on behalf of the undersigned; (2) exercise all rights of the undersigned as a shareholder of the Beijing Company according to laws and the articles of association of the Beijing Company, including without limitation the rights to vote and to sell, transfer, pledge or dispose all or any part of the Shareholding; and (3) designate and appoint on behalf of the undersigned the legal representative, chairperson, director, supervisor, chief executive officer and any other senior management of the Beijing Company.

Subject to the powers and authorities provided under this Power of Attorney, any natural person appointed by the WFOE will have the right to sign on behalf of the undersigned any transfer agreement contemplated under the Exclusive Purchase Option Agreement to which the undersigned will be a party, and to perform the Equity Pledge Agreement and the Exclusive Purchase Option Agreement, each of which is dated the date hereof and to which the undersigned is a party. Exercise of such right will not have any restriction upon this Power of Attorney.

Unless otherwise provided under this Power of Attorney, any natural person appointed by the WFOE has the right to transfer, apply or otherwise dispose any cash dividend, bonus and any other non-cash gain arising from the Shareholding on reliance of any oral or written instruction from the undersigned.

Unless otherwise provided under this Power of Attorney, any natural person appointed by the WFOE has the right to take any action regarding the Shareholding according to his/her own judgment without any oral or written instruction from the undersigned.

Any and all the actions associated with the Shareholding made by any natural person appointed by the WFOE will be deemed as the action of the undersigned, and any and all documents relating to the Shareholding executed by any natural person appointed by the WFOE shall be deemed to be executed and acknowledged by the undersigned.

Any natural person appointed by the WFOE may delegate this power of attorney by assigning his/her rights relating to the conduct of the aforesaid matter and exercise of the Shareholding to any other person or entity at his/her own discretion without prior notice to or consent from the undersigned.

This Power of Attorney is irrevocable and effective as of the date hereof as long as the undersigned is a shareholder of the Beijing Company. This Power of Attorney supersedes any other power of attorney previously signed by the undersigned.

During the term of this Power of Attorney, the undersigned hereby waives all of the rights associated with the Shareholding which have been authorized to any natural person appointed by the WFOE and will not exercise any such right by himself.

By: /s/ Richard Qiangdong Liu

Dated: August 25, 2016

Power of Attorney

The undersigned, Yayun Li, a citizen of the People's Republic of China (the "PRC") and a holder of 30% of the equity interests of Beijing Jiasheng Investment Management Co., Ltd. (the "Beijing Company") (the "Shareholding"), hereby irrevocably authorizes any natural person appointed by Beijing Jingdong Century Trading Co., Ltd. (the "WFOE") to exercise the following rights during the term of this Power of Attorney:

Any natural person appointed by the WFOE is hereby authorized to exercise on behalf of the undersigned as his sole and exclusive agent the rights in respect of the Shareholding including without limitation: (1) attend shareholders' meeting of the Beijing Company and sign resolutions thereof on behalf of the undersigned; (2) exercise all rights of the undersigned as a shareholder of the Beijing Company according to laws and the articles of association of the Beijing Company, including without limitation the rights to vote and to sell, transfer, pledge or dispose all or any part of the Shareholding; and (3) designate and appoint on behalf of the undersigned the legal representative, chairperson, director, supervisor, chief executive officer and any other senior management of the Beijing Company.

Subject to the powers and authorities provided under this Power of Attorney, any natural person appointed by the WFOE will have the right to sign on behalf of the undersigned any transfer agreement contemplated under the Exclusive Purchase Option Agreement to which the undersigned will be a party, and to perform the Equity Pledge Agreement and the Exclusive Purchase Option Agreement, each of which is dated the date hereof and to which the undersigned is a party. Exercise of such right will not have any restriction upon this Power of Attorney.

Unless otherwise provided under this Power of Attorney, any natural person appointed by the WFOE has the right to transfer, apply or otherwise dispose any cash dividend, bonus and any other non-cash gain arising from the Shareholding on reliance of any oral or written instruction from the undersigned.

Unless otherwise provided under this Power of Attorney, any natural person appointed by the WFOE has the right to take any action regarding the Shareholding according to his/her own judgment without any oral or written instruction from the undersigned.

Any and all the actions associated with the Shareholding made by any natural person appointed by the WFOE will be deemed as the action of the undersigned, and any and all documents relating to the Shareholding executed by any natural person appointed by the WFOE shall be deemed to be executed and acknowledged by the undersigned.

Any natural person appointed by the WFOE may delegate this power of attorney by assigning his/her rights relating to the conduct of the aforesaid matter and exercise of the Shareholding to any other person or entity at his/her own discretion without prior notice to or consent from the undersigned.

This Power of Attorney is irrevocable and effective as of the date hereof as long as the undersigned is a shareholder of the Beijing Company. This Power of Attorney supersedes any other power of attorney previously signed by the undersigned.

During the term of this Power of Attorney, the undersigned hereby waives all of the rights associated with the Shareholding which have been authorized to any natural person appointed by the WFOE and will not exercise any such right by himself.

By: /s/ Yayun Li

Dated: August 25, 2016

Power of Attorney

The undersigned, Pang Zhang, a citizen of the People's Republic of China (the "PRC") and a holder of 25% of the equity interests of Beijing Jiasheng Investment Management Co., Ltd. (the "Beijing Company") (the "Shareholding"), hereby irrevocably authorizes any natural person appointed by Beijing Jingdong Century Trading Co., Ltd. (the "WFOE") to exercise the following rights during the term of this Power of Attorney:

Any natural person appointed by the WFOE is hereby authorized to exercise on behalf of the undersigned as his sole and exclusive agent the rights in respect of the Shareholding including without limitation: (1) attend shareholders' meeting of the Beijing Company and sign resolutions thereof on behalf of the undersigned; (2) exercise all rights of the undersigned as a shareholder of the Beijing Company according to laws and the articles of association of the Beijing Company, including without limitation the rights to vote and to sell, transfer, pledge or dispose all or any part of the Shareholding; and (3) designate and appoint on behalf of the undersigned the legal representative, chairperson, director, supervisor, chief executive officer and any other senior management of the Beijing Company.

Subject to the powers and authorities provided under this Power of Attorney, any natural person appointed by the WFOE will have the right to sign on behalf of the undersigned any transfer agreement contemplated under the Exclusive Purchase Option Agreement to which the undersigned will be a party, and to perform the Equity Pledge Agreement and the Exclusive Purchase Option Agreement, each of which is dated the date hereof and to which the undersigned is a party. Exercise of such right will not have any restriction upon this Power of Attorney.

Unless otherwise provided under this Power of Attorney, any natural person appointed by the WFOE has the right to transfer, apply or otherwise dispose any cash dividend, bonus and any other non-cash gain arising from the Shareholding on reliance of any oral or written instruction from the undersigned.

Unless otherwise provided under this Power of Attorney, any natural person appointed by the WFOE has the right to take any action regarding the Shareholding according to his/her own judgment without any oral or written instruction from the undersigned.

Any and all the actions associated with the Shareholding made by any natural person appointed by the WFOE will be deemed as the action of the undersigned, and any and all documents relating to the Shareholding executed by any natural person appointed by the WFOE shall be deemed to be executed and acknowledged by the undersigned.

Any natural person appointed by the WFOE may delegate this power of attorney by assigning his/her rights relating to the conduct of the aforesaid matter and exercise of the Shareholding to any other person or entity at his/her own discretion without prior notice to or consent from the undersigned.

This Power of Attorney is irrevocable and effective as of the date hereof as long as the undersigned is a shareholder of the Beijing Company. This Power of Attorney supersedes any other power of attorney previously signed by the undersigned.

During the term of this Power of Attorney, the undersigned hereby waives all of the rights associated with the Shareholding which have been authorized to any natural person appointed by the WFOE and will not exercise any such right by himself.

By: /s/ Pang Zhang

Dated: August 25, 2016

Schedule A

The following schedule sets forth all other similar agreements the registrant entered into with the relevant Chinese variable interest entity. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

VIE	Executing Parties	Execution Date
Beijing Yuanyi Freight Forwarding Co., Ltd.	Richard Qiangdong Liu	January 5, 2017
	Yayun Li	January 5, 2017
	Pang Zhang	January 5, 2017
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Richard Qiangdong Liu	September 8, 2016
	Yayun Li	September 8, 2016
	Pang Zhang	September 8, 2016
Suqian Limao Donghong Investment Management Co., Ltd.	Richard Qiangdong Liu	December 28, 2016
	Yayun Li	December 28, 2016
	Pang Zhang	December 28, 2016
Beijing Andist Technology Co., Ltd.	Richard Qiangdong Liu	December 1, 2016
	Yayun Li	December 1, 2016
	Pang Zhang	December 1, 2016
Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	Richard Qiangdong Liu	December 20, 2016
	Yayun Li	December 20, 2016
	Pang Zhang	December 20, 2016
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Richard Qiangdong Liu	June 23, 2017
	Yayun Li	
	Pang Zhang	
Suzhou Guanyinghou Media Technology Co., Ltd.	Qian Yang	December 11, 2017

EXCLUSIVE TECHNOLOGY CONSULTING AND SERVICE AGREEMENT

This EXCLUSIVE TECHNOLOGY CONSULTING AND SERVICE AGREEMENT (this “**Agreement**”), dated December 5, 2014, is made in Beijing, the People’s Republic of China (the “**PRC**”) by and among:

Party A: **Beijing Jingdong Century Trade Co., Ltd.**, with registered address at Room B168, Building 2, No. 99, Kechuang 14 Street, Beijing Economic and Technological Development Zone, Beijing; and

Party B: **Beijing Jiasheng Investment Management Co., Ltd.**, a limited liability company incorporated and existing under the laws of the PRC, with registered address at Floor 20, Block A, Building 1, 19 Ronghua Middle Street, Beijing Economic and Technological Development Zone, Beijing.

(Party A and Party B individually, a “**Party**”; collectively, the “**Parties**”)

Whereas,

1. Party A is a wholly foreign-owned enterprise duly incorporated and validly existing under the PRC laws, having the resources and qualifications to provide Party B with technology consulting and services;
2. Party B is a limited liability company duly incorporated and validly existing under the PRC laws;

NOW, THEREFORE, the Parties hereby agree as follows through negotiations:

1. Technology Consulting and Services; Sole and Exclusive Rights and Interests

- 1.1 During the term of this Agreement, Party A agrees to provide Party B with technology consulting and services set forth in Exhibit I attached hereto subject to the terms and conditions of this Agreement.
 - 1.2 Party B agrees to accept the technology consulting and services provided by Party A. Party B further agrees that during the term hereof, it will not accept the same or similar technology consulting and services with respect to the foregoing business operations from any third party, unless with prior written consent from Party A.
 - 1.3 Any and all rights and interests arising from performance of this Agreement, including without limitation ownership, copyright, patent and other intellectual properties, technical and business secrets, which is developed by Party A or by Party B based on the intellectual property owned by Party A, will be solely and exclusively owned by Party A.
-

2. Calculation and Payment of Technology Consulting and Services Fee

- 2.1 Party B agrees to pay technology consulting and services fee set forth under this Agreement to Party A for the technology consulting and services provided by Party A under this Agreement (the “**Consulting Services Fee**”).
- 2.2 The Parties agree to determine and pay the Consulting Services Fee according to Exhibit II attached hereto.

3. Representations and Warranties

- 3.1 Party A hereby represents and warrants that:
 - 3.1.1 It is a wholly foreign-owned enterprise duly incorporated and validly existing under the laws of the PRC;
 - 3.1.2 Its execution and performance of this Agreement are within the scope of its corporate power and business; it has taken necessary corporate actions and obtained appropriate authorization and necessary consent and approvals from third parties and government agency, and execution of this Agreement will not constitute a breach of any law or contract which has binding or other effect upon it; and
 - 3.1.3 This Agreement, once executed, constitutes legal, valid and binding obligations of Party A, and is enforceable upon Party A pursuant to its terms.
- 3.2 Party B hereby represents and warrants that:
 - 3.2.1 It is a limited liability company duly incorporated and validly existing under the laws of the PRC;
 - 3.2.2 Its execution and performance of this Agreement are within the scope of its corporate power and business; it has taken necessary corporate actions and obtained appropriate authorization and necessary consent and approvals from third parties and government agency, and execution of this Agreement will not constitute a breach of any law or contract which has binding or other effect upon it; and
 - 3.2.3 This Agreement, once executed, constitutes legal, valid and binding obligations of Party B, and is enforceable upon Party B pursuant to its terms.

4. Confidentiality

- 4.1 Party B agrees to take reasonably best efforts to keep in confidence Party A’s confidential information and materials (“**Confidential Information**”) that it may be aware of or have access to in connection with its acceptance of Party A’s exclusive consulting and services. Without prior written consent from Party A, Party B shall not disclose, offer or transfer any Confidential Information to any third party. If this Agreement terminates and upon Party A’s request, Party B shall return to Party A or destroy all of the documents, materials or software containing Confidential Information, and shall delete any Confidential Information from all relevant memory devices and cease to use any Confidential Information.

4.2 This Article 4 will survive any change, termination or expiration of this Agreement.

5. Breach of Contract

If either party (the “**Defaulting Party**”) breaches any provision of this Agreement, which causes damage to the other Party (the “**Non-defaulting Party**”), the Non-defaulting Party may notify the Defaulting Party in writing and request it to rectify and correct such breach of contract; if the Defaulting Party fails to take any action satisfactory to the Non-defaulting Party to rectify and correct such breach within fifteen (15) working days upon the issuance of the written notice by the Non-defaulting Party, the Non-defaulting Party may take the actions pursuant to this Agreement or pursue other remedies in accordance with laws.

6. Effectiveness and Term

6.1 This Agreement shall take effect as of the date first written above. The term of this Agreement is ten (10) years unless early termination occurs in accordance with relevant provisions herein or any other agreement reached by the Parties.

6.2 This Agreement may be extended upon Party A’s written confirmation prior to the expiration of this Agreement and the extended term shall be ten (10) years or the term agreed by both Parties.

7. Termination

7.1 This Agreement shall be terminated on the expiring date unless it is renewed in accordance with the relevant provisions herein.

7.2 During the term hereof, Party B may not make early termination of this Agreement unless Party A commits gross negligence, fraud or other illegal action, or goes bankrupt. Notwithstanding the foregoing, Party A shall always have the right to terminate this Agreement by issuing a thirty (30) days’ prior written notice to Party B.

7.3 The rights and obligations of the Parties under Articles 4 and 5 will survive termination of this Agreement.

8. Governing Law and Dispute Resolution

- 8.1 The execution, interpretation, performance of this Agreement and the disputes resolution under this Agreement shall be governed by the PRC laws.
- 8.2 The parties hereto shall strive to settle any dispute arising from the interpretation or performance of the terms under this Agreement through friendly consultation in good faith. In case no settlement can be reached through consultation within thirty (30) days after the request for consultation is made by either Party, any Party can submit such matter to Beijing Arbitration Commission for arbitration in accordance with its then effective rules. The arbitration shall take place in Beijing. The arbitration award shall be final and binding upon both Parties.

9. Force Majeure

- 9.1 "Force Majeure Event" shall mean any event beyond the reasonable controls of the Party so affected, which are unpredictable, unavoidable, irresistible even if the affected Party takes a reasonable care, including but not limited to governmental acts, Act of God, fires, explosion, geographical variations, storms, floods, earthquakes, morning and evening tides, lightning or wars, riot, strike, and any other such events that all Parties have reached a consensus upon. However, any shortage of credits, funding or financing shall not be deemed as the events beyond reasonable controls of the affected Party.
- 9.2 In the event that the performance of this Agreement is delayed or interrupted due to the said Force Majeure Event, the affected Party shall be excused from any liability to the extent of the delayed or interrupted performance. The affected Party which intends to seek exemption from its obligations of performance under this Agreement or any provision of this Agreement shall immediately inform the other Party of such a Force Majeure Event and the measures it needs to take in order to complete its performance.

10. Notices

All notices or other correspondences given by either Party pursuant to this Agreement shall be made in writing and may be delivered in person, or by registered mail, postage prepaid mail, generally accepted courier service or facsimile to the following addresses of the relevant Party or both Parties, or any other address notified by the other Party from time to time, or another person's address designated by it. The date when the notice is deemed to be duly served shall be determined as the follows: (a) a notice delivered personally is deemed duly served upon the delivery; (b) a notice sent by mail is deemed duly served on the seventh (7th) day after the air registered mail with postage prepaid has been sent out (as is shown on the postmark), or the fourth (4th) day after delivery to the internationally recognized courier service agency; and (c) a notice sent by facsimile transmission is deemed duly served upon the receipt time as is shown on the transmission confirmation of relevant documents.

If to **Party A: Beijing Jingdong Century Trade Co., Ltd.**

Address: ***

Telephone: ***

Fax: ***

Attention: ***

If to **Party B: Beijing Jiasheng Investment Management Co., Ltd.**

Address: ***

Telephone: ***

Fax: ***

Attention: ***

11. Assignment

Party B shall not assign its rights and obligations under this Agreement to any third party without the prior written consent of Party A.

12. Severability

If any provision of this Agreement is held void, invalid or unenforceable by a court of competent jurisdiction or arbitration authority, the validity, legality and enforceability of the other provisions hereof shall not be affected or impaired. The Parties shall cease performing such void, invalid or unenforceable provisions and revise such void, invalid or unenforceable provisions only to the extent closest to the original intention thereof to recover its validity or enforceability for such specific facts and circumstances.

13. Amendment and Supplement to Agreement

Any amendment and supplement to this Agreement shall be made in writing by the Parties. Any agreements on such amendment and supplement duly executed by both Parties shall be deemed as a part of this Agreement and shall have the same legal effect as this Agreement.

14. Miscellaneous

14.1 The headings contained in this Agreement are for the convenience of reference only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.

14.2 The Parties agree to promptly execute any document and take any other action reasonably necessary or advisable to perform provisions and purpose of this Agreement.

14.3 The Parties confirm that this Agreement shall, upon its effectiveness, constitute the entire agreement and common understanding of the Parties with respect to the subject matters herein and fully supersede all prior verbal and/or written agreements and understandings with respect to the subject matters herein.

- 14.4 This Agreement shall be binding upon and for the benefit of all the Parties hereto and their respective inheritors, successors and the permitted assigns.
- 14.5 Any Party's failure to exercise the rights under this Agreement in time shall not be deemed as its waiver of such rights and would not affect its future exercise of such rights.
- 14.6 Any attachment hereto is an integral part of and has the same effect with this Agreement.
- 14.7 This Agreement is made in two originals with each Party holding one and both originals are equally authentic.

(No text below)

(Signature Page of Exclusive Technology Consulting and Service Agreement)

IN WITNESS THEREOF, each Party hereto has caused this Agreement duly executed by their respective legal representative or duly authorized representative on its behalf as of the date first written above.

Party A: Beijing Jingdong Century Trade Co., Ltd.

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

By: /s/ Richard Qiangdong Liu

Party B: Beijing Jiasheng Investment Management Co., Ltd.

/s/ Beijing Jiasheng Investment Management Co., Ltd.
(Seal of Beijing Jiasheng Investment Management Co., Ltd.)

By: /s/ Richard Qiangdong Liu

Exhibit 1: List of Technology Consulting and Services

Party A will provide the following technology consulting and services to Party B:

- (1) technology research and development required in connection Party B's business operations, including development, design and production of database software for information storage and other related technologies as well as granting license of such technology to Party B;
- (2) technology application and implementation for Party B's business operations, including without limitation master design, installation, commissioning and trial operation of technical systems;
- (3) routine maintenance, supervision, commissioning and trouble shooting for Party B's computer network equipment, including prompt customer information input to database, or promptly update database and customer interface, as well as other related technical services;
- (4) consulting services for procurement of equipment, software and hardware systems necessary for web-based business operations by Party B, including without limitation consulting and advising on selection, installation and commissioning of tool software, application software and technical platform, as well as the selection, type and function of complementary hardware facilities and equipment;
- (5) appropriate training and technical support for Party B's employees, including without limitation providing raining on customer services or technologies, sharing knowledge and experience on installation and operation of systems and equipment, assisting to resolve any problem in connection with system and equipment installation and operation, consulting and advising on operation of any other web edition platform and software, and assisting to collect and compile information and contents;
- (6) technology consulting and response to enquiries raised by Party B relating to network equipment, technical products and software; and
- (7) any other technical services and consulting required by Party B for business operations.

Exhibit II: Calculation and Payment of Technology Consulting and Services Fee

The amount of the service fee will be determined on the basis of:

- (1) difficulty of the technology and complexity of the consulting and management services;
- (2) time required by Party A to provide technology consulting and management services; and
- (3) contents and commercial value of the technology consulting and management services.

Party A will issue a fee statement based on the workload and commercial value of the technical services provided by Party B as well as the prices agreed by the Parties to Party B on quarterly basis. Party B will pay the consulting and services fee according to the time and amount set forth in the statement, provided that Party B will pay no less than RMB 10,000 as consulting and services fee (the "Quarterly Minimum Service Fee") to Party A on quarterly basis. Party A may revise at any time the standards of consulting and services fee based on the amount and composition of the consulting and services fee payable by Party B.

The Quarterly Minimum Service Fee is subject to approval from Party A's board of directors, and will be reviewed and revised no less than once yearly. Any revision and change of Quarterly Minimum Service Fee is subject to approval from Party A's board of directors.

Schedule A

The following schedule sets forth all other similar agreements the registrant entered into with the relevant Chinese variable interest entity. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

VIE	Executing Parties	Calculation and Payment of Technology Consulting and Services Fee	Execution Date
Beijing Yuanyi Freight Forwarding Co., Ltd.	<p>Party A: Beijing Jingdong Century Trade Co., Ltd.</p> <p>Party B: Beijing Yuanyi Freight Forwarding Co., Ltd.</p>	Party A will issue a fee statement based on the workload and commercial value of the technical services provided by Party B as well as the prices agreed by the Parties to Party B on quarterly basis. Party B will pay the consulting and services fee according to the time and amount set forth in the statement to Party A on quarterly basis. Party A may revise at any time the standards of consulting and services fee based on the amount and composition of the consulting and services fee payable by Party B.	December 8, 2014
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	<p>Party A: Beijing Jingdong Century Trade Co., Ltd.</p> <p>Party B: Jiangsu Jingdong Bangneng Investment Management Co., Ltd.</p>	Party A will issue a fee statement based on the workload and commercial value of the technical services provided by Party B as well as the prices agreed by the Parties to Party B on quarterly basis. Party B will pay the consulting and services fee according to the time and amount set forth in the statement to Party A on quarterly basis. Party A may revise at any time the standards of consulting and services fee based on the amount and composition of the consulting and services fee payable by Party B.	August 7, 2015
Suqian Limao Donghong Investment Management Co., Ltd.	<p>Party A: Suqian Yitong Information Technology Co., Ltd.</p> <p>Party B: Suqian Limao Donghong Investment Management Co., Ltd.</p>	Same as this exhibit.	December 28, 2016
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	<p>Party A: Xi'an Jingxundi Supply Chain Technology Co., Ltd.</p> <p>Party B: Xi'an Jingdong Xincheng Information Technology Co., Ltd.</p>	Same as this exhibit	June 23, 2017
Suzhou Guanyinghou Media Technology Co., Ltd.	<p>Party A: Suqian Daxi Information Technology Co., Ltd.</p> <p>Party B: Suzhou Guanyinghou Media Technology Co., Ltd.</p>	Same as this exhibit	December 11, 2017

Business Operations Agreement

This Business Operations Agreement (this “**Agreement**”) is made as of August 25, 2016, in Beijing, the People’s Republic of China (the “**PRC**”) by and among:

Beijing Jingdong Century Trade Co., Ltd., with registered address at Room B168, Building 2, 99 Kechuang 14 Street, Beijing Economic and Technological Development Zone, Beijing (“**Party A**”)

Beijing Jiasheng Investment Management Co., Ltd., with registered address at Floor 20, Block A, Building 1, 19 Ronghua Middle Street, Beijing Economic and Technological Development Zone, Beijing (“**Party B**”)

And

Richard Qiangdong Liu, with PRC identification number of ***;

Yayun Li, with PRC identification number of ***; and

Pang Zhang, with PRC identification number of ***

(Richard Qiangdong Liu, Yayun Li and Pang Zhang collectively, “**Party C**”)

(Party A, Party B and Party C Individually a “**Party**”, and collectively the “**Parties**”)

WHEREAS:

- A Party A is a wholly foreign-owned enterprise duly incorporated and validly existing under the PRC laws;
- B Party B is a limited liability company duly incorporated and validly existing under the PRC laws;
- C A business relationship has been established between Party A and Party B by entering into an Exclusive Consulting and Services Agreement, whereby Party B is required to make all payments to Party A thereunder. Therefore, the daily operations of Party B will have a material impact on its ability to pay the payables to Party A; and
- D Party C is shareholders of Party B whose 45%, 30% and 25% equity interests are respectively owned by Richard Qiangdong Liu, Yayun Li and Pang Zhang.

NOW, THEREFORE, the Parties hereby agree and intend to be legally bound as follows through friendly negotiations and in the principles of equity and mutual benefit:

1. Negative Undertakings

In order to ensure Party B's performance of the agreements between Party A and Party B and all its obligations owed to Party A, Party B and Party C hereby confirm and agree that unless with prior written consent from Party A or a third party appointed by Party A, Party B shall not conduct any transaction which may materially affect any of its assets, businesses, employees, duties, rights or operations, including but not limited to the following:

- 1.1 to conduct any business that is beyond the normal business scope or in a manner inconsistent with past practices;
- 1.2 to borrow money or incur any debt from any third party;
- 1.3 to change or dismiss any director or to dismiss and replace any senior management member;
- 1.4 to sell to or acquire from any third party, or otherwise dispose any of its material assets or rights, including but not limited to any intellectual property rights;
- 1.5 to provide guarantee in favor of any third party or impose any encumbrance upon any of its assets (including intellectual property rights);
- 1.6 to amend its articles of association or change its scope of business;
- 1.7 to change its ordinary course of business or modify any material internal bylaws or systems;
- 1.8 to assign any of the rights or obligations under this Agreement to any third party;
- 1.9 to make significant adjustment to any of its business operations, marketing strategies, operation policies or client relations; and
- 1.10 to make any form of distribution of dividend or bonus.

2. Operational and Human Resource Management

- 2.1 Party B and Party C hereby agree to accept and strictly perform the comments and instructions from Party A from time to time regarding employment and dismissal of its employees, the daily business management and financial management.
- 2.2 Party B and Party C hereby jointly and severally agree that Party C shall appoint the person elected in accordance with the procedures required by applicable laws and regulations and the articles of association of Party B or designated by Party A as director (or managing director) or supervisor of Party B, and cause such director to elect the person recommended by Party A as the chairman of the board (if any), and appoint the persons designated by Party A as Party B's General Manager, Chief Financial Officer, and other officers.

- 2.3 If any of the above directors or officers resigns or is dismissed by Party A, he or she will lose the qualification to hold any position in Party B and, under such circumstance, Party C shall remove such person from his or her position in Party B and immediately elect or appoint any other candidate designated by Party A to assume such position.
- 2.4 For the purpose of Section 2.3, Party C shall effect all internal or external procedures necessary to accomplish the dismissal and appointment in accordance with relevant laws and regulations, the articles of association of Party B and this Agreement.
- 2.5 Party C hereby agree to, upon execution of this Agreement, simultaneously sign a Power of Attorney whereby Party C shall authorize irrevocably any individual appointed by Party A to exercise shareholders' rights, including the full voting right of a shareholder at Party B's shareholders' meetings. Party C further agrees to replace the authorized person appointed according to the above mentioned power of attorney (the "Trustee") at any time pursuant to the requirements of Party A by revoking its authorization to the Trustee and granting the same authorization to such other person designated by Party A by execution of a power of attorney in the form and substance similar to that contemplated in the preceding sentence with immediate effect.

3. Right of Information

The Trustee may be provided with any information regarding operations, clients, financial conditions and employees of Party B and have access to relevant materials of Party B in connection with exercising any of the rights authorized to it. The right of information provided in this Section 3 shall be the same with the right to access Party B's information by any of its shareholders, and will be exercised with sufficient facility from Party B without any interference.

4. Waiver

It is agreed by the Parties that unless caused by the material neglect or willful misconduct of Party A, Party A will not be held liable for any indemnity by any other Party or any third Party due to the Trustee's exercise of any of its rights.

5. Representations and Warranties by Party C

- 5.1 Party C, in the capacity of natural person, is Chinese citizens having full civil capabilities to execute, deliver and perform this Agreement and perform its obligations hereunder or, in the capacity of legal person, is a limited liability company duly incorporated and validly existing under the PRC laws, has full and independent capabilities to execute, deliver and perform this Agreement.
- 5.2 Party C has the right to execute, deliver and perform this Agreement without any approval or authorization.

- 5.3 None of Party C's execution and performance of this Agreement is in violation of any of its articles of association, or any laws, regulations, governmental approvals, authorizations, notices or other documents binding upon or having effect upon Party C, or any contracts with or any covenants to any third party by Party C.
- 5.4 Once executed, this Agreement will constitute legal and valid obligations enforceable against Party C.
- 5.5 Unless otherwise provided under this Agreement or the Equity Pledge Agreement, there is no mortgage, pledge or any other security interest, or restrictive agreement with any third party, or offer to transfer to any third party, or covenant in response to any offer to buy from any third party, or any agreement with any third party to transfer, in each case regarding any of Party B's equity interests by Party C.
- 5.6 Party C will be in strict compliance with this Agreement and actively perform its obligations hereunder. Party C will also cause Party B to be in strict compliance with this Agreement and refrain from any action or omission which may affect validity or enforceability of this Agreement.

6. Representations and Warranties by Party B

- 6.1 Party B is a limited liability company duly incorporated and validly existing under the PRC laws.
- 6.2 Party B has received all consents and authorizations necessary and desirable to execute, deliver and perform this Agreement.
- 6.3 Party C will be in strict compliance with this Agreement, actively perform its obligations hereunder, and refrain from any action or omission which may affect validity or enforceability of this Agreement.

7. Breach Liability

- 7.1 Subject to provisions under Section 4 of this Agreement, Party B and Party C shall jointly and severally indemnify and hold harmless Party A and any of its shareholders, directors, employees, affiliates, agents, successors and trustees from any claim, harm, expenses, indemnities, liabilities, fines or any other loss or damages arising from:
 - 7.1.1 any breach or failure to perform this Agreement by Party C and/or Party B; or
 - 7.1.2 any material neglect or willful misconduct, or any breach of applicable laws or regulations by Party C and/or Party B.
- 7.2 Without prejudice to the indemnity liability provided under Section 7.1, Party A may require Party C and Party B to stop or prevent any breach of this Agreement, and/or require Party C and Party B to perform its obligations under this Agreement.

8. Confidentiality

Each of the Parties acknowledges and confirms that the existence and terms of this Agreement, as well as any oral or written information exchanged among the Parties in connection with preparation or performance of this Agreement, will be confidential information. Each of Party C and party B will keep all confidential information in confidence and, without prior written consent from Party A, may not disclose any confidential information to any third party, unless such information (a) is in the public domain (not due to unauthorized disclosure by the receiving Party); (b) is required for disclosure by any applicable laws or regulations, rules of any exchange, or requirements or orders from any government authority or court having jurisdiction; or (c) is disclosed by Party C or Party B to any of its legal or financial advisors on as-needed basis, provided that such legal or financial advisor shall comply with the confidentiality obligations similar to this Section 8. Disclosure of any confidential information by any person or entity engaged by Party C or Party B shall be deemed as disclosure of such information by Party C and/or Party B, and consequently Party C and/or Party B shall be held liable for breach of this Agreement.

9. Other Agreements

- 9.1 This Agreement shall be binding on and inure to the benefit of each of the Parties and their respective successors, heirs and permitted assigns. Without prior written consent from Party A, Party C may not transfer any of its rights, interests or obligations under this Agreement.
- 9.2 Party C hereby agrees that Party A may transfer any of its rights and obligations under this Agreement to any third party at its discretion with notice to Party C in writing but without consent from Party C.
- 9.3 If any agreement between Party A and Party B terminates or expires, Party A will have the right to terminate all of the agreements between Party A and Party B including, among others, the Exclusive Consulting and Services Agreement.
- 9.4 Considering the business relationship between Party A and Party B has been established through execution of the Exclusive Consulting and Services Agreement, and daily business activities of Party B will have a material impact on Party B's ability to pay the payables to Party A, Party C agrees that subject to Section 1 of this Agreement, any dividend, distribution or other gain or interest received by it as shareholder of Party B will be immediately, unconditionally and freely paid or transferred to Party A, and provide any document or take any action necessary to accomplish such payment or transfer at the request of Party A.
- 9.5 Party C will provide assistance sufficient for the Trustee to exercise any right authorized to it, including without limitation prompt signing any resolution of the shareholders or any other relevant legal document when it is necessary to do so (including required in connection with any approval, registration and filing from or with any government authority). Party C hereby confirms that its covenants under Section 9.5 of this Agreement will not restrict its authorization of any right to the Trustee.

10. Entire Agreements and Amendments

- 10.1 This Agreement and all agreements and/or documents referred to or expressly included herein represent all agreements among the Parties regarding the subject matter hereof, and supersede all previous agreements, contracts, understandings and communications among all the Parties, oral or written, with respect to the subject matters of this Agreement.
- 10.2 Any amendment of this Agreement will not be effective without agreement of the Parties in writing. Any amendment and supplement duly executed by the Parties shall be an integral part of and have the same effect with this Agreement.

11. Governing Law

This Agreement shall be governed by and construed in accordance with the PRC laws.

12. Dispute Resolution

- 12.1 Any dispute arising from or in connection with this Agreement will be settled through negotiations and, if the negotiations fail, be submitted to Beijing Arbitration Commission (“**BAC**”) for arbitration in accordance with its rules then effect. The arbitration shall take place in Beijing. The language of arbitration shall be in Chinese. The arbitrary award shall be final and binding upon each of the Parties. This Section 12.1 will survive termination or expiration of this Agreement.
- 12.2 each of the Parties shall continue to perform its obligations under this Agreement in good faith other than the matter under dispute.

13. Notice

Any and all notices given by any of the Parties regarding any of its rights or obligations under this Agreement shall be made in writing and delivered in person, by registered mail, postage prepaid mail, recognized courier service or facsimile to the following addresses.

If to Party A: **Beijing Jingdong Century Trade Co., Ltd.**

Address: ***

Phone: ***
Fax: ***

Attention: ***

If to Party B: **Beijing Jiasheng Investment Management Co., Ltd.** with registered address at

Address: ***

Phone: ***
Fax: ***
Attention: ***

If to Party C:

Richard Qiangdong Liu

Address: ***

Phone: ***
Fax: ***

Yayun Li

Address: ***

Phone: ***
Fax: ***

Pang Zhang

Address: ***

Phone: ***
Fax: ***

14. Effect, Term and Others

- 14.1 Any written consent, proposal, appointment relating to Party A under this Agreement and any other decision having material effect upon daily business operations of Party B will be made by the board of directors/managing director of Party A.
- 14.2 The term of this Agreement will commence as of the date hereof and, unless early terminated by Party A, expire upon dissolution of Party B under the PRC laws. At the request of Party A, the Parties may extend the term of this Agreement prior to its expiration, and enter into separate business operation agreement or continue to perform this Agreement, in each case at the request of Party A.
- 14.3 Neither Party B nor Party C may terminate this Agreement during the term hereof. Party A shall have the right to terminate this Agreement at any time with written notice to Party B and Party C no less than thirty (30) days in advance.

- 14.4 It is confirmed by the Parties that this Agreement represent their fair and reasonable agreements made on the basis of equity and mutual benefits. If any clause hereof is held invalid or unenforceable under applicable laws, such clause shall be deemed to have been deleted from this Agreement and invalid, and the remainder of this Agreement will continue to have effect and be deemed to have excluded such clause. The Parties will negotiate to replace the deleted clause with legal, valid one acceptable to each of the Parties.
- 14.5 Any failure or delay on the part of any Party to exercise any rights, powers or privileges hereunder shall not operate as a waiver thereof. Any single or partial exercise of such rights, powers or privileges shall not preclude any further exercise of such rights, powers or privileges.
- 14.6 This Agreement is in four originals with each Party holding one thereof. Each of the originals has the same effect.

[Remaining intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on their behalf by a duly authorized representative as of the date first written above.

PARTY A: BEIJING JINGDONG CENTURY TRADE CO., LTD.

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

By: /s/ Richard Qiangdong Liu

PARTY B: BEIJING JIASHENG INVESTMENT MANAGEMENT CO., LTD.

/s/ Beijing Jiasheng Investment Management Co., Ltd.
(Seal of Beijing Jiasheng Investment Management Co., Ltd.)

By: /s/ Pang Zhang

PARTY C:

By: /s/ Richard Qiangdong Liu

By: /s/ Yayun Li

By: /s/ Pang Zhang

Schedule A

The following schedule sets forth all other similar agreements the registrant entered into with the relevant Chinese variable interest entity. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

VIE	Executing Parties	Execution Date
Beijing Yuanyi Freight Forwarding Co., Ltd.	Party A: Beijing Jingbangda Trade Co., Ltd. Party B: Beijing Yuanyi Freight Forwarding Co., Ltd. Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	January 5, 2017
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Jiangsu Jingdong Bangneng Investment Management Co., Ltd. Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	September 8, 2016
Suqian Limao Donghong Investment Management Co., Ltd.	Party A: Suqian Yitong Information Technology Co., Ltd. Party B: Suqian Limao Donghong Investment Management Co., Ltd. Party C: Richard Qiangdong Liu and Yayun Li	December 28, 2016
Beijing Andist Technology Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Beijing Andist Technology Co., Ltd. Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	December 1, 2016
Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Shanghai Jingdong Cai'ao E-commercial Co., Ltd. Party C: Richard Qiangdong Liu, Yayun Li and Pang Zhang	December 20, 2016
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Party A: Xi'an Jingxundi Supply Chain Technology Co., Ltd. Party B: Xi'an Jingdong Xincheng Information Technology Co., Ltd. Party C: Richard Qiangdong Liu, Pang Zhang and Yayun Li	June 23, 2017
Suzhou Guanyinghou Media Technology Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd. Party B: Suzhou Guanyinghou Media Technology Co., Ltd. Party C: Qian Yang	December 11, 2017

EXCLUSIVE PURCHASE OPTION AGREEMENT

This EXCLUSIVE PURCHASE OPTION AGREEMENT (this “**Agreement**”), dated August 25, 2016, is made in Beijing, People’s Republic of China (the “**PRC**”) by and among:

Party A: Beijing Jingdong Century Trade Co., Ltd., a wholly foreign owned company incorporated in the PRC with registered address at Room B168, Building 2, No. 99, Kechuang 14 Street, Beijing Economic and Technological Development Zone, Beijing;

Party B: Richard Qiangdong Liu, with PRC identification number of ***;

Yayun Li, with PRC identification number of ***; and

Pang Zhang, with PRC identification number of ***

And

Party C: Beijing Jiasheng Investment Management Co., Ltd., a limited liability company incorporated and existing under the laws of the PRC, with registered address at Floor 20, Block A, Building 1, 19 Ronghua Middle Street, Beijing Economic and Technological Development Zone, Beijing.

(Party A, Party B and Party C individually being referred to as a “**Party**” and collectively the “**Parties**”)

Whereas,

1. Party C is a limited liability company duly incorporated and validly existing under the PRC laws. Party B has an aggregate holding of 100% equity interests in Party C, with Richard Qiangdong Liu, Yayun Li and Pang Zhang holding 45%, 30% and 25% thereof, respectively;
2. Party B and Party C have made a Loan Agreement (the “**Loan Agreement**”) and an Equity Pledge Agreement (the “**Equity Pledge Agreement**”) dated June 15, 2016; and

NOW, THEREFORE, the Parties hereby agree as follows through negotiations:

1. Purchase and Sale of Equity Interests

1.1 Grant of Right

Party B hereby exclusively and irrevocably grants Party A an exclusive option to purchase or designate one or several person(s) (the “**Designated Person**”) to purchase all or any part of the equity interests held by Party B in Party C (the “**Purchase Option**”) at any time from Party B at the price specified in Article 1.3 of this Agreement in accordance with the procedures determined by Party A at its own discretion and to the extent permitted by the PRC laws. No party other than Party A and the Designated Person may have the Purchase Option. Party C hereby agrees Party B to grant the Purchase Option to Party A. For purpose of this Section 1.1 and this Agreement, “person” means any individual, corporation, joint venture, partnership, enterprise, trust or non-corporation organization.

1.2 Procedures

Party A may exercise the Purchase Option subject to its compliance with the PRC laws and regulations. Upon exercising the Purchase Option, Party A will issue a written notice (the “**Equity Interest Purchase Notice**”) to Party B which notice will specify: (i) Party A’s decision to exercise the Purchase Option; (ii) the percentage of equity interest to be purchased from Party B (the “**Purchased Equity Interest**”); (iii) the date of purchase/equity interest transfer, and (iv) the purchase price.

1.3 Purchase Price

- 1.3.1 When Party A exercises the Purchase Option, the purchase price of the Purchased Equity Interest (“**Purchase Price**”) shall be equal to the registered capital paid by Party B for the Purchased Equity Interest, unless applicable PRC laws and regulations require appraisal of the Purchased Equity Interest or any other restriction on the Purchase Price.
- 1.3.2 If applicable PRC laws require appraisal of the Purchased Equity Interest or any other restrictions on the Purchase Price in connection with exercise of the Purchase Option by Parties A, Party A and Party B agree that the Purchase Price of the Purchased Equity Interest shall be the lowest price permissible under applicable laws. If the lowest price permissible under applicable laws is higher than the registered capital corresponding to the Purchased Equity Interest, the amount of the exceeding balance shall be repaid to Party A by Party B according to the Loan Agreement.

1.4 Transfer of the Purchased Equity Interest

When Party A exercises the Purchase Option:

- 1.4.1 Party B shall cause Party C to promptly convene a shareholders’ meeting, during which a resolution shall be adopted to approve transfer of the equity interest to Party A and/or the Designated Person and waiver of its right of first refusal regarding the Purchased Equity Interest by Party B;
- 1.4.2 Party B shall enter into an equity interest transfer agreement with Party A and/ or the Designated Person pursuant to the terms and conditions of this Agreement and the Purchase Notice;
- 1.4.3 The Parties shall execute all other contracts, agreements or documents, obtain all governmental approvals and consents, and conduct all actions that are necessary to transfer the ownership of the Purchased Equity Interest to Party A and or the Designated Person free from any security interest and cause Party A and/or the Designated Person to be registered as the owner of the Purchased Equity Interest. For the purpose of this Section 1.4.3 and this Agreement, “**Security Interest**” includes guarantees, mortgages, pledges, third-party rights or interests, any purchase option, right of acquisition, right of first refusal, right of set-off, ownership detainment or other security arrangements, but excludes any security interest arising from this Agreement or the Equity Pledge Agreement.

- 1.4.4 Party B and Party C shall unconditionally use its best efforts to assist Party A in obtaining the governmental approvals, permits, registrations, filings and complete all formalities necessary for the transfer of the Purchased Equity Interest.

2. Covenants regarding the Equity Interest

- 2.1 Party C hereby covenants that:
- 2.1.1 Without prior written consent by Party A, it will not supplement, change or amend the Articles of Association, increase or decrease the registered capital, or otherwise change the registered capital structure of Party C;
 - 2.1.2 It will maintain due existence of Party C, prudently and effectively operate and handle its business in accordance with fair financial and business standards and customs;
 - 2.1.3 Without prior written consent of Party A and as of the date of this Agreement, it will not sell, transfer, pledge or otherwise dispose any legal or beneficial interest of any assets, businesses or income of Party C, or permit existence of such security interest;
 - 2.1.4 Without prior written consent by Party A, it will not incur, inherit, guarantee or allow the existence of any debt, except for (i) any debt incurred during its ordinary course of business rather than from borrowing; and (ii) any debt which has been disclosed to and obtained the written consent from Party A;
 - 2.1.5 It will continue all business operations normally to maintain its asset value, and refrain from any action/omission that may adversely affect its business operations and asset value;
 - 2.1.6 Without prior written consent by Party A, not to enter into any material agreement, other than those executed in the ordinary course of business;
 - 2.1.7 Without prior written consent by Party A, it will not provide any loan or guaranty to any person;

- 2.1.8 Upon Party A's request, it will provide Party A with information regarding its operations and financial conditions;
 - 2.1.9 It will buy and maintain requisite insurance policies from an insurer acceptable to Party A, the amount and type of which will be the same with such insurance policies maintained by the companies having similar operations, properties or assets in the same region;
 - 2.1.10 Without prior written consent by Party A, it will not combine, merge with, acquire or make investment to any person;
 - 2.1.11 It will immediately notify Party A of any actual or potential litigation, arbitration or administrative proceeding regarding its assets, business and income;
 - 2.1.12 In order to keep its ownership of the equity interest of Party C, it will execute all requisite or appropriate documents, conduct all requisite or appropriate actions, and make all requisite or appropriate claims, or make requisite or appropriate defense against all claims; and
 - 2.1.13 Without prior written consent by Party A, it will not distribute any dividend or bonus to any of its shareholders.
- 2.2 Party B hereby covenants that:
- 2.2.1 Without prior written consent by Party A, it will not supplement, change or amend the Articles of Association, increase or decrease the registered capital, or otherwise change the registered capital structure of Party C;
 - 2.2.2 Without the prior written consent by Party A, it will not sell, transfer, pledge or otherwise dispose any legal or beneficial interest of the equity interests of Party C held by it, or allow other security interests to be created on it, except for the pledge set upon Party C's equity interests held by Party B pursuant to the Equity Pledge Agreement;
 - 2.2.3 It will procure that without prior written consent by Party A, no resolution be made at any meeting of Party C's shareholders to approve Party C to sell, transfer, pledge or otherwise dispose any legal or beneficial interest of the equity interests of Party C held by it, or allow other security interests to be created on it, except for the pledge set upon Party C's equity interests held by Party B pursuant to the Equity Pledge Agreement;
 - 2.2.4 It will procure that without prior written consent by Party A, no resolution be made at any meeting of Party C's shareholders to approve merger, consolidation, purchase or investment with or any person by Party C;

- 2.2.5 It will immediately notify Party A of any actual or potential litigation, arbitration or administrative proceeding regarding its assets, business and income;
- 2.2.6 It will cause Party C's shareholders' meeting to vote for the transfer of the Purchased Equity Interest provided hereunder;
- 2.2.7 In order to keep its ownership of the equity interests of Party C, it will execute all requisite or appropriate documents, conduct all requisite or appropriate actions, and make all requisite or appropriate claims, or make requisite or appropriate defense against all claims;
- 2.2.8 At the request of Party A, it will appoint any person nominated by Party A to the board of Party C;
- 2.2.9 At the request of Party A at any time, it will transfer unconditionally and immediately the Purchased Equity Interest to Party A or any Designated Person and waive the right of first refusal regarding the Purchased Equity Interest. If the equity interest of Party C could be sold or transferred to any party other than Party A or the Designated Person, Party B may not waive its right of first refusal without Party A's consent;
- 2.2.10 It will strictly comply with the provisions of this Agreement and other agreements jointly or severally executed by any of the Parties, duly perform all obligations under such agreements, and will not make any act or omission which may affect the validity and enforceability of these agreements; and
- 2.2.11 It irrevocably undertakes to be severally and jointly liable for the obligations provided hereunder.

3. Representations and Warranties

Each of Party B and Party C represents and warrants, jointly and severally, to Party A that as of the date of this Agreement:

- 3.1 It has the rights and powers to execute and deliver this Agreement and any equity interest transfer agreement (the "**Transfer Agreement**") executed for each transfer of the Purchased Equity Interest contemplated hereunder to which it is a party, and perform its obligations under this Agreement and any Transfer Agreement. Once executed, this Agreement and the Transfer Agreement to which it is a party will be its legal, valid and binding obligations and enforceable against it according to the terms of this Agreement and the Transfer Agreement.
- 3.2 None of its execution, delivery and performance of this Agreement or any Transfer Agreement will: (i) breach any applicable PRC laws; (ii) conflict with its articles of association or any other organizational documents; (iii) breach any agreement or document to which it is a party or binding upon it, or constitute breach of any such agreement or document; (iv) breach any condition on which basis any of its permits or approvals is granted and/or will continue to be effective; or (v) cause any of its permits or approvals to be suspended, cancelled or imposed with additional conditions.

- 3.3 Party B has good and entire ownership of and creates no security interest or encumbrance upon any of its assets,
- 3.4 Party C has no outstanding debt, except for those (i) incurred during its ordinary course of business, and (ii) disclosed to and approved in writing by Party A.
- 3.5 Party C is in compliance with all applicable laws and regulations.

4. Effectiveness and Term

- 4.1 This Agreement shall be effective as of the date of its execution. The Parties agree and confirm that the effect of this Agreement shall retrospect to August 25, 2016. Once effective, this Agreement will replace the Original Exclusive Purchase Option Agreement.
- 4.2 The term of this Agreement is ten (10) years. This Agreement may be extended for another ten (10) years upon Party A's written confirmation prior to the expiration of this Agreement, and so forth thereafter.
- 4.3 During the term provided in Section 4.2, if Party A or Party C is terminated at expiration of their respective operation term (including any extension of such term) or by any other reason, this Agreement shall be terminated upon such termination.

5. Termination

- 5.1 At any time during the term of this Agreement and any extended term hereof, if Party A can not exercise the Purchase Option pursuant to Section 1 due to then applicable laws, Party A can, at its own discretion, unconditionally terminate this Agreement by issuing a written notice to Party B without any liability.
- 5.2 If Party C is terminated due to bankruptcy, dissolution or being ordered to close down by the laws during the term of this Agreement and its extension period, the obligations of Party B hereunder shall be terminated upon the termination of Party C; notwithstanding anything to the contrary, Party B shall immediately repay the principal and any interest accrued thereupon under the Loan Agreement.
- 5.3 Except under circumstances indicated in Section 5.2, Party B may not unilaterally terminate this Agreement at any time during the term and extension periods of this Agreement without Party A's written consent.

6. Taxes and Expenses

Each Party shall bear any and all taxes, costs and expenses related to transfer and registration as required by the PRC laws incurred by or imposed on such Party arising from the preparation and execution of this Agreement and the consummation of the transaction contemplated hereunder.

7. Breach of Contract

7.1 If either Party (“**Defaulting Party**”) breaches any provision of this Agreement, which causes damage to other Parties (“**Non-defaulting Party**”), the Non-defaulting Party could notify the Defaulting Party in writing and request it to rectify and correct such breach of contract; if the Defaulting Party fails to take any action satisfactory to the Non-defaulting Party to rectify and correct such breach within fifteen (15) days upon the issuance of the written notice by the Non-defaulting Party, the Non-defaulting Party may take the actions pursuant to this Agreement or take other remedies in accordance with the laws.

7.2 The following events shall constitute a default by Party B:

- (1) Party B breaches any provision of this Agreement, or any representation or warranty made Party B under this Agreement is untrue or proves inaccurate in any material aspect;
- (2) Party B assigns or otherwise transfers or disposes of any of its rights under this Agreement without the prior written consent by Party A; or
- (3) Any breaches by Party B which renders this Agreement, the Loan Agreement, and the Equity Pledge Agreement unenforceable.

7.3 Should a breach of contract by Party B or violation by Party B of the Loan Agreement and the Equity Pledge Agreement occur, Party A may:

- (1) request Party B to immediately transfer all or any part of the Purchased Equity Interests to Party A or the Designated Person pursuant to this Agreement; and
- (2) recover the principal and the interest accrued thereupon under the Loan Agreement.

8. Notices

Notices or other communications required to be given by any Party pursuant to this Agreement shall be made in writing and delivered personally or sent by mail or facsimile transmission to the addresses of the other Parties set forth below or other designated addresses notified by such other Parties to such Party from time to time. The date when the notice is deemed to be duly served shall be determined as the follows: (a) a notice delivered personally is deemed duly served upon the delivery; (b) a notice sent by mail is deemed duly served on the seventh (7th) day after the date when the air registered mail with postage prepaid has been sent out (as is shown on the postmark), or the fourth (4th) day after the delivery date to the internationally recognized courier service agency; and (c) a notice sent by facsimile transmission is deemed duly served upon the receipt time as is shown on the transmission confirmation of relevant documents.

If to Party A: Beijing Jingdong Century Trade Co., Ltd.

Address: ***

Phone: ***
Fax: ***
Attention: ***

If to Party B:

Richard Qiangdong Liu

Address: ***

Phone: ***
Fax: ***

Pang Zhang

Address: ***

Phone: ***
Fax: ***

Yayun Li

Address: ***

Phone: ***
Fax: ***

If to Party C: Beijing Jiasheng Investment Management Co., Ltd.

Address: ***

Phone: ***
Fax: ***
Attention: ***

9. Applicable Law and Dispute Resolution

- 9.1 The formation, validity, performance and interpretation of this Agreement and the disputes resolution under this Agreement shall be governed by the PRC laws.
- 9.2 The Parties shall strive to settle any dispute arising from or in connection with this Agreement through friendly consultation. In case no settlement can be reached through consultation within thirty (30) days after the request for consultation is made by any Party, any Party can submit such matter to Beijing Arbitration Commission for arbitration in accordance with its then effective rules. The arbitration shall take place in Beijing. The arbitration award shall be final and binding upon all the Parties.

10. Confidentiality

All Parties acknowledge and confirm that any oral or written materials exchanged by and between the Parties in connection with this Agreement are confidential. All Parties shall keep in confidence all such information and not disclose it to any third party without prior written consent from other Parties unless (a) such information is known or will be known by the public (except by disclosure of the receiving party without authorization); (b) such information is required to be disclosed in accordance with applicable laws or rules or regulations; or (c) if any information is required to be disclosed by any party to its legal or financial advisor for the purpose of the transaction of this Agreement, such legal or financial advisor shall also comply with the confidentiality obligation similar to that stated hereof. Any disclosure by any employee or agency engaged by any Party shall be deemed the disclosure of such Party and such Party shall assume the liabilities for its breach of contract pursuant to this Agreement. This Article shall survive expiration or termination of this Agreement.

11. Miscellaneous

- 11.1 The headings contained in this Agreement are for the convenience of reference only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.
- 11.2 The Parties agree to promptly execute any document and take any other action reasonably necessary or advisable to perform provisions and purpose of this Agreement.
- 11.3 The Parties confirm that this Agreement shall, upon its effectiveness, constitute the entire agreement and common understanding of the Parties with respect to the subject matters herein and fully supersede all prior verbal and/or written agreements and understandings with respect to the subject matters herein.
- 11.4 The Parties may amend and supplement this Agreement in writing. Any amendment and/or supplement to this Agreement by the Parties is an integral part of and has the same effect with this Agreement

- 11.5 This Agreement shall be binding upon and for the benefit of all the Parties hereto and their respective inheritors, successors and the permitted assigns.
- 11.6 Any Party's failure to exercise the rights under this Agreement in time shall not be deemed as its waiver of such rights and would not affect its future exercise of such rights.
- 11.7 If any provision of this Agreement is held void, invalid or unenforceable by a court of competent jurisdiction, governmental agency or arbitration authority, the validity, legality and enforceability of the other provisions hereof shall not be affected or impaired in any way. The Parties shall cease performing such void, invalid or unenforceable provisions and revise such void, invalid or unenforceable provisions only to the extent closest to the original intention thereof to recover its validity or enforceability for such specific facts and circumstances.
- 11.8 Unless with prior written consent from Party A, none of Party B or Party C may assign any of its rights and obligations under this Agreement to any third party.
- 11.9 This Agreement is made in five (5) originals with each Party holding one (1) original. Each original has the same effect.

[No text below]

(Signature Page)

IN WITNESS THEREOF, each Party has signed or caused its legal representative to sign this Agreement as of the date first written above.

Party A: Beijing Jingdong Century Trade Co., Ltd.

/s/ Beijing Jingdong Century Trade Co., Ltd.

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

By: /s/ Richard Qiangdong Liu

Party B: Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

Pang Zhang

By: /s/ Pang Zhang

Yayun Li

By: /s/ Yayun Li

Party C: Beijing Jiasheng Investment Management Co., Ltd.

/s/ Beijing Jiasheng Investment Management Co., Ltd.

(Seal of Beijing Jiasheng Investment Management Co., Ltd.)

By: /s/ Pang Zhang

Schedule A

The following schedule sets forth all other similar agreements the registrant entered into with the relevant Chinese variable interest entity. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

VIE	Executing Parties	Effective Date	Execution Date
Beijing Yuanyi Freight Forwarding Co., Ltd.	Party A: Beijing Jingbangda Trade Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Beijing Yuanyi Freight Forwarding Co., Ltd.	January 5, 2017	January 5, 2017
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	September 8, 2016	September 8, 2016
Suqian Limao Donghong Investment Management Co., Ltd.	Party A: Suqian Yitong Information Technology Co., Ltd. Party B: Richard Qiangdong Liu and Yayun Li Party C: Suqian Limao Donghong Investment Management Co., Ltd.	December 8, 2015	December 28, 2016
Beijing Andist Technology Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Beijing Andist Technology Co., Ltd.	December 1, 2016	December 1, 2016
Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	Party A: Beijing Jingdong Century Trade Co., Ltd. Party B: Richard Qiangdong Liu, Yayun Li and Pang Zhang Party C: Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	December 20, 2016	December 20, 2016
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Party A: Xi'an Jingxundi Supply Chain Technology Co., Ltd. Party B: Richard Qiangdong Liu, Pang Zhang and Yayun Li Party C: Xi'an Jingdong Xincheng Information Technology Co., Ltd.	June 23, 2017	June 23, 2017
Suzhou Guanyinghou Media Technology Co., Ltd.	Party A: Suqian Daxi Information Technology Co., Ltd. Party B: Qian Yang Party C: Suzhou Guanyinghou Media Technology Co., Ltd.	December 11, 2017	December 11, 2017

LOAN AGREEMENT

This LOAN AGREEMENT (this “**Agreement**”), dated August 25, 2016, is made in Beijing, the People’s Republic of China (“**PRC**”) by and among:

Lender: Beijing Jingdong Century Trade Co., Ltd., with registered address at Room B168, Building 2, No. 99, Kechuang 14 Street, Beijing Economic and Technological Development Zone, Beijing;

And

Borrowers:

Richard Qiangdong Liu;

Pang Zhang;

Yayun Li

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

NOW, THEREFORE, the Parties hereby agree as follows through friendly negotiations:

1. Loan

- 1.1 Subject to the terms and conditions of this Agreement, the Lender agrees to provide a loan at an aggregate amount of one million (¥1,000,000.00) (the “**Loan**”) to the Borrowers, which Loan will be provided by Richard Qiangdong Liu, Pang Zhang and Yayun Li at the amount of RMB four hundred and fifty thousand (¥450,000.00), RMB two hundred and fifty thousand (¥250,000.00) and RMB three hundred thousand (¥300,000.00), respectively.
 - 1.2 It is confirmed that the Lender has provided, and the Borrowers have received, the full amount of the Loan upon execution of this Agreement.
 - 1.3 The Borrowers agree to use the Loan to pay for their investment in the registered capital of Beijing Jiasheng Investment Management Co., Ltd. or the Borrower Company and, unless with prior written consent of the Lender, will not use the Loan for any other purpose, or transfer or pledge its shares or other interests in the Borrower Company to any third party.
 - 1.4 The Borrowers confirm that they have received the Loan upon execution of this Agreement and used the Loan to pay for their investment in the Registered Capital of the Borrower Company.
-

1.5 It is confirmed that the Lender will not charge any interest upon the Loan, unless otherwise provided herein.

2. Term of Loan

2.1 The term of the Loan hereunder shall be ten (10) years from the date when the Borrowers actually receive all or any part of the Loan. Unless otherwise indicated by the Lender prior to its expiration, the term of the Loan will be automatically extended for another ten (10) years, and so forth thereafter.

2.2 During the term or any extended term of the Loan, the Loan will become immediately due and payable by the Borrowers pursuant to the terms of this Agreement if:

- (1) The Borrowers die or become a person incapacitated or with limited capacity for civil acts;
- (2) The Borrowers resign or are dismissed by the Lender, the Borrower Company or any affiliate of the Lender;
- (3) The Borrowers commit a crime or are involved in a crime;
- (4) Any third party pursue any claim of more than RMB 100,000 against any of the Borrowers and the Lender has reasonable ground to believe that the Borrowers will not be capable to pay for such claim;
- (5) The Lender decides to perform the Exclusive Purchase Option Agreement (as defined below) when foreign enterprises are allowed to control or wholly own the Borrower Company under applicable PRC laws;
- (6) The Borrowers fail to comply with or perform any of their commitments or obligations under this Agreement (or any other agreement between them and the Lender), and further fails to remedy such breach within 30 business days upon its occurrence; and
- (7) This Agreement, the Equity Pledge Agreement, or the Exclusive Purchase Option Agreement is terminated or held invalid by any court for any reason other than the Lender's.

3. Repayment of Loan

3.1 The Lender and the Borrowers agree and confirm that the Loan will be repaid in the following manner only: the Borrowers will transfer all of their equity interests in the Borrower Company to the Lender or any legal or natural person designated by the Lender pursuant to requirements from the Lender.

3.2 The Lender and the Borrowers agree and confirm that to the extent permitted by the laws, the Lender has the right but no obligation to purchase or designate any legal or natural person designated by it to purchase all or any part of the equity interests in the Borrower Company from the Borrowers at the price set forth under the Exclusive Purchase Option Agreement.

- 3.3 It is agreed and confirmed by the Parties that the Borrowers shall be deemed to have fulfilled their repayment obligations hereunder only after both of the following conditions have been satisfied.
- (1) The Borrowers have transferred all of their equity interests in the Borrower Company to the Lender and/or their designated person; and
 - (2) The Borrowers have repaid to the Lender all of the transfer proceeds or an amount equivalent to the maximum amount permitted by the laws.
- 3.4 The Loan will be deemed as a zero interest loan if the price to transfer the equity interests in the Borrower Company to the Lender from the Borrowers concluded by the Parties under this Agreement any other related agreements is equal or less than the amount of the Loan. Under such circumstance, the Borrowers are not required to repay any remaining amount of and/or any interest upon the Loan; provided, however, that if the equity interest transfer price exceeds the amount of the Loan, the exceeding amount will be deemed as the interest upon the Loan (calculated by the highest interest permitted by the PRC laws) and financing cost thereof.
- 3.5 Notwithstanding anything to the contrary, if the Borrower Company goes bankruptcy, dissolution or is ordered for closure during the term or extended term of this Agreement, and Borrowers will liquidate the Borrower Company according to laws and all of the proceeds from such liquidation will be used to repay the principal, interest (calculated by the highest interest permitted by the PRC laws) and financing cost of the Loan.

4. **Obligations of the Borrowers**

- 4.1 The Borrowers will repay the Loan according to the provisions of this Agreement and requirements from the Lender.
- 4.2 The Borrowers will enter into an Equity Pledge Agreement (the “**Equity Pledge Agreement**”) with the Lender and the Borrower Company, whereby the Borrowers agree to pledge all of their equity interests in the Borrower Company to the Lender.
- 4.3 The Borrowers will enter into an Exclusive Purchase Option Agreement (the “**Exclusive Purchase Option Agreement**”) with the Lender and the Borrower Company, whereby the Borrowers will to the extent permitted by the PRC laws grant an irrevocable and exclusive purchase option for the Lender to purchase all or any part of the equity interest in the Borrower Company from the Borrowers.

- 4.4 The Borrowers will perform their obligations under this Agreement, the Equity Pledge Agreement and the Exclusive Purchase Option Agreement, and provide support for the Lender to complete all filings, approvals, authorizations, registration and other government procedures necessary to perform such agreements.
- 4.5 The Borrowers will sign an irrevocable power of attorney authorizing a person designated by the Lender to exercise on its behalf all of its rights as the shareholder of the Borrower Company.

5. Representations and Warranties

- 5.1 The Lender represents and warrants to the Borrowers that from the date of this Agreement until termination hereof:
- (1) It is a wholly foreign-owned company duly incorporated and validly existing under the laws of the PRC;
 - (2) It has the power and receives all approvals and authorities necessary and appropriate to execute and perform this Agreement. Its execution and performance of this Agreement are in compliance with its articles of association or other organizational documents;
 - (3) None of its execution or performance of this Agreement is in breach of any law, regulation, government approval, authorization, notice or any other government document, or any agreement between it and any third party or any covenant issued to any third party; and
 - (4) This Agreement, once executed, becomes legal, valid and enforceable obligations upon the Lender.
- 5.2 The Borrowers represent and warrant that from the date of this Agreement until termination hereof:
- (1) They are fully capable to conduct civil acts;
 - (2) The Borrower Company is a limited liability company incorporated and validly existing under the PRC laws, and the Borrowers are the legal owners of the Borrower Equity;
 - (3) None of their execution or performance of this Agreement is in breach of any law, regulation, government approval, authorization, notice or any other government document, or any agreement between them and any third party or any covenant issued to any third party;
 - (4) This Agreement, once executed, becomes legal, valid and enforceable obligations upon the Borrowers;

- (5) They have paid the full investment relating to the Borrower Equity according to law, and received a verification report for such payment from a qualified accounting firm;
- (6) Except for those provided under the Equity Pledge Agreement, they create no mortgage, pledge or any other security upon the Borrower Equity, provides no offer to any third party to transfer the Borrower Equity, make no covenant regarding any offer to purchase the Borrower Equity from any third party, or enter into any agreement with any third party to transfer the Borrower Equity;
- (7) There is no existing or potential dispute, suit, arbitration, administrative proceeding or any other legal proceeding in which the Borrowers and/or the Borrower Equity is involved; and
- (8) The Borrower Company has completed all government approvals, authorizations, licenses, registrations and filings necessary to conduct its businesses and own its assets.

6. Covenants from the Borrowers

- 6.1 The Borrowers covenant in their capacity of the shareholders of the Borrower Company that during the term of this Agreement they will procure the Borrower Company:
- (1) without prior written consent from the Lender, not to supplement, amend or modify its articles of association, or increase or decrease its registered capital, or change its capital structures of the Company;
 - (2) to maintain its existence, prudently and effectively operate its businesses and deal with its affairs in line with fair financial and business standards and customs;
 - (3) without prior written consent from the Lender, not to sell, transfer, pledge or otherwise dispose any legal or beneficial interest of any of its assets, businesses or income, or allow creation of any other security interests thereupon;
 - (4) without prior written consent from the Lender, not to incur, inherit, guarantee or allow the existence of any debt, except for (i) any debt incurred during its ordinary course of business rather than from borrowing; and (ii) any debt which has been disclosed to and obtained the written consent from The Lender;
 - (5) to always conduct its business operations in ordinary course to maintain the value of its assets;

- (6) without prior written consent from the Lender, not to enter into any material agreement other than those executed in its ordinary course of business;
- (7) not to provide any loan or credit to any party without prior written consent from the Lender;
- (8) to provide any and all information regarding its operations and financial conditions at the request from the Lender;
- (9) to buy and maintain requisite insurance policies from an insurer acceptable to the Lender, the amount and type of which will be the same with those maintained by the companies having similar operations, properties or assets in the same region;
- (10) without prior written consent from the Lender, not to combine, merge with, acquire or make investment to any person;
- (11) to immediately notify the Lender of any actual or potential litigation, arbitration or administrative proceeding regarding its assets, business and income;
- (12) to execute any document, conduct any action, and make any claim or defense necessary or appropriate to maintain its ownership of all of its assets;
- (13) without prior written consent from the Lender, not to distribute any dividend or bonus to any of its shareholders;
- (14) to appoint any person nominated by the Lender or the parent of the Lender to its board at the request of the Lender; and
- (15) to strictly comply with the provisions of the Exclusive Purchase Option Agreement, and not to make any act or omission which may affect its validity and enforceability.

6.2 The Borrowers covenant during the term of this Agreement:

- (1) except those provided under the Equity Pledge Agreement and without prior written consent from the Lender, not to sell, transfer, pledge or otherwise dispose any legal or beneficial interest of the Borrower Equity, or allow creation of any other security interests thereupon;
- (2) to procure the shareholders of the Borrower Company not to approve any sale, transfer, pledge or otherwise disposal of any legal or beneficial interest of the Borrower Equity, or creation of any other security interests thereupon without prior written consent from the Lender, except to the Lender or its designated person;

- (3) to procure the shareholders of the Borrower Company not to approve its merger or association with, or acquisition of or investment in any person without prior written consent from the Lender;
- (4) to immediately notify the Lender of any actual or potential litigation, arbitration or administrative proceeding regarding the Borrower Equity;
- (5) to execute any document, conduct any action, and make any claim or defense necessary or appropriate to maintain its ownership of the Borrower Equity;
- (6) not to make any act and/or omission which may affect any asset, business or liability of the Borrower Company without prior written consent from the Lender;
- (7) to appoint any person nominated by the Lender or the parent of the Lender to the board of the Borrower Company at the request of the Lender;
- (8) to the extent permitted under the PRC laws and at the request of the Lender at any time, to transfer unconditionally and immediately all of the equity interests owned by the Borrowers to the Lender or any person designated by it, and procure any other shareholder of the Borrower Company to waive the right of first refusal regarding such equity interests;
- (9) to the extent permitted under the PRC laws and at the request of the Lender at any time, to procure any other shareholder of the Borrower Company to transfer unconditionally and immediately all of the equity interests owned by such shareholder to the Lender or any person designated by it, and the Borrowers hereby waive their right of first refusal regarding such equity interests;
- (10) if the Lender purchases the Borrower Equity from the Borrowers pursuant to the Exclusive Purchase Option Agreement, to use the price of such purchase to repay the Loan to the Lender on priority; and
- (11) to strictly comply with the provisions of this Agreement, the Equity Pledge Agreement and the Exclusive Purchase Option Agreement, perform its obligations under each of such agreements, and not to make any act or omission which may affect the validity and enforceability of each of such agreements.

7. Liabilities for Breach of Contract

- 7.1 If any party (“**Defaulting Party**”) breaches any provision of this Agreement, which causes damage to the other party (“**Non-defaulting Party**”), the Non-defaulting Party could notify the Defaulting Party in writing and request it to rectify and correct such breach of contract; if the Defaulting Party fails to take any action satisfactory to the Non-defaulting Party to rectify and correct such breach within fifteen (15) working days upon the issuance of the written notice by the Non-defaulting Party, the Non-defaulting Party may immediately take the actions pursuant to this Agreement or take other remedies in accordance with laws.

7.2 If the Borrowers fail to repay the Loan pursuant to the terms under this Agreement, they will be liable for a penalty interest accrued upon the amount due and payable at a daily interest rate of 0.02% until the Loan as well as any penalty interest and any other amount accrued thereupon are fully repaid by the Borrowers.

8. Notices

Notices or other communications required to be given by any Party pursuant to this Agreement shall be made in writing and delivered personally or sent by mail or facsimile transmission to the addresses of the other Parties set forth below or other designated addresses notified by such other Parties to such Party from time to time. The date when the notice is deemed to be duly served shall be determined as the follows: (a) a notice delivered personally is deemed duly served upon the delivery; (b) a notice sent by mail is deemed duly served on the seventh (7th) day after the date when the air registered mail with postage prepaid has been sent out (as is shown on the postmark), or the fourth (4th) day after the delivery date to the internationally recognized courier service agency; and (c) a notice sent by facsimile transmission is deemed duly served upon the receipt time as is shown on the transmission confirmation of relevant documents.

If to the **Lender: Beijing Jingdong Century Trade Co., Ltd.**

Address: ***

Phone: ***
Fax: ***
Attention: ***

If to the **Borrowers:**

Richard Qiangdong Liu

Address: ***

Phone: ***
Fax: ***

Pang Zhang

Address: ***

Phone: ***
Fax: ***

Yayun Li

Address: ***

Phone: ***
Fax: ***

9. Confidentiality

All Parties acknowledge and confirm that any oral or written materials exchanged by and between the Parties in connection with this Agreement are confidential. All Parties shall keep in confidence all such information and not disclose it to any third party without prior written consent from other Parties unless: (a) such information is known or will be known by the public (except by disclosure of the receiving party without authorization); (b) such information is required to be disclosed in accordance with applicable laws or rules or regulations; or (c) if any information is required to be disclosed by any party to its legal or financial advisor for the purpose of the transaction of this Agreement, such legal or financial advisor shall also comply with the confidentiality obligation similar to that stated hereof. Any disclosure by any employee or agency engaged by any Party shall be deemed the disclosure of such Party and such Party shall assume the liabilities for its breach of contract pursuant to this Agreement. This Article shall survive expiration or termination of this Agreement.

10. Applicable Law and Dispute Resolution

- 10.1 The formation, validity, performance and interpretation of this Agreement and the disputes resolution under this Agreement shall be governed by the PRC laws.
- 10.2 The Parties shall strive to settle any dispute arising from or in connection with this Agreement through friendly consultation. In case no settlement can be reached through consultation within thirty (30) days after the request for consultation is made by any Party, any Party can submit such matter to China International Economic and Trade Arbitration Commission for arbitration in accordance with its then effective rules. The arbitration shall take place in Beijing. The arbitration award shall be final and binding upon all the Parties.

11. Miscellaneous

- 11.1 The headings contained in this Agreement are for the convenience of reference only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.
- 11.2 This Agreement shall be effective as of the date of its execution. The Parties agree and confirm that the effect of this Agreement shall retrospect to August 25, 2016. Once effective, this Agreement will replace the Original Loan Agreement and expire until the Parties have performed their respective obligations under this Agreement.

- 11.3 The Parties agree to promptly execute any document and take any other action reasonably necessary or advisable to perform provisions and purpose of this Agreement.
- 11.4 The Parties confirm that this Agreement shall, upon its effectiveness, constitute the entire agreement and common understanding of the Parties with respect to the subject matters herein and fully supersede all prior verbal and/or written agreements and understandings with respect to the subject matters herein.
- 11.5 The Parties may amend and supplement this Agreement in writing. Any amendment and/or supplement to this Agreement by the Parties is an integral part of and has the same effect with this Agreement.
- 11.6 This Agreement shall be binding upon and for the benefit of all the Parties hereto and their respective inheritors, successors and the permitted assigns.
- 11.7 Any Party's failure to exercise the rights under this Agreement in time shall not be deemed as its waiver of such rights and would not affect its future exercise of such rights.
- 11.8 If any provision of this Agreement is held void, invalid or unenforceable by a court of competent jurisdiction, governmental agency or arbitration authority, the validity, legality and enforceability of the other provisions hereof shall not be affected or impaired in any way. The Parties shall cease performing such void, invalid or unenforceable provisions and revise such void, invalid or unenforceable provisions only to the extent closest to the original intention thereof to recover its validity or enforceability for such specific facts and circumstances.
- 11.9 Unless with prior written consent from the Lender, the Borrowers may not assign any of their rights and obligations under this Agreement to any third party.
- 11.10 This Agreement is made in three (3) originals with each Party holding one (1) original. Each original has the same effect.

(No text below)

(Signature Page)

IN WITNESS THEREOF, each Party has signed or caused its legal representative to sign this Agreement as of the date first written above.

Party A: Beijing Jingdong Century Trade Co., Ltd.

/s/ Beijing Jingdong Century Trade Co., Ltd.

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

By: /s/ Richard Qiangdong Liu

Party B:

Richard Qiangdong Liu

By: /s/ Richard Qiangdong Liu

Pang Zhang

By: /s/ Pang Zhang

Yayun Li

By: /s/ Pang Zhang

Schedule A

The following schedule sets forth all other similar agreements the registrant entered into with the relevant Chinese variable interest entity. Other than the information set forth below, there is no material difference between such other agreements and this exhibit.

VIE	Executing Parties	Loan Amount	Effective Date	Execution Date
Beijing Yuanyi Freight Forwarding Co., Ltd.	Lender: Beijing Jingdong Century Trade Co., Ltd. Borrowers: Richard Qiangdong Liu, Yayun Li and Pang Zhang	Amount: an aggregate of RMB3,000,000.00 lent to the Borrowers, of which RMB 1,350,000.00 will be provided to Richard Qiangdong Liu, RMB 900,000.00 will be provided to Yayun Li and RMB 750,000 will be provided to Pang Zhang	January 5, 2017	January 5, 2017
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	Lender: Beijing Jingdong Century Trade Co., Ltd. Borrowers: Richard Qiangdong Liu, Yayun Li and Pang Zhang	Amount: an aggregate of RMB80,000,000.00 lent to the Borrowers, of which RMB 36,000,000.00 will be provided to Richard Qiangdong Liu, RMB 20,000,000.00 will be provided to Pang Zhang and RMB 24,000,000 will be provided to Yayun Li.	September 8, 2016	September 8, 2016
Suqian Limao Donghong Investment Management Co., Ltd.	Lender: Suqian Yitong Information Technology Co., Ltd. Borrowers: Richard Qiangdong Liu and Yayun Li	Amount: an aggregate of RMB1,000,000.00 lent to the Borrowers, of which RMB 620,000.00 will be provided to Richard Qiangdong Liu and RMB 380,000.00 will be provided to Yayun Li.	December 28, 2016	December 28, 2016
Beijing Andist Technology Co., Ltd.	Lender: Beijing Jingdong Century Trade Co., Ltd. Borrowers: Richard Qiangdong Liu, Yayun Li and Pang Zhang	Amount: an aggregate of RMB2,000,000.00 lent to the Borrowers, of which RMB 900,000.00 will be provided to Richard Qiangdong Liu, RMB 500,000.00 will be provided to Pang Zhang and RMB 600,000 will be provided to Yayun Li.	December 1, 2016	December 1, 2016
Shanghai Jingdong Cai'ao E-commercial Co., Ltd.	Lender: Beijing Jingdong Century Trade Co., Ltd. Borrowers: Richard Qiangdong Liu, Yayun Li and Pang Zhang	Amount: an aggregate of RMB1,000,000.00 lent to the Borrowers, of which RMB 4,500,000.00 will be provided to Richard Qiangdong Liu, RMB 2,500,000.00 will be provided to Pang Zhang and RMB 3,000,000 will be provided to Yayun Li.	December 20, 2016	December 20, 2016
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	Lender: Xi'an Jingxundi Supply Chain Technology Co., Ltd. Borrowers: Richard Qiangdong Liu, Pang Zhang and Yayun Li	Amount: an aggregate of RMB1,000,000.00 lent to the Borrowers, of which RMB450,000.00 will be provided to Richard Qiangdong Liu, RMB250,000.00 will be provided to Pang Zhang and RMB300,000.00 will be provided to Yayun Li.	June 23, 2017	June 23, 2017
Suzhou Guanyinghou Media Technology Co., Ltd.	Lender: Suqian Daxi Information Technology Co., Ltd. Borrower: Qian Yang	Amount: an aggregate of RMB10,000,000.00 lent to Qian Yang.	December 11, 2017	December 11, 2017

Conditional Share Subscription Agreement

By and between

China United Network Communications Limited

and

Suqian Jingdong Sanhong Enterprise Management Center (Limited Partnership)

August 2017

This conditional share subscription agreement (“this Agreement”) was made as of August 16, 2017 by and between:

Party A: China United Network Communications Limited (“Issuer”)

Registered address: ***

Legal representative: ***

Party B: Suqian Jingdong Sanhong Enterprise Management Center (Limited Partnership) (“Subscriber”)

Registered address: ***

Representative appointed by executive partner: ***

(Collectively referred to as the “Parties” and individually referred to as a “Party”)

WHEREAS:

Party A intends to issue A shares through a non-public offering. Party B intends to subscribe such shares in accordance with this Agreement, and Party A agrees to issue such shares to Party B in accordance with this Agreement.

NOW THEREFORE, the Parties enter into this conditional share subscription agreement in accordance with laws and regulations such as the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China and the Contract Law of the People’s Republic of China, as well as regulatory documents issued by Chinese authority competent for securities regulation and administration.

Chapter I Definitions

Unless otherwise stated herein, the following terms shall have the meaning assigned to them herein:

“**A share**” shall mean the common stock issued by Party A, denominated in RMB and having par value of RMB 1.00 when such stock is traded in RMB on the exchange.

“**This issuance**” shall mean that Party A proposes to issue A shares to Party B and any other particular object through a non-public offering.

“**Ending date of issuance**” shall mean the date on which shares offered in this issuance are registered in the name of the subscriber with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

“**Signing date**” shall mean the date on which the Parties sign this Agreement, which shall be the date written on the first page hereof.

“**Effective date**” shall mean the effective date of this Agreement, which shall be determined under paragraph 7.1 hereof.

“**Payment date**” shall mean the date on which Party B pays Party A the subscription price under paragraph 2.4.1 hereof.

“**Pricing benchmark date**” shall mean the date on which Party A announces its resolution of board of directors in connection with this issuance.

“**China**” shall mean the People’s Republic of China, and excludes Hong Kong, Macao and Taiwan regions for the purpose of this Agreement.

“**CSRC**” shall mean China Securities Regulatory Commission.

“**SASAC**” shall mean State-owned Assets Supervision and Administration Commission of the State Council.

“**Exchange or SSE**” shall mean Shanghai Stock Exchange

“**SDCC**” shall mean Shanghai Branch of the China Securities Depository and Clearing Corporation Limited.

“**Business day**” shall mean any day other than holiday or rest day specified by the government.

“**Deposit interest**” shall mean the interest on the deposit, which is calculated at the demand deposit interest rate of the bank over the same period, for the period from the date on which the deposit paid by Party B under paragraph 2.5.1 hereof is paid into the deposit account of Party A to either of (i) the date on which the subscription price is offset under paragraph 2.5.3 hereof; or (ii) the date on which Party A refunds the deposit to Party B under paragraphs 2.5.3 or 2.5.4 hereof.

“RMB” shall mean Renminbi.

Chapter II Subscription

2.1 Subscription method and number of subscribed shares

Party B intends to subscribe 732,064,421 A shares under this issuance with par value of RMB 1.00 in cash. If SASAC, CSRC, or the board of directors or shareholders' meeting of the Issuer adjusts the number of shares under this issuance, the number of shares to be subscribed by Party B may be accordingly adjusted, provided that the Parties shall execute a written supplementary agreement through negotiations.

In the event that Party A, for the period from the pricing benchmark date to the ending date of issuance, engages in ex-dividend and ex-right conducts such as declaration and payment of share dividends, conversion into share capital or allotment of shares, the number of shares to be subscribed as mentioned above shall be adjusted in such way that the percentage of the number of shares held by Party B in Party A to the number of all outstanding shares of Party A remains unchanged after completion of this issuance.

2.2 Subscription price and pricing method:

The pricing benchmark date on which Party A issues A shares to Party B shall be the date on which Party A announces its resolution of board of directors in connection with this issuance. The price at which Party B subscribes a share shall not be less than 90% of the traded average price of shares of Party A over the 20 trading days before the pricing benchmark date, and the final subscription price is determined to be RMB 6.83 per share. The traded average price of shares of Party A over the 20 trading days before the pricing benchmark date shall be calculated according to the following formula: Traded average price of shares of Party A over the 20 trading days before the pricing benchmark date = aggregate price of shares of Party A that are traded over the 20 trading days before the pricing benchmark date/aggregate number of shares of Party A that are traded over the said 20 trading days before the pricing benchmark date. The total subscription price Party B shall pay for the subscribed shares (“Subscription Price”) shall be calculated as follows: subscription price per share x the number of subscribed shares, i.e. RMB 4,999,999,995.43.

If SASAC, CSRC, or the board of directors or shareholders' meeting of the Issuer adjusts the subscription price per share or pricing method of shares under this issuance, the Parties shall negotiate price or pricing method for the subscription contemplated hereunder as soon as possible, and the price or pricing method of shares to be subscribed by Party B may be accordingly adjusted, provided that the Parties shall execute a written supplementary agreement through negotiations.

Notwithstanding the forgoing, if Party A, for the period from the pricing benchmark date to the ending date of issuance, engages in ex-dividend and ex-right conducts such as declaration and payment of cash dividends or share dividend, conversion into share capital or allotment of shares, the said subscription price per share shall be adjusted according to the following formula:

In case of declaration or payment of share dividends or conversion of capital reserve into share capital: $P1 = P0/(1 + n)$;

In case of allotment of shares: $P1 = (P0 + A \times k)/(1 + k)$;

In case of combination of the above two items: $P1 = (P0 + A \times k)/(1 + n + k)$;

In case of declaration and payment of cash dividends: $P1 = P0 - D$;

In case of combination of the above three items: $P1 = (P0 - D + A \times k)/(1 + n + k)$.

where, P0 represents the valid subscription price per share prior to adjustment, n the percentage of issued bonus share or percentage of converting share capital, k allotment rate, A allotment price, D cash dividend per share that is paid, and P1 the valid subscription price per share after adjustment.

2.3 Lock-up period:

Party B undertakes that it shall not assign, directly or indirectly, A shares subscribed by Party B under this issuance, and shares held by Party B in Party A as a result of Party A's declaration and payment of share dividends or share capital conversion on the basis of A shares subscribed by Party B under this issuance, within 36 months from the ending date of issuance. Upon expiration of such lock-up period, any assignment of shares subscribed by Party B shall also comply with the relevant laws, regulations and regulatory documents.

2.4 Payment method:

2.4.1 After this agreement comes into force, and provided that representation, warranty and undertaking made by Party A in paragraph 3.2 are authentic and accurate in all material aspects as of the payment date, Party B shall, within 10 business days upon receipt of payment notice of Subscription Price from Party A, transfer full Subscription Price (amount after deduction of deposit paid by Party B if Party B opts to offset the deposit against the subscription price under paragraph 2.5.3 hereof) into the account designated by the sponsor (lead underwriter). The sponsor (lead underwriter) shall, after capital verification and deduction of the relevant charges, transfer the remaining subscription price into the special account for raised fund designated by Party A.

2.4.2 If Party B predicts that it cannot fully pay the Subscription Price within the payment period, it shall immediately notify Party A. Where Party B fails to fully pay the Subscription Price within the payment period, Party A is entitled to determine to disqualify Party B for subscribing the whole or any part of shares covered by this issuance. If Party A determines to thoroughly disqualify Party B for the subscription, it may terminate this Agreement, and shall otherwise dispose of shares subscribed by Party B under paragraph 2.1 hereof, in which case the portion of subscription price paid by Party B (if any), after offset against the liquidated damages under paragraph 6.4 hereof, shall be refunded (without interest); and if Party A determines to partially disqualify Party B for the subscription, Party B shall be deemed to automatically waive the right to subscribe the shares related to the unpaid subscription price, in which case Party A has the right to otherwise dispose of such shares. In any of circumstances mentioned in the preceding sentence, Party B shall bear liability for breach of contract in accordance with paragraph 6.3 hereof.

2.5 Deposit

2.5.1 The Parties agree that Party B shall, within 10 business days upon the signing date, pay the deposit equal to five percent of aggregate Subscription Price hereunder (i.e. RMB 249,999,999.78) to the following deposit account:

Account name: ***
Account number: ***
Opening bank: ***

2.5.2 In the event that Party B fails to fully pay the deposit within the period set out in paragraph 2.5.1, and still fails to make such payment within 2 business days after written notice from Party A, Party A has the right to terminate this Agreement, disqualify Party B for subscription, and collect liquidated damages equal to ten percent of the aggregate Subscription Price from Party B.

2.5.3 For the paid deposit, the Parties agree that Party B has the option to either (1) apply such deposit to offset subscription price payable by Party B, in which case Party A shall, within 5 business days after Party B fully pays the remaining subscription price under paragraph 2.4.1, refund interest on such deposit to Party B; or (2) fully pay the subscription price under paragraph 2.4.1, in which case Party A shall, within 5 business days after such payment, refund such deposit and its interest to Party B. If Party B fails to fully pay the subscription price within the payment period, and Party A determines to wholly or partially disqualify Party B for subscription pursuant to paragraph 2.4.2, Party A shall refund deposit paid by Party B and interest on such deposit to Party B after being offset against the liquidated damages under paragraph 6.4 hereof.

2.5.4 Where this Agreement is terminated under paragraph 7.2 hereof, Party A shall, within 5 business days upon such termination, refund principal of deposit received from Party B and interest thereon unless the deposit and its interest are applied to offset liquidated damages payable by Party B pursuant to paragraph 6.4 hereof.

Chapter III Representation, warranty and undertaking

3.1 On the signing date, effective date and payment date, Party B respectively represents, warrants and undertakes to Party A as follows:

3.1.1 Party B is lawfully incorporated and validly exists under the laws of China, and holds a valid business license.

3.1.2 Party B owns any necessary corporate power and authority for executing this Agreement and fulfilling its obligations hereunder. In connection with subscription of shares covered by this issuance contemplated hereunder, Party B has, on the signing date, obtained any and all internal valid approvals required for executing and performing this agreement and effecting the subscription in accordance with its relevant internal rules and regulations.

3.1.3 There is no pending suit, action or legal proceeding against Party B which has a material adverse effect on its execution or performance of this agreement or obligations set out in this Agreement.

3.1.4 This Agreement shall, upon execution by Party B and effecting, shall be lawful and valid for, binding upon and enforceable against Party B.

3.1.5 A valid power of attorney or legal representative has proved that any person who signs this agreement for and on behalf of Party B has been fully authorized to execute this agreement for and on behalf of Party B.

3.1.6 Execution and performance of this Agreement will not conflict with or result in any violation of the following documents, or give rise to termination or cancellation of obligation of any third party, or accelerated exercise of right by any third party:

- (1) constitutional documents of Party B;
- (2) any material contract or agreement to which Party B is a party or which is binding upon Party B or its assets;
- (3) any law of China applicable to Party B.

3.1.7 Financial capability of Party B is sufficient to fulfill its obligation of payment of subscription price hereunder.

3.1.8 Representations, warranties and undertakings made by Party B in this Agreement, and undertakings made by Party B in the *Letter of Commitment* and *Letter of Commitment Regarding Funds for Subscription* Party B issues to Party A for the purpose of subscription of shares under this issuance are authentic and correct as of the signing date, and remain authentic and correct as of the effective date and payment date.

3.1.9 Party B undertakes and agrees that Party B shall fully pay the funds for subscription under this issuance in accordance with paragraph 2.4.1 hereof.

3.1.10 Party B undertakes that it shall notify Party A immediately after it is or should be aware of (i) any significant event that occurs to Party B and is connected with Party B's information disclosed in the proposal for this issuance of Party A, or (ii) any event, circumstance and fact that may result in Party B's breach of any representation, warranty or undertaking it makes hereunder or may cause any such representation, warranty or undertaking to be untrue in any material aspect.

3.1.11 Party B undertakes that any material Party B provides for Party A in the course of negotiation and consultation in connection with execution of this Agreement is authentic and accurate in any and all material aspects and does not contain any false record, misleading statement or significant omission.

3.1.12 Party B undertakes that it will coordinate with Party A and the sponsor in connection with application for the issuance, and that subject to necessary internal approval of Party B, it will provide the relevant materials promptly as required by the CSRC, SSE and SDCC.

3.2 On the signing date, effective date and payment date, Party A respectively represents, warrants and undertakes to Party B as follows:

3.2.1 Party A is a corporate lawfully incorporated and validly existing under the laws of China, holds a valid business license and any qualification certificate that are necessary for business operation as explicitly provided by the laws and regulations, has not engaged in any illegal event influencing operation of the company since its date of incorporation, and possess the status of entity issuing shares through non-public offering as set forth in the laws, regulations, rules and regulatory documents currently in force.

3.2.2 Unless conditions to be satisfied as agreed herein, Party A owns any necessary corporate power and authority for executing this Agreement and fulfilling its obligations hereunder, and in connection with subscription of shares covered by this issuance contemplated hereunder, Party A, on the signing date, has obtained or will obtain any and all internal valid approvals required for executing and performing this agreement and effecting this issuance in accordance with its relevant internal rules and regulations.

3.2.3 There is no pending suit, action or legal proceeding against Party A which has a material adverse effect on (1) its execution and performance of this Agreement or obligations set forth herein; or (2) its business operation.

3.2.4 This Agreement shall, upon execution by Party A and effecting, be lawful and valid for, binding upon and enforceable against Party A.

3.2.5 A valid power of attorney or legal representative has proved that any person who signs this agreement for and on behalf of Party A has been fully authorized to execute this Agreement for and on behalf of Party A.

3.2.6 Execution and performance of this Agreement will not conflict with or result in any violation of the following documents, or give rise to termination or cancellation of obligation of any third party, or accelerated exercise of right by any third party:

- (1) constitutional documents of Party A;
- (2) any material contract or agreement to which Party A is a party or which is binding upon Party A or its assets;
- (3) any law of China applicable to Party A.

3.2.7 Shares covered by this issuance are shares listed and traded on SSE, and unless otherwise agreed herein, such shares are free from any pledge and any other security right and also not subject to right restrictions such as third-party right of first refusal and freezing. As of the ending date of issuance, unless otherwise provided by laws or unless restrictions explicitly agreed herein, Party B shall own the full and complete title of shares it actually subscribes.

3.2.8 Audited consolidated balance sheets that have been disclosed by Party A for the three fiscal years as of December 31, 2014, December 31, 2015 and December 31, 2016, and the audited consolidated profit statement and cash flow related thereto (including the corresponding notes and schedules): (i) are prepared in accordance with accounting standards of China that are constantly applicable, and (ii) fairly present the company's consolidated financial position, operational results and cash flow as of the date of statement or for the period covering the date of statement in all material aspects.

3.2.9 Party A and, to reasonable knowledge of Party A, directors, supervisors and officers of Party A, comply with applicable laws and regulations of China currently in force in connection with bribery or corruption.

3.2.10 Since its incorporation, Party A has been complying with current laws and regulations of China in connection with tax in all material aspects, and its business operation has never suffered from material adverse effect as a result of its overdue payment of tax.

3.2.11 As of December 31, 2016, no event, change or circumstance that would exert material adverse influence on Party A has occurred to Party A, and Party A has been normally carrying on its businesses in all material aspects.

3.2.12 Party A has complied with applicable laws and regulations in connection with disclosure of information in all material aspects, and information Party A has disclosed is true and accurate, and free from false record, misleading statement or significant omission.

3.2.13 Party A undertakes that any material Party A provides for Party B in the course of negotiation and consultation in connection with execution of this Agreement is authentic and accurate and does not contain any false record, misleading statement or significant omission.

3.2.14 Representations, warranties and undertakings made by Party A in this Agreement are authentic and correct as of the signing date, and remain authentic and correct as of the effective date and payment date.

3.2.15 Party A shall, after Party B pays the subscription price agreed herein, and through the security registration system of SDCC, register the shares Party B actually subscribes in the name of Party B to realize the delivery, in accordance with procedures of CSRC, SSE and SDCC. Upon completion of this issuance, Party B will be entitled to the complete shareholder's right under such shares, and no encumbrance or restriction has been created onto such right (unless otherwise provided by the laws and regulations or unless otherwise stated herein).

3.2.16 Unless otherwise stated herein, if Party A, after 30 business days upon receipt of subscription price from Party B, fails in this issuance, and it has registered those shares actually subscribed by Party B in the name of Party B, Party A shall fully refund subscription price then already paid by Party B, and such subscription price shall bear interest at demand deposit interest rate of the bank over the same period from the date on which Party A actually receives such price.

3.2.17 Party A shall promptly notify Party B of the following circumstances in writing: (i) any event, circumstance and fact that may result in Party A's breach of any representation, warranty or undertaking it makes hereunder or may cause any such representation, warranty or undertaking to be untrue in any material aspect, and (ii) any fact, change, condition and circumstance which is known by Party A and will give rise to, or on the basis of reasonable anticipation, is very likely to result in failure to satisfy any condition set out in paragraph 7.1 hereof.

Chapter IV Settlement of dispute

4.1 This Agreement shall be performed and constructed in accordance with the laws and regulations of China.

4.2 Any dispute in connection with this Agreement shall be settled by the Parties through friendly negotiations. Either Party requesting to settle any such dispute shall give the other Party a dated notice, stating occurrence and nature of the dispute. In the event that any such dispute cannot be settled through negotiations within 90 days as of the date of the said notice, either Party is entitled to submit such dispute to China International Economic and Trade Arbitration Commission for arbitration in Beijing under its rules then in force. Arbitration award is final and binding upon the Parties.

4.3 Commencement of arbitration proceeding shall not give rise to termination of this Agreement, and this Agreement shall remain in full force and effect until award is entered by arbitrators.

Chapter V Force majeure

5.1 In the event that either Party hereto fails to fulfill its obligations hereunder in whole or in part as a result of any force majeure event (the term "force majeure event" means any event that is beyond control of the affected party, unforeseeable, unavoidable or insurmountable, occurs after the signing date, and that causes whole or partial performance of this Agreement on part of the party in question to become impossible or impractical objectively), fulfillment of such obligation shall be suspended as long as such force majeure event hinders such fulfillment.

5.2 The Party alleging to be affected by a force majeure event shall notify the other Party of the occurrence of such force majeure event in writing as soon as possible, and shall, within fifteen days upon occurrence of such event, provide the other Party with proper evidence of such event and its duration. The Party alleging that its performance of this Agreement objectively becomes impossible or impractical as a result of a force majeure event has the duty to take any and all reasonable efforts to eliminate or mitigate influence of such event.

5.3 Upon the occurrence of a force majeure event, the Parties shall immediately determine how to implement this Agreement through friendly negotiations. The Parties shall resume fulfillment of their own obligations hereunder immediately after termination or elimination of a force majeure event or its influence.

Chapter VI Liabilities for breach

6.1 Unless otherwise agreed by the Parties, any Party shall be liable for any and all losses incurred to the other Party due to its violation of representations, warranties or undertakings it makes in this Agreement, and any other form of representation, warranty and undertaking it makes with respect to this issuance.

6.2 Unless otherwise agreed by the Parties, any Party shall be liable for any and all losses incurred to the other Party due to its violation of or failure to fulfill any or all its obligations hereunder, including but not limited to failure of Party B to fulfill obligation of subscription hereunder, and failure of Party A to issue shares to Party B and to register such shares as agreed. However, actual or whole performance of this Agreement becoming impossible due to adjustment in the scheme for this issuance made by supervision authority including CSRC shall not constitute breach event on part of Party A, in which case Party A shall not bear any legal liability and Party B shall not impose such demand as claim onto Party A in any way.

6.3 The Parties further agree that if Party B fails to fulfill its obligation of subscription hereunder in connection with this issuance, Party B shall be liable for liquidated damages to Party A. In the event that Party B fails to fully pay the subscription price under paragraph 2.4.1 hereof, it shall pay Party A the liquidated damages equal to (full subscription price payable by Party B hereunder - subscription price actually paid by Party B) x 100%. For avoidance of doubt, where Party B pays a portion of subscription price, and Party A determines to thoroughly disqualify Party B for subscription under paragraph 2.4.2 hereof, and for the sole purpose of calculating the liquidated damages set out herein, that portion of subscription price paid by Party B shall be still be deemed as “subscription price actually paid by Party B” under this provision.

6.4 Liquidated damages agreed in paragraph 6.3 hereof shall be paid within 10 business days as of the date on which Party A issues the written notice to Party B; and deposit paid by Party B and interest accrued thereon, and subscription price shall be applied to offset liquidated damages payable by Party B prior to refund by Party A (deposit and deposit interest shall be firstly applied to offset liquidated damages), and if the said deposit, deposit interest and subscription price are insufficient to cover the liquidated damages, Party B shall pay the amount difference.

6.5 Party B’s payment of liquidated damages under paragraphs 6.3 and 6.4 hereof shall not relieve Party B from its compensation liability under paragraphs 6.1 and 6.2 hereof.

6.6 Liquidated damages and amount of other compensation borne by any Party shall in no event exceed fifteen percent of the subscription price agreed herein.

Chapter VII Formation, coming into force and termination

7.1 This Agreement is formed after being signed and affixed with common seals by legal representatives or duly-authorized representatives of the Parties. Provisions of this Agreement, other than paragraph 2.5, Chapter III, Chapter IV, Chapter V, paragraph 6.1 and paragraph 6.6, Chapter VII and Chapter VIII which shall come into force as of the date of formation of this Agreement, shall come into force only if the following conditions are all satisfied, and the completion dates of the following events shall be effective date of this Agreement, whichever comes later:

7.1.1 This agreement has been executed by the Parties;

7.1.2 This issuance has been approved by the board of directors and shareholders' meeting of Party A;

7.1.3 This issuance has been approved by SASAC;

7.1.4 This issuance has been approved by CSRC.

7.2 This agreement shall terminate if:

7.2.1 this agreement is terminated due to arbitration award;

7.2.2 the Parties unanimously agree to terminate this agreement, for which the Parties sign a written agreement;

7.2.3 this agreement is terminated when its performance becomes impossible due to any force majeure;

7.2.4 If SASAC, CSRC, or the board of directors or shareholders' meeting of the Issuer adjusts subscription price or pricing method of shares under this issuance, and the Parties fails to reach consensus and sign a written supplementary agreement in connection with the subscription price or pricing method within 30 days as of the date on which such adjustment or decision is made, this agreement shall automatically terminate upon expiration of the said 30 days, in which case neither Party shall bear liability for breach;

7.2.5 Where this issuance is still not completed on the expiration date of 12 months following execution of this agreement ("Final Deadline Date"), either Party is entitled to notify the other Party of terminating this Agreement in writing, provided that if failure to complete this issuance on and before the final deadline date is mainly caused by material breach of this Agreement on part of any Party and if such Party fails to promptly take effective remedial actions, such Party is not entitled to the right of unilaterally terminating this Agreement as set forth in this provision;

7.2.6 Other circumstances in which this Agreement shall terminate as required by laws.

Chapter VIII Miscellaneous

8.1 Each Party shall bear its payable taxes and duties (including stamp duty and other taxes) incurred or caused by this issuance in accordance with applicable laws of China. If payment of any such tax and duty is not provided in the applicable law, the incurring Party shall be liable for such tax and duty.

8.2 Unless otherwise required by applicable laws, listing rules of SSE or competent governmental authority, after execution of this Agreement, either Party is obliged to keep matters hereunder and trade secret and other documentations of the other Party it knows due to this issuance in confidence without prior written exemption of the other Party, whether this issuance contemplated hereunder is completed or not, and whether this agreement is terminated, canceled, withdrawn, deemed to be invalid or has been performed or not.

8.3 Any notice or correspondence specified under or connected with this Agreement shall be in writing, and shall be delivered by hands, facsimile or express mail service. Unless specially indicated in the notice issued by the other Party, notice to each Party shall be given to the address and contact person set forth below:

Party A: China United Network Communications Limited

Address: ***

Addressee: ***

Tel: ***

Email: ***

Party B: Suqian Jingdong Sanhong Enterprise Management Center (Limited Partnership)

Address: ***

Addressee: ***

Phone: ***

Email: ***

8.4 Any amendment to this Agreement shall be invalid unless agreed and signed by the Parties in writing. The Parties agree that if CSRC directs to adjust contents of this Agreement and/or other issues connected with this issuance in the course of its review of this issuance, the Parties shall make their commercially reasonable efforts to negotiate with each other, sign a written supplementary agreement provided that they reach a consensus, and shall provide coordination to perform the relevant internal and external approval procedures (if needed).

8.5 If any provision of this Agreement, upon its execution, is held by an arbitration agency with jurisdiction to be invalid or unenforceable, or becomes invalid or unenforceable due to legislation after upon execution of this Agreement, the remaining provisions of this Agreement shall not be affected.

8.6 Either Party shall not transfer any of its rights and obligations under this Agreement without prior written consent of the other Party.

8.7 Failure of either Party to exercise any of its rights hereunder within the time limit agreed herein shall neither constitute or be constructed as waiver of such right nor affect future exercise of such right on part of such party in any aspect.

8.8 The headings in this Agreement are inserted for convenience only and shall not be used in any other construction intended to affect contents of this Agreement.

8.9 This Agreement is written in Chinese, and this Agreement is signed in eight originals, each of which shall have the same legal effects. Each Party shall hold one original respectively, and the remaining originals shall be retained for the purpose of governmental approval, registration or filing.

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Party A: China United Network Communications Limited (seal)

Legal representative or duly-authorized representative: /s/ WEN Ningrui

(This page is intentionally left blank and it is execution page of the Conditional Share Subscription Agreement by and between China United Network Communications Limited and Suqian Jingdong Sanhong Enterprise Management Center (Limited Partnership)).

Party B: Suqian Jingdong Sanhong Enterprise Management Center (Limited Partnership) (seal)

Executive partner: Jiangsu Jingdong Bangneng Investment Management Co., Ltd.

Authorized representative: /s/ Zhang Fang

English Summary of the Strategic Cooperation Agreement regarding Dalian Wanda Commercial Properties Co., Ltd.

Reference is made to the Strategic Cooperation Agreement regarding Dalian Wanda Commercial Properties Co., Ltd. (hereinafter referred to as “the Agreement”) was made and entered as of January 27, 2018 by and among the following parties in Beijing, China:

Wanda Group:

1. Dalian Wanda Group Co., Ltd. (hereinafter referred to as “Wanda Group”)

Domicile: No. 539, Changjiang Road, Xigang District, Dalian, Liaoning

Legal representative: Wang Jianlin

Company:

2. Dalian Wanda Commercial Properties Co., Ltd. (hereinafter referred to as the “Company”)

Domicile: No. 539, Changjiang Road, Xigang District, Dalian, Liaoning

Legal representative: Ding Benxi

Investors:

3. Tencent Technology (Shenzhen) Co., Ltd. (hereinafter referred to as “Tencent”)

Domicile: 35F, Tencent Building, Kejizhongyi Avenue, Hi-tech Park, Nanshan District, Shenzhen

Legal representative: Ma Huateng

4. Beijing Jingdong Century Trading Co., Ltd. (hereinafter referred to as “Jingdong”)

Domicile: Suite 201, 2F, Block C, 18, Kechuangshiyi Street, Beijing Economical & Technological Development Zone, Beijing

Legal representative: Liu Qiangdong

(Tencent and Jingdong hereinafter collectively referred to as “Investors”, and Wanda Group, the Company and Investors hereinafter collectively referred to as the

“Parties” and individually referred to as a “Party”)

Background

A. Wanda Group is a joint stock limited company incorporated and validly existing under the laws of China, and is the controlling shareholder of the Company.

B. The Company is a joint stock limited company incorporated and validly existing under the laws of China, with a registered capital of RMB Four Billion, Five-Hundred and Twenty-Seven Million, Three-Hundred and Forty-Seven Thousand, Six Hundred (RMB 4,527,347,600) as of the signing date of the Agreement, and the share capital structure of the Company is separately set out in the Appendix to the Agreement.

C. In accordance with the terms and conditions of the Agreement, the Parties agree that, in this Transaction, the Investors will invest RMB Fifteen Billion (RMB 15,000,000,000) in aggregate or the equivalent amount in foreign exchange into the Company by purchasing shares held by the Delisting Investor (defined below) of the Company and Wanda Group (if applicable).

1. Definitions

“This Investment” or “this Transaction” shall mean a share transfer transaction contemplated under the Agreement.

“The Agreement” shall mean the “Strategic Cooperation Agreement regarding Dalian Wanda Commercial Properties Co., Ltd.”, and the occasional amendments, supplements and adjustments, as agreed by the Parties, to the Agreement, and its appendices and schedules.

“Wanda Group” has the meaning assigned in the preamble of the Agreement.

“The Company” has the meaning assigned in the preamble of the Agreement.

“Tencent” has the meaning assigned in the preamble of the Agreement.

“Jingdong” has the meaning assigned in the preamble of the Agreement.

“Investors” has the meaning assigned in the preamble of the Agreement.

“Party” and “Parties” have the meaning assigned in the preamble of the Agreement.

“Third Party” shall mean any person other than the Parties.

“Tencent Investment Amount” has the meaning assigned in paragraph 2.1 of this summary.

“Jingdong Investment Amount” has the meaning assigned in paragraph 2.1 of this summary.

“Investor’s Investment Amount” has the meaning assigned in paragraph 2.1 of this summary.

“Delisting Investor” has the meaning assigned in sub-paragraph 2.2.1 of this summary.

“Delisted Share Transfer Agreement” has the meaning assigned in sub-paragraph 2.2.1 of this summary.

“Delisted Share” has the meaning assigned in sub-paragraph 2.2.1 of this summary.

“Wanda Group Share Transfer Agreement” has the meaning assigned in sub-paragraph 2.2.2 of this summary.

“Transferred Wanda Group Share” has the meaning assigned in sub-paragraph 2.2.2 of this summary.

“Share Transfer” has the meaning assigned in sub-paragraph 2.2.2 of this summary.

“Closing” has the meaning assigned in paragraph 4.1 of this summary.

“Board of Directors” shall mean the board of directors of the Company.

“Commercial Authority” shall mean the Ministry of Commerce of China and its local offices, which have the authority to approve and/or record changes (including, but not limited to, share transfer) in the Company and other particulars.

“Administration for Industry and Commerce” shall mean the corresponding Department of Industry and Commerce of China that has the authority to register the establishment, changes (including, but not limited to, share transfer) and other particulars.

“Related Party” shall mean, with respect to a particular person, (a) in the case of a natural person, the spouse or immediate relatives (regardless of kinship or adoption) of such person, or any trust that is created and maintained for the sole

benefits of such person, his/her spouse and/or his/her immediate relatives; and (b) in the case of any person, any person controlling, controlled by and under common control with such particular person directly or indirectly through one or more media.

“Qualified Listing” shall mean the initial public offering and listing of the Company, or the merger and acquisition or restructuring of the Company with a listed company, or the back door listing of the Company, on the stock exchange located in Shanghai or Shenzhen, or the Hong Kong Special Administrative Region of China, or any other internationally recognized stock exchange upon which the Investors agree, in accordance with securities exchange laws and regulations of the applicable jurisdiction.

“Contract” shall mean any written agreement, arrangement, undertaking, promise, franchise, compensation, deed, instrument, lease, license, permission or binding memorandum of understanding.

“Control” (including the corresponding terms “controlling”, “controlled” and “under common control with”) shall mean, with respect to any person, the ownership of the power to direct, directly or indirectly, the management or policies of such person (in connection with operational control, financial control or other control), whether through the ownership of voting securities or by means of a contract or otherwise.

“Affiliate” shall mean any person, other than a natural person, in which the Company directly or indirectly holds more than fifty percent (50%) of voting rights or which is controlled by the Company.

“Wanda Commercial” shall mean the Company and/or affiliate.

“Encumbrance” shall mean any obligation or guarantee of any person or a mortgage, guarantee, pledge, lien, deed of guarantee, deed of trust, reservation of right, security interest or any other third-party right and its agreement or arrangement that vests preferential payment right of any kind in such person.

“Hong Kong dollars” or “HKD” shall mean the legal tender in the Hong Kong Special Administrative Region of China

“Renminbi” or “RMB” shall mean the legal tender in China.

“Person” shall be interpreted as broadly as possible, and shall include

individuals, partnerships (including but not limited to limited partnerships), corporations, associated enterprises, joint stock limited companies, limited liability companies, trusts, joint ventures or joint enterprises (including Sino-foreign equity joint ventures and Sino-foreign contractual joint ventures), non-corporate organizations, and governmental authorities.

“Applicable law” shall mean, with respect to any person, any constitution, treaty, statute, law, regulation, decree, standard, rule, or other governmental restriction or any similar administrative regulation, and administrative rule of any governmental authority applicable to such person or any property or undertaking thereof, or related provisions in connection with the interpretation and implementation of any of the foregoing.

“Tax and duty” shall mean any and all payable taxes (including but not limited to any income tax, business tax, stamp duty or other tax, duty, charge, expense, deduction, penalty or withholding tax that is imposed, collected or allotted).

“Litigation” shall mean any litigation, lawsuit, legal proceeding, claim, arbitration or investigation.

“Loss” shall mean any and all direct or indirect losses, liabilities, damages, deficit, value impairment, litigation, debts, interests, benefits, fines, expenses, judgment or composition of any nature or type, including all related costs and expenses, including but not limited to attorney’s fee and expense, legal cost, arbitration cost, composition expenses and investigation expenses which are actually incurred. Where the Parties fail to reach an agreement regarding the amount of loss, the amount of loss determined by the arbitration commission shall prevail.

“Knowledge” shall mean, when referring to a person’s “knowledge”, the actual knowledge of such person, wherein such “knowledge” should be obtained through the appropriate inquiry and due diligence that should be conducted by such person as a prudent player in the business circle. Such due diligence includes the appropriate inquiry of directors, officers and professional advisors (including lawyers, accountants and consultants) of such person and their related party.

“Business Day” shall mean any day on which Chinese banks are usually open for business (excluding Saturdays, Sundays and legal holidays in China).

“Transferring Shareholder” has the meaning assigned in sub-paragraph 6.4.2 of this summary.

“Transferee” has the meaning assigned in sub-paragraph 6.4.2 of this summary.

“Confidential Information” has the meaning assigned in paragraph 8.1 of this summary.

“Governmental Authority” shall mean any government or its political subdivision, whether at central, provincial, autonomous region, municipal or local level, and whether administrative, legislative or judicial, including any representative office, power authority, council, bureau, commission, court, agency or any other department.

“Intellectual Property Asset” shall mean any and all patents, applications for patent, registered trademarks, service marks, application for trademarks, non-registered logos, trade names, registered designs, non-registered design rights, domain names, copyrights, copyright registrations and applications, and any other relevant right, invention and creation, utility model, design, key database, key computer software, and legal instruments lawfully recording the foregoing (if applicable).

“Material adverse effect” shall mean any substantial circumstance, change or adverse effect involving business undertaken by Wanda Commercial or involving Wanda Commercial as a whole.

“China” shall mean the People’s Republic of China, and excludes the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan for the only and sole purpose of the Agreement.

2. The Transaction

2.1 The Investment. Provided that the terms and conditions of the Agreement and other transaction documents are satisfied, the Parties agree that the investment equal to RMB Fifteen Billion (RMB 15,000,000,000) or equivalent amount of foreign exchange will be made by the Investors. The said investment amount shall consist of RMB Ten Billion (RMB 10,000,000,000) or equivalent amount of foreign exchange from Tencent (hereinafter referred to as “Tencent Investment Amount”) and RMB Five Billion (RMB 5,000,000,000) or equivalent amount of foreign

exchange from Jingdong (hereinafter referred to as “Jingdong Investment Amount”), which, together with the Tencent Investment Amount, is collectively referred to as “Investor’s Investment Amount”.

2.2 Purchase of share.

2.2.1 Purchase of delisted shares. Subject to compliance with the Agreement, and limited to the Investor’s Investment Amount, the Investor shall firstly apply the Investor’s Investment Amount in Hong Kong dollars to purchasing those Company’s shares held by the following delisting investors introduced by the Company when its H shares are delisted from the Hong Kong market (hereinafter referred to as “Delisting Investor”) and to be sold by the delisting investors (hereinafter referred to as “Delisted Share”), and shall sign a share transfer agreement with the respective delisting investor (hereinafter referred to as “Delisted Share Transfer Agreement”, and such agreement shall without changing the main provisions thereof, then be subject to the finalized version determined by the Investor and Delisting Investor through negotiations):

Wanda Group and the Company hereby acknowledge that if conditions precedent to closing are not satisfied, the Investor is under no obligation to complete the purchase and closing of the delisted share; the Investor’s purchase of the delisted share is based on representations and warranties made by Wanda Group and the Company under Article 5 of the Agreement, and other obligations assumed by Wanda Group and the Company, and if, after the Investor completes closing of the delisted share, Wanda Group and/or the Company is found to be in breach of any obligation under the Agreement (including representations and warranties in the Appendix thereto), Wanda Group and/or the Company shall be liable for compensation or indemnity to each Investor, and each Investor is entitled to claim against Wanda Group on the basis of the Investor’s Investment Amount such Investor actually pays, even though Wanda Group does not sell any share to the Investor.

2.2.2 Purchase of shares held by Wanda Group. Subject to compliance with the Agreement, if there is any balance of the Investor’s Investment Amount resulting from the purchase of delisted shares, the Investor shall sign a share

transfer agreement with Wanda Group (hereinafter referred to as "Wanda Group Share Transfer Agreement"), which shall contain customary transaction clauses for a share transfer transaction, including but not limited to closing conditions and representations and warranties provided by Wanda Group and the Company and identical to those contained herein, but shall not be beyond the transaction conditions agreed herein), and shall apply such balance to purchasing a portion of shares transferred by Wanda Group (hereinafter referred to as "Transferred Wanda Group Share").

The Investor's purchase of delisted shares and the Transferred Wanda Group Share (if applicable) are hereinafter collectively referred to as "Share Transfer".

For avoidance of doubt, the Parties acknowledge that if calculations show that the remaining Investor's Investment Amount of each Investor resulting from the Investor's purchase of the delisted share and/or transferred Wanda Group Share by utilizing the Investor's Investment Amount becomes insufficient for purchasing one (1) whole share of the Company due to the restriction of the aggregate Investor's Investment Amount, the Investor shall pay an extra amount to further respectively purchase one (1) whole share of the Company.

2.3 Share Purchase Price.

2.3.1 Purchase Price of Delisted Shares.

Unit purchase price of shares held by domestic delisting investor shall be calculated according to a certain formula as agreed by the Parties.

2.3.2 Unit purchase price of Transferred Wanda Group Share.

The unit price at which the Investor purchases the Transferred Wanda Group Share shall be the Investor Unit Price. The Investor is entitled to purchase Transferred Wanda Group Shares in either HKD or RMB. The Investor Unit Price shall be RMB Fifty-Three Point Six Five (RMB 53.65)/share if the Investor purchases the Transferred Wanda Group Share in Renminbi. If the Investor purchases the Transferred Wanda Group Share in Hong Kong dollars, the Investor Unit Price shall be calculated based on benchmark exchange rate as stated in the Agreement.

2.4 Order of Share Purchase. The Parties acknowledge that unless otherwise

agreed by the Investor, Tencent and Jingdong shall and in proportion to the Investor's Investment Amount paid by each of them, apply the Investor's Investment Amount to purchasing the delisted shares and Transferred Wanda Group Shares in the same order under the terms and conditions of the Agreement until all delisted shares to be sold by all delisting investors and Transferred Wanda Group Shares are purchased.

2.5 Time Limit for Purchase of Shares. Wanda Group and the Company shall endeavor to procure the delisting investor to execute the delisted share transfer agreement and complete the transfer of delisted shares as soon as possible.

3. Deposit

3.1 Payment of deposit. The Investor shall pay the Company deposit for the transaction on the business day immediately following execution of the Agreement.

3.2 Refund of deposit.

3.2.1 On and before the stipulated deadline, if the closing of delisted shares and/or the closing of Transferred Wanda Group Share cannot take place due to an Investor, such Investor is not entitled to demand the Company to refund deposit it has paid.

3.2.2 On and before the stipulated deadline, if the closing of Transferred Wanda Group Shares cannot take place due to Wanda Group and/or the Company, the Company shall, within ten (10) business days following the stipulated deadline, refund double deposits to the Investor.

3.2.3 On and before the stipulated deadline, if the closing cannot take place for any reason beyond the control of the Parties, the Company shall, within ten (10) business days following the stipulated deadline, refund the full deposit to the Investor.

4. Closing

4.1 Closing under this share transfer includes the closing of delisted shares and Transferred Wanda Group Shares. The closing of delisted shares and the closing of Transferred Wanda Group Shares are collectively referred to as "Closing".

5. Representation and warranty

5.1 Representation and warranty of the Company and Wanda Group. The

Company and Wanda Group jointly make representations and warrants to the Investor:

5.1.1 Unless specially agreed or disclosed, the representations and warranties provided are true, accurate, complete, and not misleading in all material aspects.

5.1.2 Enforceability. After being executed and delivered, the Agreement will constitute lawful, valid and binding obligation and is enforceable.

5.1.3 Internal approval. Wanda Group and the Company have obtained any and all internal approval necessary for this transaction.

5.2 Representation and warranty of Investor. The Investor hereby severally but not jointly makes the following representations and warranties to other Parties. Such representations and warranties are true, accurate, complete and not misleading in all material aspects.

5.2.1 Lawful incorporation. The Investor is formally and lawfully incorporated and validly existing under the laws of its registration place.

5.2.2 Authority. The Investor has the necessary power, authority and capacity to enter into the Agreement and the transaction document made thereunder, and to fulfill their obligations under the Agreement and thereunder. The Agreement and transaction document made thereunder, after being signed and delivered by the Investor, will constitute the valid and binding obligation of the Investor, and will be enforceable against the Investor under terms of the Agreement and thereof.

5.2.3 Internal approval. The Investor has obtained any and all internal approval necessary for this transaction.

5.2.4 Source of fund. Each Investor warrants that its Investor's Investment Amount is its own funds (foreign exchange) of which it has the ownership and right of disposal, wherein the source and use of such investment amount comply with the national laws and regulations.

5.2.5 Listing coordination. The Investor agrees that it will endeavor to coordinate with the Company in connection with the application for qualified listing.

6. Post-closing agreements among shareholders

6.1 Appointment of director.

The board of directors of the Company will then consist of nine (9) directors, one of whom shall be nominated by Tencent.

6.3 Restrictions on transfer.

6.3.1 Without changing the actual controlling person of the Company, Wanda Group shall not and it shall ensure that its controlling person as a shareholder of the Company and its affiliates will not transfer any shares they hold in the Company.

6.3.2 Prior to December 31, 2021 or the date of qualified listing of the Company, whichever comes first, any Investor shall transfer any shares held by same in the Company to any third party other than any affiliate of such Investor.

6.4 Preemptive right.

6.4.1 Wanda Group undertakes and it shall ensure that its affiliates undertake that, from the date on which all the Investors pay the Investor's Investment Amount in full, if Wanda Group or its affiliates directly or indirectly transfer the shares it holds in the Company (provided that such transfer does not breach paragraph 7.3 of the Agreement), the Investor enjoys the preemptive right under the same conditions, unless such shares are transferred for the purpose of solving matters related to a delisting investor.

6.4.2 If Wanda Group and its affiliates (hereinafter referred to as "Transferring Shareholder") intend to directly or indirectly transfer or sell the whole or a portion of the shares held by them in the Company to any entity ("Transferee"), Wanda Group shall and it shall ensure other transferring shareholders to immediately notify the Investor in writing, truthfully stating the number of shares to be transferred, the transfer price and the main conditions of transfer. The Investor has the right (but is not obliged) to preferentially purchase shares to be transferred by the transferring shareholder, under the terms and conditions proposed by the transferee, to the transferring shareholder, or under the terms and conditions of proposed by the transferring shareholder, to the transferee,

6.5 Co-sale Right.

6.5.1 From the date on which all the Investors pay the Investor's Investment Amount in full, if Wanda Group and its affiliates intend to further transfer shares in addition to the permitted share transfer under paragraph 7.3 of the Agreement, and

such share transfer has been approved by the Investor, and the Investor, at its sole discretion, fails to exercise or waives the preemptive right under the paragraph 7.4 of the Agreement, the Investor has the right (but is not obliged) to sell a certain proportion of shares it holds to the transferee under the terms and conditions entered into by and between the transferring shareholder and the transferee with respect to the shares to be transferred

6.6 Anti-dilution.

6.6.1 If the Company, from the date on which all the Investors pay the Investor's Investment Amount in full, increases its registered capital or issues new shares (or securities convertible or exercisable into shares), and the price per share corresponding to such registered capital increase or issuance of new shares is lower than the Investor Unit Price (which shall be adjusted accordingly if the Company converts the capital reserve into share capital, declares and pays a stock bonus, divides shares, reduces the number of shares, allots shares, pays dividends, and privately places new shares with old shareholder(s)), the Investor has the right to request an adjustment of the price at which such Investor acquires a share of the Company in the broad-based weighted average method, and to re-determine the number of the Company's shares to which such Investor is entitled.

6.7 Liquidation Priority.

6.7.1 Liquidation Priority. In the event that the Company goes through liquidation or dissolution (whether voluntary or involuntary), or (b) any events that can be deemed as liquidation (as defined below, collectively referred to as "Liquidation Events" with item (a)), unless otherwise agreed by the Investors, Wanda Group shall and Wanda Group shall guarantee its affiliates to, in accordance with the respective requirements of the Investors, suggest the general meeting of shareholders to liquidate the Company and vote in favor of said liquidation at the general meeting of shareholders.

During the liquidation, the Company shall distribute the remaining distributable assets of the Company in accordance with the proportion of the Company's shares held by each shareholder. Wanda Group promises that when any Investor hasn't fully recovered the liquidation revenue that is distributed based on

the proportion of shares it then holds, Wanda Group, and Wanda Group shall guarantee its affiliates not to obtain any distributed income from the liquidation of the Company.

6.7.2 After the Deemed Liquidation Events take place, the Investors are respectively entitled to choose to sell all or part of the Company's shares it holds along with other shareholders without liquidating the Company.

In the event of next liquidation, the Investors shall still be entitled to exercise all the rights stipulated in paragraph 7.8 of the Agreement for unsold shares.

6.8 Investors' Right to Know.

Apart from the information provided by the Company to its shareholders in accordance with associated laws and regulations, the Company shall, since the date on which all the Investors pay the Investor's Investment Amount in full, deliver to the Investors the following relevant documents or provide relevant information:

(1) Within thirty (30) days after the end of each quarter, submit the unaudited consolidated financial statements of the Company of the current quarter;

(2) Within ninety (90) days after the end of each fiscal year, submit the audited annual consolidated financial statements of the Company; and

(3) Within five (5) business days after any incidents that may have a material adverse effect on Wanda Commercial took place or is possible to take place in accordance with reasonable judgment, submit the description with respect to said incidents.

6.9 Shareholding Conversion

If the Company intends to re-organize, including but not limited to the use of other domestic entities (hereinafter referred to as "New Entities") for the qualified listing of the Company's business, or build a new offshore financing structure (whether through the VIE structure or not) for the purpose of qualified overseas listing, the Investors are entitled to require Wanda Group or the Company to repurchase all of the Company's equity then held by the Investors, in accordance with the total Investor's Investment Amount, and meanwhile fully invest the fund obtained via such repurchase in the New Entities or the entities listed overseas after the re-organization (hereinafter referred to as "Overseas Listed Entity"), thus

holding the same proportion of equity/shares in the New Entities or Overseas Listed Entities as that of paid-up registered capital in the Company prior to the reorganization (herein referred to as “Shares”), and such shares shall be deemed as having the same protective rights and priority as the Agreement. In terms of Overseas Listed Entities, the Investors or their respective affiliates shall also enjoy the common rights in such foreign transactions as the stock registration right, conversion right, voting right, etc. (hereinafter referred to as Holding Conversion), in addition to rights and interests offered by the Agreement and those endowed by other transaction documents. For avoidance of doubt, if during the process of Holding Conversion, there are any costs and expenses (including but not limited to tax) arising due to whatever reasons to the Investors, such costs and expenses shall be borne by the Company, or by Wanda Group if the Company is unable to bear. However, the additional payment of taxes and exchange losses, during sales of shares, due to the reduction of book investment costs of Investors, which is caused by the Holding Conversion, shall be compensated by Wanda Group and/or by the Company to the Investors in full amount.

The Parties acknowledge that if the Company itself serves as the subject for qualified listing, it does not constitute the Holding Conversion.

7. Indemnification

7.1 Wanda Group and the Company acknowledge that, in terms of the representations and warranties, unless the Investors file a claim for compensation within two (2) years after the Investors have paid all of the Investor’s Investment Amount, Wanda Group and the Company have no any obligations to make indemnification.

7.2 The Company and Wanda Group shall jointly indemnify, defend and hold harmless various Parties from and against all the losses arising out of or in connection with or resulting from the direct or indirect violation of statements, guarantees and promises set out in the Agreement and other transaction documents by the Company and/or Wanda Group. The Investors are entitled to make claims to the Company and/or Wanda Group respectively for the losses they have suffered.

7.3 The Investors shall not be subject to any responsibilities for any losses,

liabilities, obligations, debts, taxes or other affairs of the Company, (whether related to the contract or not) arising from or related to the events that take place before the Investors have paid all of the Investor's Investment Amount.

7.4 The Investors shall, individually and not jointly indemnify, defend and hold harmless various Parties from and against the losses arising out of or in connection with or resulting from the direct or indirect violation of statements, guarantees and promises made and transaction documents or other agreements by the Investors.

7.5 Wanda Group agrees that, unless otherwise provided or disclosed in the Agreement, Wanda Group shall be subject to any responsibilities for any losses, liabilities, obligations and debts related to Wanda Commercial (whether related to the contract or not), which has arisen from the violation of representation and warranty of the Agreement, as well as from the events that take place before the Investors have paid all of the Investor's Investment Amount.

8. Confidentiality and Prohibition of Disclosure

8.1 Confidentiality. Since the Agreement is officially signed, each party, unless otherwise agreed unanimously by various parties involved, shall prompt each person under its control to keep in secret the terms, conditions and existence of the Agreement and any transaction documents, each party's identity, and any other information as is received from or prepared by the other Parties, which are not allowed to be disclosed and meanwhile in direct connection with the Agreement or aforesaid documents (hereinafter referred to as "Confidential information"); however, either Party may disclose the confidential information or allow said confidential information to be disclosed in the following circumstances: (a) within the scope of disclosure required by applicable laws or any rules of the Exchange; however, the party involved shall, to the extent that is feasible and permitted by applicable laws, immediately notify the other parties in writing of such fact, and (with close cooperation and reasonable efforts of other parties), take all reasonable efforts to try to obtain the protective orders, confidential treatment or other appropriate remedies; and in such circumstance, the party involved shall only provide the part of the confidential information that is legally required to be disclosed, and shall make every reasonable effort to keep such confidential

information in secret in accordance with the reasonable requirements of any other party; (b) in order to perform the obligations as are clearly specified under the Agreement, and where the disclosure to the managers, directors, employees, investors, partners, shareholders and professional advisors is necessary, the persons who have acquired any confidential information disclosed by the party involved promise to abide by the duty of confidentiality to which the party involved is also subject, provided that they have been told the confidential nature of said information. For avoidance of doubt, the confidential information does not include the following information: (i) information that has been legally acquired by the recipient prior to the disclosure, and (ii) information that has been disclosed to the public not because of the violation of this paragraph 8; (iii) information that is legally acquired by the recipient from a third party; the recipient in question does not know that said third party has violated any laws or obligations of the Contract that prohibit it from disclosing the information.

8.2 **Information Release.** Without the prior written consent of various parties involved, either party shall not publish any news in relation to the Agreement, any transaction documents and this investment in press conferences, conferences, advertisements, announcements, professional or industry publications, marketing materials, or in whatever other ways. However, the circumstances in which various Parties are required to make announcements or reports by applicable laws or requirements of competent government agencies are not included; but prior to the official publication of the announcements or reports, all parties involved shall discuss with each other to determine the scope of the announcements or reports.

9. Investor Information Protection

9.1 Without the prior written consent of Tencent, regardless of whether or not Tencent and/or its affiliates are shareholders of the Company at that time, Wanda Group and the Company shall not and shall ensure that Wanda Commercial may not infringe the intellectual properties of Tencent and/or its affiliates.

9.2 Without the prior written consent of Jingdong, regardless of whether or not Jingdong and/or its affiliates are shareholders of the Company at that time, Wanda Group and the Company shall not and shall ensure that Wanda Commercial

may not infringe the intellectual properties of Tencent and/or its affiliates.

10. Termination

10.1 Termination of the Agreement. The Agreement and this transaction shall be terminated as agreed by all Parties in writing. If the closing fails to be completed before the stipulated deadline for the reason of the Company and/or Wanda Group (rather than the omissions of government institutions, force majeure, the reasons of the investors or other similar reasons), or if the Company and/or Wanda Group have a material breach of contract under the Agreement or transaction documents, the investors are entitled to unilaterally terminate the Agreement after giving written notice to the other Parties. The Agreement shall be terminated immediately upon the issuance of such written notice by the investors, but such termination shall not affect the liability of Wanda Group and/or the Company for breach of contract. If the closing fails to be completed before the stipulated deadline for the reason of an investor (rather than the omissions of government institutions, force majeure, the reasons of the Company or Group or other similar reasons), the Company (and the Company has the right to represent Wanda Group) is entitled to unilaterally terminate the Agreement with this investor after giving written notice to this investor. The Agreement shall be terminated immediately upon the issuance of such written notice by the Company to this investor, but such termination shall not affect the liability of this investor for breach of contract.

10.2 Effect of Termination. If the Agreement is terminated pursuant to the above paragraph, the Agreement shall become void immediately and shall no longer remain in effect. For avoidance of doubt, if the investors unilaterally terminate the Agreement pursuant to the above paragraph, the investors shall not assume any liability for its unilateral termination of the Agreement. Meanwhile, if the Company unilaterally terminates the Agreement pursuant to the above paragraph, the Company and Wanda Group shall not assume any liability for unilateral termination of the Agreement by the Company.

11. Rescission of Agreement

11.1 Rescission of Agreement. The Agreement can be rescinded in the following ways:

11.1.1 All Parties agree to rescind the Agreement in writing;

11.1.2 In the event of any of the following circumstances, any non-defaulting Party to the Agreement may rescind the Agreement by informing the other Parties at least ten (10) business days in advance:

(1) The representation or warranty made by any Party to the Agreement is materially untrue, inaccurate or incomplete at the time of making such representation or warranty in the Agreement or at the date of full amount of the Investor Investment Amount having been paid by the investors;

(2) Any Party to the Agreement fails to fulfill the agreement, undertakings, and liabilities in accordance with the provisions of the Agreement, and does not take any effective remedies within thirty (30) days upon the issuance of written notice by other Parties.

11.2 Effect of Rescission of Agreement.

11.2.1 When the Agreement is rescinded pursuant to the provisions of paragraph 12.1 of the Agreement, the Agreement shall immediately be void.

11.2.2 After the rescission of the Agreement, the Parties shall return the considerations obtained from other Parties on the principle of fairness, reasonableness and good faith, and try to restore to the status when the Agreement has not been signed.

11.2.3 After the rescission of the Agreement, all rights and obligations of the Parties under the Agreement shall be terminated immediately, but such termination shall not affect the liability of Wanda Group, Wanda Commercial or the Investors for breach of contract.

**JINGDONG EXPRESS GROUP CORPORATION
SERIES A PREFERENCE SHARES SUBSCRIPTION AGREEMENT**

Dated as of February 14, 2018

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SERIES A PREFERENCE SHARES SUBSCRIPTION AGREEMENT

This Series A Preference Shares Subscription Agreement (this “**Agreement**”) is made as of February 14, 2018, by and between:

(i) Jingdong Express Group Corporation, a company incorporated in the Cayman Islands (the “**Company**”), and

(ii) each purchaser whose signature has been included in the signatures to this Agreement (each a “**Purchaser**” and collectively, the “**Purchasers**”).

Each of the Purchasers and the Company is referred to herein as a “**Party**,” and collectively as the “**Parties**.”

WITNESSETH:

WHEREAS, the Company is engaged in the Principal Business (as defined below), and is seeking expansion capital to grow the Principal Business;

WHEREAS, the Company desires to issue and allot to each Purchaser, and each Purchaser desires to subscribe for and acquire from the Company, upon the terms and conditions set forth in this Agreement, the Series A preference shares of the Company, par value US\$0.000025 per share (the “**Series A Preference Shares**”); and

WHEREAS, the Parties desire to enter into this Agreement and make the respective representations, warranties, covenants and agreements set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the Parties agree as follows:

ARTICLE I DEFINITIONS AND TERMS

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

“**Accounting Principles**” shall mean the International Financial Reporting Standards as issued by the International Accounting Standards Board, the Generally Accepted Accounting Principles in the United States, the Generally Accepted Accounting Principles in Hong Kong, or the Generally Accepted Accounting Principles in the PRC.

“**Affiliate**” of a Person (the “**Subject Person**”) shall mean (a) in the case of a Person other than a natural person, any other Person that directly or indirectly Controls, is Controlled by or is under common Control with the Subject Person and (b) in the case of a natural person, any other Person that is a Relative of the Subject Person, and any other Person that is directly or indirectly Controlled by the Subject Person and/or the Relative of the Subject Person; provided that the Company and its Subsidiaries shall be deemed not to be Affiliates of any Purchaser.

“**Agreement**” shall have the meaning set forth in the Preamble.

“**Articles**” shall mean the Memorandum and Articles of Association of the Company in force and effect, as amended and restated from time to time.

“**Authorization**” shall mean consent, approval, order or authorization of, or registration with, or the giving of notice to, any Governmental Authority or any third party.

“**Business Day**” shall mean any day other than Saturday, Sunday or other day on which commercial banks located in the Cayman Islands, the PRC or Hong Kong are authorized or required by law or executive order to be closed and on which no tropical cyclone warning No. 8 or above and no “black” rainstorm warning signal is hoisted in Hong Kong at any time between 8:00 a.m. and 6:00 p.m. Hong Kong time.

“**Closing**” shall have the meaning set forth in Section 2.2(a)(i).

“**Closing Date**” shall mean the date of the Closing.

“**Company**” shall have the meaning set forth in the Preamble.

“**Company Intellectual Property**” shall mean all material patents, patent applications, trademarks, trademark applications, service marks, service mark applications, tradenames, copyrights, domain names, mask works and other similar intellectual property rights, that will be transferred to the Group Companies in the Restructuring.

“**Confidential Information**” shall have the meaning set forth in Section 7.10(a).

“**Contemplated Transactions**” shall mean the transactions contemplated by the Transaction Documents.

“**Control**” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management of a Person, whether through the ownership of voting securities, by contract, credit arrangement or proxy, as trustee, executor, agent or otherwise. For the purpose of this definition, a Person shall be deemed to Control another Person if such first Person, directly or indirectly, owns or holds more than 50% of the voting Equity Securities in such other Person. The term “**Controlled**” and “**Controls**” has the meaning correlative to the foregoing.

“**Control Documents**” shall mean, collectively, the following documents each dated as of June 23, 2017: (i) the equity pledge contract (股权质押合同) by and among 西安京速递供应链 科技有限公司, 西安京东信成信息技术有限公司 and Mr. LIU Qiangdong, (ii) the equity pledge contract (股权质押合同) by and among 西安京速递供应链科技有限公司, 西安京东信成信息技术有限公司 and Ms. ZHANG Pang, (iii) the equity pledge contract (股权质押合同) by and among 西安京速递供应链科技有限公司, 西安京东信成信息技术有限公司 and Ms. LI Yayun, (iv) the exclusive purchase right contract (独家购买权合同) by and among 西安京速递供应链 科技有限公司, 西安京东信成信息技术有限公司, Mr. LIU Qiangdong, Ms. ZHANG Pang and Ms. LI Yayun, (v) the loan contract (借款合同) by and among 西安京速递供应链科技有限公 司, Mr. LIU Qiangdong, Ms. ZHANG Pang and Ms. LI Yayun, (vi) the power of attorney issued

by each of Mr. LIU Qiangdong, Ms. ZHANG Pang and Ms. LI Yayun, (vii) the business operation agreement (业务经营协议) by and among 西安京速递供应链科技有限公司, 西安京东信成信息技术有限公司, Mr. LIU Qiangdong, Ms. ZHANG Pang and Ms. LI Yayun, (viii) the spouse consent letter (配偶同意函) issued by Ms. ZHANG Zetian, (ix) the spouse consent letter (配偶同意函) issued by Mr. KONG Dechao, and (x) the exclusive technology consulting and services agreement (独家技术咨询和服务协议) by and between 西安京速递供应链科技有限公司 and 西安京东信成信息技术有限公司.

“**Disclosure Schedule**” shall mean the disclosure schedule regarding this Agreement that has been provided by the Company to HHJL Holdings Limited or its counsel or any Representative.

“**Dispute**” shall have the meaning set forth in Section 7.2.

“**Encumbrance**” shall mean (a) any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation, equitable interests, adverse claims as to title, possession or use, or other encumbrance, priority or security interest over or in any property, assets or rights of whatsoever nature or any agreement for any of the same, and (b) any proxy, power of attorney, voting trust agreement, interest, option, right of first offer, negotiation or refusal or transfer restriction in favor of any Person.

“**Equity Securities**” shall mean, with respect to any Person, such Person’s capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (including, without limitation, in the case of the Company, Ordinary Shares and Preference Shares) or any options, warrants or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, such capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (whether or not such derivative securities are issued by such Person).

“**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“**Financial Statements**” shall have the meaning set forth in Section 4.1(i).

“**FINRA**” shall have the meaning set forth in Section 4.2(f)(vi).

“**Fundamental Representations**” shall mean the representations and warranties of the Company in Section 4.1(a), Section 4.1(b), Section 4.1(c)(i), Section 4.1(d)(i), Section 4.1(e) and Section 4.1(f) or the representations and warranties of the Purchasers in Section 4.2(a) to Section 4.2(d), Section 4.2(h) and Section 4.2(i), as the context requires.

“**Governmental Authority**” shall mean any government or political or other subdivision thereof, whether on a federal, central, state, provincial, municipal or local level and whether executive, legislative or judicial in nature, including any agency, authority, board, bureau, tribunal, commission, court, department or other instrumentality thereof and any regulatory or self-regulatory body (including any securities exchange).

“**Group**” or “**Group Companies**” shall mean collectively the Company and its Subsidiaries, and a “**Group Company**” means any of them. For the avoidance of doubt, the Group includes the VIE and its Subsidiaries.

“**Indemnified Party**” shall have the meaning set forth in Section 6.2.

“**Indemnifying Party**” shall have the meaning set forth in Section 6.2.

“**Indemnity Notice**” shall have the meaning set forth in Section 6.3.

“**Jingdong Group**” shall mean JD.com, Inc. and its Affiliates (other than the Group Companies).

“**Key Employees**” shall mean the persons set forth in Schedule 2.

“**Law**” or “**Laws**” shall mean all applicable laws, regulations, rules and Orders of any Governmental Authority, including any common or customary law, constitution, code, ordinance, statute or other legislative measure and any regulation, rule, treaty, order, decree or judgment; and “lawful” shall be construed accordingly.

“**Lead Investors**” shall have the meaning set forth in the Shareholders Agreement.

“**Losses**” shall have the meaning set forth in Section 6.2.

“**Material Adverse Effect**” shall mean any event, fact, circumstance or occurrence that, individually or in the aggregate with any other events, facts, circumstances or occurrences, results in a material adverse change in or a material adverse effect on (i) any of the condition, assets, liabilities, results of operations, or business of the Group Companies taken as a whole, except to the extent that any such Material Adverse Effect results from (A) the identity of the Purchasers or their Affiliates, (B) changes in the Accounting Principles or generally accepted accounting principles that are generally applicable to comparable companies, (C) changes in general economic and market conditions, (D) acts of war, sabotage or terrorism or natural disaster involving any jurisdiction in which the Company or its Subsidiaries operate, (E) any action taken by the Company or the other Group Companies that is required or expressly contemplated to be taken pursuant to any Transaction Documents, or (F) any action taken (or omitted to be taken) at the written request of the Purchasers which will purchase a majority of the Series A Preference Shares to be issued hereunder; or (ii) the ability of the Company or its Affiliates to consummate the Contemplated Transactions.

“**Material Assets**” shall have the meaning set forth in Section 4.1(l).

“**Material Contract**” shall have the meaning set forth in Section 4.1(h).

“**Money Laundering Laws**” shall have the meaning set forth in Section 4.2(i).

“**Order**” shall mean any order, ruling, decision, verdict, decree, writ, subpoena, mandate, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority.

“**Ordinary Shares**” shall mean the ordinary shares of par value of US\$0.000025 each in the capital of the Company.

“**Party**” shall have the meaning set forth in the Preamble.

“**Person**” shall mean any natural person, firm, partnership, association, corporation, company, trust, public body or government or other entity of any kind or nature.

“**PRC**” shall mean the People’s Republic of China, but for the purposes of this Agreement, excluding Hong Kong, Macau and Taiwan.

“**Preference Shares**” shall mean the Series A Preference Shares.

“**Principal Business**” shall have the meaning set forth in the Shareholders Agreement.

“**Purchasers**” shall have the meaning set forth in the Preamble.

“**Relative**” of a natural person means any spouse, parent, child, or sibling of such person.

“**Representatives**” shall have the meaning set forth in Section 7.10(a).

“**Restated Articles**” shall mean the Amended and Restated Memorandum and Articles of Association of the Company in the form attached hereto as Exhibit A.

“**Restructuring**” shall mean the restructuring of the Group as set forth in the Restructuring Plan.

“**Restructuring Plan**” shall mean the steps to implement the restructuring of the Group, as set forth in Schedule 1 hereto.

“**Securities Act**” shall mean the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“**Securities Laws**” shall mean the Securities Act, the Exchange Act, the listing rules of, or any listing agreement with, the applicable stock exchange and any other applicable law regulating securities or takeover matters.

“**Series A Preference Shares**” shall have the meaning set forth in the Recitals.

“**Shareholders Agreement**” shall mean the Shareholders Agreement to be entered into by and among the Purchasers, the Company and other shareholders of the Company, dated the date of the closing of the purchase and sale of Series A Preference Shares, in the form attached hereto as Exhibit B.

“**Subscription Shares**” shall mean the Series A Preference Shares to be issued to the Purchasers pursuant to this Agreement.

“**Subsidiary**” shall mean, with respect to any Person, any corporation, partnership, limited liability company, or other organization, whether incorporated or unincorporated, which is

Controlled by such Person. For the avoidance of doubt, a “variable interest entity” Controlled by a Person shall be deemed a Subsidiary of such Person.

“**Transaction Documents**” shall mean, collectively, this Agreement, the Shareholders Agreement, and the Restated Articles.

“**Ultimate Investors**” shall have the meaning set forth in Section 4.2(h).

“**VIE**” shall mean 西安京东信成信息技术有限公司.

Section 1.2 Other Definitional Provisions. Unless the express context otherwise requires:

- (a) the words “hereof,” “hereby,” “hereto,” “herein,” and “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;
- (b) the terms defined in the singular have a comparable meaning when used in the plural, and vice versa;
- (c) any references herein to “Dollars” and “\$” and “US\$” are to United States Dollars;
- (d) any references herein to a specific Section, Schedule or Exhibit or to the Recitals or Preamble shall refer, respectively, to Sections, Schedules, Exhibits, Recitals or Preamble of this Agreement, unless otherwise specified;
- (e) wherever the word “include,” “includes” or “including” is used in this Agreement, it shall be deemed to be followed by the words “without limitation;”
- (f) references herein to any gender shall include each other gender as the context requires;
- (g) the word “or” shall not be exclusive;
- (h) references to “written” or “in writing” include in electronic form;
- (i) the Parties have each participated in the negotiation and drafting of this Agreement and if an ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the Parties and no presumption of burden of proof shall arise favoring or burdening any Party by virtue of the authorship of any provision in this Agreement;
- (j) reference to any Person shall, where the context permits, include such person’s executors, administrators, legal representatives and permitted successors and assignees;
- (k) any reference to “days” shall mean calendar days unless Business Days are expressly specified;

(l) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded and if the last day of such period is not a Business Day, the period shall end on the next succeeding Business Day;

(m) any reference to any Law shall be deemed (i) to refer to the applicable Law as has been or may from time to time be amended, modified or re-enacted and (ii) also to refer to all rules and regulations promulgated thereunder (as so amended, modified or re-enacted), unless the context requires otherwise;

(n) the expression “to the best knowledge of the Company” or similar expression shall be treated as including matters of which the Company is aware or which it ought to have been aware if it had made due and careful enquiries of any Key Employee; and

(o) any reference in this Agreement to any agreement or instrument is a reference to that agreement or instrument as amended or novated or supplemented.

ARTICLE II **PURCHASE AND SALE**

Section 2.1 Sale and Issuance of Subscription Shares.

(a) Subject to the terms and conditions of this Agreement, each Purchaser agrees to subscribe for and purchase at the Closing, and the Company agrees to issue and sell to such Purchaser at the Closing, that number of Series A Preference Shares as separately agreed to by the Company and such Purchaser, at a purchase price of US\$2.50 per share.

(b) Notwithstanding anything to the contrary in this Agreement, the obligations and liabilities of the Purchasers under this Agreement are several, and not joint or joint and several.

Section 2.2 Closing, Payment and Delivery.

(a) Closing.

(i) Subject to below paragraph (ii), the closing of the purchase and sale of the Series A Preference Shares between each Purchaser and the Company (the “**Closing**”) shall take place remotely via exchange of documents and signatures as soon as practicable, but in no event later than ten (10) Business Days after the date when all closing conditions specified in Section 3.1 and Section 3.2 hereof have been waived (to the extent permissible by the Party or Parties entitled to the benefit of such conditions) or satisfied (other than those conditions that by their terms are intended to or may be satisfied at the Closing, but subject to the satisfaction or waiver thereof in accordance with this Agreement at the Closing) (the “**CP Satisfaction Date**”), or at such other time and place as the Company and the relevant Purchaser(s) mutually agree. The Company will notify each Purchaser of the CP Satisfaction Date and the Closing Date in writing.

(ii) At the Closing: (1) each Purchaser shall (x) pay and deliver, or cause to be paid and delivered, the applicable total purchase price of the Series A Preference Shares that such Purchaser has agreed to purchase (as separately agreed to by the Company and such Purchaser) in U.S. dollars, by wire transfer or by such other method as the Parties may mutually agree, of immediately available funds to such bank account designated in writing by the Company to such Purchaser at least three (3) Business Days prior to the Closing, and (y) provide the Company with evidence of such payment to the reasonable satisfaction of the Company (the “**Payment Evidence**”), (2) against payment of the applicable amount as provided in this Section 2.2(a)(ii) by such Purchaser, the Company shall issue the applicable Subscription Shares to such Purchaser pursuant to the terms hereof and deliver a copy of the register of members of the Company or an extract thereof, certified by the company secretary or any director of the Company, reflecting such issuance, in each case, on the Closing Date if the Company receives the Payment Evidence by 15:00 p.m., Hong Kong time on the Closing Date, or on the next Business Day following the Closing Date if the Company receives the Payment Evidence after 15:00 p.m., Hong Kong time on the Closing Date; and (3) the Company shall appoint the persons nominated by the applicable Purchasers as directors of the Company in accordance with section 5.2 of the Shareholders Agreement with effect from the Closing Date. Within two (2) Business Days after the Closing, the Company shall deliver a scanned copy of the duly executed share certificate to each Purchaser for the applicable Subscription Shares (provided that the original of such share certificate shall be delivered to such Purchaser within five (5) Business Days following the Closing Date).

(b) Restrictive Legend. The certificate representing the Subscription Shares shall be endorsed with the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE “**SECURITIES ACT**”) OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS SECURITY MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED: (A) IN THE ABSENCE OF (1) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (2) AN EXEMPTION OR QUALIFICATION UNDER APPLICABLE SECURITIES LAWS.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE APPLICABLE SHAREHOLDERS’ AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON REQUEST TO THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.

ARTICLE III **CONDITIONS TO CLOSING**

Section 3.1 Conditions to the Purchasers’ Obligations to Effect the Closing. The obligation of each Purchaser to purchase and pay for its respective Subscription Shares as

contemplated by this Agreement at the Closing is subject to the satisfaction of the following conditions, any of which may be waived in writing by such Purchaser in its sole discretion:

(a) Representations and Warranties; Performance. The representations and warranties of the Company contained in Section 4.1 shall have been true and correct in all material respects (or, (i) if qualified by materiality or Material Adverse Effect or (ii) for the Fundamental Representations, in each case, true and correct in all respects) on the date of this Agreement and on and as of the date of the Closing (except for representations and warranties that expressly speak as of an earlier date, in which case as of such specified date); and the Company shall have performed and complied in all material respects with all, and not be in breach or default in any material respects under any, agreements, covenants, conditions and obligations contained in this Agreement that are required to be performed or complied with on or before the Closing.

(b) No Prohibition. No Governmental Authority of competent jurisdiction shall have, on or prior to the Closing, enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the Contemplated Transactions; and no action, suit, proceeding or investigation shall have, on or prior to the Closing, been instituted or threatened by a Governmental Authority of competent jurisdiction or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the Contemplated Transactions.

(c) Authorizations. The Company shall have obtained any and all Authorizations necessary for the consummation by the Company of the issuance of the Subscription Shares, and the entry by the Company into any Transaction Document to which it is a party, on or prior to the CP Satisfaction Date, all of which shall be in full force and effect.

(d) Restated Articles. The Restated Articles shall have been duly adopted by the Company on or prior to the Closing and shall remain in full force and effect.

(e) Shareholders Agreement. The Company shall have duly executed and delivered the Shareholders Agreement to such Purchaser on or prior to the Closing and the Shareholders Agreement shall, subject to occurrence of the Closing and signing by other parties thereto, remain in full force and effect.

(f) No Material Adverse Effect. No Material Adverse Effect shall have occurred on or prior to the Closing.

Section 3.2 Conditions to the Company's Obligations to Effect the Closing. The obligation of the Company to issue the Subscription Shares to each Purchaser as contemplated by this Agreement at the Closing is subject to the satisfaction of each of the following conditions, any of which may be waived in writing by the Company in its sole discretion:

(a) Representations and Warranties; Performance. The representations and warranties of such Purchaser contained in Section 4.2 shall have been true and correct on the date of this Agreement and true and correct in all material respects (or, (i) if qualified by materiality

or Material Adverse Effect or (ii) for the Fundamental Representations, in each case, true and correct in all respects) on and as of the date of the Closing; and such Purchaser shall have performed and complied in all material respects with all, and not be in breach or default in any material respect under any, agreements, covenants, conditions and obligations contained in this Agreement that are required to be performed or complied with on or before the Closing.

(b) No Prohibition. No Governmental Authority of competent jurisdiction shall have, on or prior to the Closing, enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the Contemplated Transactions; and no action, suit, proceeding or investigation shall have, on or prior to the Closing, been instituted or threatened by a Governmental Authority of competent jurisdiction or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the Contemplated Transactions.

(c) Authorizations. Such Purchaser shall have obtained any and all Authorizations necessary for the consummation by such Purchaser of the purchase of the Subscription Shares, and the entry by such Purchaser into any Transaction Document to which it is a party, on or prior to the CP Satisfaction Date, all of which shall be in full force and effect.

(d) Shareholders Agreement. Such Purchaser shall have duly executed and delivered the Shareholders Agreement to the Company on or prior to the Closing and the Shareholders Agreement shall, subject to occurrence of the Closing and signing by other parties thereto, remain in full force and effect.

ARTICLE IV **REPRESENTATIONS AND WARRANTIES**

Section 4.1 Representations and Warranties of the Company. Subject to Section 7.1, except as set forth in the Disclosure Schedule, the Company hereby represents, warrants and undertakes to each Purchaser that, as of the date hereof and as of the date of the Closing (except for representations and warranties that expressly speak as of an earlier date, in which case as of such specified date), the following representations and warranties are true and correct:

(a) Due Formation. Each Group Company is duly formed, validly existing and in good standing in the jurisdiction of its organization.

(b) Authority. The Company has full power and authority to enter into, execute and deliver each Transaction Document to which it is or shall be made a party and to perform its obligations hereunder and thereunder. The execution and delivery by the Company of each Transaction Document to which it is or shall be made a party and the performance by the Company of its obligations hereunder and thereunder have been duly authorized, or will be duly authorized prior to the Closing, by all requisite actions on its part.

(c) Valid Agreement.

(i) This Agreement has been, and each Transaction Document to which the Company is a party has been or will be, duly executed and delivered by the Company and constitutes (or, when executed and delivered in accordance herewith will constitute), the legal, valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, except (1) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally and (2) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

(ii) Each Control Document has been duly signed by the parties thereto. The execution, delivery and performance by each of the relevant parties of each of the Control Documents, did not, do not and will not (1) result in any material violation of their respective articles of association or other constitutive documents, or (2) materially conflict with or result in a material breach or violation of, or constitute a material default under, any material agreement or instrument to which any of them is expressed to be a party or which is binding on any of them.

(d) Capitalization.

(i) Except as set forth in Section 4.1(d) of the Disclosure Schedule, there are no outstanding Equity Securities in the Company as of the date hereof. All issued and outstanding Equity Securities of the Company are validly issued, fully paid and non-assessable. The capitalization table attached hereto as Section 4.1(d) of the Disclosure Schedule truly and accurately describes the shareholding of the Company (1) immediately prior to the Closing and (2) immediately after the Closing assuming the issuance of all Series A Preference Shares contemplated in Section 2.1 hereof. All outstanding Equity Securities of the Company have been issued and granted in compliance with all applicable Securities Laws and other applicable Laws.

(ii) Section 4.1(d) of the Disclosure Schedule contains a correct and complete list of each Group Company (other than the Company and any branches of any Group Company) as of the date hereof. All outstanding Equity Securities of such Group Companies (the "**Subsidiary Shares**") (1) have been issued and granted in compliance with all applicable Securities Laws and other applicable Laws, (2) are legally and beneficially owned, directly or indirectly, by the Company or the VIE (as specified in Section 4.1(d) of the Disclosure Schedule), and (3) are free from any Encumbrances (other than any Encumbrances under any Control Documents). As of the date hereof, except for the Subsidiaries listed in Section 4.1(d) of the Disclosure Schedule, the Company has no other Subsidiaries (other than any branches of any Group Company).

(iii) No Person has the right (whether exercisable now or in the future and whether or not contingent) to call for the allotment, conversion, redemption, repayment, issue, registration, sale or transfer of any Equity Securities in any Group Company, under any option, agreement or other arrangement (except for any such right contemplated by the Transaction Documents or the Control Documents).

(e) Due Issuance of the Subscription Shares. The Subscription Shares will be duly authorized prior to the Closing and, when issued and delivered to and paid for by the applicable Purchaser pursuant to this Agreement, will be validly issued, fully paid and non-assessable and free and clear of any Encumbrance, except for restrictions arising under the applicable Securities Laws or created by virtue of this Agreement or other Transaction Documents and upon delivery and entry into the register of members of the Company at the Closing, the Subscription Shares will transfer to the applicable Purchasers with good and valid title, free and clear of any Encumbrance, except for restrictions arising under the applicable Securities Laws or created by virtue of this Agreement or other Transaction Documents.

(f) Non-contravention. None of the execution and the delivery of this Agreement and the other Transaction Documents to which the Company is a party or shall be made a party, nor the consummation of the Contemplated Transactions, will (i) violate any provision of the organizational documents of the Company or violate any Law or Order of any Governmental Authority to which the Company is subject, or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of an Encumbrance under, or create in any party the right to accelerate, terminate, modify, or cancel, any agreement, contract, lease, license, instrument, or other arrangement to which the Company is a party or by which the Company is bound or to which any of the Company's assets are subject, in each case, unless that it would not reasonably be expected to have a Material Adverse Effect.

(g) Consents and Approvals. None of the execution and delivery by the Company of this Agreement or any other Transaction Document, nor the consummation by the Company of any of the Contemplated Transactions, nor the performance by the Company of this Agreement or any other Transaction Documents in accordance with their respective terms requires any Authorization which is required to be obtained by the Company, except such as have been or will have been obtained, made or given on or prior to the Closing.

(h) Material Contracts. Copies of any contract that is material to the business of the Group Companies as set forth in Section 4.1(h) of the Disclosure Schedule (collectively, the "**Material Contracts**") have been made available to HHJL Holdings Limited or its counsel or any Representative and are correct and complete in all material respects. Each Material Contract is a valid and binding agreement of the applicable Group Company or member of Jingdong Group which is a party thereto enforceable against it in accordance with its terms, except (1) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally and (2) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies. To the best knowledge of the Company, each Group Company or member of Jingdong Group (as applicable) has duly performed in all material respects its obligations under each Material Contract to which it is a party to the extent that such obligations to perform have accrued, and there are no material disputes pending under any Material Contract. To the Company's best knowledge, no event or circumstance has occurred that would constitute a material breach of or material event of default by any Group Company or member of Jingdong Group (as applicable) that is a party to any Material Contract.

(i) Financial Statements: Absence of Certain Developments.

(i) The Company has delivered to HHJL Holdings Limited or its counsel or any Representative (i) the pro forma consolidated balance sheet of the Company as of December 31, 2016 and December 31, 2017, (ii) the pro forma consolidated income statement of the Company for each of the last five (5) quarters ended September 30, 2017, and (iii) the pro forma consolidated cash flow statement of the Company for the fiscal year ended December 31, 2017 (the “**Accounts Date**”) (such financial statements, the “**Financial Statements**”; for the avoidance of ambiguity, the Financial Statements include customary key financial information of the businesses of the Group, including the businesses that would be part of the Group after the Restructuring). The Financial Statements have been prepared in accordance with the applicable Accounting Principles indicated therein on a consistent basis throughout the periods covered thereby. The Financial Statements fairly present, in all material respects, the financial condition and operating results of the Company as of the dates, and for the periods, indicated therein, after giving effect to the completion of the Restructuring. The accounting records of the Group Companies are up to date, have been maintained on a proper and consistent basis and in accordance with all applicable Laws and applicable Accounting Principles, and contain an accurate and complete record, in all material respects, of all matters required to be entered therein or which are otherwise entered therein.

(ii) Except for the transactions contemplated by this Agreement (including the Restructuring), since the Accounts Date until the date of this Agreement, the Group Companies have operated in the ordinary course of business consistent in all material respects with past practice and there has not been any Material Adverse Effect.

(iii) The Group Companies do not have any material liabilities required to be reflected on a balance sheet prepared in accordance with applicable Accounting Principles, except for liabilities that (1) are reflected in the Financial Statements or (2) have been incurred in the ordinary course of business consistent with past practice since the Accounts Date.

(iv) No Group Company has provided any guarantee or other form of assurance against loss in respect of any material obligation of any Person (other than another Group Company).

(j) Company Intellectual Property. Section 4.1(j) of the Disclosure Schedule sets forth a list of all Company Intellectual Property. To the best knowledge of the Company, no Company Intellectual Property infringes or will infringe any intellectual property rights of any other Person, other than as would not reasonably be expected to have a Material Adverse Effect.

(k) Real Property. As of the date hereof, none of the Group Companies owns any real properties.

(l) Material Assets. The Group Companies have, or following completion of the Restructuring will have, good and marketable, sole and exclusive title to, all material tangible properties and assets of the Group Companies as included in the Financial Statements (the “**Material Assets**”), except for properties and assets sold or otherwise disposed of

in the ordinary course of business consistent with past practice since the Accounts Date. The Material Assets have been properly maintained and are in all material respects in a condition that is adequate for the intended uses of such assets, subject to continued repair and replacement in the ordinary course of business consistent with past practice.

(m) Tax Matters.

(i) Each of the Group Companies has timely filed or caused to be filed all material tax returns required to be filed by it, and all such tax returns are true, correct and complete in all material respects. All material taxes required to be paid by any Group Company (whether or not shown on any tax returns) have been timely paid in full. There is no pending material dispute with any tax authority relating to any of the tax returns filed by any Group Company.

(ii) No material deficiencies for any material taxes have been proposed, asserted or assessed in writing against or with respect to any material taxes due by or material tax returns of the Group Companies that are still pending or not fully resolved.

(iii) There are no material Encumbrances on the assets or properties of any Group Company that arose in connection with any failure (or alleged failure) to pay any tax.

(n) Employee Matters.

(i) Except as would not result in any material liability for the Group, each of the Group Companies has paid all wages, salaries, wage premiums, commissions, bonuses, fees and other compensation which have become due and payable to its current and former employees and independent contractors or consultants under applicable Law or contract and no material fines, taxes, interest or other penalties are owed for any failure to pay or delinquency in paying such compensation or fees.

(ii) To the best knowledge of the Company, no Key Employee is employed by any business outside of the business operated by the Group or the Jingdong Group. To the best knowledge of the Company, none of the Key Employees is obligated under any contract or other agreement, or Order of any Governmental Authority, that would materially interfere with such employee's ability to promote the interests of the Group or that would materially conflict with the business operated by the Group. To the best knowledge of the Company, no Key Employee intends to terminate its current employment with the Group or the Jingdong Group (as applicable).

(iii) There is no strike or other labor dispute involving a Group Company pending which would have a Material Adverse Effect.

(iv) Each Group Company is, and has been, in compliance in all material respects with all applicable Laws (1) related to employment, collective bargaining and social security or (2) otherwise affecting contractual or other relations between employers and their employees or workers.

(o) Employee Benefit Matters. All material provisions, payments and contributions to, or relating to any scheme or arrangement for employee benefits mandatorily required under PRC Law or other applicable Law have been duly made. Except as mandatorily required under PRC Law or other applicable Law, no Group Company has any obligation to provide material housing, provident fund, social insurance, severance, pension, retirement, retiree health, death or disability benefits or any other actual or contingent material employee benefits to any of the Key Employees or any other executive officers of the Group Companies.

(p) Insurance. Jingdong Group has maintained adequate insurance cover against material risks normally insured against by companies carrying on similar businesses or owning properties and/or assets of a similar nature to the Group. All such policies are in full force and effect and will remain in full force and effect following the Closing for the benefit of the Group, and all material premiums due on such policies have been paid.

(q) Compliance with Laws. The Group Companies are, and since their establishment have been, in compliance with all Laws and Orders applicable to them, other than as would not reasonably be expected to have a Material Adverse Effect.

(r) Litigation; Orders; Insolvency.

(i) There is no material action, suit or proceeding, pending or, to the best knowledge of the Company, threatened in writing (1) against the Company that questions the validity of this Agreement or the right of the Company to enter into this Agreement or to consummate the Contemplated Transactions or (2) against any Group Company affecting any of the Material Assets or any Key Employee that, if determined adversely to the relevant Group Company, would have a Material Adverse Effect.

(ii) No Group Company is insolvent under applicable Law nor has any order been made, petition presented or resolution passed for the appointment of an administrator, receiver, liquidator, trustee, custodian or similar official in respect of any Group Company.

Section 4.2 Representations and Warranties of Each Purchaser. Each Purchaser hereby severally and not jointly represents, warrants and undertakes to the Company that, as of the date hereof and as of the date of the Closing (except for representations and warranties that expressly speak as of an earlier date, in which case as of such specified date), the following representations and warranties are true and correct:

(a) Due Formation. Such Purchaser is duly formed, validly existing and in good standing in the jurisdiction of its organization and has all requisite power and authority to carry on its business as it is currently being conducted.

(b) Authority. Such Purchaser has full power and authority to enter into, execute and deliver this Agreement, each other Transaction Document to which it is or shall be made a party and to perform its obligations hereunder and thereunder. The execution and delivery by such Purchaser of this Agreement and each other Transaction Document to which it is or shall be made a party and the performance by such Purchaser of its obligations hereunder and thereunder have been duly authorized by all requisite actions on its part.

(c) Valid Agreement. This Agreement has been, and each other Transaction Document to which such Purchaser is a party has been or will be, duly executed and delivered by such Purchaser and constitutes (or, when executed and delivered in accordance herewith will constitute), the legal, valid and binding obligations of such Purchaser, enforceable against it in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

(d) Non-contravention. None of the execution and the delivery of this Agreement and the other Transaction Documents to which such Purchaser is a party or shall be made a party, nor the consummation of the Contemplated Transactions, will (i) violate any provision of the organizational documents of such Purchaser or violate any Law or Order of any Governmental Authority to which such Purchaser is subject, or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of an Encumbrance under, or create in any party the right to accelerate, terminate, modify, or cancel, any agreement, contract, lease, license, instrument, or other arrangement to which such Purchaser is a party or by which such Purchaser is bound or to which any of such Purchaser's assets are subject.

(e) Consents and Approvals. None of the execution and delivery by such Purchaser of this Agreement or any other Transaction Document, nor the consummation by such Purchaser of any of the Contemplated Transactions, nor the performance by such Purchaser of this Agreement or any other Transaction Document in accordance with their respective terms requires any Authorization, except such as have been or will have been obtained, made or given on or prior to the Closing.

(f) Status and Investment Intent.

(i) Experience. Such Purchaser has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Subscription Shares. Such Purchaser is capable of bearing the economic risks of such investment, including a complete loss of its investment, and it qualifies as an "accredited investor" as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act.

(ii) Solicitation. Such Purchaser was not identified or contacted through the marketing of the Subscription Shares. Such Purchaser did not contact the Company as a result of any general solicitation or directed selling efforts. The issuance of the Subscription Shares to such Purchaser was not solicited by or through anyone other than the Company.

(iii) No Registration. Such Purchaser acknowledges that the Subscription Shares have not been registered under the Securities Act or any applicable state securities law. Such Purchaser further acknowledges that, absent an effective registration under the Securities Act, the Subscription Shares may only be offered, sold or otherwise transferred (x) to the Company, (y) outside the United States in accordance with

Rule 904 of Regulation S under the Securities Act or (z) pursuant to an exemption from registration under the Securities Act.

(iv) Not U.S. Person. Such Purchaser is not a “U.S. person” as defined in Rule 902 of Regulation S promulgated under the Securities Act.

(v) Offshore Transaction. Such Purchaser has been advised and acknowledges that in issuing the Subscription Shares to such Purchaser pursuant hereto, the Company is relying upon the exemption from registration provided by Regulation S promulgated under the Securities Act. Such Purchaser is acquiring the Subscription Shares in offshore transactions as such term is defined in Rule 902 of Regulation S promulgated under the Securities Act.

(vi) FINRA. Such Purchaser does not, directly or indirectly, own more than five percent of the outstanding common stock (or other voting securities) of any member of the Financial Industry Regulatory Authority, Inc. (“**FINRA**”) or a holding company for a FINRA member, and is not otherwise a “restricted person” for the purposes of the Free-Riding and Withholding Interpretation of FINRA.

(vii) Purchase for Own Account. Such Purchaser is, or will be acquiring its Subscription Shares and any Equity Securities that such Subscription Shares are convertible into for its own account, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part thereof. It does not have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participation to such Person or any third Person, with respect to any Subscription Shares and any Equity Securities that such Subscription Shares are convertible into.

(g) No Litigation. There is no action, suit or proceeding, pending or threatened against such Purchaser that questions the validity of this Agreement or the right of such Purchaser to enter into this Agreement or to consummate the Contemplated Transactions.

(h) Ultimate Investors.

(i) Such Purchaser has provided the Company with a written list of all the ultimate investors (including all existing and potential limited partners and general partners, shareholders, members and other investors, no matter whether investing or holding interest directly and indirectly) of such Purchaser (the “**Ultimate Investors**”).

(ii) Such Purchaser represents and warrants that (i) no Ultimate Investor of it is an Adverse Person or a Competitor (each as defined in the Shareholders Agreement) or an Affiliate of any Adverse Person or Competitor, (ii) such Purchaser has not disclosed any Confidential Information to any Ultimate Investors or any other Person without the Company’s prior written consent, and (iii) any information with respect to any Ultimate Investors that has been provided by such Purchaser is true, accurate, complete and not misleading.

(i) Source of Fund.

(i) Such Purchaser has sufficient funds legally available to fund the Contemplated Transactions. The operations of such Purchaser, in particular those activities in connection with the Contemplated Transactions are and have been conducted at all times in compliance with applicable requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Authority (collectively, the “**Money Laundering Laws**”) and no action, suit or proceeding by or before any Governmental Authority involving such Purchaser with respect to the Money Laundering Laws is pending or threatened.

(ii) Any funds that such Purchaser uses or will use to fund the Contemplated Transactions are not directly or indirectly from any publicly offered products, asset management plans or schemes, trust products, investment products, financial products, or any other similar products.

(iii) Any fund from any single Ultimate Investor of such Purchaser is individually not less than US\$30,000,000.

ARTICLE V **COVENANTS**

Section 5.1 Further Assurances. From the date of this Agreement until the Closing, the Parties shall use their commercially reasonable best efforts to fulfill or obtain the fulfillment of the conditions precedent to the consummation of the Contemplated Transactions.

Section 5.2 Conduct of Business of the Company. From the date of this Agreement until the Closing, the Company shall, and the Company shall cause each of the other Group Companies to, (i) conduct its business and operations in the ordinary course of business consistent with past practice, and (ii) not take any action, or omit to take any action, that would reasonably be expected to make any of its representations and warranties in this Agreement untrue at, or as of any time before, the Closing in any material respects; in each case, unless the Purchasers shall otherwise consent in writing and unless otherwise contemplated under any Transaction Documents or the Restructuring.

Section 5.3 Restructuring. The Company shall, and shall cause each of the other Group Companies to, use commercially reasonable efforts to (a) enter into documents and/or take actions necessary or customary to effect the Restructuring in accordance with the Restructuring Plan and (b) complete the Restructuring as promptly as reasonably practicable in accordance with the Restructuring Plan and by June 30, 2019 (except for the completion of registration of relevant Company Intellectual Property), in each case, unless that it would not reasonably be expected to have a Material Adverse Effect.

ARTICLE VI **INDEMNIFICATION**

Section 6.1 Survival of the Representations and Warranties. All representations and warranties made by the Company to the Purchasers or by a Purchaser to the Company (other than

the Fundamental Representations and the representations and warranties in Section 4.1(m)) shall expire on the date that is eighteen (18) months after the Closing. All Fundamental Representations and the representations and warranties in Section 4.1(m) made by the Company to the Purchasers or by a Purchaser to the Company (as the case may be) shall expire on the date that is twenty-four (24) months after the Closing. Notwithstanding the foregoing, any claims which have been asserted in writing pursuant to Section 6.2 against the Party making such representations and warranties on or prior to such applicable expiration date shall continue to survive and be fully effective and enforceable until a final and non-appealable Order of a Governmental Authority of competent jurisdiction has been issued.

Section 6.2 Indemnification. From and after the Closing, each Party, as applicable (the “**Indemnifying Party**”), shall indemnify and hold the other Parties and their respective directors, officers and agents (collectively, the “**Indemnified Parties**”) harmless from and against any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever, including but not limited to any investigative, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding, and any taxes or levies that may be payable by such person by reason of the indemnification of any indemnifiable loss hereunder (collectively, “**Losses**”) resulting from or arising out of: (i) the breach of any representation or warranty of the Indemnifying Party contained in this Agreement; or (ii) the violation or nonperformance, partial or total, of any covenant or agreement of the Indemnifying Party contained in this Agreement.

Section 6.3 Claims. In the event any Indemnified Party should have a claim against the Indemnifying Party hereunder, the Indemnified Party shall promptly transmit to the Indemnifying Party a written notice (the “**Indemnity Notice**”) describing in reasonable detail the nature of the claim, the Indemnified Party’s best estimate of the amount of Losses attributable to such claim and the basis of the Indemnified Party’s request for indemnification under this Agreement; provided that no failure or delay in providing such notice shall constitute a waiver or otherwise modify the Indemnified Party’s right to indemnity hereunder, except to the extent that the Indemnifying Party shall have been prejudiced by such failure or delay. If the Indemnifying Party does not notify the Indemnified Party within thirty (30) days from its receipt of the Indemnity Notice that the Indemnifying Party disputes such claim, the Indemnifying Party shall be deemed to have accepted and agreed with such claim.

Section 6.4 Limitations on Liability. Notwithstanding the foregoing, other than with respect to fraud, (i) the Company shall not have liability (for indemnification or otherwise) with respect to any Losses incurred by a Purchaser unless the aggregate amount of such Losses incurred by such Purchaser exceeds US\$5,000,000 (in which case, the entire amount of Losses, subject to Section 6.4(ii) below, shall be payable by the Company to such Purchaser if the Company is liable), and (ii) the maximum liability for the Company with respect to each Purchaser shall not exceed an amount equal to 20% of such Purchaser’s purchase price. No Indemnifying Party shall be required to compensate any Indemnified Party more than once (whether under this Agreement or any other Transaction Document) in respect of the same Loss.

Section 6.5 Exclusive Remedy. Other than with respect to fraud and without prejudice to Section 7.11, from and after the Closing, this Article VI shall provide the exclusive remedy for

any misrepresentation, breach of warranty, covenant or other agreement or other claim resulting from or arising out of this Agreement.

ARTICLE VII MISCELLANEOUS

Section 7.1 Disclosure Schedule References. The Parties agree that any matter disclosed in a particular section of the Disclosure Schedule shall be deemed to be an exception to (or, as applicable, a disclosure for purposes of) (a) the representations and warranties of the Company contained in the corresponding Sections of this Agreement and (b) any other representations and warranties of the Company contained in other Sections of this Agreement (regardless of the absence of an express reference or cross reference thereto), but only if the relevance of that matter as an exception to (or a disclosure for purposes of) such representations and warranties would be reasonably apparent. The Parties acknowledge and agree that the Disclosure Schedule may include certain items and information solely for informational purposes for the convenience of the Purchasers, and the disclosure by the Company of any matter in the Disclosure Schedule shall not be deemed to constitute an acknowledgment by the Company that the matter is required to be disclosed by the terms of this Agreement or that the matter is material.

Section 7.2 Governing Law: Arbitration. This Agreement shall be governed by and construed in accordance with the law of Hong Kong. Any dispute arising out of or relating to this Agreement, including any question regarding its existence, validity or termination (“**Dispute**”) shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (“**HKIAC**”) in accordance with the HKIAC Administered Arbitration Rules then in force. There shall be three arbitrators. The claimant(s) shall have the right to appoint one arbitrator, and the respondent(s) shall have the right to appoint one arbitrator, and the two arbitrators so appointed shall designate a third arbitrator who shall be the presiding arbitrator of the arbitral tribunal. The language to be used in the arbitration proceedings shall be English. The seat of the arbitration shall be in Hong Kong. Each of the Parties irrevocably waives any immunity to jurisdiction to which it may be entitled or become entitled (including without limitation sovereign immunity, immunity to pre-award attachment, post-award attachment or otherwise) in any arbitration proceedings and/or enforcement proceedings against it arising out of or based on this Agreement. The award of the arbitration tribunal shall be final and binding upon the Parties, and the prevailing Party may apply to a court of competent jurisdiction for enforcement of such award. Any Party shall be entitled to seek preliminary injunctive relief from any court of competent jurisdiction pending the constitution of the arbitration tribunal.

Section 7.3 Amendment. This Agreement shall not be amended, changed or modified, except by another agreement in writing executed by the Company and the Purchasers which will purchase a majority of the total Subscription Shares hereunder, provided that the number of Subscription Shares that a Purchaser will purchase hereunder cannot be amended without the agreement in writing executed by such Purchaser, provided further that prior to the Closing, each of COFCO CAPITAL (HONG KONG) CO., LIMITED (中粮资本(香港)有限公司), Jungle Parent Limited, or their respective Affiliate(s), upon the Company’s consent, can sign a signature page hereof to join this Agreement as a Purchaser.

Section 7.4 Binding Effect. This Agreement shall inure to the benefit of, and be binding upon, each of the Parties and their respective heirs, successors and permitted assigns and legal representatives.

Section 7.5 Assignment. Neither this Agreement nor any of the rights, duties or obligations hereunder may be assigned or otherwise transferred (i) by a Purchaser without the express prior written consent of the Company or (ii) by the Company without the express prior written consent of the Lead Investors. Any purported assignment in violation of the foregoing sentence shall be null and void.

Section 7.6 Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly delivered, given or received (a) on the date of delivery if delivered by hand, (b) on the date of successful transmission if sent via facsimile or electronic mail, or (c) on the date of receipt by the addressee if sent by a nationally recognized overnight courier or by registered or certified mail, return receipt requested. Such notices or other communications must be sent to each respective Party at the address, email address or facsimile number as shall be specified by a Party in a notice given in accordance with this Section 7.6; provided that the Company's notice address is as below unless otherwise amended and notified in accordance with this Section 7.6:

JD.com, Inc.

Attention: ***
Email: ***

with a copy (which shall not constitute notice) to:

Attention: ***
Email: ***

with a copy (which shall not constitute notice) to:

Attention: ***
Email: ***

Section 7.7 Entire Agreement. This Agreement (together with the schedules and exhibits hereto and the other Transaction Documents) constitutes the entire understanding and agreement between the Parties with respect to the matters covered hereby, and all agreements and understandings, oral or in writing, if any, between the Parties with respect to the matters covered

hereby prior to the execution of this Agreement are merged and superseded by this Agreement and the other Transaction Documents.

Section 7.8 Severability. If any provisions of this Agreement shall be adjudicated to be illegal, invalid or unenforceable in any action or proceeding whether in its entirety or in any portion, then such provision shall be deemed amended, if possible, or deleted, as the case may be, from this Agreement in order to render the remainder of this Agreement and any provision thereof both valid and enforceable, and all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

Section 7.9 Fees and Expenses. Except as otherwise provided in this Agreement, the Parties will bear their respective expenses incurred in connection with the negotiation, preparation and execution of this Agreement and the Contemplated Transactions, including fees and expenses of attorneys, accountants, consultants and financial advisors. Except as otherwise provided in this Agreement, any taxes arising from this Agreement and the Contemplated Transactions shall be borne by the Parties pursuant to the applicable tax Law.

Section 7.10 Confidentiality.

(a) Each Party shall keep confidential (a) any information concerning the organization, business, technology, intellectual property, safety records, investment, finance, transactions or affairs of any Party or its Affiliates or any of their respective directors, officers, employees or agents (collectively, the “**Representatives**”) (whether conveyed in written, oral or in any other form and whether such information is furnished before, on or after the date of this Agreement); (b) the terms of this Agreement or any of the other documents entered into in connection with the Purchasers’ investment in the Company, including the documents referred to in this Agreement, or the identities of the Parties and their respective Affiliates; and (c) any other information or materials prepared by a Party or its Representatives that contains or otherwise reflects, or is generated from, Confidential Information (collectively, the “**Confidential Information**”). Confidential Information shall not include any information that is (a) previously known on a non-confidential basis by the receiving Party, (b) in the public domain through no fault of such receiving Party, its Affiliates or its or its Affiliates’ officers, directors or employees, (c) received from a party other than a Party or its Representative, so long as such other party was not, to the best knowledge of the receiving Party, subject to a duty of confidentiality to any Party or (d) developed independently by the receiving Party without reference to confidential information of the disclosing Party. No Party shall disclose such Confidential Information to any third party other than as permitted under this Agreement.

(b) Notwithstanding any other provisions in this Section 7.10, if any Party believes in good faith that any announcement or notice must be prepared or published pursuant to applicable Laws (including any rules or regulations of any securities exchange or valid legal process) or information is otherwise required to be disclosed to any Governmental Authority, such Party may, in accordance with its understanding of the applicable Laws, make the required disclosure in compliance with the requirements of applicable Laws; provided that the Party who is required to make such disclosure shall, to the extent permitted by Law and so far as it is practicable, provide the Company and other relevant Parties with prompt notice of such requirement and cooperate with such Parties at their request, to enable such Parties to seek an

appropriate protection order or remedy; provided further that notwithstanding any other provision of this Agreement, JD.com, Inc. and/or the Company shall be permitted to include a description of this Agreement and its terms in any filing with any securities exchange and/or governmental authorities, and any documents or communications undertaken in connection with such filing(s), without the need for such notice or cooperation provided under this Section 7.10(b). In addition, each Party may disclose Confidential Information (i) to the extent required under judicial or regulatory process (after giving prior notice to the Company and the relevant Parties to the extent practicable under the circumstances and subject to any practicable arrangements to protect confidentiality) or (ii) in connection with any judicial process regarding any legal action, suit or proceeding arising out of or relating to the Transaction Documents; provided that, in the case of (i), the Party who is required to make such disclosure shall, to the extent permitted by Law and so far as it is practicable, at the request of the Company and other relevant Parties, cooperate with such Parties to enable such Parties to seek an appropriate protection order or remedy.

(c) Each Party may disclose the Confidential Information only to its Representatives and professional advisers on a need-to-know basis; provided that such Party shall ensure such Persons strictly abide by the confidentiality obligations hereunder; provided further that no disclosure to any Adverse Person or Competitor (each as defined in the Shareholders Agreement) or any Affiliate of Adverse Person or Competitor is allowed without the prior written consent of the Company. If any Purchaser is a fund, notwithstanding any other provisions hereunder, such Purchaser shall not disclose any Confidential Information to any of its investors without the Company's prior written consent.

(d) The confidentiality obligations of each Party hereunder shall survive the termination of this Agreement. Each Party shall continue to abide by the confidentiality clause hereof and perform the obligation of confidentiality it undertakes until the other Party to which the Confidential Information pertains approves release of that obligation or until a breach of the confidentiality clause hereof will no longer result in any prejudice to the such Party.

Section 7.11 Specific Performance. The Parties agree that irreparable damage may occur for which money damages would not be an adequate remedy in the event any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 7.12 Termination.

- (a) This Agreement shall terminate automatically prior to the Closing:
- (i) upon the written consent of each of the Parties; or
 - (ii) in the event that the Closing has not occurred on or prior to June 30, 2018 (unless otherwise agreed upon between the Company and the relevant Purchasers).
- (b) This Agreement may be terminated prior to the Closing:

(i) by any Party upon written notice to the other Parties, if any Governmental Authority shall have issued any Order or taken any other action permanently restraining, enjoining or otherwise prohibiting the Contemplated Transactions and such Order or other action has become final and non-appealable (provided that no Party shall be permitted to terminate this Agreement pursuant to this Section 7.12(b) if the imposition of such Order or other action was proximately caused by the breach by such Party or its Affiliate of any representation, warranty or covenant in this Agreement);

(ii) by a Purchaser as to its purchase of its Subscription Shares if there exists a breach of any representation or warranty of the Company such that the condition set forth in Section 3.1(a) would not be satisfied and such breach has not been cured (or is incapable of being cured) by the Company within thirty (30) days following its receipt of notice from such Purchaser of such breach; or

(iii) by the Company as to a Purchaser's purchase of its Subscription Shares if there exists a breach of any representation or warranty of such Purchaser such that the condition set forth in Section 3.2(a) would not be satisfied and such breach has not been cured (or is incapable of being cured) by such Purchaser within thirty (30) days following its receipt of notice from the Company of such breach.

(c) Upon any termination of this Agreement, this Agreement will have no further force or effect, except for the provisions of Article VI and this Article VII, which shall survive any termination under this Section 7.12; provided that no termination of this Agreement shall relieve any Party of liability for any breach of this Agreement prior to such termination.

Section 7.13 Headings. The headings of the various articles and sections of this Agreement are inserted merely for the purpose of convenience and do not expressly or by implication limit, define or extend the specific terms of the section so designated.

Section 7.14 Execution in Counterparts. For the convenience of the Parties and to facilitate execution, this Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Delivery of executed signature pages by facsimile or electronic transmission (via scanned PDF) will constitute effective and binding execution and delivery of this Agreement.

Section 7.15 Press Release and Public Filing. Upon the signing of this Agreement by all of the Parties, each Party may issue a press release regarding the Contemplated Transactions in the form previously agreed to by the Company.

Section 7.16 No Publicity. Each of the Parties will not, without the prior written consent of a Party (the "**Subject Party**"), use in advertising, publicity, marketing communications (whether oral or written) or other public communication or filing, the name of such Subject Party or, to their knowledge, the name of any partner, employee, Affiliate and/or controlling person thereof, except that the Company may make any such disclosure if, upon the advice of counsel, such disclosure is required by applicable Law and such Subject Party is notified in advance and given reasonable opportunity to minimize such disclosure. In addition, the Company may respond to inquiries about any public disclosure that was required by law or regulation, by confirming the

accuracy of such disclosure. The provisions of this Section 7.16 shall not apply to any announcement or other press release issued in accordance with Section 7.15 or any filing permitted under Section 7.10(b).

Section 7.17 Waiver. No waiver of any provision of this Agreement shall be effective unless set forth in a written instrument signed by the Party waiving such provision. No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy.

Section 7.18 No Third Party Right. The Parties do not intend that any term of this Agreement should be enforceable by any person who is not a party to this Agreement by virtue of the Contracts (Rights of Third Parties) Ordinance (Cap. 623) or otherwise. Notwithstanding any benefits possibly conferred by this Agreement on any third party by virtue of the Contracts (Rights of Third Parties) Ordinance (Cap. 623), the Parties may amend, vary, waive, terminate or rescind this Agreement at any time and in any way without the consent of any third party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

JINGDONG EXPRESS GROUP CORPORATION

By: /s/ authorized signatory _____

Name:

Title:

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

Eastar Capital Fund, L.P.

By: /s/ authorized signatory

Name:

Title:

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

HHJL Holdings Limited

By: /s/ Jennifer Neo Ju Yun
Name: Jennifer Neo Ju Yun
Title: Director

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

SCC Growth IV Holdco A, Ltd.

By: /s/ Ip Siu Wai Eva

Name: Ip Siu Wai Eva

Title: Authorized Signatory

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

SCC Growth IV 2018-A, L.P.

By: /s/ Ip Siu Wai Eva

Name: Ip Siu Wai Eva

Title: Authorized Signatory

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

China Life Trustees Ltd. in its capacity as trustee for CLT-CLI
HK BR (Class A) Trust Fund

By: /s/ authorized signatory _____

Name:

Title:

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

Jungle Parent Limited

By: /s/ Norma Kuntz

Name: Norma Kuntz

Title: Director

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

CHINA MERCHANTS LOGISTICS SYNERGY LIMITED
PARTNERSHIP

By: /s/ SU Min

Name: SU Min

Title: Director of GP of CHINA

MERCHANTS LOGISTICS SYNERGY LIMITED
PARTNERSHIP

By: /s/ WANG Vivian Nan

Name: WANG Vivian Nan

Title: Director of GP of CHINA

MERCHANTS LOGISTICS SYNERGY LIMITED
PARTNERSHIP

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

Skycus China Fund, L.P.
acting through its general partner
Skycus Asset Management Limited

By: /s/ Cheng Hongtao
Name: Cheng Hongtao
Title: Sole Director

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

TPP Follow-on I Holding E Limited

By: /s/ authorized signatory

Name:

Title:

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

Qianshan Logistics L.P.

By: /s/ WANG CHENG

Name: WANG CHENG

Title: Director

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

JINGDONG E-COMMERCE (EXPRESS) LLC

By: /s/ authorized signatory

Name:

Title:

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

SHAREHOLDERS AGREEMENT

among

JINGDONG EXPRESS GROUP CORPORATION

JINGDONG TECHNOLOGY GROUP CORPORATION

and

SERIES A INVESTORS

Dated March 7, 2018

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THIS SHAREHOLDERS AGREEMENT (this “**Agreement**”) is made as of March 7, 2018.

AMONG:

- (1) Jingdong Express Group Corporation, a company incorporated under the laws of the Cayman Islands (the “**Company**”);
- (2) Jingdong Technology Group Corporation, a company incorporated under the laws of the Cayman Islands (“**Jingdong**”); and
- (3) the holders of the Series A Preference Shares of the Company whose signature has been included in the signatures to this Agreement (collectively, the “**Series A Investors**”, and each a “**Series A Investor**”).

RECITALS:

- (A) On the date hereof, the Series A Investors have subscribed for certain Series A Preference Shares (as defined below) pursuant to the Share Subscription Agreement (as defined below).
- (B) The Parties (as defined below) wish to provide for certain matters relating to the transfer of shares of the Company and the management and operation of the Company.

AGREEMENT:

In consideration of the mutual covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

SECTION 1 INTERPRETATION

1.1 Definitions. In this Agreement, unless the context otherwise requires, the following words and expressions have the following meanings:

“**Act**” means the Companies Law (2016 Revision) of the Cayman Islands, as amended, modified or re-enacted from time to time.

“**Adverse Person**” means the Persons designated by Jingdong and notified to the Shareholders in writing on the date of the Share Subscription Agreement, including any Affiliates of such Persons; and the list of such Persons can be amended by Jingdong (subject to the consent of the Lead Investors) and notified to the Shareholders in writing from time to time.

“**Affiliate**” of a Person (the “**Subject Person**”) means (a) in the case of a Person other than a natural person, any other Person that directly or indirectly Controls, is Controlled by or is under common Control with the Subject Person, and (b) in the case of a natural person, any other Person that is a Relative of the Subject Person, and any other Person that is

directly or indirectly Controlled by the Subject Person and/or the Relative of the Subject Person; provided that the Company and its Subsidiaries shall be deemed not to be Affiliates of any Shareholder.

“**Articles**” means, collectively, the First Amended and Restated Memorandum and Articles of Association of the Company effective as of the date hereof, as amended from time to time.

“**Board**” means the board of Directors of the Company.

“**Business Day**” means any day other than Saturday, Sunday or other day on which commercial banks located in the Cayman Islands, the PRC or Hong Kong are authorized or required by law or executive order to be closed and on which no tropical cyclone warning No. 8 or above and no “black” rainstorm warning signal is hoisted in Hong Kong at any time between 8:00 a.m. and 6:00 p.m. Hong Kong time.

“**Change of Control**” means Jingdong Group, taken as a whole, ceasing to have Control over the Company.

“**Competitor**” means any Person whose primary business is in direct competition with the Principal Business of the Group Companies in the PRC, where such business accounts for more than thirty percent (30%) of the total consolidated revenue of such Person in the preceding twelve (12) months and is the largest business by revenue of such Person, including any Affiliates of such Persons, but excluding any entity within Jingdong Group and Dada Nexus Limited and its controlled Affiliates.

“**Control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management of a Person, whether through the ownership of voting securities, by contract, credit arrangement or proxy, as trustee, executor, agent or otherwise. For the purpose of this definition, a Person shall be deemed to Control another Person if such first Person, directly or indirectly, owns or holds more than 50% of the voting Equity Securities in such other Person; and, notwithstanding any other provisions hereunder, for the purpose of, and when “Control” is used in, the definition of “Affiliate” to the extent such term of “Affiliate” is used in the definitions of “Adverse Person” and “Competitor”, a Person shall also be deemed to Control another Person if such first Person, (x) directly or indirectly, owns or holds at least 20% of the voting Equity Securities in such other Person or (y) has any right to nominate or appoint, or has nominated or appointed, any director to the board of directors, the chief executive officer or other similar senior management of such other Person. The term “Controlled” or “Controls” or “Controlling” has the meaning correlative to the foregoing.

“**Cooperation Agreement**” means the cooperation agreement (合作协议) by and between the Company and the relevant Shareholder dated as of February 14, 2018, as amended from time to time.

“**Directors**” means the members of the Board (including any duly appointed alternate director).

“**Encumbrance**” means any mortgage, charge, pledge, lien (other than arising by statute or operation of law), hypothecation, equitable interests, adverse claims, or other encumbrance, priority or security interest, over or in any property, assets or rights of whatsoever nature or interest or any agreement for any of the same.

“**Equity Securities**” means, with respect to any Person, such Person’s capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (including, without limitation, in the case of the Company, any Shares) or any options, warrants or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, such capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (whether or not such derivative securities are issued by such Person).

“**ESOP**” means any employee stock ownership plans and other similar share incentive plans adopted by the Company from time to time.

“**Governmental Authority**” means any government or political or other subdivision thereof, whether on a federal, central, state, provincial, municipal or local level and whether executive, legislative or judicial in nature, including any agency, authority, board, bureau, tribunal, commission, court, department or other instrumentality thereof and any regulatory body or self-regulatory body (including any securities exchange).

“**Group**” or “**Group Companies**” means collectively the Company and its Subsidiaries, and a “**Group Company**” means any of them. For the avoidance of doubt, the Group includes the VIE (as defined in the Share Subscription Agreement) and its Subsidiaries.

“**Investor Triggering Event**” has the meaning set forth for the term of Investor Triggering Event (投资人触发事件) in the Cooperation Agreement with the relevant Shareholder.

“**IPO**” means the initial public offering with concurrent listing on any recognized stock exchange of the Equity Securities of the Company or of the listing vehicle or other holding entity which, at the relevant time, directly or indirectly holds all or substantially all of the Group Companies’ assets.

“**Jingdong Group**” means Jingdong and its Affiliates (for the avoidance of doubt, excluding any Group Companies).

“**Lead Investors**” means the Shareholders (other than Jingdong and its Affiliates) holding, together with their Affiliates, the largest and the second largest percentage of Shares as a proportion of all Shares (excluding Shares held by Jingdong and its Affiliates) in issue from time to time.

“**Ordinary Shares**” means the ordinary shares, par value \$0.000025 each, in the capital of the Company, having the rights and being subject to the restrictions set out in this Agreement and the Articles.

“**Party**” or “**Parties**” means any signatory or the signatories to this Agreement and any Person or Persons who subsequently becomes a party to this Agreement as provided herein.

“**Person**” means any natural person, firm, partnership, association, corporation, company, trust, public body or government or other entity of any kind or nature.

“**PRC**” means the People’s Republic of China, but for purposes of this Agreement, excluding Hong Kong, Macau and Taiwan.

“**Preferred Shareholders**” means the Shareholders holding any Preference Shares, including the Series A Investors, and a “**Preferred Shareholder**” means any one of them.

“**Preference Shares**” means any preference shares, par value \$0.000025 each, in the capital of the Company, having the rights and being subject to the restrictions set out in this Agreement and the Articles, including the Series A Preference Shares and any other series of preference shares that may be issued by the Company in the future.

“**Qualified Holder**” means (i) a Series A Investor (other than Jingdong E-COMMERCE (EXPRESS) LLC) that holds more than 1.25% of the total Equity Securities in the Company on a fully diluted basis, provided that such Series A Investor is not any Competitor, Adverse Person or Affiliate of any Competitor or Adverse Person and (ii) any other Shareholder (that holds more than 1.25% of the total Equity Securities in the Company on a fully diluted basis) as designated by the Board in writing.

“**Qualified IPO**” means an IPO (i) that has been approved by the Board according to Section 5.4(a) or (ii) with the offering price per share that values the Company at no less than US\$20,000,000,000 on a fully diluted basis immediately following the completion of such IPO.

“**Regulatory Approvals**” means all approvals, permissions, authorizations, consents and notifications from and registrations with any Governmental Authority or other regulatory or departmental authority.

“**Related Party Transaction**” means a transaction between any Group Company, on the one hand, and any entity within the Jingdong Group, on the other hand.

“**Related Party Transaction Principles**” means the principles on pricing and fee sharing with respect to Related Party Transactions as agreed between the Company and the Series A Investors and attached hereto as Exhibit B and the principles on pricing and fee sharing with respect to Related Party Transactions as adopted by the Board under Section 5.4 of this Agreement.

“**Relative**” of a natural person means any spouse, parent, child, or sibling of such person.

“**Restricted Business**” means a business which is in direct competition with the Principal Business.

“**Series A Preference Shares**” means the Series A preference shares, par value US\$0.000025 each, in the capital of the Company, having the rights and being subject to the restrictions set out in this Agreement and the Articles.

“**Share Subscription Agreement**” means the Series A Preference Shares Subscription Agreement by and among the Company and each of the purchasers of the Series A Preference Shares dated as of February 14, 2018, as amended from time to time.

“**Shareholders**” means the holders of the Shares and in the case of any Shareholder that is a natural person shall be deemed to include the estate of such Shareholder and the executor, conservator, committee or other similar legal representative of such Shareholder or such Shareholder’s estate following the death or incapacitation of such Shareholder.

“**Shares**” means, collectively, the Ordinary Shares and the Preference Shares.

“**Subsidiary**” of any Person means any corporation, partnership, limited liability company, or other organization, whether incorporated or unincorporated, which is Controlled by such Person. For the avoidance of doubt, a “variable interest entity” Controlled by a Person shall be deemed a Subsidiary of such Person.

“**Ungranted ESOP Percentage**” means the total number of Ordinary Shares which have been reserved for the ESOPs but have not been granted or are otherwise available for future grants under the ESOPs, as a percentage of the then total Equity Securities of the Company on a fully diluted basis.

“**US\$**” means United States Dollars, the lawful currency of the United States of America.

“**Warrant**” means each Series A Preference Shares Purchase Warrant issued by the Company.

1.2 Terms Defined Elsewhere in this Agreement. The following terms are defined in this Agreement as follows:

Term	Section
Agreement	Preamble
Asking Price	3.4(b)
Company	Preamble
Competing Business	6.3(a)
Competitor Related Breach	9.3
Confidential Information	8.1
Dispute	12.2
First Offer Right	3.4(a)
HKIAC	12.2
Initial Expiry Date	3.4(c)
Investor Directors	5.2(a)(i)
Issuance Period	4.3(c)
Issuance Securities	4.1(a)
Jingdong	Preamble
Jingdong Director	5.2(a)(ii)
Non-Selling Shareholder	3.4(a)
Notices	10.1

Observer	5.5
Offer Longstop Date	3.4(c)
Offer Notice	3.4(c)
Offered Shares	3.3(d)
Offerees	3.3(b)
Participating Shareholder	3.4(d)
Preemptive Acceptance Notice	4.3(a)
Preemptive Acceptance Period	4.3(a)
Preemptive Offer	4.2(b)
Preemptive Offer Notice	4.2(a)
Preemptive Right Holder	4.1(a)
Principal Business	6.3(a)
Proposed Issuance	4.2(a)
Proposed Recipient	4.1(a)
Put Option	3.3(f)
Representatives	8.1
ROFO Offered Shares	3.4(a)
ROFO Transfer Notice	3.4(b)
Series A Investor	Preamble
Series A Investors	Preamble
Shareholders Meeting	5.1
SPV	3.7
Tagging Offeree	3.3(d)
Tag-Along Longstop Date	3.3(e)
Tag-Along Notice	3.3(d)
Tag-Along Notice Period	3.3(c)
Tag-Along Offered Shares	3.3(b)
Tag-Along Right	3.3(a)
Tag-Along Sale	3.3(a)
Tag-Along Seller	3.3(a)
Tag-Along Transfer Notice	3.3(b)
Third Party	3.4(a)
Transfer	3.1
Transferring Shareholder	3.4(a)
Triggering Event	5.6

Interpretation.

- (a) Directly or Indirectly. The phrase “directly or indirectly” means directly, or indirectly through one or more intermediate Persons or through contractual or other arrangements and “direct or indirect” has the correlative meaning.
- (b) Gender and Number. Unless the context otherwise requires, all words (whether gender-specific or gender neutral) shall be deemed to include each of the masculine, feminine and neuter genders, and words importing the singular include the plural and vice versa.

- (c) Headings. Headings are included for convenience only and shall not affect the construction of any provision of this Agreement.
- (d) Include not Limiting. “Include,” “including,” “are inclusive of” and similar expressions are not expressions of limitation and shall be construed as if followed by the words “without limitation”.
- (e) Law. References to “law” or “laws” shall include all applicable laws, regulations, rules and orders of any Governmental Authority, securities exchange or other self-regulating body, including any common or customary law, constitution, code, ordinance, statute or other legislative measure and any regulation, rule, treaty, order, decree or judgment; and “lawful” shall be construed accordingly.
- (f) Persons. A reference to any “Person” shall, where the context permits, include such person’s executors, administrators, legal representatives and permitted successors and assignees.
- (g) References to Documents. References to this Agreement include the Schedules and Exhibits, which form an integral part hereof. A reference to any Section, Schedule or Exhibit is, unless otherwise specified, to such Section of, or Schedule or Exhibit to this Agreement. The words “hereof,” “hereunder” and “hereto,” and words of like import, unless the context requires otherwise, refer to this Agreement as a whole and not to any particular Section hereof or Schedule or Exhibit hereto. References to any document (including this Agreement) are references to that document as amended, consolidated, supplemented, novated or replaced from time to time.
- (h) Share Calculations. In calculations of share numbers, references to “**fully diluted basis**” mean that the calculation is to be made assuming that all outstanding options, warrants, other Equity Securities convertible into or exercisable or exchangeable for Shares (whether or not by their terms then currently convertible, exercisable or exchangeable) and Equity Securities which have been reserved for issuance pursuant to the ESOP(s), have been so converted, exercised, exchanged or issued and references to “**non-diluted basis**” mean the calculation is made taking into account Shares then in issue only. Any share calculation that makes reference to a specific date shall be appropriately adjusted to take into account any share split, share consolidation or similar event after such date.
- (i) Statutory References. A reference to a statute or statutory provision includes, to the extent applicable at any relevant time:
 - (i) that statute or statutory provision as from time to time consolidated, modified, re-enacted or replaced by any other statute or statutory provision;
 - (ii) any repealed statute or statutory provision which it re-enacts (with or without modification); and

- (iii) any subordinate legislation or regulation made under the relevant statute or statutory provision.
- (j) Time. Except as otherwise provided, (i) for purposes of calculating the length of time from a given day or the day of a given act or event, the relevant period shall be calculated exclusive of that day, and (ii) for all other purposes, any period of time commencing on or from a given day or the day of a given act or event shall include that day. If the day on or by which a payment must be made is not a Business Day, such payment must be made on or by the Business Day immediately following such day.
- (k) Writing. References to writing include any mode of reproducing words in a legible and non-transitory form including emails and faxes.
- (l) Joint Drafting. The Parties have each participated in the negotiation and drafting of this Agreement and if an ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the Parties and no presumption of burden of proof shall arise favoring or burdening any Party by virtue of the authorship of any provision in this Agreement.

SECTION 2 OBLIGATIONS OF THE SHAREHOLDERS

- 2.1 Shareholder Obligations. Each Shareholder shall comply with the provisions of this Agreement and the Articles in relation to its investment in the Company and in transacting business with the Company and shall exercise its rights and powers in accordance with and so as to give effect to this Agreement and the Articles.

SECTION 3 RESTRICTIONS ON TRANSFER OF SHARES

- 3.1 Limitation on Transfers. No Shareholder shall directly or indirectly sell, give, assign, hypothecate, pledge, encumber, grant a security interest in or otherwise dispose of, or suffer to exist (whether by operation of law or otherwise) any Encumbrance on, any Shares or any right, title or interest therein or thereto (each, a “**Transfer**”), unless such Transfer is made in compliance with this Section 3. Any attempt to Transfer any Shares in violation of the preceding sentence shall be null and void *ab initio*, and the Company shall not register any such Transfer.
- 3.2 Conditions for Transfers. Notwithstanding any other provision of this Agreement, no Transfer may be made pursuant to this Section 3 unless (a) the transferee has agreed in writing to be bound by the terms and conditions of this Agreement pursuant to a Deed of Adherence substantially in the form attached hereto as Exhibit A, (b) the Transfer complies in all respects with the other applicable provisions of this Agreement and (c) the Transfer complies in all respects with applicable securities laws.

3.3 Tag-Along Right.

- (a) Transfers Subject to Tag-Along Right. If Jingdong (the “**Tag-Along Seller**”) receives a bona fide offer to acquire Shares held by it and proposes to accept such offer to Transfer Shares to any Person (other than any other Shareholder or any Affiliates of Jingdong) that would result in a Change of Control other than pursuant to an IPO (the “**Tag-Along Sale**”), each Series A Investor shall have a tag-along right (the “**Tag-Along Right**”) with respect to such Tag-Along Sale as provided in this Section 3.3.
- (b) Tag-Along Transfer Notice. If the Tag-Along Seller proposes to accept the offer for a Tag-Along Sale, it shall send a written notice (the “**Tag-Along Transfer Notice**”) to the Series A Investors (the “**Offerees**”), which notice shall state (i) the name and address of the proposed transferee(s), (ii) the number and the type of Shares proposed to be Transferred by the Tag-Along Seller (such number of Shares, the “**Tag-Along Offered Shares**”), (iii) the amount and form of the proposed consideration for the proposed Transfer, and (iv) the proposed completion date for the Tag-Along Sale, which shall be no less than fifteen (15) Business Days following the date of the Tag-Along Transfer Notice.
- (c) Rights of the Offerees. Each Offeree shall have the right, exercisable by delivering the Tag-Along Notice (as defined below) to the Tag-Along Seller within ten (10) Business Days after its receipt of the Tag-Along Transfer Notice (the “**Tag-Along Notice Period**”), to require the Tag-Along Seller to cause the proposed transferee(s) to purchase from such Offeree, for the same consideration per Share and upon the same terms and conditions (subject to paragraph (d) below) as to be paid and given to the Tag-Along Seller, up to a maximum number of the Tag-Along Offered Shares *multiplied by* a fraction, the numerator of which is the number of Shares held by such Offeree and the denominator of which is the aggregate number of Shares held by the Tag-Along Seller and all the Offerees which are entitled to the Tag-Along Right, in each case (for both the numerator and the denominator) on a fully diluted basis as of the date of the Tag-Along Transfer Notice.
- (d) Tag-Along Notice. If an Offeree elects to exercise its Tag-Along Right (a “**Tagging Offeree**”), such Tagging Offeree shall deliver a written notice (the “**Tag-Along Notice**”) of such election to the Tag-Along Seller within the Tag-Along Notice Period, specifying (i) the number of Shares it wishes to sell pursuant to the Tag-Along Right (subject to the maximum number of Shares calculated pursuant to paragraph (c) above) (the “**Offered Shares**”), and (ii) the wire transfer or other instructions for payment of the consideration for the Shares being transferred in such Tag-Along Sale. Such notice shall be irrevocable and shall constitute a binding agreement by such Tagging Offeree to Transfer the Offered Shares on the terms and conditions set forth in the Tag-Along Transfer Notice (subject to the last sentence of this paragraph (d)). The failure of an Offeree to give a Tag-Along Notice within the Tag-Along Notice Period shall be deemed to be a waiver of such Offeree’s Tag-Along Right. If reasonably requested by the Tag-Along Seller, each Tagging Offeree shall deliver to the Tag-Along Seller executed copies (or signature

pages thereof) of such customary agreements, documents or certificates (including a joinder to the purchase agreement or other similar document) in connection with the Tag-Along Sale or the Transfer by such Offeree in accordance with this Section 3.3. Each Tagging Offeree shall, severally and not jointly, make such representations and warranties and provide such covenants, undertakings and indemnities *mutatis mutandis* as those made by the Tag-Along Seller in connection with the Tag-Along Sale in accordance with this Section 3.3. Notwithstanding anything to the contrary herein, each Tagging Offeree shall not be required to make or give any representations, warranties, indemnities or covenants with respect to the Group Companies' operations.

- (e) Consummation. The closing of the sale of Shares pursuant to the Tag-Along Right must be concluded within sixty (60) Business Days of receipt of the Tag-Along Notice (or, if later, within fifteen (15) Business Days from the receipt of any applicable approvals from any Governmental Authority) (the “**Tag-Along Longstop Date**”) and shall occur simultaneously with the Transfer of Shares by the Tag-Along Seller in the Tag-Along Sale. At such closing, each Tagging Offeree shall deliver the Offered Shares and execute any necessary documents in the form stipulated in the Tag-Along Transfer Notice in order to give effect to such Transfer. Subject to this Section 3.3, the Tag-Along Seller, on the one hand, and the Offerees, on the other hand, shall have no liability to each other or any other Person if the Tag-Along Sale pursuant to this Section 3.3 is not consummated. Whether to effect a Tag-Along Sale pursuant to this Section 3.3 by the Tag-Along Seller is in the sole and absolute discretion of the Tag-Along Seller. In the event that the closing of the sale of Shares pursuant to the Tag-Along Right does not take place by the Tag-Along Longstop Date, any election to exercise the Tag-Along Right shall be deemed to have expired and the provisions of this Section 3.3 shall again be complied with before a Tag-Along Sale may take place. For the avoidance of doubt, the provisions of this Section 3.3 shall not apply to any proposed Transfer of any Shares by the Tag-Along Seller to an Affiliate of the Tag-Along Seller.
- (f) Put Option. Where any Tagging Offeree has properly elected to exercise its Tag-Along Right and the proposed transferee prohibits the participation of such Tagging Offeree or otherwise refuses to purchase Offered Shares from such Tagging Offeree, the Tag-Along Seller shall not make the proposed Transfer unless and until, simultaneously with such Transfer, the Tag-Along Seller shall purchase from such Tagging Offeree the Offered Shares for the same consideration and on the same terms and conditions as described in the Tag-Along Transfer Notice. In the event of any material breach by Jingdong of the provisions of this Section 3.3(f), each Tagging Offeree shall have the right (the “**Put Option**”) to require Jingdong to purchase from such Tagging Offeree, for the same consideration and on the same terms and conditions as described in the Tag-Along Transfer Notice, the Offered Shares that such Tagging Offeree would have been entitled to sell pursuant to the exercise of its Tag-Along Right under this Section 3.3. Closing of the exercise of the Put Option shall take place on the date agreed between such Tagging Offeree and Jingdong (or, in the absence of agreement, the date that is ten (10) Business Days after the later of (x) the date on which such Tagging Offeree delivers a written

notice to Jingdong specifying its election to exercise the Put Option and (y) the date of closing of the Transfer of Shares by the Tag-Along Seller in the Tag-Along Sale). Notwithstanding anything to the contrary herein, any Transfer of Shares pursuant to this Section 3.3(f) will not be deemed to be a Transfer of Shares for the purposes of the remaining provisions of this Section 3.

3.4 Right of First Offer.

- (a) Transfers Subject to Right of First Offer. Subject to other provisions of this Section 3 and except for any Transfer pursuant to an IPO or the exercise of its Tag-Along Right, if any Shareholder other than Jingdong (the “**Transferring Shareholder**”) proposes to Transfer any or all of its Shares (the “**ROFO Offered Shares**”) to any Person (a “**Third Party**”), Jingdong (the “**Non-Selling Shareholder**”) shall have a right of first offer (the “**First Offer Right**”) with respect to such Transfer as provided in this Section 3.4.
- (b) ROFO Transfer Notice. Where a Transferring Shareholder wishes to Transfer the ROFO Offered Shares, the Transferring Shareholder shall first serve written notice on the Non-Selling Shareholder of its intention to Transfer the ROFO Offered Shares (the “**ROFO Transfer Notice**”), stating the asking price for the ROFO Offered Shares (the “**Asking Price**”).
- (c) Rights of Non-Selling Shareholder. The Non-Selling Shareholder will have a period of twenty (20) Business Days from the date of the ROFO Transfer Notice (the date on which such period expires, the “**Initial Expiry Date**”) to provide the Transferring Shareholder with a written binding offer (the “**Offer Notice**”) to acquire all (but not only some) of the ROFO Offered Shares at the Asking Price. The offer set out in the Offer Notice shall be unconditional (except for any regulatory approvals that may be required) and closing of the Transfer of the relevant ROFO Offered Shares pursuant to such offer and simultaneous payment of the consideration therefor shall occur as soon as practicable and, in any event, within thirty (30) Business Days after the Initial Expiry Date (or, if later, within fifteen (15) Business Days of receipt any regulatory approvals required for such Transfer) (the date on which such period expires, the “**Offer Longstop Date**”).
- (d) Sale to Third Party Purchaser. In the event that: (i) the Non-Selling Shareholder does not validly deliver any Offer Notice to the Transferring Shareholder on or prior to the Initial Expiry Date; or (ii) the Non-Selling Shareholder who has elected to exercise its First Offer Right (the “**Participating Shareholder**”) has offered to acquire the ROFO Offered Shares prior to the Initial Expiry Date but closing of the Transfer of the ROFO Offered Shares (and the simultaneous payment of the consideration therefor) does not occur on or prior to the Offer Longstop Date for any reason not directly attributable to the Transferring Shareholder, then the Transferring Shareholder shall have a period of ninety (90) days from (a) the Initial Expiry Date (in the case under paragraph (i)); or (b) the Offer Longstop Date (in the case under paragraph (ii)), to enter into a binding agreement to sell all or any remaining portion of the ROFO Offered Shares to any Third Party, in each case at

a price no lower than the Asking Price. In the event that the Transferring Shareholder fails to enter into a binding agreement for the sale of the ROFO Offered Shares to the Third Party prior to the end of the said ninety (90)-day period or fails to close the sale under the binding agreement within ten (10) Business Days thereafter, the Transferring Shareholder shall no longer be entitled to proceed with the sale of the ROFO Offered Shares unless it repeats the procedure stated in this Section 3.4. Notwithstanding any other provisions hereunder, a Transferring Shareholder proposing to Transfer any Shares to any Third Party shall, prior to entering into any binding agreement, provide the Company with an affidavit issued by the proposed transferee to confirm and warrant that the proposed transferee is not an Adverse Person, a Competitor or an Affiliate of any Adverse Person or Competitor, and if the Company raises any dissent or question as to the content of such affidavit, the Transferring Shareholder shall provide or cause the proposed transferee to provide information and/or documents as reasonably requested by the Company to support the confirmation in the affidavit. The proposed Transfer to such proposed Third Party may not proceed in accordance with this Section 3.4(d) unless and until the Company has been reasonably satisfied that the proposed Third Party transferee is not an Adverse Person, a Competitor or an Affiliate of any Adverse Person or Competitor.

- (e) Closing. At closing of the sale of the ROFO Offered Shares to the Participating Shareholder pursuant to the exercise of the First Offer Right in accordance with this Section 3.4, the Transferring Shareholder shall deliver certificates representing the ROFO Offered Shares, accompanied by duly executed instruments of transfer and the Transferring Shareholder's portion of the requisite transfer taxes, if any. Such ROFO Offered Shares shall be free and clear of any Encumbrance (other than Encumbrances arising hereunder), and the Transferring Shareholder shall so represent and warrant and shall further represent and warrant that it is the beneficial and record owner of such ROFO Offered Shares. The Participating Shareholder shall deliver at such closing (or on such later date as agreed between the Transferring Shareholder and the Participating Shareholder) payment in full of the Asking Price of the relevant ROFO Offered Shares; provided, however, that the Participating Shareholder shall be entitled, in the event that it so decides, to deduct from the payment of the Asking Price an applicable amount with respect to any PRC tax applicable to the Transferring Shareholder in connection with the sale of the ROFO Offered Shares to the Participating Shareholder according to applicable PRC laws (in the event of any disagreement between the Participating Shareholder and the Transferring Shareholder with respect to the applicable amount to be deducted, such amount to be deducted shall be reasonably determined by the Company). At such closing, the Transferring Shareholder and the Participating Shareholder shall execute such additional documents as may be necessary to effect the sale of the ROFO Offered Shares by the Transferring Shareholders to the Participating Shareholder.

- 3.5 No Transfer to Adverse Person or Competitor. Notwithstanding any other provisions hereunder, no Shareholder shall Transfer any Equity Securities of the Company to an

Adverse Person, a Competitor or an Affiliate of any Adverse Person or Competitor without the prior written consent of Jingdong.

- 3.6 Restriction on Transfer by Transferring Shareholders. Notwithstanding any other provisions hereunder, except pursuant to an IPO or the exercise of its Tag-Along Right, no Transferring Shareholder shall Transfer any Equity Securities of the Company within the first thirty-six (36) months after the date hereof, without the prior written consent of Jingdong.
- 3.7 Avoidance of Restrictions. The Parties agree that the Transfer restrictions in this Agreement and in the Articles shall not be capable of being avoided by the holding of Shares indirectly through a company or other entity (the “**SPV**”) that can itself be sold in order to dispose of an interest in Shares free of such restrictions. Any Transfer or other disposal (including new issuance) of any shares (or other interest, including partnership interest) of the SPV or of any company (or other entity) directly or indirectly holding any interest in that SPV shall be treated as being a Transfer of the Shares held by that Shareholder, and the provisions of this Agreement and the Articles that apply in respect of the Transfer of Shares shall thereupon apply in respect of the Shares so held.
- 3.8 Transfer of Convertible Securities. Any Transfer of Equity Securities exercisable or convertible into or exchangeable for Shares will be deemed for the purposes of this Section 3 to be a Transfer of Shares.
- 3.9 Termination of Transfer Restrictions. The provisions of Section 3.3 shall terminate upon the earliest of (i) the consummation of an IPO, (ii) the closing of a Tag-Along Sale and (iii) the closing of any merger or division of the Company which results in a Change of Control.

SECTION 4 PREEMPTIVE RIGHTS

- 4.1 Restrictions.
- (a) Except as provided under Section 4.1(c), the Company shall not issue any Equity Securities of any type or class (“**Issuance Securities**”) to any Person (the “**Proposed Recipient**”) unless the Company has offered each Qualified Holder and Jingdong (collectively, the “**Preemptive Right Holders**”) in accordance with the provisions of this Section 4 the right to purchase such Preemptive Right Holder’s pro rata share of such Issuance Securities for a per unit consideration, payable solely in cash, equal to the per unit consideration to be paid by the Proposed Recipient and otherwise on the same terms and conditions as are offered to the Proposed Recipient. Any Shareholder who is not a Preemptive Right Holder shall have no rights under this Section 4.
- (b) For the purposes of this Section 4, a Preemptive Right Holder’s pro rata share of Issuance Securities at any time shall be calculated as the product of (i) the number of Issuance Securities multiplied by (ii) a fraction, the numerator of which is the total amount of Preference Shares owned by such Preemptive Right Holder at such time, and the denominator of which is the total amount of Equity Securities in the

Company at such time, in each case (for both the numerator and the denominator) on a fully diluted basis.

- (c) The restrictions set out in Section 4.1(a) shall not apply to (i) any issuance of Ordinary Shares upon the conversion of the Preference Shares, (ii) issuance of Shares pursuant to an IPO, (iii) issuance of Shares pursuant to any ESOP (s), (iv) issuance of Equity Securities pursuant to a bona fide equipment financing or leasing arrangements or bank financing transaction or as consideration in connection with a bona fide business acquisition by the Company, whether by merger, consolidation, amalgamation or other business combination transaction, joint venture, sale or exchange of securities or other similar transaction involving the Company or a Group Company, (v) any Equity Securities issued in connection with any share split, share dividend, subdivision, combination, reclassification or other similar event in which all Preference Shares are entitled to participate on a pro rata basis, (vi) any Equity Securities issued as a dividend or distribution on Preference Shares or any event for which adjustment is made, (vii) any Series A Preference Shares issued pursuant to the Share Subscription Agreement or any Warrant, and (viii) any Equity Securities that are otherwise excluded by vote or written consent of holders of a majority of the Series A Preference Shares as a separate class.

4.2 Preemptive Offer Notice.

- (a) Not less than fifteen (15) Business Days before a proposed issuance of Equity Securities other than in connection with an issuance permitted under Section 4.1(c) (a “**Proposed Issuance**”), the Company shall deliver to each Preemptive Right Holder a written notice (a “**Preemptive Offer Notice**”) which shall set forth (i) the number and type of such Issuance Securities, (ii) the consideration to be received by the Company in connection with the Proposed Issuance and (iii) the proposed issuance date.
- (b) The Company shall, by delivering the Preemptive Offer Notice, offer each Preemptive Right Holder the option to acquire all or any portion of its pro rata share of the Issuance Securities (the “**Preemptive Offer**”).

4.3 Exercise of Preemptive Right.

- (a) Each Preemptive Right Holder shall have the right and option, for a period of seven (7) Business Days after delivery of the Preemptive Offer Notice (the “**Preemptive Acceptance Period**”), to elect to purchase all or any portion of its pro rata share of the Issuance Securities at the purchase price and on the terms and conditions stated in the Preemptive Offer Notice. Each Preemptive Right Holder may accept the Preemptive Offer by delivering a written notice (the “**Preemptive Acceptance Notice**”) to the Company within the Preemptive Acceptance Period specifying the number of Issuance Securities such Preemptive Right Holder will purchase, which shall not be more than such Preemptive Right Holder’s pro rata share of the Issuance Securities.

- (b) All sales of Issuance Securities to the Preemptive Right Holders subject to any Preemptive Offer Notice shall be consummated contemporaneously at the offices of the Company on a mutually satisfactory Business Day within twenty (20) Business Days after the expiration of the Preemptive Acceptance Period. The delivery of certificates or other instruments, if any, evidencing such Issuance Securities shall be made by the Company, as applicable, on such date against payment by the Preemptive Right Holders of the purchase price for such Issuance Securities.
- (c) If any Issuance Securities set forth in the Preemptive Offer Notice remain unpurchased or unsubscribed after the Preemptive Right Holders have either exercised or waived their rights under this Section 4.3, then the Company may issue all or any portion of such Issuance Securities so offered and not purchased or subscribed, at a price not less than the purchase price, and on terms and conditions not more favorable to the Proposed Recipient than the purchase price, terms and conditions stated in the Preemptive Offer Notice at any time within ninety (90) days after the expiration of the Preemptive Acceptance Period (the “**Issuance Period**”); provided, that if such issuance is subject to Regulatory Approval, the Issuance Period shall be extended until the expiration of the fifteenth (15th) Business Day following the receipt of all such Regulatory Approvals, but in no event later than one hundred and eighty (180) days following the expiration of the Preemptive Acceptance Period. In the event that all of the Issuance Securities are not so issued during the Issuance Period, the right of the Company to issue such unsold Issuance Securities shall expire and the obligations of this Section 4 shall be reinstated and such unsold Issuance Securities shall not be offered unless first reoffered to the Preemptive Right Holders in accordance with this Section 4.
- (d) Any Preemptive Right Holder that fails to deliver a Preemptive Acceptance Notice in accordance with Section 4.3 (a) shall be deemed to have irrevocably waived any and all rights under this Section 4 with respect to a Preemptive Offer (but not with respect to any future Preemptive Offers).

4.4 Termination of Rights. The Preemptive Rights under this Section 4 shall terminate upon the consummation of an IPO.

SECTION 5 CORPORATE GOVERNANCE

5.1 General. From and after the date hereof, each Shareholder shall vote its Shares at any regular or special meeting of Shareholders (a “**Shareholders Meeting**”), and shall take all other actions necessary, to give effect to the provisions of this Agreement. In addition, each Shareholder shall vote its Shares at any Shareholders Meeting, upon any matter submitted for action by the Shareholders or with respect to which such Shareholder may vote, in conformity with the specific terms and provisions of this Agreement.

5.2 Board of Directors.

- (a) Number and Composition. The number of Directors constituting the entire Board shall be decided in accordance with Jingdong's sole and absolute discretion (subject only to Section 5.4(a)), which initially will be ten (10). Each Shareholder shall vote its Shares at any Shareholders Meeting called for the purpose of filling the positions on the Board or in any written consent of Shareholders executed for such purpose to elect, and shall take all other actions necessary to ensure the election to the Board of:
- (i) one (1) nominee designated by each of the Lead Investors, for so long as each such Lead Investor is not any Competitor, Adverse Person or an Affiliate of any Competitor or Adverse Person (collectively the "**Investor Directors**"); and
 - (ii) any nominees designated by Jingdong (the "**Jingdong Directors**") for the remaining seats of the Board.
- (b) Removal and Replacement of Directors.
- (i) A Director shall be removed from the Board, with or without cause, upon, and only upon, written notice to the Company by the Shareholder who appointed him/her according to Section 5.2(a) above, unless such Director resigns voluntarily or the term of his/her service expires, in which case the Shareholder entitled to appoint such Director according to Section 5.2(a) shall be entitled to nominate a replacement to be appointed by the Board to fill the vacancy thus created.
 - (ii) Directors may only be appointed to and removed from the Board by the relevant Shareholders in accordance with this Agreement and the Articles.
 - (iii) If a nominating Shareholder ceases to be entitled to nominate a Director according to Section 5.2(a), such Shareholder shall immediately cause the Director on the Board appointed by such Shareholder to resign or be removed.
- (c) Chairman of the Board. The Chairman of the Board shall be selected from among the Directors by a majority vote of the Directors. Notwithstanding any provision contained in this Agreement or the Articles, (i) each Shareholder shall cause the Directors designated by such Shareholder to select one Jingdong Director as the Chairman of the Board, who initially shall be Mr. LIU Qiangdong, and (ii) the Chairman of the Board shall, as a Director, have the number of votes as calculated from the following formula:

Number of votes of the Chairman = Number of Directors (initially being ten (10)) – Number of Investor Directors (initially being two (2)) - Number of then incumbent Jingdong Directors + one (1).

For the avoidance of doubt, other than as provided above in respect of the Chairman of the Board, each of the Investor Directors and the Jingdong Directors (other than the Chairman of the Board), shall have one (1) vote when any resolution shall be passed by the Board.

5.3 Board Meetings.

- (a) Notice. A meeting may be called by the Chairman of the Board or any three Directors giving notice in writing to the company secretary of the Company specifying the date, time and agenda for such meeting. The company secretary of the Company shall upon receipt of such notice give a copy of such notice to all Directors of such meeting, accompanied by a written agenda specifying the business of such meeting and copies of all papers relevant for such meeting. Not less than two (2) days' notice shall be given to all Directors; provided, however, that such notice period may be reduced with the written consent of all of the Directors.
- (b) Quorum. All meetings of the Board shall require a quorum of at least three (3) incumbent Directors.
- (c) Voting. At any Board meeting, each Director may exercise one vote (subject to Section 5.2(c)). No Director shall have a casting vote in the event of a tie. Any Director may, by written notice to the company secretary of the Company, authorize another Person to attend and vote by proxy for such Director at any Board meeting. Subject to Section 5.4, the adoption of any resolution of the Board shall require the affirmative vote of a majority of the total votes held by the Directors present at a duly constituted meeting of the Board.
- (d) Participation. Directors may participate in Board meetings by telephone or video conference, and such participation shall constitute presence for purposes of the quorum provisions of Section 5.3(b).
- (e) Action by Written Consent. Any action that may be taken by the Directors at a meeting may be taken by a written resolution signed by all of the Directors.

5.4 Board Reserved Matters. Subject to any additional requirements imposed by the Act, except as contemplated under this Agreement or the Share Subscription Agreement, the Company shall not take, approve, authorize or agree or commit to do any of the following actions without the affirmative consent or approval by the majority of the total votes of the Directors (which majority shall include at least one (1) Investor Director):

- (a) an IPO with the offering price per share that values the Company at less than US\$20,000,000,000 on a fully diluted basis immediately following the completion of such IPO;
- (b) any change in the number of Directors such that the proportion of Jingdong Directors on the Board exceeds the proportion of Shares held by Jingdong in the Company (on a non-diluted basis);

- (c) increase the number of Ordinary Shares reserved for any ESOPs which have been adopted as of the date hereof or reserve new pool of Ordinary Shares for new ESOPs after the date hereof, in each case other than any reserve, increase or adoption in accordance with Section 5.6;
 - (d) any Related Party Transaction with an amount, individually or through a series of related transactions, in excess of 1% of the total consolidated revenue of the Group as a whole of the preceding financial year (for the avoidance of doubt, the total consolidated revenue of the Group as a whole of any year when the Restructuring (as defined in the Share Subscription Agreement) has not been completed shall mean the pro forma consolidated revenue of the Group of that year after giving effect to the completion of the Restructuring), except for any such Related Party Transaction that (i) is existing or has been approved (and has been disclosed to HHJL Holdings Limited or its counsel or any Representative) prior to the date of the Share Subscription Agreement, (ii) is permitted by and compliant with the Related Party Transaction Principles, as amended from time to time, or (iii) is contemplated by and executed in accordance with the Restructuring Plan (as defined in the Share Subscription Agreement); or
 - (e) adoption of the Related Party Transaction Principles (other than the Related Party Transaction Principles for the years from 2018 to 2020 that have been adopted);
 - (f) any material amendment to the Related Party Transaction Principles;
 - (g) any sale, transfer, license, or otherwise disposal of any material intellectual property rights of the Group (taken as a whole), except for license in the ordinary course of business.
- 5.5 Board Observers. For so long as any Shareholder (i) holds at least 1.25% of the total Equity Securities of the Company on a fully diluted basis, (ii) does not have the right under Section 5.2(a) to designate nominee to the Board, and (iii) is not any Competitor, Adverse Person or Affiliate of Competitor or Adverse Person, it shall have the right to appoint an observer to the Board to attend board meetings of the Company in a non-voting observer capacity (the “**Observer(s)**”).
- 5.6 Incentive Plan. As of the date hereof, the Company has reserved 436,000,000 Ordinary Shares for the ESOP(s). In the event that the Ungranted ESOP Percentage is less than five percent (5%) (the “**Triggering Event**”), the Shareholders and the Company shall:
- (a) immediately and in any event no later than the end of the year when the Triggering Event occurs, increase or cause to be increased the Ordinary Shares reserved for ESOPs, and
 - (b) increase or cause to be increased, the Ordinary Shares reserved for ESOPs on January 1st for each year following the year in which the Triggering Event occurs,
- in each case of (a) and (b) by an amount equal to one percent (1%) of the then total Equity Securities of the Company on a fully diluted basis, until the Ungranted ESOP Percentage

is higher than five percent (5%). For the avoidance of doubt, any increase of Ordinary Shares reserved for ESOPs as contemplated in this Section 5.6 shall not occur more than once a year.

- 5.7 Share Votes. Each Preference Share shall carry such number of votes as is equal to the number of votes of Ordinary Shares then issuable upon the conversion of such Preference Share into Ordinary Shares. The Preferred Shareholders and the Ordinary Shareholders shall vote together and not as a separate class unless otherwise required herein or in the Articles or by applicable laws.
- 5.8 Shareholders Reserved Matters. Subject to any additional requirements imposed by the Act, except as contemplated under this Agreement or the Share Subscription Agreement, the Company shall not take, approve, authorize or agree or commit to do any of the following actions without the affirmative consent or approval by the holders of at least fifty percent (50%) of all Series A Preference Shares; provided that written consent from the individuals designated by any Shareholder to serve on the Board, with any such individual acting in his or her capacity as a representative of such Shareholder, and not in his or her capacity as a Director of the Company, shall be deemed to constitute consent of such Shareholder:
- (a) issue any Equity Securities of the Company at a price per share lower than the Series A Purchase Price (as defined in the Articles);
 - (b) any merger, division (for the avoidance of doubt, any spin-off of any Subsidiaries of the Company which does not account for more than fifty percent (50%) of the total assets and business of the Group Companies (taken as a whole) shall not be deemed as a division) or dissolution of the Company; or
 - (c) any material change to the Principal Business engaged by the Group as a whole.
- 5.9 Termination of Right. The right of the relevant Shareholders to nominate or appoint a Person as Director or Observer to the Board provided in Sections 5.2 and 5.5 and the rights to approve the reserved matters under Sections 5.4 and 5.8 shall terminate upon the earliest of (i) the consummation of an IPO, (ii) the closing of a Tag-Along Sale and (iii) the closing of any merger or division of the Company which results in a Change of Control.

SECTION 6 COVENANTS

6.1 Information Rights.

For so long as a Shareholder is a Qualified Holder, the Company shall provide to such Shareholder:

- (a) audited consolidated annual financial statements of the Company, within fifteen (15) days after JD.com, Inc. has publicly disclosed its annual report of a fiscal year; and

- (b) unaudited consolidated quarterly financial statements of the Company, within seven (7) days after JD.com, Inc. has publicly disclosed its quarterly report of a quarter.

6.2 Termination of Information Rights. The information rights set forth in Section 6.1 shall terminate upon the consummation of an IPO.

6.3 Non-competition.

- (a) For the purpose of this Agreement: (i) “**Principal Business**” shall mean the businesses set forth in SCHEDULE 1; and (ii) “**Competing Business**” shall mean any Person engaged in the Restricted Business that (A) accounts for more than thirty percent (30%) of such Person’s total consolidated revenue in the preceding twelve (12) months and (B) is the largest business by revenue of such Person. For the purpose of this Section 6.3, none of Dada Nexus Limited and its controlled Affiliates shall be deemed as Affiliate of Jingdong or Competing Business.
- (b) Following the date hereof and until Jingdong Group ceases to hold at least 50% of the total Equity Securities in the Company on a fully diluted basis: (i) Jingdong shall not, and shall cause its Affiliates not to, hold more than fifty percent (50%) shareholding in any Competing Business; (ii) Jingdong shall, and shall cause its Affiliates to, introduce any material commercial opportunity with respect to the Principal Business to the Group; and (iii) Jingdong will, and will cause its Affiliate to, upon the Company’s request, use commercially reasonable efforts to negotiate with the Company in good faith for the purposes of transferring to the Company any Restricted Business that is engaged by Jingdong or its Affiliate(s) (as applicable) but is not a Competing Business.

6.4 Lock-up Agreement.

In connection with an IPO, each Shareholder agrees to enter into underwriting and lock-up agreements for the minimum period of time required by the underwriters of such IPO or the relevant investment or stock exchange.

SECTION 7 REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties.

Each Party represents to other Parties that:

- (a) such Party has the full power and authority to enter into, execute and deliver this Agreement and to perform the transactions contemplated hereby and, if such Party is not a natural person, such Party is duly incorporated or organized and existing under the laws of the jurisdiction of its incorporation or organization;

- (b) the execution and delivery by such Party of this Agreement and the performance by such Party of the transactions contemplated hereby have been duly authorized by all necessary corporate or other action of such Party;
- (c) assuming the due authorization, execution and delivery hereof by the other Parties, this Agreement constitutes the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies; and
- (d) the execution, delivery and performance of this Agreement by such Party and the consummation of the transactions contemplated hereby will not, (i) violate any provision of the constitutional, organizational or governance documents of such Party to the extent relevant, (ii) require such Party to obtain any consent, approval or action of, or make any filing with or give any notice to, any government authority in such Party's country of organization or any other Person pursuant to any instrument, contract or other agreement to which such Party is a party or by which such Party is bound, other than any such consent, approval, action or filing that has already been duly obtained or made, or that is permitted to be, and will be, obtained or made following the date hereof, or that is otherwise required hereunder, (iii) conflict with or result in any material breach or violation of any of the terms and conditions of, or constitute (or with notice or lapse of time or both constitute) a material default under, any instrument, contract or other agreement to which such Party is a party or by which such Party is bound, or (iv) violate any law applicable to such Party that would materially and adversely affect such Party's ability to execute, deliver or perform its obligations hereunder.

SECTION 8 CONFIDENTIALITY

8.1 General Obligation.

Each Party shall keep confidential (a) any information concerning the organization, business, technology, intellectual property, safety records, investment, finance, transactions or affairs of any Party or its Affiliates or any of their respective directors, officers, employees, investors or agents (collectively, the "**Representatives**") (whether conveyed in written, oral or in any other form and whether such information is furnished before, on or after the date of this Agreement); (b) the terms of this Agreement or any of the other documents entered into in connection with the Preferred Shareholders' investment in the Company, including the documents referred to in this Agreement, or the identities of the Parties and their respective Affiliates; (c) any other information or materials prepared by a Party or its Representatives that contains or otherwise reflects, or is generated from, Confidential Information; and (d) any information provided under Section 6.1 (collectively, the "**Confidential Information**"). Confidential Information shall not include any information that is (i) previously known on a non-confidential basis by the receiving Party,

(ii) in the public domain through no fault of such receiving Party, its Affiliates or its or its Affiliates' officers, directors or employees, (iii) received from a party other than a Party or its Representatives, so long as such other party was not, to the best knowledge of the receiving Party, subject to a duty of confidentiality to any Party or (iv) developed independently by the receiving Party without reference to confidential information of the disclosing Party. No Party shall disclose such Confidential Information to any third party other than as permitted under this Agreement.

- 8.2 Exemptions. Notwithstanding any other provisions in this Section 8, if any Party believes in good faith that any announcement or notice must be prepared or published pursuant to applicable laws (including any rules or regulations of any securities exchange or valid legal process) or information is otherwise required to be disclosed to any Governmental Authority, such Party may, in accordance with its understanding of the applicable laws, make the required disclosure in compliance with the requirements of applicable laws; provided that the Party who is required to make such disclosure shall, to the extent permitted by law and so far as it is practicable, provide the Company and other relevant Parties with prompt notice of such requirement and cooperate with such Parties at their request, to enable such Parties to seek an appropriate protection order or remedy. In addition, each Party may disclose Confidential Information (i) to the extent required under judicial or regulatory process (after giving prior notice to the Company and the relevant Parties to the extent practicable under the circumstances and subject to any practicable arrangements to protect confidentiality) or (ii) in connection with any judicial process regarding any legal action, suit or proceeding arising out of or relating to this Agreement; provided that, in the case of (i), the Party who is required to make such disclosure shall, to the extent permitted by Law and so far as it is practicable, at the request of the Company and other relevant Parties, cooperate with such Parties to enable such Parties to seek an appropriate protection order or remedy.
- 8.3 Disclosure to Affiliates. Each Party may disclose the Confidential Information only to its Representatives on a need-to-know basis; provided that such Party shall ensure such Persons strictly abide by the confidentiality obligations hereunder; provided further that no disclosure to any Adverse Person, Competitor or Affiliate of Adverse Person or Competitor is allowed without the prior written consent of the Company. Notwithstanding any other provisions hereunder, any Shareholder (other than Jingdong) shall not disclose any Confidential Information to any of its Ultimate Investors (as defined in the Share Subscription Agreement) without the Company's prior written consent.
- 8.4 Survival of Obligations. The confidentiality obligations of each Party hereunder shall survive the termination of this Agreement. Each Party shall continue to abide by the confidentiality clause hereof and perform the obligation of confidentiality it undertakes until the other Party to which the Confidential Information relates approves release of that obligation or until a breach of the confidentiality clause hereof will no longer result in any prejudice to such other Party.

**SECTION 9
TERM AND TERMINATION**

- 9.1 Effective Date; Termination. This Agreement shall become effective upon the execution hereof by all of the Parties and shall, subject to any otherwise provisions in this Agreement, continue in effect until the earlier to occur of (a) a Qualified IPO, (b) the date on which the Company goes into liquidation or dissolution or any property or assets of the Company are placed in the hands of a receiver, trust custodian or liquidator or a winding up order in respect of the Company is issued, and (c) with respect to a Shareholder, upon such Shareholder and its Affiliates ceasing to own any Equity Securities of the Company.
- 9.2 Consequences of Termination. If this Agreement is terminated pursuant to Section 9.1 (other than Section 9.1(c)), this Agreement shall become null and void and of no further force and effect, except that the Parties shall continue to be bound by the provisions of this Section 9 (*Term And Termination*), Section 8 (*Confidentiality*), Section 11 (*Miscellaneous*) and Section 12 (*Governing Law And Dispute Resolution*). If this Agreement is terminated pursuant to Section 9.1(c), this Agreement shall become of no further force and effect upon such Shareholder, except that such Shareholder shall continue to be bound by the provisions of this Section 9.1 (*Term And Termination*), Section 8 (*Confidentiality*), Section 11 (*Miscellaneous*) and Section 12 (*Governing Law And Dispute Resolution*). Nothing in this Section 9.2 shall be deemed to release any Party from any liability for any breach of this Agreement prior to the effective date of such termination.
- 9.3 Termination of Rights. Notwithstanding anything to the contrary herein, each Shareholder agrees that if (i) it breaches any provisions hereunder or provisions in the Share Subscription Agreement (including representations and warranties), in each case, in connection with Competitor or Adverse Person (each such breach, a “**Competitor Related Breach**”) or (ii) an Investor Triggering Event has occurred to it, such Shareholder’s any and all rights under Section 3.3, Section 4, Section 5.2, Section 5.5 and Section 6.1 hereof and articles 52 to 56 (Redemption) of the Articles shall automatically terminate and have no further force (unless otherwise provided in the applicable Cooperation Agreement with such Shareholder).

**SECTION 10
NOTICES**

- 10.1 Notice Addresses and Method of Delivery. All notices, requests, demands, consents and other communications (“**Notices**”) required to be given by any Party to any other Party under this Agreement shall be in writing and delivered by hand delivery, express courier or facsimile to the applicable Party at the address or facsimile number as shall be designated by such Party in a notice to the other Party; provided that the notice address of the Company and Jingdong is as below unless otherwise amended and notified in accordance with this Section 10.1:

JD.com, Inc.

Attention: ***
Email: ***

with a copy (which shall not constitute notice) to:

Attention: ***
Email: ***

with a copy (which shall not constitute notice) to:

Attention: ***
Email: ***

10.2 Time of Delivery. Any Notice delivered:

- (a) by hand delivery shall be deemed to have been delivered on the date of actual delivery;
- (b) by prepaid express courier shall be deemed to have been delivered upon delivery by the courier; and
- (c) by facsimile shall be deemed to have been delivered on the day the transmission is sent (as long as the sender has a confirmation report specifying a facsimile, a facsimile number of the recipient, the number of pages sent and the date of the transmission).

10.3 Proof of Delivery. In proving delivery of any Notice it shall be sufficient:

- (a) in the case of delivery by hand delivery or courier, to prove that the Notice was properly addressed and delivered; and
- (b) in the case of delivery by facsimile transmission, to prove that the transmission was confirmed as sent by the originating machine to the facsimile number of the recipient, on the date specified.

SECTION 11 MISCELLANEOUS

11.1 Legend. Each certificate for any Shares now held or hereafter acquired by any Shareholder shall, for as long as this Agreement is effective, bear a legend as follows:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE "SECURITIES ACT") OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS SECURITY MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED: (A) IN THE ABSENCE OF (1) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (2) AN EXEMPTION OR QUALIFICATION UNDER APPLICABLE SECURITIES LAWS.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE APPLICABLE SHAREHOLDERS' AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON REQUEST TO THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.

- 11.2 Discrepancies. If there is any discrepancy between any provision of this Agreement and any provision of the Articles, the provisions of this Agreement shall prevail, and the Parties shall procure that the Articles are promptly amended, to the extent permitted by applicable law, in order to conform with this Agreement.
- 11.3 Assignment. This Agreement shall inure to the benefit of, and be binding upon, (i) the successors, (ii) Persons to whom a Shareholder transfers Equity Securities in the Company in a Transfer permitted under this Agreement and (iii) Persons to whom a Shareholder assigns its right(s) hereunder as permitted by the Company and Jingdong, provided that in each case such Person signs a Deed of Adherence substantially in the form attached hereto as Exhibit A.
- 11.4 No Agency. No Shareholder, acting solely in its capacity as a Shareholder, shall act as an agent of the Company or have any authority to act for or to bind the Company, except as authorized by the Board. Any Shareholder that takes any action or binds the Company in violation of this Section 11.4 shall be solely responsible for, and shall indemnify the Company and each other Shareholder against, any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever (including any investigative, legal and other expenses reasonably incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding) that the Company, or such other Shareholders, as the case may be, may at any time become subject to or liable for by reason of such violation.
- 11.5 No Partnership. The Shareholders expressly do not intend hereby to form a partnership, either general or limited, under any jurisdiction's partnership law. The Shareholders do not intend to be partners one to another, or partners as to any third party, or create any fiduciary relationship among themselves, by virtue of their status as Shareholders. To the extent that any Shareholder, by word or action, represents to another Person that any Shareholder is a partner or that the Company is a partnership, the Shareholder making such representation shall be liable to each of the other Shareholders that incur any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever (including any investigative, legal or other expenses reasonably incurred

in connection with, and any amount paid in settlement of, any pending or threatened legal action or proceeding) arising out of or relating to such representation.

- 11.6 Amendment. This Agreement may only be amended, modified or supplemented with a written instrument executed by the holders of more than 70% of the then issued and outstanding Shares (voting as a single class on an as-converted basis) and the Company, and any such amendment shall be valid and binding on all Parties except that any amendment that disproportionately and adversely affects the specified rights of Preferred Shareholders shall require the consent of holders holding at least 75% of the then issued and outstanding Preference Shares (voting as a single class on an as-converted basis) (for the avoidance of doubt, any amendment in connection with and customary for issuance of additional Shares shall not be deemed as having disproportionately and adversely affected the specified rights of Preferred Shareholders). Notwithstanding the foregoing, the Company may add any holder of any Warrant as a Series A Investor herein after the Company has issued Series A Preference Shares to such holder pursuant to such Warrant, and any holder of Warrant can sign a signature page hereof to join this Agreement as a Series A Investor.
- 11.7 No Publicity. The Parties will not, without the prior written consent of a Party (the “**Subject Party**”), use in advertising, publicity, marketing communications (whether oral or written) or other public communication or filing, the name of such Subject Party or, to their knowledge, the name of any partner, employee, Affiliate and/or controlling person thereof, except any use or disclosure that is permitted under the Share Subscription Agreement, and except that the Company may make any such disclosure if, upon the advice of counsel, such disclosure is required by applicable law or regulation and such Subject Party is notified in advance and given reasonable opportunity to minimize such disclosure. In addition, the Company may respond to inquiries about any public disclosure that was required by law or regulation, by confirming the accuracy of such disclosure.
- 11.8 Waiver. No waiver of any provision of this Agreement shall be effective unless set forth in a written instrument signed by the Party waiving such provision. No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy. Without limiting the foregoing, no waiver by a Party of any breach by any other Party of any provision hereof shall be deemed to be a waiver of any subsequent breach of that or any other provision hereof.
- 11.9 Entire Agreement. This Agreement together with all other agreements entered into in connection with the closing of the Share Subscription Agreement, represent the entire understanding and constitute the whole agreement among the Parties relating to the subject matter hereof and thereof and supersede any prior agreements or understandings relating to such subject matter.
- 11.10 Severability. Each and every obligation under this Agreement shall be treated as a separate obligation and shall be severally enforceable as such and in the event of any obligation or obligations being or becoming unenforceable in whole or in part. To the extent that any

provision or provisions of this Agreement are unenforceable they shall be deemed to be deleted from this Agreement, and any such deletion shall not affect the enforceability of this Agreement as remain not so deleted.

- 11.11 Counterparts. This Agreement may be executed in any number of counterparts and by the Parties in separate counterparts, including counterparts transmitted by facsimile or by emails (via scanned PDF), each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Except as otherwise specified, this Agreement shall become legally binding at the time of execution of the last such counterpart and shall have effect from the date first above written.
- 11.12 Consent. Any consent required under this Agreement shall be valid and effective only if given in writing.
- 11.13 No Third Party Right. The Parties do not intend that any term of this Agreement should be enforceable by any person who is not a party to this Agreement by virtue of the Contracts (Rights of Third Parties) Ordinance (Cap. 623) or otherwise. Notwithstanding any benefits possibly conferred by this Agreement on any third party by virtue of the Contracts (Rights of Third Parties) Ordinance (Cap. 623), the Parties may amend, vary, waive, terminate or rescind this Agreement at any time and in any way without the consent of any third party.

SECTION 12 GOVERNING LAW AND DISPUTE RESOLUTION

- 12.1 Governing Law. This Agreement shall be governed and interpreted in accordance with the laws of Hong Kong.
- 12.2 Arbitration. Any dispute arising out of or relating to this Agreement, including any question regarding its existence, validity or termination (“**Dispute**”) shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (“**HKIAC**”) in accordance with the HKIAC Administered Arbitration Rules then in force. There shall be three arbitrators. The claimant(s) shall have the right to appoint one arbitrator, and the respondent(s) shall have the right to appoint one arbitrator, and the two arbitrators so appointed shall designate a third arbitrator who shall be the presiding arbitrator of the arbitral tribunal. The language to be used in the arbitration proceedings shall be English. The seat of the arbitration shall be in Hong Kong. Each of the Parties irrevocably waives any immunity to jurisdiction to which it may be entitled or become entitled (including without limitation sovereign immunity, immunity to pre-award attachment, post-award attachment or otherwise) in any arbitration proceedings and/or enforcement proceedings against it arising out of or based on this Agreement. The award of the arbitration tribunal shall be final and binding upon the Parties, and the prevailing Party may apply to a court of competent jurisdiction for enforcement of such award. Any Party shall be entitled to seek preliminary injunctive relief from any court of competent jurisdiction pending the constitution of the arbitration tribunal.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

THE COMPANY

JINGDONG EXPRESS GROUP CORPORATION

By: /s/ authorized signatory

Name:

Title:

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

JINGDONG TECHNOLOGY GROUP CORPORATION

By: /s/ Authorized Signatory
Name:
Title:

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

JINGDONG E-COMMERCE (EXPRESS) LLC

By: /s/ Authorized Signatory

Name:

Title:

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CHINA MERCHANTS LOGISTICS SYNERGY LIMITED
PARTNERSHIP

By: /s/ Su Min

Name: SU Min

Title: Director of GP of CHINA MERCHANTS
LOGISTICS SYNERGY LIMITED PARTNERSHIP

By: /s/ Wang Vivian Nan

Name: WANG Vivian Nan

Title: Director of GP of CHINA MERCHANTS
LOGISTICS SYNERGY LIMITED PARTNERSHIP

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

Eastar Capital Fund, L.P.

By: /s/ authorized signatory

Name:

Title:

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

China Life Trustees Ltd. in its capacity as trustee for CLT-CLI HK
BR (Class A) Trust Fund

By: /s/ authorized signatory

Name:

Title:

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

Skycus China Fund, L.P.
acting through its general partner
Skycus Asset Management Limited

By: /s/ Cheng Hongtao
Name: Cheng Hongtao
Title: Sole Director

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

SCC Growth IV 2018-A, L.P.

By: /s/ Ip SiuWai Eva
Name: Ip SiuWai Eva
Title: Authorized Signatory

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

SCC Growth IV Holdco A, Ltd.

By: /s/ Ip Siu Wai Eva
Name: Ip Siu Wai Eva
Title: Authorized Signatory

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

Image Frame Investment (HK) Limited

By: /s/ authorized signatory

Name:

Title:

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

TPP Follow-on I Holding E Limited

By: /s/ authorized signatory

Name:

Title:

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

HHJL Holdings Limited

By: /s/ Jennifer Neo Ju Yun
Name: Jennifer Neo Ju Yun
Title: Director

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

Jungle Parent Limited

By: /s/ Norma Kuntz
Name: Norma Kuntz
Title: Director

[Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

Qianshan Logistics L.P.

By: /s/ Wang Cheng 王成
Name: WANG CHENG 王成
Title: Director

[Shareholders Agreement Signature Page]

CLIFFORD
CHANCE

CLIFFORD CHANCE
高偉紳律師行

Execution Version

JD.COM, INC.
AS BORROWER

ARRANGED BY

BANK OF AMERICA, N.A.
BANK OF CHINA (HONG KONG) LIMITED
DEUTSCHE BANK AG, SINGAPORE BRANCH
AND
STANDARD CHARTERED BANK (HONG KONG) LIMITED

WITH

STANDARD CHARTERED BANK (HONG KONG) LIMITED
ACTING AS AGENT

US\$1,000,000,000 TERM AND REVOLVING CREDIT
FACILITIES AGREEMENT

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THIS AGREEMENT is dated 21 December 2017 and made

BETWEEN:

- (1) **JD.COM, INC.**, an exempted company incorporated with limited liability under the laws of the Cayman Islands with registration number 284373 whose registered office is at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands (the “**Borrower**”);
- (2) **BANK OF AMERICA, N.A., BANK OF CHINA (HONG KONG) LIMITED, DEUTSCHE BANK AG, SINGAPORE BRANCH** and **STANDARD CHARTERED BANK (HONG KONG) LIMITED** as mandated lead arrangers and bookrunners (the “**Original MLABs**” and each an “**Original MLAB**”);
- (3) **AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, BANK OF CHINA LIMITED MACAU BRANCH, BANK OF CHINA LIMITED, NEW YORK BRANCH, BARCLAYS BANK PLC, CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED, CHINA MINSHENG BANKING CORP., LTD, HONG KONG BRANCH, DBS BANK LTD., INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED** and **TAI FUNG BANK LIMITED** as mandated lead arrangers and bookrunners (the “**Additional MLABs**” and each an “**Additional MLAB**”);
- (4) **BANK OF COMMUNICATIONS CO., LTD. (ACTING THROUGH ITS OFFSHORE BANKING UNIT), BANK OF COMMUNICATIONS CO., LTD. HONG KONG BRANCH, EXPORT DEVELOPMENT CANADA, THE BANK OF EAST ASIA, LIMITED (東亞銀行有限公司)** and **WESTPAC BANKING CORPORATION** as mandated lead arrangers (the “**MLAs**” and each an “**MLA**”);
- (5) **BNP PARIBAS, CHINA MERCHANTS BANK CO., LIMITED, HANG SENG BANK LIMITED, KGI BANK, MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD., CENTRAL BRANCH** and **OVERSEA-CHINESE BANKING CORPORATION LIMITED** as lead arrangers (the “**LAs**” and each an “**LA**”);
- (6) **THE FINANCIAL INSTITUTIONS** listed in Schedule 1 (*The Original Lenders*) as lenders (the “**Original Lenders**” and each an “**Original Lender**”); and
- (7) **STANDARD CHARTERED BANK (HONG KONG) LIMITED** as agent of the Finance Parties (other than itself) (the “**Agent**”).

IT IS AGREED as follows:

SECTION 1 INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Adjusted Consolidated EBITDA**” has the meaning given to it in Clause 19.1

(Financial definitions).

“**Administrative Parties**” means each of the Agent and the Arrangers (each an “**Administrative Party**”).

“**Affiliate**” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of any Holding Company of that person.

“**Anti-Bribery and Corruption Laws**” means:

- (a) the FCPA;
- (b) the UK Bribery Act of 2010;
- (c) all laws, rules and regulations (concerning or relating to bribery or corruption) issued, administered or enforced by any of the United States of America, the United Kingdom, the European Union (or any member state thereof), Hong Kong, the PRC, Singapore, Canada, the Commonwealth of Australia or any Governmental Agency of any of the foregoing; and
- (d) all laws, rules and regulations (concerning or relating to bribery or corruption) issued, administered or enforced by any other country or jurisdiction applicable to any Group Member from time to time or any other Governmental Agency having jurisdiction over any Group Member from time to time.

“**Anti-Money Laundering Laws**” means all applicable financial recordkeeping and reporting requirements and all applicable anti-money laundering laws and regulations of any of the United States, the United Kingdom, the European Union, the Cayman Islands, Hong Kong, the PRC, Singapore, Canada and the Commonwealth of Australia, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, which in each case are issued, administered or enforced by any Governmental Agency in any such jurisdiction from time to time.

“**Anti-Terrorism Laws**” means any Executive Order, the U.S.A. Patriot Act, the Money Laundering Control Act of 1986, Public Law 99-570, the Currency and Foreign Transactions Reporting Act, 31 U.S.C. §§ 5311-5330 and 12 U.S.C. §§ 1818 (s), 1820(b) and 1951-1959, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., the Trading with the Enemy Act, 50 U.S.C. App. §§ 1 et seq., the US United Nations Participation Act, the US Syria Accountability and Lebanese Sovereignty Act, the US Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, the Iran Sanctions Act, Section 1245 of the National Defense Authorization Act of 2012, any other regulation issued under authority of any Executive Order or administered by OFAC, the Prevention of Terrorism Act 2005 of the United Kingdom, any sanction implemented or effective in the United Kingdom under the United Nations Act 1946 or the Emergency Laws (Re-enactments and Repeals) Act 1964 or the Anti-Terrorism, Crime and Security Act 2001 of the United Kingdom or under the Treaty establishing the European Community, and any similar law, regulations and/or sanctions enacted, issued and/or administered by any of the United Nations, the United States, the United Kingdom, the European Union, the

Cayman Islands, Hong Kong, the PRC, Singapore, Canada and the Commonwealth of Australia.

“**APLMA**” means the Asia Pacific Loan Market Association Limited.

“**Arrangers**” means the Original MLABs, the Additional MLABs, the MLAs and LAs (each an “**Arranger**”).

“**Assignment Agreement**” means, in relation to any assignment by any Lender of any or all of its rights under this Agreement, an assignment agreement substantially in a recommended form of the APLMA or any other form agreed between the applicable assignor, the applicable assignee and the Agent.

“**Auditors**” means one of PricewaterhouseCoopers, Ernst & Young, KPMG or Deloitte & Touche or any other firm mutually agreed to by the Borrower and the Agent (acting on the instructions of the Majority Lenders).

“**Authorisation**” means:

- (a) an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, lodgement or registration; and/or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Governmental Agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

“**Availability Period**” means:

- (a) (in relation to Facility A) the Facility A Availability Period; or
- (b) (in relation to Facility B) the Facility B Availability Period.

“**Available Commitment**” means in relation to a Lender:

- (a) (in relation to Facility A) that Lender’s Facility A Available Commitment; or
- (b) (in relation to Facility B) that Lender’s Facility B Available Commitment.

“**Available Facility**” means:

- (a) (in relation to Facility A) the Facility A Available Facility; or
- (b) (in relation to Facility B) the Facility B Available Facility.

“**Break Costs**” means the amount (if any) by which:

- (a) the interest (excluding any portion thereof attributable to the Margin) which a Finance Party should have received pursuant to the terms of this Agreement for the period from the date of receipt or recovery of all or any part of the principal amount of a Loan or an Unpaid Sum to the last day of the current Interest Period in respect of that Loan or that Unpaid Sum, had the principal

amount of that Loan or had that Unpaid Sum so received or recovered been paid on the last day of that Interest Period;

exceeds:

- (b) the amount of interest which that Finance Party would be able to obtain by placing an amount equal to the principal amount of that Loan or equal to that Unpaid Sum so received or recovered by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following such receipt or recovery and ending on the last day of that current Interest Period.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong, the PRC and Singapore and (in relation to any payment in US\$) New York City.

“**Code**” means the US Internal Revenue Code of 1986.

“**Commitment**” means in relation to a Lender:

- (a) (in relation to Facility A) that Lender’s Facility A Commitment; or
- (b) (in relation to Facility B) that Lender’s Facility B Commitment.

“**Compliance Certificate**” means a certificate substantially in the form set out in Schedule 5 (*Form of Compliance Certificate*) and signed by an authorised signatory of the Borrower.

“**Confidential Information**” means all information relating to the Borrower, the Group, the Finance Documents or a Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or a Facility from either:

- (a) any Group Member or any of its advisers; or
- (b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any Group Member or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

- (i) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 23 (*Disclosure of Information*); or
- (ii) is identified in writing at the time of delivery as non-confidential by any Group Member or any of its advisers; or
- (iii) is known by that Finance Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is

lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with the Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

“**Confidentiality Undertaking**” means a confidentiality undertaking substantially in a recommended form of the APLMA or in any other form agreed between the Borrower and the Agent.

“**Consolidated Total Assets**” means, at any time, the consolidated total assets of the Group as at the date as of which the then latest consolidated financial statements of the Borrower delivered in accordance with paragraph (a) of Clause 18.1 (*Financial statements*) (or, if such time falls prior to the delivery of the first set of consolidated financial statements of the Borrower in accordance with paragraph (a) of Clause 18.1 (*Financial statements*), the Original Financial Statements referred to in paragraph (a) of the definition of “Original Financial Statements”) were prepared.

“**Core Business**” means the provision of e-commerce services through the establishment of online direct sales and online marketplace retail networks (excluding, for the avoidance of doubt, the establishment and operation of any fulfilment infrastructure which supports or is otherwise ancillary to such e-commerce services and the business of developing financial products and services for the online market (including supply chain financing and microcredit) and consumer financing).

“**Core Business Group Member**” means any Group Member that is not a Non-Core Business Group Member.

“**Debt Purchase Transaction**” means, in relation to a person, a transaction where such person:

- (a) purchases or acquires by way of assignment or transfer any rights and/or obligations in respect of;
- (b) enters into any sub-participation in respect of; or
- (c) enters into any other agreement or arrangement having an economic effect substantially similar to a sub-participation in respect of,

any Commitment in respect of any Facility (or any commitment represented thereby) or any amount outstanding under any Finance Document.

“**Default**” means an Event of Default or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**Defaulting Lender**” means any Lender:

- (a) which has failed to make its participation in any Loan available (or has notified the Agent that it will not make its participation in any Loan available)

by the Utilisation Date of that Loan as required in accordance with Clause 5.4 (*Lenders' participation*);

- (b) which has otherwise rescinded or repudiated a Finance Document; or
- (c) with respect to which an Insolvency Event has occurred and is continuing,

unless, in the case of paragraph (a) above:

- (i) its failure to pay is caused by:
 - (A) administrative or technical error; or
 - (B) a Disruption Event; andsuch payment is made within five Business Days of its due date; or
- (ii) such Lender is disputing in good faith whether it is contractually obliged to make its participation in such Loan available.

“Disruption Event” means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facilities (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:
 - (i) from performing its payment obligations under the Finance Documents; or
 - (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

“Equity Interest” means, in relation to any person:

- (a) any shares of any class or capital stock of or equity interest (including partnership or membership interest) in such person or any depositary receipt in respect of any such shares, capital stock or equity interest;
- (b) any securities convertible or exchangeable (whether at the option of the holder thereof or otherwise and whether such conversion is conditional or otherwise) into any such shares, capital stock, equity interest or depositary receipt, or any depositary receipt in respect of any such securities; or

- (c) any option, warrant or other right to acquire any such shares, capital stock, equity interest, securities or depository receipts referred to in paragraphs (a) and/or (b).

“**Event of Default**” means any event or circumstance specified in any of Clauses 21.1 (*Non-payment*) to 21.14 (*Material adverse change*).

“**Executive Orders**” means:

- (a) the US Executive Order No. 13224 on Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism, which came into effect on 23 September 2001, as amended;
- (b) the US Executive Order No. 13590 of 21 November 2011 authorising the imposition of certain sanctions with respect to the provision of goods, services, technology or support for Iran’s energy and petrochemical sectors; and
- (c) any other US Executive Order issued and in effect in connection with restrictions on the export of goods or economic or trade sanctions,

(each an “**Executive Order**”).

“**Existing Controllers**” has the meaning given to that term in Clause 7.6 (*Change of control*).

“**Facilities**” means Facility A and Facility B (each a “**Facility**”).

“**Facility A**” means the term loan facility made or to be made available under this Agreement as described in paragraph (a) of Clause 2.1 (*The Facilities*).

“**Facility A Availability Period**” means the period from and including the date of this Agreement to and including the earlier of (a) the date falling 6 Months after the date of this Agreement and (b) the first date on which the Facility A Available Facility is zero.

“**Facility A Available Commitment**” means in relation to a Lender and save as otherwise provided in this Agreement, that Lender’s Facility A Commitment *minus*:

- (a) the aggregate amount of its participation in any outstanding Facility A Loan (for such purpose taking into account the principal amount of each such Facility A Loan when it is made and disregarding any subsequent reduction in such principal amount); and
- (b) in relation to any proposed Utilisation, that Lender’s participation in any Facility A Loan (other than the Facility A Loan the subject of such proposed Utilisation) that is due to be made on or before the Utilisation Date for such proposed Utilisation.

“**Facility A Available Facility**” means the aggregate for the time being of each Lender’s Facility A Available Commitment.

“**Facility A Commitment**” means:

- (a) in relation to an Original Lender, the sum of the amount set opposite its name under the heading “Facility A Commitment” in Schedule 1 (*The Original Lenders*) and the amount of any other Facility A Commitment transferred to it pursuant to Clause 22 (*Changes to the Parties*) or assumed by it in accordance with Clause 2.3 (*Increase*); and
- (b) in relation to any other Lender, the amount of any Facility A Commitment transferred to it pursuant to Clause 22 (*Changes to the Parties*) or assumed by it in accordance with Clause 2.3 (*Increase*),

to the extent not cancelled or reduced under this Agreement or transferred by it pursuant to Clause 22 (*Changes to the Parties*).

“**Facility A Loan**” means, as the context requires, a loan made or to be made under Facility A or the principal amount outstanding for the time being of that loan.

“**Facility B**” means the revolving credit facility made or to be made available under this Agreement as described in paragraph (b) of Clause 2.1 (*The Facilities*).

“**Facility B Availability Period**” means the period from and including the date of this Agreement to and including the date falling 1 Month prior to the Final Maturity Date.

“**Facility B Available Commitment**” means in relation to a Lender and save as otherwise provided in this Agreement, that Lender’s Facility B Commitment *minus*:

- (a) the aggregate amount of its participation in any outstanding Facility B Loan (for such purpose taking into account the principal amount of each such Facility B Loan when it is made and disregarding any subsequent reduction in such principal amount); and
- (b) in relation to any proposed Utilisation, that Lender’s participation in any Facility B Loan (other than the Facility B Loan the subject of such proposed Utilisation) that is due to be made on or before the Utilisation Date for such proposed Utilisation,

provided that, for the purposes of calculating a Lender’s Facility B Available Commitment in relation to any proposed Utilisation under Facility B only, the amount of that Lender’s participation in any Facility B Loans that are due to be repaid or prepaid on or before the proposed Utilisation Date (for such proposed Utilisation) shall not be deducted from that Lender’s Facility B Available Commitment.

“**Facility B Available Facility**” means the aggregate for the time being of each Lender’s Facility B Available Commitment.

“**Facility B Commitment**” means:

- (a) in relation to an Original Lender, the sum of the amount set opposite its name under the heading “Facility B Commitment” in Schedule 1 (*The Original Lenders*) and the amount of any other Facility B Commitment transferred to it pursuant to Clause 22 (*Changes to the Parties*) or assumed by it in accordance with Clause 2.3 (*Increase*); and

- (b) in relation to any other Lender, the amount of any Facility B Commitment transferred to it pursuant to Clause 22 (*Changes to the Parties*) or assumed by it in accordance with Clause 2.3 (*Increase*),

to the extent not cancelled or reduced under this Agreement or transferred by it pursuant to Clause 22 (*Changes to the Parties*).

“**Facility B Loan**” means, as the context requires, a loan made or to be made under Facility B or the principal amount outstanding for the time being of that loan.

“**Facility Office**” means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days’ written notice) as the office(s) through which it will perform its obligations under this Agreement.

“**FATCA**” means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

“**FATCA Application Date**” means:

- (a) in relation to a “withholdable payment” described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014;
- (b) in relation to a “withholdable payment” described in section 1473(1)(A)(ii) of the Code (which relates to “gross proceeds” from the disposition of property of a type that can produce interest from sources within the US), 1 January 2019; or
- (c) in relation to a “passthru payment” described in section 1471(d)(7) of the Code not falling within paragraphs (a) or (b) above, 1 January 2019,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement.

“**FATCA Deduction**” means a deduction or withholding from a payment under a Finance Document required by FATCA.

“**FATCA Exempt Party**” means a Party that is entitled to receive payments free from any FATCA Deduction.

“**FCPA**” means the United States Foreign Corrupt Practices Act 1977, as amended, and the rules and regulations thereunder.

“**Fee Letters**” means:

- (a) any letter or letters referring to this Agreement or any Facility between one or more of the Administrative Parties (on the one hand) and the Borrower (on the other hand) setting out any of the fees referred to in Clause 11 (*Fees*); and
- (b) any agreement setting out any fees payable to a Finance Party referred to in paragraph (f) of Clause 2.3 (*Increase*).

(each a “**Fee Letter**”).

“**Final Maturity Date**” means the date falling 60 Months after the date of this Agreement.

“**Finance Documents**” means this Agreement, the Fee Letters, any Subordination Deed, any Utilisation Request, any Selection Notice, any Compliance Certificate and any other document(s) designated as a “Finance Document” by the Agent and the Borrower (each a “**Finance Document**”).

“**Finance Lease**” means any lease or hire purchase contract which would, in accordance with GAAP, be treated as a balance sheet liability (other than any liability in respect of a lease or hire purchase contract which would, in accordance with GAAP in force as at the date of this Agreement, have been treated as an operating lease).

“**Finance Parties**” means the Agent, the Arrangers and the Lenders (each a “**Finance Party**”).

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (a) any moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility (including any dematerialised equivalent thereof);
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any Finance Lease (for the avoidance of doubt, excluding any obligations that are operating lease obligations in accordance with GAAP in force as at the date of this Agreement, which obligations may be reclassified as liabilities in accordance with the new lease accounting standard (Topic 842) that will become effective in 2019);
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount of any liability under an advance or deferred purchase agreement primarily entered into as a method of raising finance or to finance the acquisition of any asset;

- (g) any amount raised under any other transaction (including any forward sale or purchase agreement) of a type not referred to in any other paragraph of this definition having the commercial effect of a borrowing;
- (h) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and/or
- (j) the amount of any liability in respect of any guarantee or indemnity or similar assurance against financial loss for any of the items referred to in paragraphs (a) to (i) above.

“**Financial Quarter**” means the period commencing on the day after one Quarter Date and ending on the next Quarter Date.

“**Financial Year**” means the annual accounting period of the Group ending on 31 December in each year.

“**GAAP**” means generally accepted accounting principles in the United States of America.

“**Governmental Agency**” means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organisation established under statute).

“**Group**” means the Borrower and its Subsidiaries from time to time.

“**Group Member**” means any member of the Group.

“**Holding Company**” means, in relation to a company, corporation or entity, any other company, corporation or entity in respect of which it is a Subsidiary.

“**Impaired Agent**” means the Agent at any time when:

- (a) it has failed to make (or has notified a Party that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;
- (b) the Agent otherwise rescinds or repudiates a Finance Document;
- (c) (if the Agent is also a Lender) it is a Defaulting Lender under paragraph (a), (b) or (c) of the definition of “Defaulting Lender”; or
- (d) an Insolvency Event has occurred and is continuing with respect to the Agent;

unless, in the case of paragraph (a) above:

- (i) its failure to pay is caused by:
 - (A) administrative or technical error; or
 - (B) a Disruption Event; andsuch payment is made within five Business Days of its due date; or
- (ii) the Agent is disputing in good faith whether it is contractually obliged to make the payment in question.

“**Increase Confirmation**” means a confirmation substantially in the form set out in Schedule 7 (*Form of Increase Confirmation*).

“**Indirect Tax**” means any goods and services tax, consumption tax, value added tax or any tax of a similar nature.

“**Information Memorandum**” means the document in the form approved by the Borrower concerning, among other things, the Group which, at the Borrower’s request and on its behalf, has been prepared in relation to the Facilities (or any part thereof) and has been or will be distributed by one or more of the Arrangers in connection with syndication of the Facilities (or any part thereof).

“**Initial Utilisation Date**” means the date on which the first Loan is made under this Agreement.

“**Insolvency Event**” in relation to an entity means that the entity:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;
- (e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in paragraph (d) above and:

- (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or
- (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;
- (f) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (g) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (other than, for so long as it is required by law or regulation not to be publicly disclosed, any such appointment which is to be made, or is made, by a person or entity described in paragraph (d) above);
- (h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;
- (i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (h) above; or
- (j) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

“Intellectual Property” means:

- (a) any patents, trade marks, service marks, designs, business names, copyrights, database rights, design rights, domain names, moral rights, inventions, confidential information, knowhow and other intellectual property rights and interests (which may now or in the future subsist), whether registered or unregistered; and
- (b) the benefit of all applications and rights to use any or all of the assets referred to in paragraph (a) (which may now or in the future subsist).

“Interest Period” means:

- (a) in relation to a Loan, any period determined in accordance with Clause 9 (*Interest Periods*); and/or
- (b) in relation to an Unpaid Sum, any period determined in accordance with Clause 8.3 (*Default interest*).

“Interpolated Screen Rate” means, in relation to LIBOR for any Loan or any Unpaid Sum and any Interest Period relating thereto, the rate per annum (rounded upwards to 4 decimal places) for a period equal to the length of such Interest Period which results

from interpolating on a linear basis between:

- (a) the rate per annum that is equal to the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the length of such Interest Period; and
- (b) the rate per annum that is equal to the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the length of such Interest Period,

each as of the Specified Time on the Quotation Day for the currency of such Loan or such Unpaid Sum and for such Interest Period.

“**JD Finance**” means Beijing Jingdong Financial Technology Holding Co., Ltd..

“**JD Finance Group**” means JD Finance and its Subsidiaries from time to time (each a “**JD Finance Group Member**”).

“**Legal Reservations**” means:

- (a) the principle that certain (including equitable) remedies may be granted or refused at the discretion of a court, the principle of reasonableness and fairness where implied by law and the limitation of enforcement by laws relating to bankruptcy, insolvency, reorganisation, court schemes, administration, moratoria and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under applicable statutes of limitation (or equivalent legislation), the possibility that an undertaking to assume liability for or indemnify a person against non-payment of stamp duty may be void and defences of acquiescence, set off or counterclaim;
- (c) similar principles, rights and defences in respect of the enforceability of a contract, agreement or undertaking under the laws of any relevant jurisdiction;
- (d) the principle that additional interest imposed pursuant to any relevant agreement may be held to be unenforceable on the grounds that it is a penalty and thus void;
- (e) the principle that a court may not give effect to an indemnity for legal costs incurred by an unsuccessful litigant; and
- (f) any other matters which are set out as qualifications or reservations as to matters of law of general application and which are set out in the legal opinions required to be delivered under this Agreement (as if references therein to any document to which such legal opinions apply were references to any document to which any representation or warranty under any Finance Document (which is qualified by the Legal Reservations) relates).

“**Lender**” means:

- (a) any Original Lender; and/or

- (b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 22 (*Changes to the Parties*) or Clause 2.3 (*Increase*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

“**LIBOR**” means, in relation to any Loan or Unpaid Sum and any Interest Period relating thereto, the rate per annum equal to:

- (a) the applicable Screen Rate as of the Specified Time for the currency of that Loan or Unpaid Sum and for a period equal in length to that Interest Period; or
- (b) as otherwise determined pursuant to Clause 10.1 (*Unavailability of Screen Rate*),

and if such rate is less than zero, LIBOR for such Loan or Unpaid Sum and such Interest Period shall be deemed to be zero.

“**Loan**” means a Facility A Loan or a Facility B Loan.

“**London Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business including dealings in interbank deposits in London.

“**Majority Facility A Lenders**” means a Lender or Lenders whose Facility A Commitments aggregate $66\frac{2}{3}$ per cent. or more of the Total Facility A Commitments (or, if the Total Facility A Commitments have been reduced to zero, aggregated $66\frac{2}{3}$ per cent. or more of the Total Facility A Commitments immediately prior to the reduction of the Total Facility A Commitments to zero).

“**Majority Facility B Lenders**” means a Lender or Lenders whose Facility B Commitments aggregate $66\frac{2}{3}$ per cent. or more of the Total Facility B Commitments (or, if the Total Facility B Commitments have been reduced to zero, aggregated $66\frac{2}{3}$ per cent. or more of the Total Facility B Commitments immediately prior to the reduction of the Total Facility B Commitments to zero).

“**Majority Lenders**” means a Lender or Lenders whose Commitments (for any or all Facilities) aggregate $66\frac{2}{3}$ per cent. or more of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated $66\frac{2}{3}$ per cent. or more of the Total Commitments immediately prior to the reduction of the Total Commitments to zero).

“**Margin**” means 1.15 per cent. per annum.

“**Material Adverse Effect**” means a material adverse effect on:

- (a) the business or financial condition of:
- (i) the Borrower; or
- (ii) the Group (taken as a whole);

- (b) the ability of the Borrower to perform its obligations under any Finance Document; or
- (c) the validity, legality or enforceability of any Finance Document or the rights or remedies of any Finance Party under any of the Finance Documents.

“**Material Entities**” means:

- (a) the Borrower; and
- (b) each Material Subsidiary which is a Core Business Group Member

(each a “**Material Entity**”).

“**Material Subsidiary**” means, at any time:

- (a) any Group Member as to which one or more of the following conditions is satisfied:
 - (i) its gross assets (calculated on a consolidated basis if such Group Member has any Subsidiary) represent 10 per cent. or more of the gross assets of the Group (calculated on a consolidated basis);
 - (ii) its total revenue (calculated on a consolidated basis if such Group Member has any Subsidiary) represents 10 per cent. or more of the total revenue of the Group (calculated on a consolidated basis); or
 - (iii) its earnings before interest, Tax, depreciation and amortisation calculated on a similar basis as Adjusted Consolidated EBITDA (calculated *mutatis mutandis* as if any reference in the definition of “Adjusted Consolidated EBITDA” and any related definition to the Group were a reference to such Group Member and (if any) its Subsidiaries (on a consolidated basis)) represents 10 per cent. or more of Adjusted Consolidated EBITDA,

all as calculated by reference to the most recent audited consolidated financial statements of the Borrower delivered under this Agreement and the period covered thereby (and the most recent Compliance Certificate delivered in respect of such financial statements or (prior to the delivery of any Compliance Certificate under this Agreement) the certificate of the Borrower delivered to the Agent under paragraph 1(e) of Schedule 2 (*Conditions Precedent*)) and (where available) the financial statements of that Group Member (for the period covered by such most recent consolidated financial statements of the Borrower); or

- (b) any Group Member(s) (the “**Group Transferees**”) to or in favour of whom all or substantially all of the assets of a Group Member (which was a Material Subsidiary immediately prior to such transfer or disposal) has been transferred or otherwise disposed of; **provided that** (i) with effect from such transfer, the Group Member which so transfers its assets and undertakings shall cease to be a Material Subsidiary and (ii) (for the avoidance of doubt) with effect from the time when the next set of audited consolidated financial statements of the

Borrower (in respect of a period ending on or after the date of such transfer or disposal) and the Compliance Certificate relating to such financial statements are delivered under this Agreement, whether any of such Group Transferees constitutes a “Material Subsidiary” shall be determined in accordance with paragraph (a).

“**Month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) (subject to paragraph (c) below) if the numerically corresponding day in that next calendar month (in which that period is to end) is not a Business Day, that period shall end on the next Business Day in that next calendar month if there is one, or if there is not, on the immediately preceding Business Day in that next calendar month;
- (b) if there is no numerically corresponding day in that next calendar month (in which that period is to end), that period shall end on the last Business Day in that next calendar month; and
- (c) if any period begins on the last Business Day of a calendar month, that period shall end on the last Business Day in the calendar month in which that period is to end.

The above rules will only apply to the last Month of any period.

“**Most Recent Testing Period**” has the meaning given to that term in Clause 20.12 (*Core Business Coverage*).

“**NDRC**” means the National Development and Reform Commission of the PRC (including its successors) and its local counterparts.

“**Nei Bao Wai Dai Transaction**” means any transaction under which any person that is incorporated or organised outside of the PRC incurs any Financial Indebtedness from any creditor which is incorporated or organised outside of the PRC and where such Financial Indebtedness is supported by any guarantee or Security over assets granted by any person that is incorporated or organised in (or is a resident or citizen of) the PRC.

“**Nei Cun Wai Dai Transaction**” means any transaction or banking arrangement entered into by any Material Entity involving any netting or set-off or cash-pooling arrangement where:

- (a) any provider of any cash deposit or credit balance (involved in such transaction or arrangement) is incorporated or organised in (or is a resident or citizen of) the PRC; and
- (b) any person that can benefit from such cash deposit or credit balance pursuant to such transaction or arrangement is incorporated or organised outside the PRC.

“**Non-Core Business Group Member**” means, at any time, any Group Member the majority of the total revenue of which (being more than 50 per cent. of the total

revenue) for the then Most Recent Testing Period and excluding all items between Group Members does not derive from activities or operations in the Core Business.

“**OFAC**” means the Office of Foreign Assets Control of the US Department of the Treasury (or any successor thereto).

“**Original Financial Statements**” means (a) the audited consolidated financial statements of the Borrower for its Financial Year ended 31 December 2016 and (b) the unaudited consolidated financial statements of the Borrower for its Financial Quarter ended 30 June 2017.

“**Party**” means a party to this Agreement.

“**PRC**” means the People’s Republic of China (which, for the purposes of this Agreement, does not include Hong Kong, the Special Administrative Region of Macau or Taiwan).

“**Quarter Dates**” means each of 31 March, 30 June, 30 September and 31 December (each a “**Quarter Date**”).

“**Quotation Day**” means:

- (a) in relation to any period for which an interest rate is to be determined (other than any Interest Period referred to in paragraph (b)), two London Business Days before the first day of that period unless market practice differs in the Relevant Interbank Market, in which case the Quotation Day will be determined by the Agent in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days); or
- (b) in relation to any Interest Period the duration of which is selected by the Agent pursuant to Clause 8.3 (*Default interest*), such date as may be determined by the Agent (acting reasonably).

“**Reference Bank Rate**” means, in relation to any Loan or Unpaid Sum and any period relating thereto, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request by each of the Reference Banks as the rate at which such Reference Bank could borrow funds in the London interbank market in the currency of such Loan or Unpaid Sum and for such period, were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in such currency and for such period.

“**Reference Banks**” means the principal London offices of any bank(s) as may be appointed by the Agent after consultation with the Borrower.

“**Related Fund**” in relation to a fund (the “**first fund**”), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

“**Relevant Interbank Market**” means the London interbank market.

“**Relevant Period**” means has the meaning given to it in Clause 19.1 (*Financial definitions*).

“**Repeating Representations**” means each of the representations and warranties set out in Clauses 17.1 (*Status*) to 17.6 (*Governing law and enforcement*) (inclusive), paragraph (b) of 17.9 (*No default*), Clause 17.11 (*Financial statements*), Clause 17.13 (*No proceedings pending or threatened*), Clause 17.14 (*Authorised Signatures*) and Clause 17.15 (*Sanctions, anti-terrorism, anti-money laundering and anti-corruption*).

“**Representative**” means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

“**Restricted Party**” means a person:

- (a) that is listed on, or owned or controlled by a person listed on, or acting on behalf of a person listed on, any Sanctions List;
- (b) that is located in or incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organised under the laws of any Sanctioned Jurisdiction; or
- (c) that is otherwise a target of Sanctions (“**target of Sanctions**” signifying a person with whom a US person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities).

“**Rollover Loan**” means one or more Facility B Loans:

- (a) made or to be made on the same day that a maturing Facility B Loan is due to be repaid;
- (b) the aggregate amount of which is equal to or less than the amount of that maturing Facility B Loan; and
- (c) made or to be made for the purpose of refinancing that maturing Facility B Loan and identified as a “Rollover Loan” or “Rollover Loans” in the Utilisation Request for such first-mentioned Facility B Loans.

“**Sanctioned Jurisdiction**” means, at any time, any country or territory that is the target of countrywide or territory-wide Sanctions (being, as at the date hereof, Cuba, Iran, North Korea, Sudan, Syria and the Crimea region in Ukraine).

“**Sanctions**” means any trade, economic or financial sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by:

- (a) the European Union;
- (b) the United Kingdom;
- (c) the United Nations;

- (d) the US;
- (e) Hong Kong;
- (f) the PRC;
- (g) Singapore;
- (h) Canada;
- (i) the Commonwealth of Australia;
- (j) the French Republic; and/or
- (k) the respective governmental institutions and agencies of any of the foregoing, including OFAC, the United Nations Security Council, the United States Department of State, the United States Department of the Treasury, the United States Department of Commerce, Her Majesty's Treasury ("**HMT**"), the Hong Kong Monetary Authority and any other applicable sanctions authority (together the "**Sanctions Authorities**" and each a "**Sanctions Authority**").

"**Sanctions List**" means the "Specially Designated Nationals and Blocked Persons" list maintained by OFAC and the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by HMT, or any similar list maintained by, or any public announcement of Sanctions designation made by, any of the Sanctions Authorities.

"**Screen Rate**" means, in relation to any Loan or Unpaid Sum and any period relating thereto, the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the currency of such Loan or Unpaid Sum and such period, as displayed (before any correction, recalculation or republication by such administrator) on the appropriate page (being currently page LIBOR01 in the case of US dollars) of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate) or on the appropriate page of such other information service which publishes that rate from time to time in place of Thomson Reuters. If such page or service ceases to be available, the Agent may select such replacement page or service displaying such rate after consultation with the Borrower and the Lenders.

"**Security**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Selection Notice**" means a notice in substantially the form set out in Part II of Schedule 3 (*Requests*).

"**Senior Notes 2016**" means the 3.125% notes in the aggregate principal amount of US\$500,000,000 due 2021 and the 3.875% notes in the aggregate principal amount of US\$500,000,000 due 2026 issued by the Borrower in April 2016 (as such notes may be amended and supplemented from time to time).

“**Shareholder Loan**” means any Financial Indebtedness made available to the Borrower by or owing by the Borrower to any Existing Controller or any Affiliate of any or all of the Existing Controllers.

“**Specified Time**” means the applicable time determined in accordance with Schedule 6 (*Timetables*).

“**Split Commitment**” has the meaning given to that term in paragraph (f) of Clause 24.7 (*Majority Lenders’ instructions*).

“**Split Participation**” has the meaning given to that term in paragraph (f) of Clause 24.7 (*Majority Lenders’ instructions*).

“**Subordination Deed**” means any subordination deed in form and substance satisfactory to the Agent (acting on the instructions of the Majority Lenders).

“**Subsidiary**” means in relation to any company, corporation or entity, a company, corporation or entity:

- (a) which is controlled, directly or indirectly, by the first mentioned company, corporation or entity;
- (b) more than half the issued equity share capital, registered capital or equity interest of which is beneficially owned, directly or indirectly by the first mentioned company, corporation or entity;
- (c) which is a Subsidiary of another Subsidiary of the first mentioned company, corporation or entity; or
- (d) the financial condition or results of operation of which are or are required under GAAP to be consolidated for the purposes of the consolidated financial statements of the first mentioned company, corporation or entity (including any VIE Entity that is the subject of any VIE Contract),

and for this purpose, a company, corporation or entity shall be treated as being controlled by another if that other company, corporation or entity is able to direct its affairs and/or to control the majority of the composition of its board of directors or equivalent body.

“**Super Majority Lenders**” means a Lender or Lenders whose Commitments (for any or all Facilities) aggregate 80 per cent. or more of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated 80 per cent. or more of the Total Commitments immediately prior to the reduction of the Total Commitments to zero).

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Tax Deduction**” has the meaning given to such term in paragraph (a) of Clause 12.1 (*Definitions*).

“**Total Book Equity**” has the meaning given to that term in Clause 19.1 (*Financial definitions*).

“**Total Commitments**” means the aggregate of the Facility A Commitments and the Facility B Commitments, being US\$1,000,000,000 at the date of this Agreement.

“**Total Facility A Commitments**” means the aggregate of the Facility A Commitments, being US\$450,000,000 at the date of this Agreement.

“**Total Facility B Commitments**” means the aggregate of the Facility B Commitments, being US\$550,000,000 at the date of this Agreement.

“**Transfer Certificate**” means a certificate substantially in the form set out in Schedule 4 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Borrower.

“**Transfer Date**” means, in relation to an assignment by a Lender of any or all of its rights under this Agreement or a transfer by a Lender of any or all of its rights and obligations under this Agreement, the later of:

- (a) the proposed Transfer Date specified in the Assignment Agreement relating to such assignment or (as the case may be) the Transfer Certificate relating to such transfer; and
- (b) the date on which the Agent executes the Assignment Agreement relating to such assignment or (as the case may be) the Transfer Certificate relating to such transfer.

“**Unpaid Sum**” means any sum due and payable but unpaid by the Borrower under any or all of the Finance Documents.

“**US**”, “**U.S.**” and “**United States**” means the United States of America, its territories, possessions and other areas subject to the jurisdiction of the United States of America.

“**US Bankruptcy Code**” means Title 11 of the United States Code, 11 USC. 101 et seq., entitled “Bankruptcy”.

“**U.S.A. Patriot Act**” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56.

“**US Tax Obligor**” means the Borrower if:

- (a) it is resident for tax purposes in the US; or
- (b) its payments under the Finance Documents are from sources within the US for United States federal income tax purposes.

“**Utilisation**” means a utilisation of any Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the Loan (the subject of such Utilisation) is made or to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Part I (*Form of Utilisation Request*) of Schedule 3 (*Requests*).

“**VIE Contract**” means any agreement, instrument or arrangement that constitutes, or forms part of, any contractual arrangements enabling a Group Member to exercise Control over a person (in respect of whom the Borrower does not beneficially own, directly or indirectly, more than half of its Equity Interests) (a “**VIE Entity**”) or consolidate the financial condition or results of operation of any VIE Entity for the purposes of the consolidated financial statements of the Group or any Group Member, including any loan agreement between any Group Member and any VIE Entity or any holder of any Equity Interest in any VIE Entity, any pledge agreement relating to any Equity Interest in any VIE Entity and any proxy relating to any Equity Interest in any VIE Entity. For the purposes of this definition, “**Control**” means, in relation to any person, the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or affairs of such person, whether through the ownership of voting securities, by contract or otherwise.

“**VIE Entity**” has the meaning in the definition of “**VIE Contract**”.

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
- (i) the Agent, any Arranger, any Administrative Party, any Finance Party, any Lender or any Party shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) a Finance Document or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended and/or restated from time to time;
 - (iii) a document in “**agreed form**” is a document which is in the form agreed in writing by or on behalf of the Borrower and the Agent;
 - (iv) “**asset**” includes present and future properties, revenues and rights of every description;
 - (v) “**disposal**” includes any sale, lease, transfer, conveyance, assignment and other disposal of any asset or any interest therein (including any other transaction or arrangement pursuant to which the economic benefit of or beneficial interest in such asset is lost or diluted) and “**dispose**” shall be construed accordingly;
 - (vi) “**guarantee**” includes any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any person or to make an investment in or loan to any person or to purchase assets of any person where, in each case, such obligation is assumed in order to maintain or assist the ability of such person to meet its indebtedness (and “**guarantor**” shall be construed

accordingly);

- (vii) “**including**” shall be construed as “including without limitation” (other than when used in references to time periods) (and cognate expressions shall be construed similarly);
 - (viii) “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (ix) a Finance Party’s “**participation**” in any Loan or Unpaid Sum includes an amount (in the currency of such Loan or Unpaid Sum) representing the fraction or portion (attributable to such Finance Party by virtue of the provisions of this Agreement) of the total amount of such Loan or Unpaid Sum and such Finance Party’s rights under this Agreement and/or any other Finance Document in respect thereof;
 - (x) a “**person**” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
 - (xi) a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, which is generally complied with by those to whom it is addressed) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (xii) any gender shall be construed to include a reference to each other gender;
 - (xiii) a provision of law is a reference to that provision as amended or re-enacted; and
 - (xiv) a time of day is a reference to Hong Kong time.
- (b) Section, Clause and Schedule headings are for ease of reference only.
 - (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
 - (d) A Default (other than an Event of Default) is “**continuing**” if it has not been remedied or waived and an Event of Default is “**continuing**” if it has not been waived.
 - (e) The “**equivalent**” of an amount in a given currency (the “**specified currency**”) is a reference to the amount of any other currency which, when converted into the specified currency utilising the Agent’s spot rate of exchange (or, if no such spot rate of exchange is quoted by the Agent, such other prevailing

market rate of exchange selected by the Agent) for the purchase of the specified currency with that other currency at or about 11:00 a.m. (Hong Kong time) on the applicable date of determination, is equal to the applicable amount in the specified currency.

1.3 **Currency symbols and definitions**

- (a) “**S**”, “**US\$**”, “**US dollar**”, “**US dollars**”, “**dollar**” and “**dollars**” denote lawful currency of the United States of America.
- (b) “**Renminbi**” and “**RMB**” denote lawful currency of the PRC.

1.4 **Third party rights**

- (a) A person who is not a Party has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623) (the “**Third Parties Ordinance**”) to enforce or to enjoy the benefit of any term of this Agreement, except as otherwise provided in paragraph (b) of Clause 24.10 (*Exclusion of liability*) and Clause 24.18 (*Liability*).
- (b) Notwithstanding any provision of this Agreement (including paragraph (a) above), the Parties do not require the consent of any person who is not a Party to rescind, amend, vary or waive any provision of this Agreement at any time.

**SECTION 2
THE FACILITIES**

2. THE FACILITIES

2.1 The Facilities

Subject to the terms of this Agreement, the Lenders agree to make available to the Borrower:

- (a) a US dollar term loan facility in an aggregate amount of up to the Total Facility A Commitments; and
- (b) a US dollar revolving credit facility in an aggregate amount of up to the Total Facility B Commitments.

2.2 Finance Parties' rights and obligations

- (a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under any or all of the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under any or all of the Finance Documents.
- (b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under any or all of the Finance Documents to a Finance Party from the Borrower shall be a separate and independent debt in respect of which a Finance Party shall be entitled to enforce its rights in accordance with paragraph (c) below. The rights of each Finance Party include any debt owing to that Finance Party under the Finance Documents and, for the avoidance of doubt, any part of a Loan or any other amount owed by the Borrower which relates to a Finance Party's participation in a Facility or its role under a Finance Document (including any such amount payable to the Agent on its behalf) is a debt owing to that Finance Party by the Borrower.
- (c) A Finance Party may, except as specifically provided in the Finance Documents, separately enforce its rights under or in connection with the Finance Documents. Each Finance Party shall be entitled to separately enforce its rights under the Finance Documents against the Borrower to recover any amount that is due and payable to it under any Finance Document (or to recover its share of any amount that is due and payable under any Finance Document) without the consent of any other Party; and nothing shall prejudice the rights of a Finance Party from separately enforcing its rights in relation to any debt arising under any Finance Document owing to it (or its share of any debt arising under a Finance Document), which debt is due and payable.

2.3 Increase

- (a) The Borrower may by giving prior notice to the Agent by no later than the date falling five Business Days after the effective date of a cancellation of the Available Commitment or the Commitment (in respect of any Facility) of a Lender (a “**Cancelled Lender**”) in accordance with paragraph (a) of Clause 7.5 (*Right of repayment and cancellation in relation to a single Lender*) (such Available Commitment or Commitment so cancelled being the “**Cancelled Commitment**” in respect of that Facility) request that the Commitments relating to that Facility be increased (and the Commitments relating to that Facility shall be so increased) up to an amount of the Cancelled Commitment as follows:
- (i) such increased Commitments under that Facility will be assumed by one or more Lenders or other banks, financial institutions, trusts, funds or other entities (each an “**Increase Lender**”) selected by the Borrower (which is not a Group Member and which satisfies the criteria for a Lender under Clause 22.1 (*Assignments and transfers by the Lenders*)) each of which confirms in writing (whether in the relevant Increase Confirmation or otherwise) its willingness to assume and does assume all the obligations of a Lender corresponding to that part of such increased Commitments which it is to assume (the “**Assumed Commitment**” of such Increase Lender in respect of such Facility), as if it had been an Original Lender with such Assumed Commitment in addition to any other Commitment in respect of any Facility which it may otherwise have in accordance with this Agreement (for the avoidance of doubt, the aggregate Assumed Commitments of all of the Increase Lenders shall not exceed such Cancelled Commitment in respect of such Facility);
 - (ii) the Borrower and any Increase Lender shall assume obligations towards one another and/or acquire rights against one another as the Borrower and that Increase Lender would have assumed and/or acquired had that Increase Lender been an Original Lender (with the Assumed Commitment in respect of such Increase Lender and such Facility, in addition to any other Commitment in respect of any Facility which such Increase Lender may otherwise have in accordance with this Agreement);
 - (iii) each Increase Lender shall become a Party as a “Lender” (with the Assumed Commitment in respect of such Facility so assumed by it, in addition to any other Commitment in respect of any Facility which that Increase Lender may otherwise have in accordance with this Agreement) and any Increase Lender and each of the other Finance Parties shall assume obligations towards one another and acquire rights against one another as that Increase Lender and those Finance Parties would have assumed and/or acquired had that Increase Lender been an Original Lender;
 - (iv) the Commitments of the other Lenders in respect of any or all of the Facilities shall continue in full force and effect; and

- (v) any such increase in the Commitments under such Facility shall take effect on the later of (A) the date specified by the Borrower in the notice referred to above or (B) the date on which the conditions set out in paragraph (b) below are satisfied in respect of such increase.
- (b) An increase in the Commitments under any Facility pursuant to paragraph (a) will only be effective on:
 - (i) the execution by the Agent of an Increase Confirmation from each Increase Lender in respect of such increase (setting out the Assumed Commitment under such Facility which such Increase Lender is assuming in accordance with paragraph (a)); and
 - (ii) in relation to an Increase Lender which is not a Lender immediately prior to such increase in Commitments under such Facility, the Agent being satisfied that it has completed all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the assumption of the Assumed Commitment in respect of such Facility by that Increase Lender.

The Agent shall promptly notify to the Borrower and that Increase Lender upon the effectiveness of such increase, provided that the Agent shall have received confirmation from either such Cancelled Lender or the Borrower of the completion of all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the assumption of the Assumed Commitment in respect of such Facility by that Increase Lender.

- (c) Each Increase Lender, by executing an Increase Confirmation, confirms (for the avoidance of doubt) that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the increase in Commitments (to which such Increase Confirmation relates) becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as it would have been had it been an Original Lender.
- (d) The Borrower shall promptly on demand pay the Agent the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with any increase in Commitments under this Clause 2.3.
- (e) An Increase Lender shall, on the date upon which the assumption of any Assumed Commitment in respect of any Facility takes effect, pay to the Agent (for its own account) a fee in an amount equal to the fee which would be payable under Clause 22.3 (*Assignment or transfer fee*) if such assumption were a transfer of such Assumed Commitment to such Increase Lender pursuant to Clause 22.5 (*Procedure for transfer*) and if such Increase Lender were a New Lender.
- (f) The Borrower may pay to an Increase Lender a fee in the amount and at the times agreed between the Borrower and that Increase Lender in a Fee Letter.

- (g) Neither the Agent nor any Lender shall have any obligation to find an Increase Lender and in no event shall any Lender whose Cancelled Commitment in respect of any Facility is assumed or replaced by an Increase Lender be required to pay or surrender any of the fees received by such Lender pursuant to the Finance Documents.
- (h) Clause 22.4 (*Limitation of responsibility of Existing Lenders*) shall apply *mutatis mutandis* in this Clause 2.3 in relation to an Increase Lender as if references in that Clause to:
 - (i) an “**Existing Lender**” were references to all the Lenders immediately prior to the relevant increase in Commitments or the assumption of any Assumed Commitment in respect of any Facility by such Increase Lender;
 - (ii) the “**New Lender**” were references to that “**Increase Lender**”; and
 - (iii) a “**re-transfer**” and “**re-assignment**” were references to respectively a “**transfer**” and “**assignment**”.

3. PURPOSE

3.1 Purpose

The Borrower shall ensure that all amounts borrowed by it under the Facilities are applied towards:

- (a) financing the general corporate purposes of the Group; and/or
- (b) payment of fees, costs and expenses incurred by the Borrower in connection with the Finance Documents.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

- (a) The Borrower may not deliver a Utilisation Request unless the Agent has received (or the Agent has waived the requirement to receive (acting on the instructions of the Majority Lenders)) all of the documents and other evidence listed in Schedule 2 (*Conditions Precedent*) in form and substance satisfactory to the Agent. The Agent shall notify the Borrower and the Lenders promptly upon being so satisfied.
- (b) Other than to the extent that the Majority Lenders notify the Agent in writing to the contrary before the Agent gives the notification described in paragraph (a) above, the Lenders authorise (but do not require) the Agent to give that

notification. The Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

4.2 **Further conditions precedent**

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) in relation to any Loan if on the date of the Utilisation Request (relating to such Loan) and on the proposed Utilisation Date (for such Loan):

- (a) (A) (in the case of a Rollover Loan) the Agent has not (acting on the instructions of the Majority Lenders) given notice to the Borrower to the effect that an Event of Default is continuing and no Rollover Loan shall be made or (B) (in the case of any Loan other than a Rollover Loan) no Default is continuing or would result from such proposed; and
- (b) the Repeating Representations are true in all material respects (whether before or after giving effect to such proposed Loan).

4.3 **Maximum number of Loans**

- (a) The Borrower may not deliver a Utilisation Request if as a result of the proposed Utilisation, five (5) or more Facility A Loans would be outstanding.
- (b) The Borrower may not deliver a Utilisation Request if as a result of the proposed Utilisation, five (5) or more Facility B Loans would be outstanding.
- (c) The Borrower may not request that any Facility A Loan be divided if, as a result of the proposed division, 5 or more Facility A Loans would be outstanding.
- (d) The Borrower may not request that a Facility B Loan be divided.

**SECTION 3
UTILISATION**

5. UTILISATION

5.1 Delivery of a Utilisation Request

The Borrower may utilise a Facility by delivery to the Agent of a duly completed Utilisation Request via email to loansAgency.HK@sc.com (or any substitute email address as the Agent may notify the Borrower) not later than the Specified Time.

5.2 Completion of a Utilisation Request

- (a) Each Utilisation Request for a Loan under any Facility is irrevocable and will not be regarded as having been duly completed unless:
 - (i) it identifies the Facility to be utilised;
 - (ii) the proposed Utilisation Date is a Business Day within the Availability Period for such Facility;
 - (iii) the currency and amount of such Loan (the subject of such Utilisation Request) comply with Clause 5.3 (*Currency and amount*); and
 - (iv) the proposed first Interest Period complies with Clause 9 (*Interest Periods*).
- (b) Only one Loan in respect of each Facility may be requested in each Utilisation Request.

5.3 Currency and amount

- (a) The currency specified in a Utilisation Request must be US dollars.
- (b) The amount of the proposed Loan under any Facility specified in a Utilisation Request must be an amount which does not exceed the Available Facility for such Facility and which is (i) a minimum of US\$50,000,000 and an integral multiple of US\$10,000,000, or (ii) if less, the Available Facility for such Facility.

5.4 Lenders' participation

- (a) If the conditions set out in this Agreement have been met and subject to Clause 7.1 (*Illegality*), Clause 7.6 (*Change of control*) and paragraph (b) of Clause 6.2 (*Repayment of Facility B Loans*), each Lender shall make its participation in each Loan available by the Utilisation Date for such Loan through its Facility Office.
- (b) The amount of each Lender's participation in each Loan under any Facility will be equal to a proportion of such Loan, such proportion being equal to the proportion borne by such Lender's Available Commitment for such Facility to the Available Facility for such Facility immediately prior to making such Loan.

- (c) The Agent shall notify each Lender of the amount of each Loan and the amount of its participation in that Loan (and, in the case of a Facility B Loan and if different, the amount of its participation in that Loan to be made available to the Agent under Clause 26.1 (*Payments to the Agent*) in accordance with paragraph (b) of Clause 6.2 (*Repayment of Facility B Loans*)), in each case by the Specified Time.

5.5 **Cancellation of Available Facility**

- (a) The Facility A Commitments which, at that time, are unutilised (being, in respect of each Lender, the amount by which the Facility A Commitment of such Lender exceeds its aggregate participation in the Facility A Loans) shall be immediately cancelled at 5 p.m. on the last day of the Availability Period for Facility A.
- (b) The Facility B Commitments which, at that time, are unutilised (being, in respect of each Lender, the amount by which the Facility B Commitment of such Lender exceeds its aggregate participation in the Facility B Loans) shall be immediately cancelled at 5 p.m. on the last day of the Availability Period for Facility B.

SECTION 4
REPAYMENT, PREPAYMENT AND CANCELLATION

6. REPAYMENT

6.1 Repayment of Facility A Loans

- (a) The Borrower shall repay each Facility A Loan in full on the Final Maturity Date.
- (b) The Borrower may not re-borrow any part of Facility A which is repaid.

6.2 Repayment of Facility B Loans

- (a) Subject to paragraph (c), the Borrower shall repay each Facility B Loan in full on the last day of its Interest Period.
- (b) Without prejudice to the Borrower's obligation under paragraph (a) above, if:
 - (i) one or more Facility B Loans are to be made available to the Borrower in accordance with the provisions of this Agreement ("**New Facility B Loans**"):
 - (A) on the same day that a maturing Facility B Loan is due to be repaid; and
 - (B) in whole or in part for the purpose of refinancing such maturing Facility B Loan (as specified in the Utilisation Request(s) for such New Facility B Loans); and
 - (ii) each Lender's aggregate participation in such New Facility B Loans (expressed as a percentage of the aggregate amount of such New Facility B Loans) is equal to such Lender's participation in such maturing Facility B Loan (expressed as a percentage of the aggregate amount of such Facility B Loan),

the aggregate amount of such New Facility B Loans shall, unless the Borrower notifies the Agent to the contrary in the Utilisation Request(s) for such New Facility B Loans, be treated as if applied in or towards repayment of such maturing Facility B Loan so that:

- (A) if the amount of such maturing Facility B Loan exceeds the aggregate amount of the New Facility B Loans:
 - (1) the Borrower will only be required to make a payment in respect of such maturing Facility B Loan under Clause 26.1 (*Payments to the Agent*) in an amount equal to that excess; and
 - (2) each Lender's participation in such New Facility B Loans shall be treated as having been made available and applied by the Borrower in or towards repayment of

that Lender's participation in such maturing Facility B Loan and that Lender will not be required to make a payment under Clause 26.1 (*Payments to the Agent*) in respect of its participation in such New Facility B Loans; and

- (B) if the amount of such maturing Facility B Loan is equal to or less than the aggregate amount of such New Facility B Loans:
 - (1) the Borrower will not be required to make a payment under Clause 26.1 (*Payments to the Agent*) in respect of such maturing Facility B Loan; and
 - (2) each Lender will be required to make a payment under 26.1 (*Payments to the Agent*) in respect of its participation in such New Facility B Loans only to the extent that its participation in such New Facility B Loans exceeds that Lender's participation in such maturing Facility B Loan and the remainder of that Lender's participation in such New Facility B Loans shall be treated as having been made available and applied by the Borrower in or towards repayment of that Lender's participation in such maturing Facility B Loan.
- (c) All of the Facility B Loans must be repaid in full on the Final Maturity Date.

7. PREPAYMENT AND CANCELLATION

7.1 Illegality

If, at any time, it is or will become unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan or any part thereof:

- (a) that Lender shall promptly notify the Agent upon becoming aware of that event and the Agent shall promptly notify the Borrower upon the receipt of such notification from that Lender;
- (b) upon the Agent notifying the Borrower, the Available Commitment of that Lender for each Facility will be immediately cancelled and reduced to zero and the Lenders' Commitment for each Facility shall be reduced by the amount of the Available Commitment for such Facility so cancelled (and that Lender shall not be obliged to participate in the making of any Loan under any Facility); and
- (c) to the extent that that Lender's participation in each Loan has not been transferred to another person pursuant to Clause 7.5 (*Right of repayment and cancellation in relation to a single Lender*), the Borrower shall repay that Lender's participation in each Loan on the last day of the Interest Period for such Loan occurring after the Agent has notified the Borrower or, if earlier, the date specified by that Lender in the notice delivered to the Agent (being no

earlier than the last day of any applicable grace period permitted by law). Upon such prepayment of that Lender's participation in any Loan under any Facility, the Commitment of that Lender in respect of that Facility shall be reduced by the amount of such prepayment.

7.2 Voluntary cancellation

- (a) The Borrower may, if it gives the Agent not less than three (3) Business Days' (or such shorter period as the Majority Facility A Lenders may agree) prior notice, reduce the Facility A Available Facility to zero or by such amount (being a minimum amount of US\$50,000,000 and an integral multiple of US\$10,000,000) as the Borrower may specify in such notice.
- (b) The Borrower may, if it gives the Agent not less than three (3) Business Days' (or such shorter period as the Majority Facility B Lenders may agree) prior notice, reduce the Facility B Available Facility to zero or by such amount (being a minimum amount of US\$50,000,000 and an integral multiple of US\$10,000,000) as the Borrower may specify in such notice.
- (c) Any such reduction of the Available Facility for any Facility under this Clause 7.2 shall reduce the Commitments of the Lenders for such Facility rateably.

7.3 Voluntary prepayment of Facility A Loans

- (a) The Borrower may, if it gives the Agent not less than three (3) Business Days' prior notice in writing, prepay the whole or any part of any Facility A Loan, **provided that**, in the case of any prepayment of any Facility A Loan in part, the amount of such prepayment reduces the amount of such Facility A Loan by an amount that is (i) not less than US\$50,000,000 and (ii) if in excess of US\$50,000,000, an integral multiple of US\$10,000,000.
- (b) A Facility A Loan may only be prepaid under this Clause 7.3 after the last day of the Availability Period in respect of Facility A (or, if earlier, the day on which the Facility A Available Facility is zero).

7.4 Voluntary prepayment of Facility B Loans

The Borrower may, if it gives the Agent not less than three (3) Business Days' prior notice in writing, prepay the whole or any part of any Facility B Loan, **provided that**, in the case of any prepayment of any Facility B Loan in part, the amount of such prepayment reduces the amount of such Facility B Loan by an amount that is (i) not less than US\$50,000,000 and (ii) if in excess of US\$50,000,000, an integral multiple of US\$10,000,000.

7.5 Right of repayment and cancellation in relation to a single Lender

- (a) If:
 - (i) any sum payable to any Lender by the Borrower is required to be increased under Clause 12.2 (*Tax gross-up*);
 - (ii) any Lender claims indemnification from the Borrower under Clause

12.3 (*Tax indemnity*) or Clause 13 (*Increased Costs*); or

(iii) any Lender becoming a Defaulting Lender,

the Borrower may, whilst (in the case of paragraph (i)) the circumstance giving rise to such requirement continues (in the case of paragraph (ii)) the circumstance giving rise to such indemnification continues or (in the case of paragraph (iii)) such Lender continues to be a Defaulting Lender, give the Agent and that Lender notice of its intention to procure the repayment of that Lender's participation (if any) in the Loans and the cancellation of the Commitment of that Lender for each Facility (a "**Cancellation Notice**").

- (b) On receipt of a Cancellation Notice referred to in paragraph (a) above in respect of any Lender, the Available Commitment of that Lender for each Facility shall immediately be cancelled and reduced to zero (and the Lenders' Commitment for each Facility shall be reduced by the amount of the Available Commitment for such Facility so cancelled).
- (c) On the last day of each Interest Period relating to any Loan which ends after the Borrower has given a Cancellation Notice under paragraph (a) above in respect of any Lender (or, if earlier, the date specified by the Borrower in that notice), the Borrower shall repay that Lender's participation (if any) in that Loan. Upon such prepayment of that Lender's participation in any Loan under any Facility, the Commitment of that Lender in respect of that Facility shall be reduced by the amount of such prepayment.
- (d) If:
- (i) any sum payable to any Lender by the Borrower is required to be increased under Clause 12.2 (*Tax gross-up*);
 - (ii) any Lender claims indemnification from the Borrower under Clause 12.3 (*Tax indemnity*) or Clause 13 (*Increased Costs*);
 - (iii) the Borrower becomes obliged to repay any Loan in accordance with Clause 7.1 (*Illegality*);
 - (iv) any Lender becomes a Non-Consenting Lender (as defined in paragraph (f) below); or
 - (v) any Lender becomes and continues to be a Defaulting Lender,

the Borrower may, on not less than five Business Days' prior written notice to the Agent and that Lender of its intention to replace that Lender (a "**Replacement Notice**"), replace that Lender (a "**Replaced Lender**") by requiring such Replaced Lender to (and, to the extent permitted by law, such Replaced Lender shall) transfer pursuant to Clause 22 (*Changes to the Parties*) all (and not part only) of its rights and obligations under this Agreement to a Lender or any other bank, financial institution, trust fund or other entity selected by the Borrower (which satisfies the criteria for a Lender under Clause 22.1 (*Assignments and transfers by the Lenders*) and does not contravene Clause 33 (*Restrictions on Debt Purchase Transactions*)) (a

“**Replacement Lender**”) which confirms (x) its willingness to assume and does assume all the obligations of such Replaced Lender in accordance with Clause 22 (*Changes to the Parties*) for a purchase price in cash payable, free and clear from any and all withholdings and deductions, at the time of such transfer equal to the sum of (and in the currency of) (A) the aggregate outstanding principal amount of such Replaced Lender’s participation in each of the outstanding Loans, (B) all accrued interest (whether or not due) thereon, (C) any Break Costs that would have been payable to such Replaced Lender had such Replaced Lender received payment of its participation in each of the Loans and accrued interest thereon and other sums payable under the Finance Documents from the Borrower on the date of such transfer and (D) all other amounts owing or payable to such Replaced Lender under the Finance Documents, and (y) (in the case where such Replaced Lender is a Non-Consenting Lender) its consent to the waiver or amendment (that is the subject of the applicable Non-Consenting Event which constitutes such Replaced Lender as a Non-Consenting Lender), **provided that** (in the case of paragraph (iv)) if a Lender has split the votes attributable to its Commitment(s) in respect of any Facility or any participation in any Loan(s) under any Facility in accordance with paragraph (f) of Clause 24.7 (*Majority Lenders’ instructions*) (a “**Splitting Lender**”), (1) such Splitting Lender shall be deemed (for the purposes of paragraphs (d) to (f)) to constitute different Lenders (each a “**Split Vote Lender**”), each holding its Split Commitment in respect of each Facility and its Split Participation in respect of each Loan in accordance with paragraph (f) of Clause 24.7 (*Majority Lenders’ instructions*), and (2) if any Split Vote Lender constitutes a Non-Consenting Lender (by virtue of such Split Vote Lender, in its capacity as Lender holding such Split Vote Lender’s Split Commitment in respect of any Facility and/or Split Participation in any Loan, not consenting to any applicable waiver or amendment), any replacement of such Split Vote Lender shall be limited to a transfer of all of the rights and obligations of such Split Vote Lender under this Agreement (for the avoidance of doubt, which rights and obligations are attributable to the Split Commitment of such Split Vote Lender in respect of each Facility and the Split Participation of such Split Vote Lender in respect of each Loan), and shall not include a transfer of the rights or obligations of any other Split Vote Lender under this Agreement notwithstanding that such other Split Vote Lender may be the same entity as such first-mentioned Split Vote Lender being replaced.

- (e) The replacement of a Replaced Lender and the transfer of rights and obligations of such Replaced Lender to the applicable Replacement Lender pursuant to paragraph (d) above shall be subject to the following conditions:
- (i) the Borrower shall have no right to replace the Agent;
 - (ii) none of the Finance Parties (including without limitation such Replaced Lender) shall have any obligation to find a Replacement Lender;
 - (iii) in no event shall such Replaced Lender be required to pay, account for or surrender to such Replacement Lender for any amount (including without limitation any fees) received or recovered by such Replaced

Lender pursuant to the Finance Documents prior to or in respect of any time prior to such transfer (except if any portion of such recovered amount is attributable to any amount receivable by such Replacement Lender after the date of such transfer from such Replaced Lender to such Replacement Lender);

- (iv) such Replaced Lender shall not be obliged to make such transfer or execute any Transfer Certificate in respect of such transfer unless it is satisfied (acting reasonably) that it has completed all “know your customer” and other similar procedures that it is required to conduct in relation to such transfer to such Replacement Lender (and the Replaced Lender shall perform such procedures as soon as reasonably practicable following delivery of a Replacement Notice to it in respect of such transfer and shall notify the Agent and the Borrower when it is satisfied that it has completed such procedures);
- (v) such Replaced Lender shall not be required to make any such transfer to the extent that such transfer is, or would be reasonably likely to result, in breach of or non-compliance with any applicable law or regulation, or any rules or regulations of any applicable securities exchange applicable to such Replaced Lender or such Replacement Lender; and
- (vi) such Replaced Lender shall only be obliged to make such transfer if:
 - (A) in the case of paragraph (d)(i), (d)(ii) or (d)(iii), at the time of such transfer the circumstance giving rise to such requirement for increased payments to such Replaced Lender under Clause 12.2 (*Tax gross-up*) or such indemnification in favour of such Replaced Lender under Clause 12.3 (*Tax indemnity*) or Clause 13 (*Increased Costs*) or the Borrower’s obligation to repay any Loan in accordance with Clause 7.1 (*Illegality*) (as the case may be) is continuing;
 - (B) in the case of paragraph (d)(iv), such transfer is to be made no later than 30 days after the date on which the Non-Consenting Event constituting such Replaced Lender a Non-Consenting Lender first arose, and such Non-Consenting Event is continuing at the time of such transfer; or
 - (C) in the case of paragraph (d)(v), such Replaced Lender continues to be a Defaulting Lender.
- (f) In the event that:
 - (i) the Borrower or the Agent (at the request of the Borrower) has requested the Lenders to consent to a waiver or amendment of any provisions of the Finance Documents;
 - (ii) the waiver or amendment in question requires the consent of all the Lenders; and

(iii) the Super Majority Lenders have consented to such waiver or amendment,

then any Lender who does not and continues not to consent to such waiver or amendment shall be deemed a “**Non-Consenting Lender**” and such event shall be a “**Non-Consenting Event**”.

7.6 **Change of control**

(a) Upon the occurrence of a Change of Control:

(i) the Borrower shall promptly notify the Agent upon becoming aware of that event; and

(ii) (irrespective of whether the Borrower has complied with paragraph (i) above):

(A) no Lender shall be obliged to participate in the making of any Loan; and

(B) if the Majority Lenders so require, the Agent shall, by not less than 30 days’ notice to the Borrower, cancel the Facilities and declare all outstanding Loans, together with accrued interest and any Break Costs, and all other amounts accrued under the Finance Documents immediately due and payable, whereupon the Facilities (and the Commitment of each Lender for each Facility) will be cancelled and all of the outstanding Loans, together with accrued interest and any Break Costs, and all other amounts accrued under the Finance Documents will become immediately due and payable.

(b) For the purpose of paragraph (a) above, “**Change of Control**” means any person or group of persons acting in concert (other than any person or group of persons acting in concert who already control the Borrower as at the date of this Agreement (the “**Existing Controllers**”)) gains direct or indirect control of the Borrower. For the purpose of this definition:

(i) “**acting in concert**” means, a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition directly or indirectly of shares in the Borrower by any of them, either directly or indirectly, to obtain or consolidate control of the Borrower; and

(ii) “**control**” of a person means the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

(A) cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of that person;

(B) appoint or remove all, or the majority, of the directors or other equivalent officers of that person; or

- (C) give directions with respect to the operating and financial policies of that person with which the directors or other equivalent officers of that person are obliged to comply.

7.7 Restrictions

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.
- (c) The Borrower may not re-borrow any part of Facility A which is prepaid.
- (d) Unless a contrary indication appears in this Agreement, any part of Facility B which is prepaid or repaid may be re-borrowed during the Facility B Availability Period in accordance with the terms of this Agreement.
- (e) The Borrower shall not repay or prepay all or any part of the Loans or cancel or reduce all or any part of the Commitments or Available Commitments of the Lenders for any Facility except at the times and in the manner expressly provided for in this Agreement.
- (f) If any Commitment of any Lender in respect of any Facility is cancelled or reduced under this Agreement, such Commitment so cancelled or reduced may not be subsequently reinstated.
- (g) If the Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to either the Borrower or the affected Lender, as appropriate.
- (h) Any prepayment or repayment of a Loan or any part thereof (other than a prepayment or repayment pursuant to Clause 7.1 (*Illegality*) or Clause 7.5 (*Right of repayment and cancellation in relation to a single Lender*)) shall be applied *pro rata* to each Lender's participation in that Loan.
- (i) If all or part of any Lender's participation in a Loan under any Facility is repaid or prepaid and is not available for redrawing (other than by reason of the operation of Clause 4.2 (*Further conditions precedent*)), an amount of that Lender's Commitment in respect of that Facility (equal to the amount of such Lender's participation in such Loan which is so repaid or prepaid) will be deemed to be cancelled on the date of such repayment or prepayment.

**SECTION 5
COSTS OF UTILISATION**

8. INTEREST

8.1 Calculation of interest

The rate of interest on each Loan at any time during an Interest Period relating thereto is the percentage rate per annum which is the aggregate of the applicable:

- (a) Margin; and
- (b) LIBOR for such Loan and such Interest Period.

8.2 Payment of interest

On the last day of each Interest Period relating to a Loan the Borrower shall pay accrued interest on such Loan.

8.3 Default interest

- (a) If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on such Unpaid Sum from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is two (2) per cent. per annum higher than the rate which would have been payable if such Unpaid Sum had, during the period of non-payment, constituted a Loan in the currency of such Unpaid Sum for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 8.3 shall be immediately payable by the Borrower on demand by the Agent.
- (b) If any Unpaid Sum consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
 - (i) the first Interest Period for that Unpaid Sum shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
 - (ii) the rate of interest applying to that Unpaid Sum during that first Interest Period shall be two (2) per cent. per annum higher than the rate which would have applied if that Unpaid Sum had not become due.
- (c) Default interest (if unpaid) arising on any Unpaid Sum will be compounded with that Unpaid Sum at the end of each Interest Period applicable to that Unpaid Sum but will remain immediately due and payable.

8.4 Notification of rates of interest

The Agent shall promptly notify the Lenders and the Borrower of the determination of a rate of interest under this Agreement.

9. INTEREST PERIODS

9.1 Selection of Interest Periods

- (a) Subject to the provisions of this Agreement:
 - (i) the Borrower may select an Interest Period for any Loan in the Utilisation Request for such Loan or (if such Loan is a Facility A Loan which has already been borrowed) in a Selection Notice;
 - (ii) each Selection Notice in respect of an Interest Period for any Facility A Loan is irrevocable and must be delivered to the Agent by the Borrower by the Specified Time;
 - (iii) if the Borrower fails to deliver a Selection Notice to the Agent in accordance with paragraph (a)(ii) above in relation to any Interest Period for a Facility A Loan, such Interest Period will, subject to paragraph (b), be three Months; and
 - (iv) the Borrower may (pursuant to paragraph (a)(i)) select an Interest Period for any Loan of one, three or six Month(s) or any other period agreed between the Borrower and the Agent (acting on the instructions of all the Lenders that have any participation in that Loan).
- (b) No Interest Period for any Loan shall extend beyond the Final Maturity Date. The Borrower may select an Interest Period of less than one Month ending on the Final Maturity Date.
- (c) Each Interest Period for a Facility A Loan shall start on the Utilisation Date for such Loan or (if such Facility A Loan has already been made) on the last day of the preceding Interest Period relating to such Loan.
- (d) A Facility B Loan has one Interest Period only and such Interest Period shall start on the Utilisation Date of that Facility B Loan.

9.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is no such next Business Day in that calendar month).

9.3 Consolidation and division of Facility A Loans

- (a) If two or more Interest Periods relating to Facility A Loans end on the same date, then those Facility A Loans will be consolidated into, and treated as, a single Facility A Loan on the last day of such first-mentioned Interest Periods.
- (b) Subject to Clause 4.3 (*Maximum number of Loans*) and Clause 5.3 (*Currency and amount*), if the Borrower requests in a Selection Notice (delivered in respect of a Facility A Loan in accordance with Clause 9.1 (Selection of Interest Periods)) that such Facility A Loan be divided into two or more

Facility A Loans, then such first-mentioned Facility A Loan will, on the last day of the current Interest Period relating thereto, be so divided into such number of Facility A Loans (as specified in such Selection Notice) each in such outstanding principal amount as specified in such Selection Notice, **provided that** the aggregate of such outstanding principal amounts so specified is equal to the outstanding principal amount of such first-mentioned Facility A Loan immediately before such division.

10. CHANGES TO THE CALCULATION OF INTEREST

10.1 Unavailability of Screen Rate

- (a) *Interpolated Screen Rate*: If no Screen Rate is available for LIBOR for any Loan and any Interest Period relating thereto, the applicable LIBOR for such Loan and such Interest Period shall be equal to the Interpolated Screen Rate for such Loan and a period equal in length to such Interest Period.
- (b) *Reference Bank Rate*: If no Screen Rate is available for LIBOR for any Loan and any Interest Period relating thereto and it is not possible to calculate the Interpolated Screen Rate for such Loan and such Interest Period, LIBOR for such Loan and such Interest Period shall be equal to the Reference Bank Rate as of the Specified Time and for such Loan and a period equal in length to such Interest Period.
- (c) *Cost of funds*: If paragraph (b) above applies but no Reference Bank Rate is available for such Loan and such Interest Period there shall be no LIBOR for that Loan and that Interest Period and Clause 10.4 (*Cost of funds*) shall apply to that Loan for that Interest Period.

10.2 Calculation of Reference Bank Rate

- (a) Subject to paragraph (b) below, if LIBOR for any Loan and any Interest Period relating thereto is to be determined on the basis of a Reference Bank Rate but a Reference Bank does not supply a quotation by the Specified Time, the Reference Bank Rate for such Loan and such Interest Period shall be calculated on the basis of the quotations of the remaining Reference Banks.
- (b) If at or about noon (London time) on the Quotation Day in respect of any Interest Period for any Loan, none or only one of the Reference Banks supplies a quotation for determining the Reference Bank Rate for such Loan and such Interest Period, there shall be no Reference Bank Rate for such Loan and such Interest Period.

10.3 Market disruption

If before 5 p.m. in Hong Kong on the Business Day immediately following the Quotation Day for an Interest Period for a Loan, the Agent receives notifications from a Lender or Lenders (whose participations in that Loan exceed 35 per cent. of that Loan) that the cost to it of funding its participation in that Loan from whatever source it may reasonably select would be in excess of LIBOR for that Loan and that Interest

Period, then Clause 10.4 (*Cost of funds*) shall apply to that Loan for that Interest Period.

10.4 **Cost of funds**

- (a) If this Clause 10.4 applies to any Loan and any Interest Period relating thereto, the rate of interest on each Lender's share of such Loan for such Interest Period shall be the percentage rate per annum which is the sum of:
 - (i) the Margin; and
 - (ii) the rate notified to the Agent by that Lender as soon as practicable and in any event within five Business Days before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in that Loan from whatever source it may reasonably select.
- (b) If this Clause 10.4 applies and the Agent or the Borrower so requires, the Agent and the Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest.
- (c) Any alternative basis agreed pursuant to paragraph (b) above shall, with the prior consent of all the Lenders and the Borrower, be binding on all Parties.

10.5 **Break Costs**

- (a) The Borrower shall, within five Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or any Unpaid Sum being paid by or recovered from the Borrower on a day other than the last day of an Interest Period for that Loan or that Unpaid Sum.
- (b) Each Finance Party shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break Costs in relation to any Loan or any Unpaid Sum and any Interest Period relating thereto.

11. **FEES**

11.1 **Commitment fee**

- (a) The Borrower shall, in respect of Facility B, pay to the Agent (for the account of each Lender) a commitment fee in US dollars computed and accruing on a daily basis at the rate of 0.2 per cent. per annum on that Lender's Facility B Available Commitment on each day of the Facility B Availability Period. For such purposes, such commitment fee accruing in favour of any Lender in respect of any day during the Facility B Availability Period shall be calculated on such Lender's Facility B Available Commitment as at the close of business on such day (or, if any such day is not a Business Day, the immediately preceding Business Day).

- (b) The accrued commitment fee under paragraph (a) is payable in arrears:
- (i) on the last day of each successive period of three Months which ends during the Facility B Availability Period;
 - (ii) on the last day of the Facility B Availability Period; and
 - (iii) if a Lender's Facility B Commitment is reduced to zero before the last day of the Facility B Availability Period, on the day on which such reduction to zero becomes effective.
- (c) No commitment fee is payable to the Agent (for the account of any Lender) on any Facility B Available Commitment of that Lender for any day on which that Lender is a Defaulting Lender.

11.2 Upfront fee

The Borrower shall pay to the Agent (for the account of the Original MLABs and/or (if applicable) the Original Lenders as specified in the Fee Letter referred to below) an upfront fee in the amount and at the times agreed in a Fee Letter.

11.3 Agency fee

The Borrower shall pay to the Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

11.4 Deduction of fees

Payment of the fees in Clause 11.2 (*Upfront fee*) and/or the first instalment of any fee payable to the Agent under Clause 11.3 (*Agency fee*) may, at the election of the Agent, be made out of the proceeds of the first Loan and the Agent is hereby irrevocably authorised to deduct the amount of such fees and apply the same towards payment of such fees on behalf of the Borrower.

SECTION 6
ADDITIONAL PAYMENT OBLIGATIONS

12. TAX GROSS UP AND INDEMNITIES

12.1 Definitions

- (a) In this Agreement:

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

“**Tax Payment**” means an increased payment made by the Borrower to a Finance Party under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

- (b) Unless a contrary indication appears, in this Clause 12 a reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination.

12.2 Tax gross-up

- (a) All payments to be made by the Borrower to any Finance Party under any of the Finance Documents shall be made free and clear of and without any Tax Deduction unless the Borrower is required to make a Tax Deduction, in which case the sum payable by the Borrower (in respect of which such Tax Deduction is required to be made) shall be increased to the extent necessary to ensure that such Finance Party receives a sum net of any deduction or withholding equal to the sum which it would have received had no such Tax Deduction been made or required to be made.
- (b) The Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable by the Borrower to that Lender. If the Agent receives such notification from a Lender it shall notify the Borrower.
- (c) If the Borrower is required to make a Tax Deduction, the Borrower shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (d) Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Agent for the Finance Party entitled to the payment (to which such Tax Deduction relates) an original receipt (or a certified copy thereof) reasonably satisfactory to that Finance Party that such Tax Deduction has been made or (as applicable) any appropriate payment has been paid to the relevant taxing authority.

- (e) The Agent shall not have any duty or obligation to facilitate the making of any Tax Deduction by the Borrower.

12.3 Tax indemnity

- (a) Without prejudice to Clause 12.2 (*Tax gross-up*), if any Finance Party is required to make any payment of or on account of Tax on or in relation to any sum received or receivable under any of the Finance Documents (including any sum deemed for purposes of Tax to be received or receivable by such Finance Party whether or not actually received or receivable) or if any liability in respect of any such payment is asserted, imposed, levied or assessed against any Finance Party, the Borrower shall, within five Business Days of demand of the Agent, promptly indemnify each Finance Party which suffers a loss or liability as a result against such payment or liability, together with any interest, penalties, costs and expenses payable or incurred in connection therewith, **provided that** this Clause 12.3 shall not apply to:
 - (i) any Tax imposed on and calculated by reference to the net income actually received or receivable by such Finance Party (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by such Finance Party but not actually receivable) by the jurisdiction in which such Finance Party is incorporated;
 - (ii) any Tax imposed on and calculated by reference to the net income of the Facility Office of such Finance Party actually received or receivable by such Finance Party (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by such Finance Party but not actually receivable) by the jurisdiction in which its Facility Office is located; or
 - (iii) any FATCA Deduction required to be made by a Party.
- (b) A Finance Party (other than the Agent) intending to make a claim under paragraph (a) shall notify the Agent of the event giving rise to such claim, whereupon the Agent shall notify the Borrower thereof.
- (c) A Finance Party shall, on receiving a payment from the Borrower under this Clause 12.3, notify the Agent.

12.4 Tax Credit

If the Borrower makes a Tax Payment in respect of a Finance Party and that Finance Party determines that:

- (a) a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and
- (b) that Finance Party has obtained and utilised that Tax Credit,

that Finance Party shall pay an amount to the Borrower which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Borrower.

12.5 Stamp taxes

The Borrower shall:

- (a) pay all stamp duty, registration and other similar Taxes payable in respect of any Finance Document; and
- (b) within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability which that Finance Party incurs in relation to any or all stamp duty, registration and/or other similar Taxes paid or payable in respect of any Finance Document.

12.6 Indirect Tax

- (a) All amounts set out or expressed in any Finance Document to be payable by any Party to a Finance Party shall be deemed to be exclusive of any Indirect Tax. If any Indirect Tax is chargeable on any supply made by any Finance Party to any Party under or in connection with any Finance Document, that Party shall pay to such Finance Party (in addition to and at the same time as paying the consideration for such supply) an amount equal to the amount of such Indirect Tax.
- (b) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that Party shall also at the same time pay and indemnify that Finance Party against all Indirect Tax incurred by that Finance Party in respect of such costs or expenses to the extent that such Finance Party reasonably determines that it is not entitled to credit or repayment in respect of such Indirect Tax.

12.7 FATCA Information

- (a) Subject to paragraph (c) below, each Party shall, within ten Business Days of a reasonable request by another Party:
 - (i) confirm to that other Party whether it is:
 - (A) a FATCA Exempt Party; or
 - (B) not a FATCA Exempt Party;
 - (ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA; and
 - (iii) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests

for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.

- (b) If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.
- (c) Paragraph (a) above shall not oblige any Finance Party to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:
 - (i) any law or regulation;
 - (ii) any fiduciary duty; or
 - (iii) any duty of confidentiality.
- (d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (a)(ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides such requested confirmation, forms, documentation or other information.
- (e) If the Borrower is a US Tax Obligor or the Agent reasonably believes that its obligations under FATCA or any other applicable law or regulation require it, each Lender shall, within ten Business Days of:
 - (i) where the Borrower is a US Tax Obligor and such Lender is an Original Lender, the date of this Agreement;
 - (ii) where the Borrower is a US Tax Obligor on a Transfer Date and such Lender is a New Lender (in respect of any assignment or transfer by an Existing Lender to such New Lender), the Transfer Date in respect of such assignment or transfer;
 - (iii) the date a new US Tax Obligor accedes as a borrower in respect of any of the Facilities; or
 - (iv) where the Borrower is not a US Tax Obligor, the date of a request from the Agent,supply to the Agent:
 - (A) a withholding certificate on Form W-8, Form W-9 or any other relevant form; or
 - (B) any withholding statement or other document, authorisation or waiver as the Agent may require to certify or establish the

status of such Lender under FATCA or that other law or regulation.

- (f) The Agent shall provide any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to paragraph (e) above to the Borrower.
- (g) If any withholding certificate, withholding statement, document, authorisation or waiver provided to the Agent by a Lender pursuant to paragraph (e) above is or becomes materially inaccurate or incomplete, that Lender shall promptly update it and provide such updated withholding certificate, withholding statement, document, authorisation or waiver to the Agent unless it is unlawful for that Lender to do so (in which case that Lender shall promptly notify the Agent). The Agent shall provide any such updated withholding certificate, withholding statement, document, authorisation or waiver to the Borrower.
- (h) The Agent may rely on any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to paragraph (e) or (g) above without further verification. The Agent shall not be liable for any action taken by it under or in connection with paragraph (e), (f) or (g) above.
- (i) Without prejudice to any other term of this Agreement, if a Lender fails to supply any withholding certificate, withholding statement, document, authorisation, waiver or information in accordance with paragraph (e) above, or any withholding certificate, withholding statement, document, authorisation, waiver or information provided by a Lender to the Agent is or becomes materially inaccurate or incomplete, then such Lender shall indemnify the Agent, within three Business Days of demand, against any cost, loss, Tax or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Agent (including any related interest and penalties) in acting as Agent under the Finance Documents as a result of such failure.

12.8 **FATCA Deduction**

- (a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of that payment for that FATCA Deduction.
- (b) Each Party shall promptly upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), and in any case at least three Business Days prior to making a FATCA Deduction, notify the Party to whom it is making the payment (to which such FATCA Deduction relates) and, in addition, on or prior to the day on which it notifies that Party, shall notify the Borrower and the Agent and the Agent shall notify the other Finance Parties.

13. **INCREASED COSTS**

13.1 **Increased costs**

- (a) Subject to Clause 13.3 (*Exceptions*), the Borrower shall, within five Business Days of a demand by the Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of:
- (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation;
 - (ii) compliance with any law or regulation made, enacted, issued or put into effect after the date of this Agreement; or
 - (iii) the implementation or application of, or compliance with, Basel III or CRD IV or any law or regulation that implements or applies Basel III or CRD IV.

The terms “law” and “regulation” in this paragraph (a) shall include, without limitation, any law or regulation concerning capital adequacy, prudential limits, liquidity, reserve assets or Tax.

- (b) In this Agreement:
- (i) “**Basel III**” means:
 - (A) the agreements on capital requirements, a leverage ratio and liquidity standards contained in “Basel III: A global regulatory framework for more resilient banks and banking systems”, “Basel III: International framework for liquidity risk measurement, standards and monitoring” and “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;
 - (B) the rules for global systemically important banks contained in “Global systemically important banks: assessment methodology and the additional loss absorbency requirement — Rules text” published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and
 - (C) any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”;
 - (ii) “**CRD IV**” means:
 - (A) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms; and

(B) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

(iii) “**Increased Costs**” means:

- (A) a reduction in the rate of return from the Facility (or any part thereof) or on a Finance Party’s (or its Affiliate’s) overall capital;
- (B) an additional or increased cost; or
- (C) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to the undertaking, funding or performance by that Finance Party of any of its obligations under any Finance Document or any participation of that Finance Party in any Loan or Unpaid Sum.

13.2 **Increased cost claims**

- (a) A Finance Party (other than the Agent) intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Agent of the event giving rise to such claim, following which the Agent shall promptly notify the Borrower.
- (b) Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased Costs in respect of any claim made by such Finance Party under Clause 13.1 (*Increased costs*).

13.3 **Exceptions**

Clause 13.1 (*Increased costs*) does not apply to any Increased Cost to the extent such Increased Cost is:

- (a) attributable to a Tax Deduction that is required by law to be made by the Borrower and that is already compensated for by Clause 12.2 (*Tax gross-up*);
- (b) attributable to a FATCA Deduction required to be made by a Party;
- (c) compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (a) of Clause 12.3 (*Tax indemnity*) applied); or
- (d) incurred by a Finance Party or an Affiliate of a Finance Party and is attributable to the wilful breach by such Finance Party or such Affiliate of any law or regulation.

14. **MITIGATION BY THE LENDERS**

14.1 **Mitigation**

- (a) Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 12 (*Tax Gross Up and Indemnities*) or Clause 13 (*Increased costs*) including transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of the Borrower under the Finance Documents.

14.2 **Limitation of liability**

- (a) The Borrower shall indemnify each Finance Party, within five Business Days of demand, for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 14.1 (*Mitigation*).
- (b) A Finance Party is not obliged to take any steps under Clause 14.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

14.3 **Conduct of business by the Finance Parties**

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any such claim; or
- (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

15. **OTHER INDEMNITIES**

15.1 **Currency indemnity**

- (a) If any sum due from the Borrower under any or all of the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:
 - (i) making or filing a claim or proof against the Borrower; or
 - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Borrower shall as an independent obligation, within five Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of such conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt or recovery of that Sum.

- (b) The Borrower waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

15.2 **Other indemnities**

The Borrower shall, within five Business Days of demand, indemnify each of the Finance Parties against any cost, loss or liability incurred by that Finance Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) the Information Memorandum or any other information produced or approved by the Borrower being or being alleged to be misleading and/or deceptive in any material respect;
- (c) any enquiry, investigation, subpoena (or similar order) or legal or arbitral proceedings with respect to the Borrower or with respect to any transactions contemplated or financed under any Finance Document;
- (d) a failure by the Borrower to pay any amount due under a Finance Document on its due date and in the currency in which such amount is due, including any cost, loss or liability arising as a result of Clause 25 (*Sharing Among the Finance Parties*);
- (e) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or
- (f) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

15.3 **Indemnity to the Agent**

The Borrower shall promptly (and in any event within five Business Days of demand) indemnify the Agent against:

- (a) any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:
 - (i) investigating any event which it reasonably believes is a Default;

- (ii) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised; and/or
 - (iii) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under this Agreement; and/or
- (b) any cost, loss or liability incurred by the Agent (otherwise than by reason of the Agent's gross negligence or wilful misconduct (as determined in a final non-appealable judgment of a court of competent jurisdiction)) in acting as Agent under the Finance Documents.

16. **COSTS AND EXPENSES**

16.1 **Transaction expenses**

The Borrower shall within five Business Days of demand pay each of the Administrative Parties the amount of all reasonable and documented out of pocket costs and expenses (including legal fees) reasonably incurred by any or all of the Administrative Parties in connection with the negotiation, preparation, printing, execution, delivery and syndication of:

- (a) this Agreement and/or any other documents referred to in this Agreement; and/or
- (b) any other Finance Documents executed after the date of this Agreement.

16.2 **Amendment costs**

If (a) the Borrower requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 26.10 (*Change of currency*), the Borrower shall, within five Business Days of demand, reimburse the Agent for the amount of all reasonable and documented out of pocket costs and expenses (including legal fees) reasonably incurred by the Agent in responding to, evaluating, negotiating or complying with that request or requirement.

16.3 **Enforcement costs**

The Borrower shall, within five Business Days of demand, pay to each Finance Party the amount of all documented out of pocket costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under any Finance Document.

SECTION 7
REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

17. REPRESENTATIONS

The Borrower makes the representations and warranties set out in this Clause 17 to each Finance Party on the date of this Agreement.

17.1 Status

- (a) It is a company, duly incorporated, validly existing and in good standing under the laws of the Cayman Islands.
- (b) Each of it and its Material Subsidiaries has the power to own its assets and carry on its business as it is being conducted.
- (c) It is acting as principal for its own account and not as agent or trustee in any capacity on behalf of any person in relation to the Finance Documents.

17.2 Binding obligations

The obligations expressed to be assumed by it in each Finance Document are (subject to the Legal Reservations) legal, valid, binding and enforceable obligations.

17.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not:

- (a) conflict with any law or regulation applicable to it;
- (b) conflict with its constitutional documents; or
- (c) conflict with any agreement or instrument binding upon it or any of its Subsidiaries or any of its or its Subsidiaries' assets where such conflict has or would reasonably be expected to have a Material Adverse Effect.

17.4 Power and authority

- (a) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents and the transactions contemplated by the Finance Documents.
- (b) No limit on its powers will be exceeded as a result of the borrowing contemplated by the Finance Documents.

17.5 Validity and admissibility in evidence

All Authorisations required:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents;

- (b) to make the Finance Documents admissible in evidence in its jurisdiction of incorporation; and/or
 - (c) for it and its Material Subsidiaries to carry on their respective business, and which are material,
- have been obtained or effected and are in full force and effect (or will be when required).

17.6 **Governing law and enforcement**

Subject to the Legal Reservations:

- (a) the choice of the laws of Hong Kong as the governing law of each Finance Document will be recognised and enforced in its jurisdiction of incorporation; and
- (b) any judgment obtained in Hong Kong in relation to any Finance Document will be recognised and enforced in its jurisdiction of incorporation.

17.7 **Deduction of Tax**

As at the date of this Agreement, it is not required under the law applicable where it is incorporated or resident or at its address specified in this Agreement to make any deduction for or on account of Tax from any payment it may make under any Finance Document.

17.8 **No filing or stamp taxes**

Under the law of its jurisdiction of incorporation it is not necessary that any of the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to any or all of the Finance Documents or the transactions contemplated by the Finance Documents except that:

- (a) Cayman Islands stamp duty will be payable on a Finance Document if that Finance Document is executed in, or an original copy is brought into, or produced to a court of, the Cayman Islands; and
- (b) (if required) filing with (and reporting to) NDRC in respect of the Facilities as foreign debt, which shall be effected when so required.

17.9 **No default**

- (a) No Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which any asset of it or any of its Subsidiaries is subject to an extent or in a manner which has or would reasonably be expected to have a Material Adverse Effect.

17.10 No misleading information

- (a) Any written factual information contained in or provided by or on behalf of the Borrower for the purposes of the Information Memorandum was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.
- (b) Nothing has occurred or been omitted from the Information Memorandum and no information has been given or withheld that results in the information contained in the Information Memorandum being untrue or misleading in any material respect.
- (c) All written (including by way of electronic mail or other electronic means) information (other than the Information Memorandum) supplied by or on behalf of the Borrower in connection with the Finance Documents is true, complete and accurate in all material respects as at the date it was given or (if any) as at the date it is stated and is not misleading in any material respect.

17.11 Financial statements

- (a) Its financial statements most recently supplied to the Agent (which, as at the date of this Agreement, are its Original Financial Statements) were prepared in accordance with GAAP consistently applied save to the extent expressly disclosed in such financial statements.
- (b) Its financial statements most recently supplied to the Agent (which, as at the date of this Agreement, are its Original Financial Statements) give a true and fair view of (if audited) or fairly represent (if unaudited) the consolidated financial condition and operations of the Group as at the end of and during the applicable period to which such financial statements relate, save to the extent expressly disclosed in such financial statements.
- (c) At the date of this Agreement, there has been no material adverse change in its business or financial condition or the business or consolidated financial condition of the Group (taken as a whole) since 31 December 2016.

17.12 Pari passu ranking

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors (including the claims of the holders of the Senior Notes 2016), except for obligations mandatorily preferred by law applying to companies generally.

17.13 No proceedings pending or threatened

No litigation, arbitration, investigation or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, would reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened, or are pending, against it or any of its Subsidiaries.

17.14 Authorised Signatures

Any person specified as its authorised signatory under Schedule 2 (*Conditions Precedent*) or paragraph (d) of Clause 18.4 (*Information: miscellaneous*) (in each case, to the extent not replaced as notified by the Borrower pursuant to paragraph (d) of Clause 18.4 (*Information: miscellaneous*)) is authorised to sign Utilisation Requests and Selection Notices and other notices on its behalf.

17.15 **Sanctions, anti-terrorism, anti-money laundering and anti-corruption**

- (a) None of any Group Member or any director, officer or employee of any Group Member or, to its knowledge, any agent of, or any person acting on behalf of, any of the foregoing:
 - (i) is a Restricted Party; or
 - (ii) has received notice of or is aware of any claim, action, suit, proceeding or investigation against it with respect to Sanctions by any Sanctions Authority.
- (b) None of any Group Member or any director, officer or employee of any Group Member or, to its knowledge, any agent of any Group Member is in violation of any applicable Sanctions.
- (c) None of any Group Member or any director, officer or employee of any Group Member or, to its knowledge, any person acting on behalf of any Group Member has received, funds or other property from a Restricted Party in violation of any applicable Sanctions or has conducted, any activities or business dealings, directly or indirectly, with or for the benefit of a Restricted Party in violation of any applicable Sanctions.
- (d) None of the Borrower or any other Group Member has any business operations or other dealings with any Restricted Party or in any Sanctioned Jurisdiction.
- (e) None of any Group Member or any director, officer or employee of any Group Member or, to its knowledge, any person acting on behalf of any Group Member is engaging or has engaged directly or indirectly, in any transaction or conduct that would reasonably be expected to result in it becoming a Restricted Party, or which evades or avoids any applicable prohibitions or restrictions set forth in any applicable Sanctions.
- (f) None of any Group Member or any director, officer or employee of any Group Member or, to its knowledge, any agent or representative of, or any person acting on behalf of any Group Member:
 - (i) has violated or is in violation of any Anti-Bribery and Corruption Laws;
 - (ii) has directly or indirectly paid, given or offered or promised to pay or give, or authorised the payment or giving of, directly or indirectly, any unlawful payment or improper transfer of value within the meaning of the FCPA or any other Anti-Bribery and Corruption Laws;
 - (iii) has directly or indirectly used any corporate funds for any unlawful

contribution, gift, entertainment or other unlawful expense relating to political office or activity or made any direct or indirect unlawful payment or improper transfer of value to any public official or any company employee from corporate funds; or

- (iv) has been subject to any action, suit, proceeding, arbitration, litigation, regulatory or criminal investigation with regard to any actual or alleged unlawful payment, improper transfer of value or violation in any way of the FCPA or any other Anti-Bribery and Corruption Laws.
- (g) None of any Group Member or any director, officer or employee of any Group Member or, to its knowledge, any person acting on behalf of, any Group Member is in violation of any Anti-Money Laundering Laws or Anti-Terrorism Laws.
- (h) No action, suit, proceeding, arbitration, litigation, regulatory or criminal investigation involving any Group Member or any director, officer or employee of any Group Member with respect to any Anti-Money Laundering Laws or Anti-Terrorism Laws is pending or, to its knowledge, threatened.
- (i) It has instituted and maintained systems, controls and other arrangements designed to:
 - (i) promote and ensure compliance by the Group with all applicable Sanctions, Anti-Bribery and Corruption Laws, Anti-Money Laundering Laws and Anti-Terrorism Laws; and
 - (ii) detect incidences of bribery and corruption.

17.16 List of Material Subsidiaries

The list of Material Subsidiaries delivered to the Agent pursuant to Clause 4.1 (*Initial conditions precedent*) is true, complete and accurate as at the end of the financial year of the Borrower most recently ended prior to the date of this Agreement.

17.17 Shareholder Loan

There is no Shareholder Loan subsisting as at the date of this Agreement.

17.18 Repetition

The Repeating Representations are deemed to be made by the Borrower on:

- (a) the date of each Utilisation Request;
- (b) each Utilisation Date; and
- (c) the first day of each Interest Period relating to any Loan,

in each case by reference to the facts and circumstances then existing.

18. INFORMATION UNDERTAKINGS

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under any of the Finance Documents or any Commitment in respect of any Facility (or any commitment represented thereby) is in force.

18.1 Financial statements

The Borrower shall supply or procure the supply to the Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available, but in any event within 120 days after the end of each of its Financial Years (or such longer period for the release of such financial statements as permitted under the requirements of the listing rules or other regulations of NASDAQ as applicable to the Borrower), the audited consolidated financial statements of the Borrower for that Financial Year audited by an independent firm of certified public accountants (which shall be one of the Auditors); and
- (b) as soon as the same become available, but in any event within 90 days (or such longer period for the release of such financial statements as permitted under the requirements of the listing rules or other regulations of NASDAQ as applicable to the Borrower) after the end of each of its Financial Quarters (other than the fourth Financial Quarter of each Financial Year), the unaudited consolidated financial statements of the Borrower for that Financial Quarter,

provided that, in the case of any consolidated financial statements of the Borrower to be delivered pursuant to this Clause 18.1, such financial statements shall be deemed to be so delivered upon being posted onto any electronic website of (i) the U.S. Securities and Exchange Commission, (ii) NASDAQ and/or (iii) the Borrower that is accessible to the public.

18.2 Compliance Certificate

- (a) The Borrower shall supply to the Agent, with each set of financial statements delivered under Clause 18.1 (*Financial statements*), a Compliance Certificate:
 - (i) (in respect of any Financial Quarter ending 30 June or at the end of each of its Financial Year) setting out (in reasonable detail) computations as to compliance with Clause 19 (*Financial Covenants*) as at the date as at which (and in respect of the Relevant Period ending on the date as at which) such financial statements were prepared;
 - (ii) confirming that no Default has occurred and is continuing or, if a Default is continuing, specifying the nature of such Default and the steps being taken to remedy such Default;
 - (iii) (in the case of each set of financial statements delivered under paragraph (a) of Clause 18.1 (*Financial statements*)) setting out an up-to-date list of Material Subsidiaries as at the end of the financial year to which the financial statements relate; and

- (iv) including an annotation, next to the name of each Material Subsidiary, whether such Material Subsidiary is a Core Business Group Member.
- (b) Each Compliance Certificate delivered under paragraph (a) shall be signed by an authorised signatory of the Borrower.

18.3 Requirements as to financial statements

- (a) The Borrower shall ensure that each set of financial statements delivered (or deemed delivered) pursuant to Clause 18.1 (*Financial statements*) shall be certified by an authorised signatory of the Borrower as giving a true and fair view of (if audited) or fairly representing (if unaudited) the consolidated financial condition and operations of the Group as at the end of and during the applicable period to which such financial statements relate.
- (b) The Borrower shall procure that each set of financial statements delivered (or deemed delivered) pursuant to Clause 18.1 (*Financial statements*) is prepared using GAAP, accounting practices and financial reference periods consistent with those applied in the preparation of the audited Original Financial Statements unless, in relation to any set of financial statements, it notifies the Agent that there has been a change in GAAP, accounting practices or reference periods and the Borrower or (if any auditors' report or opinion is required in connection with such change in order to comply with the applicable law, regulation or rule, or any applicable stock exchange requirement) the auditors of the Borrower (which shall be one of the Auditors) shall deliver to the Agent:
 - (i) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which the audited Original Financial Statements were prepared; and
 - (ii) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Lenders (A) to determine whether Clause 19 (*Financial Covenants*) has been complied with, (B) (in the case of each set of financial statements delivered under paragraph (a) of Clause 18.1 (*Financial statements*)) to determine which Group Members are Material Subsidiaries and (C) to make an accurate comparison between the financial position indicated in those financial statements and the audited Original Financial Statements.

18.4 Information: miscellaneous

The Borrower shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

- (a) all documents dispatched by the Borrower to its shareholders (or any class of them) or its creditors (or any class of them) generally at the same time as they are dispatched;
- (b) promptly upon becoming aware of them, the details of any litigation,

investigation, arbitration or administrative proceedings which are current, (or to the best of its knowledge) threatened or pending against the Borrower or any Group Member and which would, if adversely determined, reasonably be expected to have a Material Adverse Effect;

- (c) promptly:
 - (i) such further information regarding the financial condition, business and operations of the Borrower and any Material Subsidiary as any Finance Party (through the Agent) may reasonably request except to the extent that:
 - (A) the provision of such information to the Agent would result in any Group Member in breach of any applicable law, regulation or rule, any applicable stock exchange requirement or duty of confidentiality, provided that such duty of confidentiality did not arise under any agreement or arrangement that is entered into by a Group Member solely for the purpose of circumventing any requirement or request under this paragraph (c); or
 - (B) such information is (as reasonably determined by the Borrower) of a commercially sensitive nature; or
 - (ii) such further information regarding the financial condition, business and operations relating to the Borrower or any Material Subsidiary to the extent that any Finance Party has delivered evidence to the Borrower in form and substance satisfactory to the Borrower (acting reasonably) that such information is required to be disclosed to that Finance Party (or any Affiliate thereof) in order for that Finance Party to comply with any laws and/or regulations (including any rules or requirements of any applicable court or tribunal, securities exchange or supervisory, governmental, quasi-governmental, administrative, regulatory or self-regulatory body or authority) applicable to that Finance Party or any Affiliate thereof;
- (d) promptly, notice of any change in authorised signatories of the Borrower signed by a director, company secretary or an authorised signatory (other than any authorised signatory which has been replaced or is to be replaced pursuant to a notice given by the Borrower under this paragraph (d)) of the Borrower accompanied by specimen signatures of any new authorised signatories of the Borrower; and
- (e) promptly, such information as the Agent may from time to time reasonably require for the performance of its obligations or the exercise of its rights under the Finance Documents.

18.5 Notification of default

- (a) The Borrower shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

- (b) Promptly upon a request by the Agent, the Borrower shall supply to the Agent a certificate signed by an authorised signatory on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying such Default and the steps, if any, being taken to remedy it).

18.6 Use of websites

- (a) The Borrower may satisfy its obligations under this Agreement to deliver any information in relation to those Lenders (the “**Website Lenders**”) who accept this method of communication by posting this information onto an electronic website designated by the Borrower and the Agent (the “**Designated Website**”) if:
 - (i) the Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of such information by this method;
 - (ii) both the Agent and the Borrower are aware of the address of and any relevant password specifications for the Designated Website; and
 - (iii) such information is in a format previously agreed between the Borrower and the Agent.
- (b) If any Lender (a “**Paper Form Lender**”) does not agree to the delivery of information electronically then the Agent shall notify the Borrower accordingly and the Borrower shall, at its own cost, supply information to the Agent (in sufficient copies for each Paper Form Lender) in paper form. In any event the Borrower shall, at its own cost, supply the Agent with at least one copy in paper form any information required to be provided by it under this Agreement.
- (c) The Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated Website following designation of that website by the Borrower and the Agent.
- (d) The Borrower shall promptly upon becoming aware of its occurrence notify the Agent if:
 - (i) the Designated Website cannot be accessed due to technical failure;
 - (ii) the password specifications for the Designated Website change;
 - (iii) any new information which is required to be provided under this Agreement is posted onto the Designated Website;
 - (iv) any existing information which has been provided under this Agreement and posted onto the Designated Website is amended; or
 - (v) it becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software.
- (e) If the Borrower notifies the Agent under paragraph (d)(i) or (d)(v) above, all

information to be provided by the Borrower under this Agreement after the date of that notice shall be supplied in paper form unless and until the Agent and each Website Lender is satisfied that the circumstances giving rise to such notification are no longer continuing.

- (f) Any Website Lender may request, through the Agent, one paper copy of any information required to be provided under this Agreement which is posted onto the Designated Website. The Borrower shall at its own cost comply with any such request within ten Business Days.

18.7 “Know your customer” checks

- (a) If:
 - (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
 - (ii) any change in the status of the Borrower after the date of this Agreement; or
 - (iii) a proposed assignment or transfer by a Lender of any of its rights and/or obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of paragraph (iii) above, any proposed assignee or transferee of any Lender) to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender (including for itself or, in the case of the event described in paragraph (iii) above, on behalf of any proposed assignee or transferee of any Lender)) in order for the Agent, such Lender or, in the case of paragraph (iii) above, any proposed assignee or transferee of any Lender to conduct any “know your customer” or other similar procedures under applicable laws and regulations.

- (b) Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to conduct any “know your customer” or other similar procedures under applicable laws and regulations.

19. FINANCIAL COVENANTS

The undertakings in this Clause 19 remain in force from the date of this Agreement for so long as any amount is outstanding under any of the Finance Documents or any Commitment in respect of any Facility (or any commitment represented thereby) is in force.

19.1 Financial definitions

In this Agreement:

“**Adjusted Consolidated EBITDA**” means, in relation to any period, Adjusted Consolidated Group EBITDA for such period, excluding any portion of such Adjusted Consolidated Group EBITDA that is attributable to any JD Finance Group Member (except where such JD Finance Group Member becomes a Group Member after the date of this Agreement).

“**Adjusted Consolidated Group EBITDA**” means, in relation to any period, the consolidated operating profits (or losses) of the Group for such period from continuing operations:

- (a) **before taking into account** any revenue from business cooperation arrangements with equity investees;
- (b) **excluding** any share-based compensation expenses;
- (c) **excluding** any impairment of goodwill and intangible assets;
- (d) **before deducting** any amount attributable to amortisation of intangible assets and the depreciation of tangible assets; and
- (e) **before taking into account** any other non-cash or non-recurring items,

in each case without double counting and so that no amount shall be included or excluded more than once.

“**Borrowings**” means, at any time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of any indebtedness of Group Members for or in respect of Financial Indebtedness, except:

- (a) any Financial Indebtedness falling within paragraph (b) of the definition of “Financial Indebtedness”;
- (b) any Hedging Indebtedness;
- (c) any Financial Indebtedness falling within paragraph (j) of the definition of “Financial Indebtedness” (to the extent relating to any of paragraphs (a) and (b) above); and
- (d) any Financial Indebtedness falling within paragraph (i) of the definition of “Financial Indebtedness” in respect of any guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution to support indebtedness of any Group Member incurred in the ordinary course of trading, provided that 100 per cent. of the principal amount of such Financial Indebtedness is secured by at least the same amount of cash or cash equivalent investments (determined in accordance with GAAP) provided by Group Member (s),

in each case (without double counting and so that no amount shall be included or excluded more than once).

“**Consolidated Interest Expenses**” means, for any period, the aggregate amount of interest, commission, fees, discounts, prepayment fees, premiums or charges, and other finance payments in respect of Borrowings whether accrued, paid or payable and whether or not capitalised by Group Members (calculated on a consolidated basis) in respect of that period (and in each case excluding, for the avoidance of doubt, any such amount paid or payable by a Group Member to another Group Member):

- (a) **excluding** any non-recurring upfront fees or costs but including the effect of amortisation of such upfront fees or costs;
- (b) **including** the interest (but not the capital) element of leasing and hire purchase payments; and
- (c) **excluding** any interest paid or payable by JD Finance in respect of any JD Finance Debts,

and so that no amount shall be included or excluded more than once.

“**Consolidated Total Debt**” means, in respect of the Group, at any time, the aggregate of the liabilities (whether actual or contingent) of Group Members (on a consolidated basis) for or in respect of Borrowings but excluding, to the extent otherwise included, (a) the JD Finance Debts and (b) any such obligations to any other Group Member.

“**Hedging Indebtedness**” means any Financial Indebtedness falling within paragraph (h) of the definition of “Financial Indebtedness” (to the extent that it relates to any derivative transaction entered into hedging purpose only, excluding any derivative transaction for speculative purpose).

“**Interest Cover**” means, in respect of any period, the ratio of Adjusted Consolidated EBITDA to Consolidated Interest Expenses for that period.

“**JD Finance Debts**” means, at any time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of any indebtedness of any JD Finance Group Member (except where such JD Finance Group Member becomes a Group Member after the date of this Agreement) for or in respect of Financial Indebtedness.

“**Leverage**” means, in respect of any period, the ratio of Consolidated Total Debt on the last day of that period to Adjusted Consolidated EBITDA in respect of that period.

“**Relevant Periods**” means:

- (a) each period of twelve months ending on the last day of each Financial Year; and
 - (b) each period of twelve months ending on the last day of the second Financial Quarter of each Financial Year,
- (each a “**Relevant Period**”).

“**Total Book Equity**” means, at any time, the amount specified on the consolidated balance sheet of the Group as “Total shareholders’ equity” in the then most recently consolidated financial statements of the Group delivered pursuant to Clause 18.1 (*Financial statements*) (or, if no such consolidated statements of the Group have been so delivered as at such time, the Original Financial Statements referred to in paragraph (a) of the definition of “Original Financial Statements”).

19.2 **Financial condition** The Borrower shall ensure that:

(a) *Leverage*

Leverage in respect of each Relevant Period shall not exceed 3.75:1.00.

(b) *Interest Cover*

Interest Cover in respect of each Relevant Period shall not be less than 3.00:1.00.

(c) *Minimum Total Book Equity*

Total Book Equity shall not at any time be less than RMB33,000,000,000 (or its equivalent).

19.3 **Financial testing**

The financial covenants set out in Clause 19.2 (*Financial condition*) shall be calculated and tested semi-annually in respect of each Relevant Period by reference to each of the financial statements delivered under Clause 18.1 (*Financial statements*) and/or the Compliance Certificate relating thereto delivered pursuant to Clause 18.2 (*Compliance Certificate*).

20. **GENERAL UNDERTAKINGS**

The undertakings in this Clause 20 remain in force from the date of this Agreement for so long as any amount is outstanding under any of the Finance Documents or any Commitment in respect of any Facility (or any commitment represented thereby) is in force.

20.1 **Authorisations**

The Borrower shall promptly:

(a) obtain, comply with and do all that is necessary to maintain in full force and effect; and

(b) (in relation to any Authorisation falling within any of paragraphs (i) and (ii) below only) supply certified copies to the Agent of,

any Authorisation required to:

- (i) enable it to perform its obligations under the Finance Documents;
- (ii) ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document; and
- (iii) carry on its business where failure to do so would reasonably be expected to have a Material Adverse Effect.

20.2 **Compliance with laws**

The Borrower shall, and shall procure that each Group Member will, comply in all respects with all laws to which it may be subject, if failure so to comply would, or would reasonably be expected to, have a Material Adverse Effect.

20.3 **Pari passu ranking**

The Borrower shall ensure that its payment obligations under the Finance Documents rank and continue to rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors (including the holders of the Senior Notes 2016), except for obligations mandatorily preferred by law applying to companies generally.

20.4 **Negative pledge**

In this Clause 20.4, “**Quasi-Security**” means any arrangement or transaction described in paragraph (b) below.

- (a) Without prejudice to paragraph (d), the Borrower shall not, and the Borrower shall procure that no other Material Entity will, create or permit to subsist any Security over any of its assets.
- (b) Without prejudice to paragraph (d), the Borrower shall not, and the Borrower shall procure that no other Material Entity will:
 - (i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Borrower or any other Material Entity;
 - (ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
 - (iii) enter into or permit to subsist any title retention arrangement;
 - (iv) enter into or permit to subsist any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
 - (v) enter into or permit to subsist any other preferential arrangement having a similar effect,

in circumstances where such arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the

acquisition of any asset.

(c) Subject to paragraph (d), paragraphs (a) and (b) above do not apply to:

- (i) any netting or set-off or cash-pooling arrangement entered into by the Borrower or any other Material Entity in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of any Group Member;
- (ii) any payment or close out netting or set-off arrangement pursuant to any hedging transaction entered into by the Borrower or any other Material Entity for the purpose of:
 - (A) hedging any risk to which it is exposed in its ordinary course of trading; or
 - (B) its interest rate or currency management operations which are carried out in the ordinary course of business and for non-speculative purposes only,

excluding, in each case, any Security or Quasi-Security under a credit support arrangement in relation to any hedging transaction;

- (iii) any Security or Quasi-Security over documents of title to goods and/or goods to secure the liabilities of any Material Entity to any bank or financial institution that has issued any letter of credit (relating to the sale or purchase of such goods) in the ordinary course of trading of such Material Entity;
- (iv) any lien arising by operation of law and in the ordinary course of trading, **provided that** any indebtedness which is secured thereby is paid when due or contested in good faith by appropriate proceedings and properly provisioned;
- (v) any Security or Quasi-Security over or affecting any asset acquired by the Borrower or any other Material Entity after the date of this Agreement if:
 - (A) that Security or Quasi-Security was not created in contemplation of the acquisition of that asset by the Borrower or, as the case may be, such Material Entity;
 - (B) the maximum principal amount secured by that Security or to which such Quasi-Security relates has not been increased in contemplation of, or since, the acquisition of that asset by the Borrower or, as the case may be, such Material Entity; and
 - (C) that Security or Quasi-Security is removed or discharged within 120 days of the date of acquisition of such asset by the Borrower or, as the case may be, such Material Entity;
- (vi) any Security or Quasi-Security over or affecting any asset of any

Material Entity which becomes a Group Member after the date of this Agreement, where that Security or Quasi-Security is created prior to the date on which that person becomes a Group Member, if:

- (A) that Security or Quasi-Security was not created in contemplation of the acquisition of any interest in that Material Entity by any Group Member;
 - (B) the maximum principal amount secured by that Security or to which that Quasi-Security relates has not increased in contemplation of or since the acquisition of any interest in that Material Entity by any Group Member; and
 - (C) that Security or Quasi-Security is removed or discharged within 120 days of that Material Entity becoming a Group Member;
- (vii) any Security or Quasi-Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to the Borrower or any other Material Entity in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by any Material Entity;
 - (viii) any Security over rental deposits in respect of any real or tangible property leased or licensed by a Material Entity in the ordinary course of trading (excluding, for the avoidance of doubt, any property leased or licensed pursuant to any Finance Lease), provided that such deposits do not exceed 12 months' rent for such property;
 - (ix) any Security or Quasi-Security arising as a result of legal proceedings being contested by any Material Entity in good faith and which is discharged within 30 days of such Security or Quasi-Security first arising;
 - (x) any Security or Quasi-Security arising by operation of law in respect of Taxes being contested by any Material Entity in good faith which is discharged by no later than 30 Business Days after such Security or Quasi-Security first arose;
 - (xi) any Security or Quasi-Security provided by the Borrower or any other Material Entity over cash that is the subject of any Nei Cun Wai Dai Transaction or Nei Bao Wai Dai Transaction entered into by the Borrower or, as the case may be, such other Material Entity and securing indebtedness the principal amount of which (when aggregated with the aggregate principal amount of any and all other indebtedness which has the benefit of Security or Quasi-Security given by any one or more Material Entities other than any permitted under paragraphs (c)(i) to (x) above and paragraphs (c)(xii) to (xiv) below) does not at any time exceed the lower of (A) RMB10,000,000,000 (or its equivalent in another currency or currencies) and (B) 5.0 % of the Consolidated Total Assets of the Borrower at such time;

- (xii) any Security or Quasi-Security granted with the prior written consent of the Agent (acting on the instructions of the Majority Lenders);
 - (xiii) any Security or Quasi-Security created in relation to any transaction entered into by a Material Entity in the ordinary course of operating its business in line with the business strategy of such Material Entity and the creation of such Security or Quasi-Security is on arm's length basis and does not have and would not reasonably be expected to have a Material Adverse Effect; or
 - (xiv) any Security securing indebtedness the principal amount of which (when aggregated with the aggregate principal amount of any and all other indebtedness which has the benefit of Security given by any one or more Material Entities other than any permitted under paragraphs (c)(i) to (xiii) above) does not at any time exceed US\$50,000,000 (or its equivalent in another currency or currencies).
- (d) The Borrower shall procure that, save with the prior written consent of the Agent (acting on the instructions of the Majority Lenders), no Security or Quasi-Security shall be created by the Borrower or any other Group Member in respect of, or shall subsist over or affect, any Equity Interest in any Material Entity or any Holding Company of any Material Entity (or any interest in any such Equity Interest).

20.5 Disposals

- (a) The Borrower shall not, and the Borrower shall procure that no other Material Entity will, enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset.
- (b) Subject to paragraph (c), paragraph (a) above does not apply to any sale, lease, transfer or other disposal:
 - (i) made in the ordinary course of trading of the disposing entity;
 - (ii) of assets in exchange for other assets comparable or superior as to type, value and quality;
 - (iii) of obsolete or redundant vehicles, plant and equipment for cash;
 - (iv) made by a Material Entity in the ordinary course of operating its business, where such sale, lease, transfer or other disposal is made in accordance with the business strategy of such Material Entity and is on arm's length basis and does not have and would not reasonably be expected to have a Material Adverse Effect;
 - (v) with the prior written consent of the Agent (acting on the instructions of the Majority Lenders); or
 - (vi) of any asset in any financial year of the Borrower, where the higher of the market value or consideration receivable in respect of such asset

(when aggregated with the higher (in each case) of the market value or consideration receivable in respect of each other asset the subject of any other sale, lease, transfer or other disposal by any or all of the Borrower and the Material Entities during such financial year, other than any permitted under paragraphs (b)(i) to (b)(v) above) does not exceed US\$50,000,000 (or its equivalent in another currency or currencies).

- (c) The Borrower shall not, and the Borrower shall procure that no Group Member will, enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any Equity Interest in any Material Entity or any Holding Company of any Material Entity (in each case, the “**Disposed Entity**”) (or, in each case, any interest in any such Equity Interest), except:
- (i) with the prior written consent of the Agent (acting on the instructions of the Majority Lenders); or
 - (ii) where (A) such sale, lease, transfer or other disposal is made to another Material Entity or any Group Member which is not a Non-Core Business Group Member and (B) such Disposed Entity remains a Material Entity (or, if such Disposed Entity was a Holding Company of a Material Entity (“**Relevant Material Entity**”) but was not itself a Material Entity immediately prior to such sale, lease, transfer or otherwise disposal, such Disposed Entity remains a Holding Company of such Relevant Material Entity) after giving effect to such sale, lease, transfer or other disposal until such Disposed Entity is no longer a Material Subsidiary (as determined in accordance with paragraph (a) of the definition of “Material Subsidiary”).

20.6 Merger

- (a) The Borrower shall not, and the Borrower shall procure that no other Material Entity will, enter into any amalgamation, demerger, merger or corporate reconstruction.
- (b) Paragraph (a) above does not apply to any amalgamation, merger or corporate reconstruction entered into by a Material Entity **provided that**:
- (i) in the case of the Borrower:
 - (A) the Borrower is the surviving entity of such amalgamation, merger or corporate reconstruction; and
 - (B) such amalgamation, merger or corporate reconstruction is made on a solvent basis and does not and would not be reasonably expected to have a Material Adverse Effect and no Default is continuing or would occur as a result of such amalgamation, merger or corporate reconstruction; and

- (ii) in the case of a Material Entity (other than the Borrower), it is a liquidation, reorganisation, merger, demerger, amalgamation, consolidation or corporate reconstruction (a “**Reorganisation**”) on a solvent basis of any Material Entity provided that all payments and assets made, transferred or distributed as a result of such Reorganisation are made, transferred and distributed to one or more Material Entities and such Reorganisation does not and would not be reasonably expected to have a Material Adverse Effect and no Default is continuing or would occur as a result of such Reorganisation.

20.7 **Change of business**

The Borrower shall procure that no change is made to the general nature or scope of the business of the Group (taken as a whole) from that carried on by the Group at the date of this Agreement, to the extent that such change would reasonably be expected to, give rise to a Material Adverse Effect.

20.8 **Loans and guarantees**

- (a) The Borrower shall not, and the Borrower shall procure that no other Material Entity will:
 - (i) make any loan or provide any form of credit or financial accommodation to, or be a creditor of any Financial Indebtedness owing by, any person; or
 - (ii) give or issue, or allow to be subsisting, any guarantee or indemnity (except as required under any of the Finance Documents) to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any person.
- (b) Paragraph (a)(i) above does not apply to:
 - (i) any trade credit extended and any advance payment made by any Material Entity in the ordinary course of its trading activities;
 - (ii) the giving of loans to any Group Member;
 - (iii) any loan, credit or financial accommodation made with the prior written consent of the Agent (acting on the instructions of the Majority Lenders); or
 - (iv) any loan or credit granted by any Material Entity (which loan or credit is not permitted by paragraphs (i) to (iii) above) provided that (A) the aggregate outstanding principal amount of any and all loans and/or credits (including such first-mentioned loan or credit) granted by any or all Material Entities and falling within this paragraph (iv) does not at any time exceed an amount which is equal to 30% of the Consolidated Total Assets of the Borrower at such time and (B) the granting of any such loan or credit is in the ordinary course of business in line with the business strategy of such first-mentioned Material Entity and the granting of any such loan or credit is on arm’s length basis and does

not have and would not reasonably be expected to have a Material Adverse Effect.

(c) Paragraph (a)(ii) above does not apply to:

- (i) any guarantee or indemnity given by any Material Entity in favour of or in respect of obligations of another Group Member;
- (ii) any guarantee or indemnity given by a Material Entity in its ordinary course of trading;
- (iii) any guarantee or indemnity arising under any Finance Document;
- (iv) any indemnity (on customary terms) given in the ordinary course of any documentation of an acquisition, disposal or incurrence of any Financial Indebtedness by any Group Member which is permitted under any Finance Document;
- (v) any guarantee or indemnity granted with the prior written consent of the Agent (acting on the instructions of the Majority Lenders); or
- (vi) any guarantee given by any Material Entity (which guarantee is not permitted by paragraphs (i) to (v) above), provided that the granting of such guarantee is in the ordinary course of business in line with the business strategy of such first-mentioned Material Entity and does not have and would not reasonably be expected to have a Material Adverse Effect.

20.9 Subordination

The Borrower shall ensure that each Shareholder Loan shall at all times be subordinated to all of the obligations owing or expressed to be owing to any or all of the Finance Parties by the Borrower under or pursuant to the Finance Documents on terms and pursuant to a Subordination Deed.

20.10 Maintenance of corporate existence and books and records

The Borrower shall, and shall procure that each other Material Entity will:

- (a) maintain its corporate existence and registration in the jurisdiction of its incorporation (other than, in the case of any Material Entity that is not the Borrower, where such Material Entity is not the surviving entity of any amalgamation, merger or corporate reconstruction to the extent permitted under Clause 20.6 (*Merger*));
- (b) keep and maintain proper books and records in accordance with GAAP in all material respects; and
- (c) upon request by the Agent (provided that such request may only be made if an Event of Default is continuing or the Agent (acting in good faith) suspects an Event of Default is continuing), ensure that the representatives, agents and/or advisers of any or all of the Finance Parties shall be allowed to have access to

the assets, books, records and premises of the Borrower or such Material Entity and to inspect the same during normal business hours (at the expense of the Borrower).

20.11 **Intellectual Property**

The Borrower shall, and shall procure that each other Group Member will:

- (a) preserve and maintain the subsistence and validity of any and all Intellectual Property that is necessary for the ordinary course of business of the Group (taken as a whole);
- (b) use reasonable endeavours to prevent any violation or infringement by any person of any Intellectual Property of any Group Member; and
- (c) make registrations and pay all registration fees and taxes necessary to maintain the Intellectual Property of Group Members in full force and effect and record its interest in that Intellectual Property;

where failure to do so would reasonably be expected to have a Material Adverse Effect.

20.12 **Core Business Coverage**

- (a) The Borrower shall ensure that at all times the aggregate (without duplication) of the revenue of the Material Entities on an unconsolidated basis (excluding all items between Group Members) for the Most Recent Testing Period represents not less than 51 per cent. of the consolidated revenue of the Group for the Most Recent Testing Period.
- (b) For the purpose of this Clause 20.12, “**Most Recent Testing Period**” means, as at any time, the period of 12 months ending on the date as at which the consolidated financial statements of the Borrower most recently delivered to the Agent under this Agreement (as at such time) were prepared. For the avoidance of doubt, as at the date of this Agreement, such most recently delivered consolidated financial statements of the Borrower are the latest Original Financial Statements.

20.13 **Anti-corruption law**

- (a) The Borrower shall not (and the Borrower shall ensure that no Group Member will) directly or indirectly use any of the proceeds of the Facilities (or any part thereof) for any purpose which would breach, or would cause any Group Member or any Finance Party to be in breach of, any Anti-Bribery and Corruption Laws.
- (b) The Borrower shall (and the Borrower shall ensure that each Group Member will) comply in all respects, and conduct its businesses in compliance, with all applicable Anti-Bribery and Corruption Laws.
- (c) The Borrower shall institute and maintain systems, controls and other arrangements designed to promote and ensure ongoing compliance by Group

Members with all applicable Anti-Bribery and Corruption Laws.

20.14 Sanctions, Anti-Terrorism Laws and Anti-Money Laundering Laws

- (a) The Borrower shall (and the Borrower shall procure that each Group Member will) comply with, and conduct its business in compliance with, all applicable Sanctions, Anti-Money Laundering Laws and Anti-Terrorism Laws. Without prejudice to the foregoing, the Borrower shall not, and the Borrower shall procure that no Group Member will, knowingly engage in any transaction that violates or would violate, or would cause any Group Member or any Finance Party to be in violation of, any of the applicable prohibitions set forth in any Sanctions, Anti-Money Laundering Laws or Anti-Terrorism Laws.
- (b) The Borrower shall ensure that none of the funds or assets of any Group Member that are used to repay the Facilities (or any part thereof) shall constitute property of, or shall be beneficially owned directly or indirectly by, any Restricted Party.
- (c) The Borrower shall not, and the Borrower shall procure that no Group Member will, fund all or part of any payment under any Finance Document out of proceeds derived from transactions that violates or would violate, or would cause any Group Member or any Finance Party to be in violation of, any of the applicable prohibitions set forth in any Sanctions, Anti-Money Laundering Laws or Anti-Terrorism Laws.
- (d) The Borrower shall not, and the Borrower shall procure that no Group Member will, directly or indirectly, use or allow to be used lend, invest, contribute or otherwise make available, the proceeds of the Facilities (or any part thereof) or other transaction(s) contemplated by any Finance Document:
 - (i) in favour of or for the benefit of, or for financing the activities of, or funding any trade, business or other activities involving or for the benefit of, any Restricted Party;
 - (ii) in any manner or for any purpose which would or might violate, or cause any Group Member or any Finance Party to be in violation of, any applicable Sanctions, Anti-Money Laundering Laws or Anti-Terrorism Laws or becoming a Restricted Party; or
 - (iii) for business activities relating to any Sanctioned Jurisdiction, including any business activities involving persons or entities named on any Sanctions List in any manner which would violate, or cause any Group Member or any Finance Party to be in violation of, any applicable Sanctions.
- (e) The Borrower shall continue to institute and maintain systems, controls and other arrangements designed to promote and ensure ongoing compliance by the Group with all applicable Sanctions, Anti-Money Laundering Laws and Anti-Terrorism Laws.

20.15 Taxation

The Borrower shall, and shall ensure that each other Material Entity will, pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:

- (a) such payment is being contested in good faith;
- (b) adequate reserves are being maintained for those Taxes and the costs required to contest them in accordance with GAAP; and
- (c) such payment can be lawfully withheld and failure to pay those Taxes does not have and would not reasonably be expected to have a Material Adverse Effect.

20.16 Insurance

The Borrower shall, and shall procure that each other Material Entity will, maintain insurances on and in relation to its business and assets with reputable underwriters or insurance companies against those risks and to the extent as is usual for companies carrying on the same or substantially similar business.

20.17 Preservation of assets

The Borrower shall (and the Borrower shall ensure that each other Material Entity will) maintain in good working order and condition (ordinary wear and tear excepted) all of its assets necessary in the conduct of its business where failure to do so has or would reasonably be expected to have a Material Adverse Effect.

20.18 Further Assurance

If:

- (a) the Agent notifies the Borrower that it becomes aware that NDRC accepts the filing or registration of this Agreement or any Facility with NDRC as required under the laws or regulations in the PRC applicable to the transactions contemplated under this Agreement or any Facility; or
- (b) the Borrower becomes aware that NDRC accepts the filing or registration of this Agreement or any Facility with NDRC as required under the laws or regulations in the PRC applicable to the transactions contemplated under this Agreement or any Facility,

the Borrower shall, as soon as reasonably practicable after receipt of the Agent's notice under paragraph (a) or the Borrower becoming aware of the acceptance of filing or registration by NDRC under paragraph (b) and in any event within any applicable deadline or grace period required or permitted by applicable law or regulation, use all reasonable endeavours to make such filing or registration with NDRC and deliver evidence to the Agent that it has made such filing or registration.

21. EVENTS OF DEFAULT

Each of the events or circumstances set out in Clause 21.1 (*Non-payment*) to Clause 21.14 (*Material adverse change*) is an Event of Default.

21.1 **Non-payment**

The Borrower does not pay on the due date any amount pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by administrative or technical error; and
- (b) payment of such amount is made within five (5) Business Days of its due date.

21.2 **Financial covenants**

Any requirement of Clause 19 (*Financial Covenants*) is not satisfied.

21.3 **Other obligations**

- (a) The Borrower does not comply with any provision of the Finance Documents (other than those referred to in Clause 21.1 (*Non-payment*) and Clause 21.2 (*Financial covenants*)).
- (b) No Event of Default will occur in respect of such failure to comply under paragraph (a) if such failure to comply is capable of remedy and is remedied within 20 Business Days of the earlier of (A) the Agent giving written notice to the Borrower or (B) the Borrower becoming aware of such failure to comply.

21.4 **Misrepresentation**

Any representation or statement made or deemed to be made by the Borrower in any or all of the Finance Documents or any other document delivered by or on behalf of the Borrower under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made, unless the underlying circumstances (if capable of remedy) are remedied within 20 Business Days of the earlier to occur of (A) the Agent giving written notice to the Borrower or (B) the Borrower becoming aware of such underlying circumstances.

21.5 **Cross default**

Any:

- (a) Financial Indebtedness of the Borrower or any other Material Subsidiary is not paid when due nor within any originally applicable grace period;
- (b) Financial Indebtedness of the Borrower or any other Material Subsidiary is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);
- (c) commitment for any Financial Indebtedness of the Borrower or any other Material Subsidiary is cancelled or suspended by a creditor of the Borrower or any other Material Subsidiary as a result of an event of default (however described); or

- (d) creditor of the Borrower or any other Material Subsidiary becomes entitled to declare any Financial Indebtedness of the Borrower or any other Material Subsidiary due and payable prior to its specified maturity as a result of an event of default (however described),

provided that (i) paragraphs (a) to (d) above shall not apply to any Financial Indebtedness that is owing to a Group Member and (ii) no Event of Default will occur under this Clause 21.5 if at all times the aggregate amount of Financial Indebtedness and/or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above (for any and all of the Borrower and the other Material Subsidiaries) is less than the higher of (x) US\$100,000,000 (or its equivalent in any other currency or currencies) and (y) 2.5% of the Total Book Equity as at such time.

21.6 **Insolvency**

- (a) The Borrower or any other Material Entity is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (b) the value of the assets of the Borrower or any other Material Entity is less than its liabilities (taking into account contingent and prospective liabilities); or
- (c) a moratorium is declared in respect of any indebtedness of the Borrower or any other Material Entity.

21.7 **Insolvency proceedings**

- (a) Any corporate action, legal proceedings or other formal procedure or step is taken or occurs in relation to:
 - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, striking-off, administration, provisional supervision or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Borrower or any other Material Entity (other than any solvent reorganisation constituted by any amalgamation, merger or corporate reconstruction entered into by any Material Entity (other than the Borrower), in each case, to the extent permitted under Clause 20.6 (*Merger*));
 - (ii) a composition or arrangement with any creditor of the Borrower or any Material Entity, or an assignment for the benefit of creditors generally of the Borrower or any other Material Entity or a class of such creditors;
 - (iii) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager, provisional supervisor or other similar officer in respect of the Borrower or any other Material Entity or any of its assets (other than any solvent liquidation of any Material Entity (other than the Borrower) constituted by any amalgamation, merger or

corporate reconstruction entered into by such Material Entity, in each case, to the extent permitted under Clause 20.6 (*Merger*)); or

- (iv) enforcement of any Security over any assets of the Borrower or any other Material Entity where the aggregate value of any and all of the assets of the Borrower and the other Material Entities that are subject to any or all events and/or circumstances of enforcement of Security is not less than US\$50,000,000 (or its equivalent in any other currency or currencies),

or any analogous procedure or step is taken or occurs in any jurisdiction; or

- (b) any proceeding or case is commenced seeking the Borrower's or any Material Entity's reorganisation, liquidation, dissolution, arrangement or winding-up or the composition or re-adjustment of the Borrower's or any Material Entity's debts under the US Bankruptcy Code or other debtor relief laws of the United States, with consent of the Borrower or any Material Entity (or without the consent of the Borrower or any Material Entity which (A) results in the entry of any order of relief or any order, judgment, decree, adjudication or appointment approving, ordering or giving effecting to the Borrower's or any Material Entity's reorganisation, liquidation, dissolution, arrangement or winding-up or the composition or re-adjustment of the Borrower's or any Material Entity's debts under the US Bankruptcy Code or other debtor relief laws of the United States or (B) remains undismissed or undischarged for a period of 90 days of commencement).

This Clause 21.7 shall not apply to any corporate action, legal proceedings or other procedure or step (brought by any person that is not a Group Member) in relation to the winding-up, administration or dissolution or any analogous procedure or step in any jurisdiction of the Borrower or any other Material Entity which is frivolous or vexatious and is discharged, dismissed or struck out within 90 days of commencement.

21.8 **Creditors' process**

Any expropriation, attachment, sequestration, distress or execution (or any analogous process in any jurisdiction) affects any asset or assets of the Borrower or any other Material Entity and is not discharged within 20 Business Days, and the aggregate value of any and all of the assets of the Borrower and the other Material Entities that are subject to any or all events and/or circumstances of expropriation, attachment, sequestration, distress and/or execution (and/or any analogous process in any jurisdiction) is not less than US\$50,000,000 (or its equivalent in any other currency or currencies).

21.9 **Unlawfulness and invalidity**

- (a) It is or becomes unlawful for the Borrower to perform any of its obligations under the Finance Documents or any subordination created under a Subordination Deed is or becomes unlawful;
- (b) any obligation or obligations of the Borrower under any Finance Document are not or cease to be legal, valid, binding or enforceable and such illegality,

invalidity, non-binding nature or unenforceability individually or cumulatively materially and adversely affects the interests of the Finance Parties under the Finance Documents; or

- (c) any Finance Document is not or ceases to be in full force and effect or any subordination created under any Subordination Deed is not or ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to it (other than a Finance Party) to be ineffective.

21.10 **Subordination Deed**

- (a) Any party to a Subordination Deed (other than a Finance Party or the Borrower) fails to comply with the provisions of, or does not perform its obligations under, a Subordination Deed; or
- (b) a representation or warranty given by any party to a Subordination Deed (other than a Finance Party or the Borrower) under a Subordination Deed is incorrect in any material respect,

and, if such non-compliance or circumstances giving rise to such misrepresentation are capable of remedy, such non-compliance or circumstances are not remedied within 20 Business Days of the earlier of the Agent giving notice to that party or that party becoming aware of such non-compliance or misrepresentation (it being understood that the subsequent provision of accurate information shall not in itself be deemed to cure any misrepresentation in respect of the accuracy of previous information provided).

21.11 **Repudiation**

The Borrower rescinds or purports to rescind or repudiates or purports to repudiate any Finance Document or evidences an intention to rescind or repudiate any Finance Document.

21.12 **Cessation of business**

The Borrower suspends or ceases to carry on all or substantially all of its business or of the business of the Group (taken as a whole).

21.13 **Suspension or Cessation of Listing**

- (a) The shares in the Borrower cease to be listed on the NASDAQ Global Select Market; or
- (b) the trading of the shares in the Borrower on the NASDAQ Global Select Market is suspended for a period of at least 20 consecutive Trading Days.

For such purposes, “**Trading Day**” means a day (other than a Saturday or Sunday) on which the NASDAQ Global Select Market is open for trading.

21.14 **Material adverse change**

Any event or circumstance occurs which (whether individually or together with other

events or circumstances) has a Material Adverse Effect.

21.15 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

- (a) without prejudice to the participations of any or all of the Lenders in any Loans then outstanding:
 - (i) cancel the Commitments of the Lenders (in respect of any or all of the Facilities) and reduce them to zero whereupon they shall immediately be cancelled and reduced to zero, **provided that** such reduction of the Commitments of the Lenders under any Facility shall be applied towards the Commitments of the Lenders under that Facility rateably; or
 - (ii) cancel any part of the Commitments of the Lenders (in respect of any or all of the Facilities) and reduce them accordingly, whereupon the applicable part of the Commitments of the Lenders (in respect of such Facility or Facilities) shall be cancelled, **provided that** such reduction of the Commitments of the Lenders under any Facility shall be applied towards the Commitments of the Lenders under that Facility rateably;
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable;
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders; and/or
- (d) declare that no Rollover Loan shall be made,

provided that, if an Event of Default under Clause 21.7 (*Insolvency proceedings*) shall occur in respect of the Borrower in a US court of competent jurisdiction, then without notice to the Borrower or any other person or any other act by the Agent or any other person, the Commitments of the Lenders (in respect of any or all of the Facilities) shall be automatically cancelled and reduced to zero, and all of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents shall automatically become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are expressly waived.

**SECTION 8
CHANGES TO PARTIES**

22. CHANGES TO THE PARTIES

22.1 Assignments and transfers by the Lenders

Subject to this Clause 22, a Lender (the “**Existing Lender**”) may:

- (a) assign any of its rights under this Agreement; or
- (b) transfer by novation any of its rights and/or obligations under this Agreement,

to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the “**New Lender**”).

22.2 Conditions of assignment or transfer

- (a) The consent of the Borrower shall be required in respect of any assignment or transfer made in accordance with Clause 22.1 (*Assignments and transfers by the Lenders*), except for:
 - (i) any assignment or transfer made in favour of a Lender or an Affiliate of a Lender;
 - (ii) any assignment or transfer made at a time when an Event of Default is continuing.
- (b) The consent of the Borrower to any transfer or assignment by a Lender must not be unreasonably withheld or delayed, and shall be deemed to have been given five (5) Business Days after such Lender has requested it unless such consent is expressly refused by the Borrower within that time.
- (c) The Existing Lender shall, simultaneously with the assignment or transfer by it of rights and/or obligations under this Agreement to the New Lender, assign to the New Lender a proportionate share of the rights held by it (in its capacity as Lender) under or in connection with the other Finance Documents.
- (d) A transfer by the Existing Lender to the New Lender will be effective only if the procedure set out in Clause 22.5 (*Procedure for transfer*) is complied with in respect of such transfer.
- (e) An assignment by the Existing Lender to the New Lender will be effective only if the procedure and conditions set out in Clause 22.6 (*Procedure for assignment*) are complied with in respect of such assignment (subject to paragraph (c) of Clause 22.6 (*Procedure for assignment*)).
- (f) Each New Lender, by executing the applicable Transfer Certificate or Assignment Agreement to which it is a party, confirms, for the avoidance of doubt, that the Agent has authority to execute on its behalf any amendment or waiver relating to any Finance Document that has been approved by or on

behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the applicable transfer or assignment from the applicable Existing Lender to such New Lender becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as such Existing Lender would have been had it remained a Lender.

22.3 Assignment or transfer fee

The New Lender shall, on the date upon which the relevant assignment or transfer by the Existing Lender to the New Lender takes effect, pay to the Agent (for its own account) a fee of US\$3,000.

22.4 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
 - (ii) the financial condition of any Group Member or any Affiliate of any Group Member;
 - (iii) the performance and observance by the Borrower of its obligations under any of the Finance Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,
- and any representations or warranties implied by law are excluded.
- (b) Each New Lender confirms to the Existing Lender (which makes any assignment or transfer to such New Lender) and the other Finance Parties that it:
- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of the Borrower, Group Members and their related entities in connection with its participation in this Agreement and/or the other Finance Documents and has not relied exclusively on any information provided to it by such Existing Lender in connection with any Finance Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of the Borrower, Group Members and their related entities whilst any amount is or may be outstanding under any of the Finance Documents or any commitment represented by any Commitment in respect of any Facility is in force.

- (c) Nothing in any Finance Document obliges an Existing Lender to:
 - (i) accept a re-assignment or re-transfer from a New Lender of any of the rights and obligations assigned or transferred under this Clause 22; or
 - (ii) support any losses directly or indirectly incurred by a New Lender by reason of the non-performance by the Borrower of its obligations under any of the Finance Documents or otherwise.

22.5 Procedure for transfer

- (a) Subject to the conditions set out in Clause 22.2 (*Conditions of assignment or transfer*) a transfer by an Existing Lender of any or all of its rights and obligations under this Agreement to a New Lender is effected on the Transfer Date in accordance with paragraph (c) below. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate, **provided that** the Agent shall have no obligation to execute any Transfer Certificate at any time earlier than the date that is 5 Business Days after its receipt of such Transfer Certificate.
- (b) The Agent shall not be obliged to execute a Transfer Certificate delivered to it by an Existing Lender and a New Lender unless it is satisfied that it has completed all “know your customer” and other similar procedures that it is required (including in accordance with internal policies) (or deems desirable) to conduct in relation to the transfer from such Existing Lender to such New Lender (the subject of such Transfer Certificate).
- (c) On the Transfer Date in respect of a transfer by an Existing Lender to a New Lender:
 - (i) to the extent that in the Transfer Certificate (relating to such transfer) such Existing Lender seeks to transfer by novation its rights and obligations under this Agreement each of the Borrower and such Existing Lender shall be released from further obligations towards one another under this Agreement and their respective rights against one another under this Agreement shall be cancelled (being the “**Discharged Rights and Obligations**”);
 - (ii) each of the Borrower and such New Lender shall assume obligations towards one another and/or acquire rights against one another under this Agreement which differ from the Discharged Rights and Obligations only insofar as the Borrower and such New Lender have assumed and/or acquired the same in place of the Borrower and such Existing Lender;
 - (iii) the Agent, the Arrangers, such New Lender and the other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had such New Lender been originally party hereto as a Lender with the rights and/or

obligations acquired or assumed by it as a result of the transfer (the subject of such Transfer Certificate) and to that extent the Agent, the Arrangers and such other Lenders (on one hand) and such Existing Lender (on the other hand) shall each be released from further obligations to each other under this Agreement; and

- (iv) such New Lender shall become a Party as a “Lender”.

22.6 Procedure for assignment

- (a) Subject to the conditions set out in paragraph (d) below and Clause 22.2 (*Conditions of assignment or transfer*), an assignment by an Existing Lender of any or all of its rights under this Agreement to a New Lender may be effected on the Transfer Date in accordance with paragraph (b) below. The Agent shall, subject to paragraph (d)(ii), as soon as reasonably practicable after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Assignment Agreement, **provided that** the Agent shall have no obligation to execute any Assignment Agreement at any time earlier than the date that is 5 Business Days after its receipt of such Assignment Agreement.
- (b) On the Transfer Date relating to an assignment by an Existing Lender to a New Lender:
- (i) such Existing Lender will assign absolutely to such New Lender the rights under the Finance Documents expressed to be the subject of assignment in such Assignment Agreement;
- (ii) such Existing Lender will be released by the Borrower and the other Finance Parties from the obligations owed by it (the “**Relevant Obligations**”) and expressed to be the subject of release in such Assignment Agreement; and
- (iii) the New Lender shall become a Party as a “Lender” and shall be bound by obligations equivalent to the Relevant Obligations.
- (c) An Existing Lender may utilise procedures other than those set out in this Clause 22.6 to assign its rights under the Finance Documents (but not, without the consent of the Borrower or unless in accordance with Clause 22.5 (*Procedure for transfer*), to obtain a release by the Borrower from the obligations owed to the Borrower by that Existing Lender nor the assumption of equivalent obligations by the applicable New Lender) **provided that** the conditions set out in paragraph (d) below are complied with.
- (d) An assignment by an Existing Lender to a New Lender (whether pursuant to an Assignment Agreement or paragraph (c) above) will only be effective on:
- (i) receipt by the Agent (whether in an Assignment Agreement or otherwise) of written confirmation from such New Lender (in form and substance satisfactory to the Agent) that such New Lender will assume

the same obligations to the other Finance Parties as it would have been under if it were an Original Lender; and

- (ii) performance by the Agent of all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to such assignment to such New Lender. The Agent shall promptly notify such Existing Lender and such New Lender of the completion of such checks. The Agent shall not be obliged to execute an Assignment Agreement delivered to it by an Existing Lender and a New Lender or any document delivered to it pursuant to paragraph (c) above unless it is satisfied that it has completed all “know your customer” and other similar procedures that it is required (or deems desirable) to conduct in relation to such assignment to such New Lender.
- (e) The procedure set out in this Clause 22.6 shall not apply to any right or obligation under any Finance Document (other than this Agreement) if and to the extent its terms, or any laws or regulations applicable thereto, provide for or require a different means of assignment of such right or release or assumption of obligation or prohibit or restrict any assignment of such right or release or assumption of such obligation, unless such prohibition or restriction shall not be applicable to the applicable assignment, release and assumption or each condition of any applicable assignment, release and assumption shall have been satisfied.

22.7 Copy of Transfer Certificate or Assignment Agreement to Borrower

The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate or an Assignment Agreement, send to the Borrower a copy of that Transfer Certificate or Assignment Agreement.

22.8 Existing consents and waivers

Each New Lender shall be bound by any consent, waiver, election or decision given or made by the applicable Existing Lender under or pursuant to any Finance Document prior to the coming into effect of the applicable assignment or transfer from such Existing Lender to such New Lender.

22.9 Exclusion of the Agent’s liabilities

In relation to any assignment or transfer pursuant to this Clause 22, each Party acknowledges and agrees that the Agent shall not be obliged to:

- (a) enquire as to the accuracy of any representation or warranty made by, or the status of, any person in respect of its eligibility as a Lender;
- (b) attend to any registration or perfection requirements required in connection with such assignment or transfer or to ensure that such registration or perfection requirements are completed; and/or
- (c) provide any New Lender with any information regarding any previous amendments or waivers in relation to any Finance Document.

22.10 **Sub-participation**

For the avoidance of doubt, each Lender may grant sub-participations in respect of any or all of its rights and/or obligations under any Finance Document to any person and no consent of the Borrower shall be required in respect of any such sub-participations.

22.11 **Assignments and transfers to Group Members**

A Lender may not assign or transfer any of its rights and/or obligations under any Finance Document to any Group Member or any Affiliate of any Group Member, except with the prior written consent of all of the Lenders.

22.12 **Security over Lenders' rights**

In addition to the other rights provided to Lenders under this Clause 22, each Lender may without consulting with or obtaining consent from the Borrower, at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including:

- (a) any charge, assignment or other Security to secure obligations to a federal reserve or central bank; and
- (b) in the case of any Lender which is a fund, any charge, assignment or other Security granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,

except that no such charge, assignment or Security shall:

- (i) release such Lender from any of its obligations under the Finance Documents, or substitute the beneficiary of the relevant charge, assignment or other Security for such Lender as a party to any of the Finance Documents; or
- (ii) require any payments to be made by the Borrower or grant to any person any rights that are more extensive than those required to be made or granted to such Lender under the Finance Documents.

22.13 **No assignments or transfers by the Borrower**

The Borrower may not assign or transfer any or all of its rights or obligations under any or all of the Finance Documents.

23. **DISCLOSURE OF INFORMATION**

23.1 **Confidentiality**

Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 23.2 (*Disclosure of Confidential Information*) and to ensure that all Confidential Information is protected

with security measures and a degree of care that would apply to its own confidential information.

23.2 Disclosure of Confidential Information

Any Finance Party may deliver copies of the Finance Documents and/or disclose any information (including Confidential Information) received by it under or pursuant to any Finance Document or any other information about the Borrower, the Group, and/or the Finance Documents as that Finance Party shall consider appropriate (if, in relation to any of paragraphs (k) (i), (k)(ii) and (k)(iii) below, the person to whom any Confidential Information is to be disclosed has entered into a Confidentiality Undertaking, except that there shall be no requirement for any Confidentiality Undertaking if such recipient is subject to professional obligations to maintain the confidentiality of such Confidential Information) to:

- (a) any of its head office, branches, representative offices, Affiliates and/or Related Funds (“**Permitted Parties**”);
- (b) any other Finance Party;
- (c) any of the professional advisers of it or any of the Permitted Parties and/or any other person providing services to or agent or contractor of it or any of the Permitted Parties (**provided that** such professional adviser, person providing services or agent or contractor is under a duty of confidentiality, contractual or otherwise, to such Finance Party or such Permitted Party);
- (d) the Borrower;
- (e) any person permitted by the Borrower;
- (f) any person to the extent required for the purpose of any litigation, arbitration or regulatory proceedings or procedure or in connection with any preservation or enforcement of any right or remedy under any Finance Document;
- (g) any person to whom, and to the extent that, information is requested or required to be disclosed by any applicable law or regulation or the rules or requirements of any applicable court or tribunal, securities exchange or supervisory, governmental, quasi-governmental, administrative, regulatory or self-regulatory body or authority;
- (h) any employee, director or officer of, or any auditor, partner or Representative of, any Finance Party or any of the Permitted Parties;
- (i) any rating agency, insurer or insurance broker of, or any direct or indirect provider of credit protection to, such Finance Party or any of the Permitted Parties, or any professional adviser of any of the foregoing, **provided that** such person is informed of the confidential nature of such Confidential Information;
- (j) any person to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security (or may do so) in or over all or any of its rights

under any Finance Document pursuant to Clause 22.12 (*Security over Lenders' rights*); or

- (k) any other person:
- (i) to (or through) whom that Finance Party assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under any Finance Document and, in each case, to any of that person's Affiliates, Related Funds, Representatives and professional advisers;
 - (ii) with (or through) whom that Finance Party enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, the Facility, any Finance Document, the Borrower or any Group Member, or who invests directly or indirectly in any such sub-participation or other transaction and, in each case, to any of that person's Affiliates, Related Funds, Representatives and professional advisers; or
 - (iii) who acquires or is proposing to acquire any interest in, or enters into or is proposing to enter into any merger, amalgamation or other similar arrangement with, that Finance Party and, in each case, to any of that person's Affiliates, Related Funds, Representatives and professional advisers.

The Borrower further acknowledges and agrees that some services, operational and processing procedures relating to the transactions or services contemplated under the Finance Documents may from time to time be outsourced by any Finance Party to its regional or global processing centres, branches, Subsidiaries, representative offices, Affiliates, agents of any Finance Party and third parties selected by any Finance Party, wherever situated, and these service providers may from time to time be given access to information and data relating to the transactions or services contemplated under the Finance Documents for the purpose of or in relation to the services and procedures they perform. This Clause 23 is not, and shall not be deemed to constitute, an express or implied agreement by a Finance Party for a higher degree of confidentiality than that prescribed under any applicable law or regulation.

Notwithstanding any other provision in this Agreement or any other document, the Borrower acknowledges and agrees that each Finance Party (and each employee, representative or other agent of each Finance Party) may each disclose to any and all persons to the extent required to be disclosed under any law or regulation applicable to such Finance Party, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transactions contemplated under the Finance Documents and all materials of any kind (including opinions or other tax analyses) that are provided to any of them relating to such U.S. tax treatment and U.S. tax structure, other than any information for which non-disclosure is necessary in order to comply with applicable securities laws.

This Clause 23 supersedes any previous agreement between any of the Parties relation to the confidentiality of any such information or of any Finance Document.

23.3 Disclosure of Funding Rate

(a) For the purposes of this Clause:

“**Funding Rate**” means any rate notified by a Lender to the Agent pursuant to paragraph (a)(ii) of Clause 10.4 (*Cost of funds*).

(b) The Agent and the Borrower agree to (and the Borrower shall procure that each Group Member shall) keep each Funding Rate confidential and not to disclose it to anyone, save to the extent permitted by paragraphs (c) and (d) below.

(c) The Agent may disclose:

(i) any Funding Rate to the Borrower pursuant to Clause 8.4 (*Notification of rates of interest*); and

(ii) any Funding Rate to any person appointed by it to provide administration services in respect of one or more of the Finance Documents to the extent necessary to enable such person to provide those services if such person to whom that Funding Rate is to be given has entered into a confidentiality agreement substantially in the form of the Loan Market Association Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Agent and the Lender providing such Funding Rate.

(d) The Agent may disclose any Funding Rate, and the Borrower may disclose any Funding Rate, to:

(i) any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives if any person to whom that Funding Rate is to be given pursuant to this paragraph (i) is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no such requirement to so inform if such person is subject to professional obligations to maintain the confidentiality of that Funding Rate or is otherwise bound by requirements of confidentiality in relation to it;

(ii) any person to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation if the person to whom that Funding Rate is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Agent or the Borrower, as the case may be, it is not practicable to do so in the circumstances;

- (iii) any person to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes if the person to whom that Funding Rate is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Agent or the Borrower, as the case may be, it is not practicable to do so in the circumstances; and
- (iv) any person with the consent of the Lender providing such Funding Rate.
- (e) The Agent and the Borrower acknowledge that each Funding Rate is or may be price-sensitive information and that its use may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and the Agent and the Borrower undertake not to (and the Borrower shall procure that no Group Member shall) use any Funding Rate for any unlawful purpose.
- (f) The Agent and the Borrower agree (to the extent permitted by law and regulation) to inform a Lender (that provides a Funding Rate):
 - (i) of the circumstances of any disclosure made pursuant to paragraph (d)(ii) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and
 - (ii) upon becoming aware that any information has been disclosed in breach of this Clause 23.3.
- (g) No Event of Default will occur under Clause 21.3 (*Other obligations*) by reason only of the Borrower's failure to comply with this Clause 23.3.

23.4 **Personal Data**

Without prejudice to the provisions of 23.2 (*Disclosure of Confidential Information*):

- (a) each Finance Party is authorised to collect, use and disclose any personal data concerning any individual (including without limitation (where applicable) the directors, partners, office holders, officers, employees, agents, shareholders and beneficial owners of the Borrower) provided by or on behalf of the Borrower for such purposes as may be set out in any data protection policy or privacy policy of such Finance Party (as updated from time to time and as such Finance Party may notify the Borrower of, whether by email, providing the Borrower with a hard copy, uploading onto its website or otherwise), or as is otherwise required or permitted in accordance with applicable law; and
- (b) the Borrower:
 - (i) undertakes, represents and warrants to each Finance Party that it has obtained each such individual's consent for, and hereby also consents on behalf of such individual to, the collection, use and disclosure of

his/her personal data by that Finance Party, in each case, in connection with the transactions under the Finance Documents;

- (ii) shall be responsible to ensure that all requisite and appropriate notifications, authorisations and consents have been duly obtained or will be obtained from each relevant individual as may be required in accordance with all applicable data protection or privacy laws; and
- (iii) shall be deemed to have issued such notifications, and obtained all such authorisations and consents from each relevant individual as required in accordance with all applicable data protection or privacy laws, unless that Finance Party receives written notice from the Borrower of an event beyond the control of the Borrower that results in the collection, use, or disclosure of such personal data by such Finance Party breaching applicable data protection or privacy laws.

23.5 **Disclosure of Lender Details by the Agent**

The Agent shall provide to the Borrower, promptly upon receipt of a request by the Borrower (but no more frequently than once per calendar month), the names of the Lenders as at the date of that request, their respective Commitments in respect of each Facility, the address and fax number (and the department or officer, if any, for whose attention any communication is to be made) of each Lender for any communication to be made or document to be delivered under or in connection with the Finance Documents, the electronic mail address and/or any other information required to enable the sending and receipt of information by electronic mail or other electronic means to and by each Lender to whom any communication under or in connection with the Finance Documents may be made by that means and the account details of each Lender for any payment to be distributed by the Agent to that Lender under the Finance Documents.

**SECTION 9
THE FINANCE PARTIES**

24. ROLE OF THE AGENT AND THE ARRANGERS

24.1 Appointment of the Agent

- (a) Each Finance Party (other than the Agent) appoints the Agent to act as its agent under and in connection with the Finance Documents.
- (b) Each Finance Party (other than the Agent) authorises the Agent to perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions specifically given to the Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

24.2 Duties of the Agent

- (a) Subject to paragraph (b) below, the Agent shall promptly forward to a party to any Finance Document the original or a copy of any document which is delivered to the Agent for that party by any other party to any Finance Document.
- (b) Without prejudice to Clause 22.7 (*Copy of Transfer Certificate or Assignment Agreement to Borrower*), paragraph (a) above shall not apply to any Assignment Agreement or any Transfer Certificate or any notice or confirmation under paragraph (d)(i) of Clause 22.6 (*Procedure for assignment*).
- (c) Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to any party to any Finance Document.
- (d) If the Agent receives notice from any party to any Finance Document referring to a Finance Document, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.
- (e) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than any Administrative Party) under a Finance Document it shall promptly notify the other Finance Parties.
- (f) The Agent's duties under the Finance Documents are solely mechanical and administrative in nature. The Agent shall have no other duties, obligations and responsibilities save as expressly provided for in the Finance Documents to which it is a party (and no others shall be implied).

24.3 Role of the Arrangers

Except as specifically provided in the Finance Documents to which it is a party, none of the Arrangers shall have any obligations of any kind to any other Party under or in connection with any Finance Document.

24.4 **No fiduciary duties**

- (a) Nothing in this Agreement constitutes any Administrative Party as a trustee or fiduciary of any other person.
- (b) No Administrative Party shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

24.5 **Business with the Group**

Each Administrative Party may accept deposits from, lend money to and generally engage in any kind of banking or other business with the Borrower, any Group Member or any Affiliate of any of the foregoing.

24.6 **Rights and discretions of the Agent**

- (a) The Agent may:
 - (i) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised and shall have no duty to verify any signature on any document; and
 - (ii) assume that:
 - (A) any instructions received by it from the Majority Lenders, any Lender or any group of Lenders are duly given in accordance with the terms of the Finance Documents; and
 - (B) unless it has received notice of revocation, those instructions have not been revoked; and
 - (iii) rely on a certificate from any person:
 - (A) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or
 - (B) to the effect that such person approves of any particular dealing, transaction, step, action or thing, as sufficient evidence that that is the case and, in the case of paragraph (A) above, may assume the truth and accuracy of that certificate.
- (b) The Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Finance Parties) that:
 - (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 21.1 (*Non-payment*)); and
 - (ii) any right, power, authority or discretion vested in any party to any Finance Document, the Majority Lenders or the applicable Lenders has not been exercised.

- (c) The Agent may engage, and pay for and rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts.
- (d) Without prejudice to the generality of paragraph (c) above or paragraph (e) below, the Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Agent (and so separate from any lawyers instructed by the Lenders) if the Agent in its reasonable opinion deems this to be necessary.
- (e) The Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Agent or by any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.
- (f) The Agent may act in relation to the Finance Documents through its officers, employees and agents.
- (g) Unless a Finance Document expressly provides otherwise the Agent may disclose to any other Party any information it reasonably believes it has received as agent under any Finance Document.
- (h) Notwithstanding any other provision of any Finance Document to the contrary, no Administrative Party is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.
- (i) Notwithstanding any provision of any Finance Document to the contrary, the Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.
- (j) Without prejudice to the generality of paragraph (g) above, the Agent may disclose the identity of a Defaulting Lender (to the extent that the Agent is aware) to the other Finance Parties and the Borrower and shall, as soon as reasonably practicable, disclose the same upon the written request of the Borrower or the Majority Lenders. Each Lender hereby consents to any and all such disclosures by the Agent pursuant to this paragraph (j).

24.7 **Majority Lenders' instructions**

- (a) Unless a contrary indication appears in a Finance Document, the Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with such an instruction of the Majority Lenders.

- (b) Unless a contrary indication appears in a Finance Document, any such instructions so given by the Majority Lenders will be binding on all of the Finance Parties.
- (c) The Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the applicable Lenders) until it has received such security as it may require for any cost, loss or liability (together with any associated Indirect Tax) which it may incur in complying with such instructions.
- (d) In the absence of instructions from the Majority Lenders, (or, if appropriate, the applicable Lenders) the Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders, **provided that** (for the avoidance of doubt) the Agent shall not be under any duty to take any action in the absence of such instructions.
- (e) The Agent is not authorised to act on behalf of and in the name of a Finance Party (without first obtaining that Finance Party's prior written consent) in any legal or arbitration proceedings relating to any Finance Document, **provided that** nothing herein shall prejudice the ability of the Agent to bring, defend or conduct any proceedings in its capacity as Agent (in the name of the Agent).
- (f) For the purposes of determining:
 - (i) Majority Lenders, Majority Facility A Lenders or Majority Facility B Lenders; or
 - (ii) whether the consent, instruction or vote of (A) Lenders holding any applicable percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments, the Commitments in respect of any or all of the Facilities and/or participations in respect of any or all of the Loans or (B) any group of Lenders has been obtained in respect of any matter (including any amendment or waiver relating to any Finance Document),

a Lender may split its votes (as attributable to its Commitment(s) in respect of any or all of the Facilities and/or its participations in respect of any or all of the Loans) in whatever percentages it may specify, and may exercise such votes in different ways (and shall for such purpose be construed as and deemed to constitute different Lenders holding such percentages of such Commitments in respect of such Facilities and/or such percentages of such participations in respect of such Loans as so specified by such Lender respectively (such Commitment in respect of any Facility so deemed to be held by any such Lender being its "**Split Commitment**" in respect of such Facility and such participation in any Loan so deemed to be held by any such Lender being its "**Split Participation**" in respect of such Loan), **provided that** the aggregate of such percentages shall be equal to 100%).

- (g) If a Lender exercises its right under paragraph (f) above in respect of any part of its Commitment in respect of any Facility or participation in respect of any Loan, such Lender shall notify the Agent of the portions into which it has split

its Commitment in respect of such Facility or participation in respect of such Loan. The Agent shall act on the instructions of a Lender provided in connection with any split of its Commitment in respect of any Facility or participation in respect of any Loan under paragraph (f) above and shall not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with such instructions.

24.8 Responsibility for documentation

No Administrative Party:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by any Administrative Party, the Borrower or any other person given in or in connection with any Finance Document, the Information Memorandum or the transactions contemplated under any Finance Document;
- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document; or
- (c) is responsible for any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

24.9 No duty to monitor

The Agent shall not be bound to enquire:

- (a) whether or not any Default has occurred;
- (b) as to the performance, default or any breach by any Party of its obligations under any Finance Document; or
- (c) whether any other event specified in any Finance Document has occurred.

24.10 Exclusion of liability

- (a) Without limiting paragraph (b) below (and without prejudice to any other provision of any Finance Document excluding or limiting the liability of the Agent), the Agent will not be liable (including, without limitation, for negligence or any other category of liability whatsoever) for:
 - (i) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct;
 - (ii) exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Finance Document or any

other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document, other than by reason of its gross negligence or wilful misconduct; or

(iii) without prejudice to the generality of paragraphs (i) and (ii) above, any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including for negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) arising as a result of:

(A) any act, event or circumstance not reasonably within its control; or

(B) the general risks of investment in, or the holding of assets in, any jurisdiction,

including (in each case) such damages, costs, losses, diminution in value or liability arising as a result of: nationalisation, expropriation or other governmental actions; any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets (including any Disruption Event); breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action.

(b) No Party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document, and any officer, employee or agent of the Agent may rely on this Clause 24.10 subject to Clause 1.4 (*Third party rights*) and the provisions of the Third Parties Ordinance.

(c) The Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Agent if the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.

(d) Nothing in any Finance Document shall oblige any Administrative Party to conduct:

(i) any “know your customer”, anti-money laundering or other procedures in relation to any person; or

(ii) any check on the extent to which any transaction contemplated by any Finance Document might be unlawful for any Lender,

on behalf of any Lender and each Lender confirms to each Administrative Party that it is solely responsible for any such procedures or check it is required to conduct and that it shall not rely on any statement in relation to such procedures or check made by any Administrative Party.

- (e) Without prejudice to any provision of any Finance Document excluding or limiting the Agent's liability, any liability of the Agent arising under or in connection with any Finance Document shall be limited to the amount of actual loss which has been suffered (as determined by reference to the date of default of the Agent or, if later, the date on which such loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Agent at any time which increase the amount of that loss. In no event shall the Agent be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Agent has been advised of the possibility of such loss or damages.

24.11 Lenders' indemnity to the Agent

- (a) Each Lender shall (in the proportion determined in accordance with paragraph (b) below) indemnify the Agent, within three Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence, in relation to any FATCA-related liability or any other category of liability whatsoever) incurred by the Agent (otherwise than by reason of the Agent's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 26.11 (*Disruption to payment systems etc.*), notwithstanding the Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by the Borrower pursuant to a Finance Document in respect of the same cost, loss or liability).
- (b) Each Lender's proportion of such cost, loss or liability shall be equal to the proportion borne by (i) the aggregate of such Lender's Commitment(s) (for any or all Facilities) to (ii) the Total Commitments (or, if the Total Commitments have been reduced to zero, the proportion borne by (A) the aggregate of such Lender's Commitment(s) (for any or all Facilities) immediately before the reduction of the Total Commitments to zero to (B) the Total Commitments immediately before the reduction of the Total Commitments to zero).

24.12 Resignation of the Agent

- (a) The Agent may resign and appoint one of its Affiliates as successor by giving notice to the Lenders and the Borrower.
- (b) Alternatively the Agent may resign by giving 30 days' notice to the Lenders and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Agent.

- (c) If the Majority Lenders have not appointed a successor Agent in accordance with paragraph (b) above within 30 days after the applicable notice of resignation was given, the retiring Agent (after consultation with the Borrower) may appoint a successor Agent.
- (d) The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents. The Borrower shall, within three Business Days of demand, reimburse the retiring Agent for the amount of all costs and expenses (including legal fees) properly incurred by it in making available such documents and records and providing such assistance.
- (e) The Agent's resignation notice shall only take effect upon the appointment of a successor to the Agent.
- (f) Upon the appointment of a successor Agent, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under paragraph (d) above) but shall remain entitled to the benefit of Clause 15.3 (*Indemnity to the Agent*) and this Clause 24 (and any agency fees for the account of such retiring Agent shall cease to accrue from such date and shall instead accrue in favour of such successor Agent).
- (g) After consultation with the Borrower, the Majority Lenders may, by giving not less than 30 days' notice to the Agent (or, at any time the Agent is an Impaired Agent, by giving any shorter notice determined by the Majority Lenders), require it to resign in accordance with paragraph (b) above. In this event, the Agent shall resign in accordance with paragraph (b) above but the cost of complying with paragraph (d) above shall be for the account of the Borrower.
- (h) Any successor Agent and each of the other Parties shall have the same rights and obligations among themselves as they would have had had such successor Agent been originally party hereto as the Agent.
- (i) Clauses 15 (*Other Indemnities*) and 16 (*Costs and Expenses*) shall survive and remain in full force and effect in favour of any Agent that has resigned or been replaced.
- (j) The Agent shall resign in accordance with paragraph (b) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Agent pursuant to paragraph (c) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Agent under the Finance Documents:
 - (i) the Agent fails to respond to a request under Clause 12.7 (*FATCA Information*) and a Lender reasonably believes that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;
 - (ii) the information supplied by the Agent pursuant to Clause 12.7 (*FATCA Information*) indicates that the Agent will not be (or will have ceased

to be) a FATCA Exempt Party on or after that FATCA Application Date; or

- (iii) the Agent notifies the Borrower and the Lenders that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Dates,

and (in each case) a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Agent were a FATCA Exempt Party, and that Lender, by notice to the Agent, requires it to resign.

24.13 Confidentiality

- (a) In acting as agent for the Finance Parties, the Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.
- (b) If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.
- (c) The Agent shall not be obliged to disclose to any Finance Party any information supplied to it by the Borrower or any Affiliate of the Borrower on a confidential basis and for the purpose of evaluating whether any waiver or amendment is or may be required or desirable in relation to any Finance Document.

24.14 Relationship with the Lenders

- (a) Subject to Clause 26.2 (*Distributions by the Agent*), the Agent may treat each person shown in the records of the Agent as a Lender at the opening of business (in the place of the Agent's principal office as notified to the Finance Parties from time to time) as a Lender acting through its Facility Office:
 - (i) entitled to or liable for an payment due under any Finance Document on that day as a Lender; and
 - (ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered as a Lender on that day,

unless it has received not less than five Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

- (b) Each Finance Party shall provide the Agent with such information that the Agent may reasonably specify as being necessary or desirable to enable the Agent to perform its functions as the Agent.
- (c) Any Lender may by notice to the Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall

contain the address, fax number and email address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, email address, department and officer by that Lender for the purposes of Clause 28.2 (*Addresses*) and the Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

24.15 **Credit appraisal by the Lenders**

Without affecting the responsibility of the Borrower for information supplied by it or on its behalf in connection with any Finance Document, each of the Lenders confirms to each Administrative Party that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (a) the financial condition, status and nature of the Borrower, Group Members and their respective Affiliates;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and/or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
- (c) whether that Lender has recourse, and the nature and extent of that recourse, against any party to any Finance Document or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and
- (d) the adequacy, accuracy and/or completeness of the Information Memorandum and/or any other information provided by the Agent, any party to any Finance Document or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

24.16 **Deduction from amounts payable by the Agent**

If any Party owes an amount to the Agent under any of the Finance Documents, the Agent may, after giving notice to such Party, deduct an amount not exceeding that amount from any payment to such Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of that amount owed by such Party to the Agent. For the purposes of the Finance Documents such Party shall be regarded as having received any amount so deducted.

24.17 Money laundering

Unless mandatorily required by applicable laws or regulations to which the Agent is subject, the Agent shall not be responsible to any Party for providing any certification or documents with respect to any information (except for any information in respect of itself) required for any anti-money laundering due diligence purpose. Such certificates and related documents shall be provided directly by the Borrower **provided that** the request for such information may be made through the Agent.

24.18 Liability

None of the Finance Parties or their respective Affiliates, officers, directors or agents shall have any liability to the Borrower or any of its Subsidiaries or be responsible to the Borrower or any of its Subsidiaries for (whether under contract, tort, any other theory of liability or otherwise) any special, indirect, consequential or punitive losses or damages incurred or suffered by the Borrower or any of its Subsidiaries under or in connection with any Finance Document or any transaction contemplated thereby, whether or not such Finance Party shall have been advised of the likelihood of such loss or damage, unless such loss or damage has been finally judicially determined to have primarily resulted from the wilful default or gross negligence of such Finance Party or, as the case may be, such Affiliate, officer, director or agent; and the Borrower hereby waives, releases and agrees not to sue upon (for itself and on behalf of each of its Subsidiaries) any claim for any such loss or damage, whether or not accrued and whether or not known or suspected to exist in its favour unless such loss or damage has been finally judicially determined to have primarily resulted from the wilful default or gross negligence of such Finance Party or, as the case may be, such Affiliate, officer, director or agent. Such Affiliates, officers, directors and agents may rely on this Clause 24.18 subject to Clause 1.4 (*Third party rights*) and the provisions of the Third Parties Ordinance.

25. SHARING AMONG THE FINANCE PARTIES

25.1 Payments to Finance Parties

If a Finance Party (a “**Recovering Finance Party**”) receives or recovers (whether by set-off or otherwise) any amount from or in respect of the Borrower, other than through the Agent and in accordance with Clause 26 (*Payment Mechanics*), (such amount being a “**Recovered Amount**”) and applies that amount to a payment due under any of the Finance Documents then:

- (a) the Recovering Finance Party shall, within three Business Days, notify details of such receipt or recovery, to the Agent;
- (b) the Agent shall determine whether such receipt or recovery is in excess of the amount that the Recovering Finance Party would have been paid had such receipt or recovery been received or made by the Agent and distributed in accordance with Clause 26 (*Payment Mechanics*), without taking account of any Tax which would be imposed on the Agent in relation to such receipt, recovery or distribution; and

- (c) the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the “**Sharing Payment**”) equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made (by reference to such receipt or recovery) in accordance with Clause 26.6 (*Partial payments*).

25.2 **Redistribution of payments**

The Agent shall treat the Sharing Payment as if it had been paid by the Borrower and distribute it between the Finance Parties (other than the Recovering Finance Party) (the “**Sharing Finance Parties**”) in accordance with Clause 26.6 (*Partial payments*) towards the obligations owing to such Sharing Finance Parties.

25.3 **Recovering Finance Party’s rights**

On a distribution by the Agent under Clause 25.2 (*Redistribution of payments*), as between the Borrower and the Recovering Finance Party, an amount of such Recovered Amount equal to such Sharing Payment shall be treated as not having been paid by the Borrower (and the Borrower shall be liable to the Recovering Finance Party for a debt equal to such Sharing Payment, which debt is immediately due and payable).

25.4 **Reversal of redistribution**

To the extent that any part of such Recovered Amount received or recovered by a Recovering Finance Party (which Recovered Amount gives rise to any Sharing Payment) becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Sharing Finance Party shall, upon request of the Agent, pay to the Agent for account of that Recovering Finance Party an amount equal to (i) the appropriate part of its share of such Sharing Payment (that is attributable to such Recovered Amount so repayable and repaid by such Recovering Finance Party) together with (ii) an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on such part of such Sharing Payment (or on such part of such Recovered Amount to which such Sharing Payment is attributable) which that Recovering Finance Party is required to pay ((i) and (ii) being collectively the “**Redistributed Amount**”); and
- (b) as between the Borrower and each Sharing Finance Party, an amount equal to such Redistributed Amount shall be treated as not having been paid by the Borrower (and the Borrower shall be liable to such Sharing Finance Party for a debt equal to such Redistributed Amount, which debt is immediately due and payable).

25.5 **Exceptions**

- (a) This Clause 25 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the Borrower.

- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which that Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
- (i) it notified that other Finance Party of those legal or arbitration proceedings; and
 - (ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

**SECTION 10
ADMINISTRATION**

26. PAYMENT MECHANICS

26.1 Payments to the Agent

- (a) On each date on which the Borrower or a Lender is required to make a payment under a Finance Document, the Borrower or that Lender (as the case may be) shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement (in place of settlement) of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of the currency of such payment with such bank as the Agent specifies.
- (c) The Agent shall not be liable to account for interest on money paid to it by or recovered from the Borrower. Monies held by the Agent need not be segregated except as required by law.
- (d) Each payment of any amount made by the Borrower to the Agent in accordance with any Finance Document (including without limitation paragraph (a) above) is made to the Agent for and on behalf of each Finance Party to whom such amount is owing. The payment of any such amount to the Agent shall not in any way affect or prejudice the separate and independent nature of the debt owing to each such Finance Party, which may be enforced individually by each such Finance Party in the event that all or part of such debt remains unpaid when due.

26.2 Distributions by the Agent

- (a) Each payment received or recovered by the Agent under any Finance Documents for another Party shall, subject to Clause 26.3 (*Distributions to the Borrower*), Clause 26.4 (*Clawback*), Clause 26.6 (*Partial payments*) and Clause 24.16 (*Deduction from amounts payable by the Agent*), be made available by the Agent as soon as practicable after receipt or recovery to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of the currency of such payment.
- (b) The Agent shall distribute payments received or recovered by it in relation to all or any part of a Loan to the applicable Lender(s) indicated in the records of the Agent as being so entitled on the applicable date, **provided that** the Agent is authorised to distribute payments to be made on the date on which any assignment or transfer becomes effective pursuant to Clause 22 (*Changes to the Parties*) to the applicable Lender(s) so entitled immediately before such

assignment or transfer took place regardless of the period to which such payments relate.

- (c) The Agent is not under any obligation to make payment to any Finance Party on account of any amount owing by the Borrower to such Finance Party in the same currency as that in which such latter-mentioned amount is denominated.

26.3 Distributions to the Borrower

The Agent may (with the consent of the Borrower or in accordance with Clause 27 (*Set-off*)) apply any amount received by it for the Borrower in or towards payment (on the date and in the currency and funds of receipt) of any amount due from the Borrower under any or all of the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

26.4 Clawback

- (a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) To the extent that the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

26.5 Impaired Agent

- (a) If, at any time, the Agent becomes an Impaired Agent, the Borrower or a Lender which is required to make a payment under any of the Finance Documents to the Agent for the account of any person in accordance with Clause 26.1 (*Payments to the Agent*) may instead either:
 - (i) pay that amount direct to such person; or
 - (ii) (if in its absolute discretion it considers that it is not reasonably practicable to pay that amount direct to such person) pay that amount (or the applicable part thereof payable to such person) to an interest-bearing account held with an Acceptable Bank and in relation to which no Insolvency Event has occurred and is continuing, in the name of the Borrower or the Lender making that payment (the “**Paying Party**”) and designated as a trust account for the benefit of the Party or Parties beneficially entitled to that payment under the Finance Documents (the “**Recipient Party**” or “**Recipient Parties**”),

and in each case such payments must be made on the due date for payment under the Finance Documents.

“**Acceptable Bank**” means a bank or financial institution which has a rating for its long-term unsecured and non credit-

enhanced debt obligations of BBB or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or Baa2 or higher by Moody's Investor Services Limited or a comparable rating from an internationally recognised credit rating agency.

- (b) All interest accrued on any amount standing to the credit of that trust account shall be for the benefit of the Recipient Party or Recipient Parties *pro rata* to their respective entitlements to such amount.
- (c) A Party which has made a payment in accordance with this Clause 26.5 shall be discharged of the applicable obligations to make such payment under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of that trust account.
- (d) Promptly upon the appointment of a successor Agent, each Paying Party which has made a payment to a trust account in accordance with this Clause 26.5 (other than to the extent that such Paying Party has given an instruction pursuant to paragraph (e) below with respect to such trust account) shall give all requisite instructions to the bank with whom that trust account is held to transfer the amount of such payment (together with any accrued interest thereon) to the successor Agent for distribution in accordance with Clause 26.2 (*Distributions by the Agent*).
- (e) A Paying Party which has made a payment to a trust account (on account of any amount payable by such Paying Party to a Recipient Party) in accordance with this Clause 26.5 shall, promptly upon request by that Recipient Party and to the extent:
 - (i) that it has not given an instruction pursuant to paragraph (d) above (with respect to such trust account); and
 - (ii) that it has been provided with the necessary information by that Recipient Party,

give all requisite instructions to the bank with whom such trust account is held to transfer such amount (so paid into and held in such account) together with any accrued interest thereon to that Recipient Party.

26.6 Partial payments

- (a) If the Agent receives or recovers an amount from or in respect of the Borrower under or in connection with any Finance Document which amount is insufficient to, or is not applied to, discharge all the amounts then due and payable by the Borrower under the Finance Documents (or if the Agent receives or recovers an amount from or in respect of the Borrower or any party to a Subordination Deed (other than a Finance Party)), such amount shall be applied towards the obligations of the Borrower under the Finance Documents (or, in the case of a receipt or recovery from or in respect of any party to a Subordination Deed (other than the Borrower or a Finance Party)), such amount shall, subject to the provisions of such Subordination Deed, be applied

towards the obligations of the Borrower and/or such party under the Finance Documents), in the following order:

- (i) *first*, in or towards payment *pro rata* of any unpaid fees, costs and expenses of, and other amounts owing to, any Administrative Party (in each case for its own account) under the Finance Documents;
 - (ii) *secondly*, in or towards payment *pro rata* of any accrued interest, fee (other than as provided in paragraph (a)(i) above) or commission due to any or all of the Finance Parties but unpaid under the Finance Documents;
 - (iii) *thirdly*, in or towards payment *pro rata* of any principal due but unpaid under this Agreement; and
 - (iv) *fourthly*, in or towards payment *pro rata* of any other sum due to any or all of the Finance Parties but unpaid under the Finance Documents.
- (b) The Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by the Borrower.

26.7 No set-off by the Borrower

All payments to be made by the Borrower under any or all of the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

26.8 Business Days

- (a) Any payment which is due to be made under a Finance Document on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum pursuant to paragraph (a) above, interest is payable on such principal or Unpaid Sum at the rate applicable on the original due date.

26.9 Currency of account

- (a) Subject to paragraphs (b) to (d) below, US dollar is the currency of account and payment for any sum from the Borrower under any Finance Document.
- (b) Each payment of interest shall be made in the currency in which the sum in respect of which such interest is payable was denominated when such interest accrued.
- (c) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which such costs, expenses or Taxes are incurred.

- (d) Any amount expressed to be payable in a currency other than US dollar shall be paid in that other currency.

26.10 Change of currency

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
 - (i) any reference in this Agreement to, and any obligations arising under this Agreement in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrower); and
 - (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

26.11 Disruption to payment systems etc.

If either the Agent determines (in its discretion) that a Disruption Event has occurred or the Agent is notified by the Borrower that a Disruption Event has occurred:

- (a) the Agent may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing with the Borrower such changes to the operation or administration of the Facilities as the Agent may deem necessary in the circumstances;
- (b) the Agent shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) above if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;
- (c) the Agent may consult with the Finance Parties in relation to any changes mentioned in paragraph (a) above but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;
- (d) any such changes agreed upon by the Agent and the Borrower shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 32 (*Amendments and Waivers*);
- (e) the Agent shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including for negligence,

gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 26.11; and

(f) the Agent shall notify the Finance Parties of all changes agreed pursuant to paragraph (d) above.

27. **SET-OFF**

A Finance Party may set off any matured obligation due from the Borrower under any or all of the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to the Borrower, regardless of the place of payment, booking branch or currency of either obligation. If such obligations are in different currencies, that Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of such set-off.

28. **NOTICES**

28.1 **Communications in writing**

Any communication to be made by a Party to another Party under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by electronic mail ("**email**") (including scanned copies of executed documents and other attachments), fax or letter.

28.2 **Addresses**

The email address, address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of the Borrower, that identified with its name below;
- (b) in the case of any Lender, that notified in writing to the Agent on or prior to the date on which it becomes a Party;
- (c) in the case of the Agent, that identified with its name below; and
- (d) in the case of an Arranger, that identified with its name below,

or any substitute email address, address or fax number or department or officer as that Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

28.3 **Delivery**

- (a) Any communication or document made or delivered by one Party to another Party under or in connection with any Finance Documents will be effective:
 - (i) if by way of email, only when received in legible form by at least one of the relevant email addresses of the Party to whom such communication or document is to be made or delivered;
 - (ii) if by way of fax, only when received in legible form; or
 - (iii) if by way of letter, only when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 28.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to the Agent under or in connection with any Finance Document will be effective only when actually received by the Agent and then only if it is sent to the correct email address(es) or, in the case of a fax or a letter, expressly marked for the attention of the department or officer identified with the Agent's signature below (or any substitute department or officer as the Agent shall specify for this purpose).
- (c) All notices from or to the Borrower under or in connection with any Finance Document shall be sent through the Agent.
- (d) Any communication or document which becomes effective, in accordance with paragraphs (a) to (c) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

28.4 **Notification of address and fax number**

Promptly upon changing its own email address, address or fax number, the Agent shall notify the other Parties.

28.5 **Communication when Agent is an Impaired Agent**

If the Agent is an Impaired Agent the Parties may, instead of communicating with each other through the Agent, communicate with each other directly and (while the Agent is an Impaired Agent) all the provisions of the Finance Documents which require communications to be made or notices to be given to or by the Agent shall be varied so that communications may be made and notices given to or by the relevant Parties directly. This provision shall not operate after a replacement Agent has been appointed to replace such Impaired Agent.

28.6 **English language**

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

29. **CALCULATIONS AND CERTIFICATES**

29.1 **Accounts**

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

29.2 **Certificates and determinations**

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

29.3 **Day count convention**

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

30. **PARTIAL INVALIDITY**

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

31. **REMEDIES AND WAIVERS**

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver or constitute an election to affirm any Finance Document. No election by a Finance Party to affirm any Finance Document shall be effective unless it is in writing. No single or partial exercise of any right or remedy by any Finance Party shall prevent any further or other exercise or the exercise of any other right or remedy. The rights

and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

32. AMENDMENTS AND WAIVERS

32.1 Required consents

- (a) Subject to Clause 32.2 (*Exceptions*) any term of any Finance Document (other than any Fee Letter) may be amended or waived only in writing and with the consent of the Majority Lenders and the Borrower. Any such amendment or waiver so made with such consent will be binding on all Parties.
- (b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause.

32.2 Exceptions

- (a) An amendment or waiver that has the effect of changing or which relates to:
 - (i) the definition of “Majority Facility A Lenders”, “Majority Facility B Lenders”, “Majority Lenders” or “Super Majority Lenders” in Clause 1.1 (*Definitions*);
 - (ii) an extension to the date of payment of any amount under the Finance Documents;
 - (iii) a reduction in the Margin or a reduction in the amount of, or any change in the currency of, any payment of principal, interest, fees or commission payable;
 - (iv) an increase in, or any change in the currency of, any Commitment in respect of any Facility;
 - (v) an extension of the period of availability for utilisation of any Commitment in respect of any Facility (or any commitment represented thereby);
 - (vi) any provision which expressly requires the consent of all the Lenders;
 - (vii) a change to the Borrower;
 - (viii) any amendment to the order of priority or subordination under a Subordination Deed; or
 - (ix) Clause 2.2 (*Finance Parties’ rights and obligations*) and Clause 22 (*Changes to the Parties*),shall not be made without the prior consent of all the Lenders.
- (b) An amendment or waiver that has the effect of changing or which relates to any shorter period as the Majority Facility A Lenders or, as the case may be the Majority Facility B Lenders may agree as contemplated in Clause 7.2

(Voluntary cancellation) shall not be made without the agreement of the Majority Facility A Lenders or, as the case may be, the Majority Facility B Lenders.

- (c) An amendment or waiver which relates to the rights or obligations of an Administrative Party may not be effected without the consent of that Administrative Party.

32.3 Excluded commitment

If any Lender fails to respond to a request for any consent, waiver, amendment of or in relation to any term of any Finance Document or any instruction or vote relating to any other matter under any Finance Document within 30 Business Days of that request being made, then (unless the Borrower and the Agent agree to a longer time period in relation to such request):

- (a) such Lender's Commitment in respect of any Facility and such Lender's participation in any Loan shall not be included for the purpose of calculating the Commitments of the Lenders in respect of any or all of the Facilities, or participations of the Lenders in any or all of the Loans when ascertaining whether the consent, instruction or vote of Lenders holding any applicable percentage (including, for the avoidance of doubt, unanimity) of the Commitments in respect of any or all of the Facilities and/or participations in any or all of the Loans has been obtained to approve that request; and
- (b) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of all of the Lenders or any specified group of Lenders has been obtained to approve that request,

provided that (for the avoidance of doubt), if a Lender has split the votes attributable to its Commitment(s) in respect of any Facility or any participation in any Loan(s) under any Facility in accordance with paragraph (f) of Clause 24.7 (*Majority Lenders' instructions*) (a "**Splitting Lender**"), (i) such Splitting Lender shall be deemed (for the purposes of this Clause 32.3) to constitute different Lenders (each a "**Split Vote Lender**"), each holding its Split Commitment in respect of each Facility and its Split Participation in respect of each Loan in accordance with paragraph (f) of Clause 24.7 (*Majority Lenders' instructions*), and (ii) if a Split Vote Lender fails to respond to any request for any consent, waiver, amendment of or in relation to any term of any Finance Document or any instruction or vote relating to any other matter under any Finance Document, (A) the foregoing provisions of this Clause 32.3 shall only apply to such Split Vote Lender (in its capacity as Lender holding such Split Vote Lender's Split Commitment in respect of any Facility and/or Split Participation in any Loan) and not any other Split Vote Lender notwithstanding that such other Split Vote Lender may be the same entity as such first-mentioned Split Vote Lender, and (B) for the purposes of paragraph (a), the Commitment of such Split Vote Lender in respect of each Facility shall be deemed to be its Split Commitment in respect of such Facility and the participation of such Split Vote Lender in any Loan shall be deemed to be its Split Participation in such Loan.

33. **RESTRICTIONS ON DEBT PURCHASE TRANSACTIONS**

33.1 **Prohibition on Debt Purchase Transactions**

The Borrower shall not, and the Borrower shall procure that (except with the prior written consent of the Agent (acting on the instructions of all of the Lenders)) no Group Member or any Affiliate of any Group Member shall (a) enter into any Debt Purchase Transaction or (b) be (i) a Lender or (ii) a party to a Debt Purchase Transaction of the type referred to in any of paragraphs (b) or (c) of the definition of “Debt Purchase Transaction”.

33.2 **Notification to other Lenders of Debt Purchase Transactions**

Without prejudice to Clause 33.1 (*Prohibition on Debt Purchase Transactions*) and Clause 22.11 (*Assignments and transfers to Group Members*), any Group Member or any Affiliate of any Group Member which is or becomes a Lender or which enters into a Debt Purchase Transaction as a purchaser, an acquiror or a participant (or similar capacity) shall, by 5.00 pm on the Business Day following the day on which it entered into that Debt Purchase Transaction, notify the Agent of the extent of the Commitment(s) (in respect of any or all of the Facilities) (or any commitment represented thereby), any Loan or any amount(s) outstanding to which that Debt Purchase Transaction relates. The Agent shall promptly disclose such information to the Lenders.

34. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on such counterparts were on a single copy of this Agreement.

35. **U.S.A. PATRIOT ACT**

Each Lender hereby notifies the Borrower that pursuant to the requirements of the U.S.A. Patriot Act, such Lender is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the U.S.A. Patriot Act.

36. **BAIL-IN**

36.1 **Contractual recognition of bail-in**

Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

- (a) any Bail-In Action in relation to any such liability, including (without limitation):

- (i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;
 - (ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and
 - (iii) a cancellation of any such liability; and
- (b) a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

36.2 **Bail-In definitions**

In this Clause 36:

“**Bail-In Action**” means the exercise of any Write-down and Conversion Powers.

“**Bail-In Legislation**” means in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time.

“**EEA Member Country**” means any member state of the European Union, Iceland, Liechtenstein and Norway.

“**EU Bail-In Legislation Schedule**” means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

“**Resolution Authority**” means any body which has authority to exercise any Writedown and Conversion Powers.

“**Write-down and Conversion Powers**” means, in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule.

SECTION 11
GOVERNING LAW AND ENFORCEMENT

37. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of Hong Kong.

38. ENFORCEMENT

38.1 Jurisdiction of Hong Kong Courts

- (a) The courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a “**Dispute**”).
- (b) The Parties agree that the courts of Hong Kong are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 38.1 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

38.2 Service of process

Without prejudice to any other mode of service allowed under any relevant law, the Borrower:

- (a) irrevocably appoints JD.com International Limited as its agent for service of process in relation to any proceedings before the Hong Kong courts in connection with any Finance Document; and
- (b) agrees that failure by a process agent to notify the Borrower of any process will not invalidate the proceedings concerned.

38.3 Waiver of Immunity

The Borrower irrevocably waives, to the extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from:

- (a) suit;
- (b) jurisdiction of any court;
- (c) relief by way of injunction or order for specific performance or recovery of property;

- (d) attachment of its assets (whether before or after judgment); and
- (e) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction (and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any immunity in any such proceedings).

39. **WAIVER OF JURY TRIAL**

EACH OF THE PARTIES TO THIS AGREEMENT AGREES TO WAIVE IRREVOCABLY ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE DOCUMENTS REFERRED TO IN THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED IN THIS AGREEMENT. THIS WAIVER IS INTENDED TO APPLY TO ALL DISPUTES. EACH PARTY ACKNOWLEDGES THAT (A) THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO THIS AGREEMENT, (B) IT HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT AND (C) IT WILL CONTINUE TO RELY ON THIS WAIVER IN FUTURE DEALINGS. EACH PARTY REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL ADVISERS AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AFTER CONSULTATION WITH ITS LEGAL ADVISERS. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SIGNATURES

THE BORROWER

JD.COM, INC.

By: /s/ authorized signatory

Address: ***

Telephone: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ORIGINAL MLAB

BANK OF AMERICA, N.A.

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ORIGINAL MLAB

BANK OF CHINA (HONG KONG) LIMITED

By: /s/ Chan Hol Man /s/ Wong Pik Sin
Chan Hol Man Wong Pik Sin
(8850841) (8850620)

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ORIGINAL MLAB

DEUTSCHE BANK AG, SINGAPORE BRANCH

By: /s/ Birendra Baid
Birendra Baid
Director

By: /s/ Avishek Sen
Avishek Sen
Director

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ORIGINAL MLAB

STANDARD CHARTERED BANK (HONG KONG) LIMITED

By: /s/ Julia Chou _____
Julia Chou
Managing Director & Regional Head
Loan Syndications, GCNA

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ADDITIONAL MLAB

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

By: /s/ Cecily FAN
Cecily FAN
Head of Loan Sales, Asia
Loan Syndications

/s/ Tai, Alan Pak Ling
TAI, Alan Pak Ling
Director, Loans Structuring & Execution Asia

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ADDITIONAL MLAB

BANK OF CHINA LIMITED MACAU BRANCH

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ADDITIONAL MLAB

BANK OF CHINA LIMITED, NEW YORK BRANCH

By: /s/ Raymond Qiao
Raymond Qiao
Chief Lending Officer

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ADDITIONAL MLAB

BARCLAYS BANK PLC

By: /s/ Wong Tse Kay Michael
Wong Tse Kay Michael
Authorised Signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ADDITIONAL MLAB

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ADDITIONAL MLAB

CHINA MINSHENG BANKING CORP., LTD, HONG KONG BRANCH

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ADDITIONAL MLAB

DBS BANK LTD.

By: /s/ Stockor Ng
STOCKOR NG
SENIOR VICE PRESIDENT

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ADDITIONAL MLAB

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

By: /s/ Ms. Wong Wing Nar /s/ Suo Fan
 Ms. Wong Wing Nar Suo Fan

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

ADDITIONAL MLAB

TAI FUNG BANK LIMITED

By: /s/ Ms Irene Lou Kit I /s/ Mr Kou Wa Kin
Ms IRENE LOU KIT I Mr KOU WA KIN

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

MLA

BANK OF COMMUNICATIONS CO., LTD. (ACTING THROUGH ITS OFFSHORE BANKING UNIT)

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

MLA

BANK OF COMMUNICATIONS CO., LTD. HONG KONG BRANCH

By: /s/ Chen Bun, Carmen /s/ Leung Lai Ching
Chen Bun, Carmen Leung Lai Ching (A046)
General Manager Head of Loans Centre
Structured and Capital Finance Department

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

MLA

EXPORT DEVELOPMENT CANADA

By: /s/ Michael Smart
Michael Smart
Senior Financing Manager

By: /s/ Linh Vo
Linh Vo
Financing Manager

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

MLA

THE BANK OF EAST ASIA, LIMITED (東亞銀行有限公司)

/s/ Fanny Mok

By: Fanny Mok

Deputy Head

Corporate Lending & Syndication Department

/s/ Christine Wong

Christine Wong

Head of Corporate Lending & Syndication Department

For credit matters:

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

For operation matters:

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

MLA

WESTPAC BANKING CORPORATION

By: /s/ Eric Chan
Eric Chan
Head of Syndication, North Asia
Tier 2 Attorney

/s/ Denys Poon
Denys Poon
Director, Corporate & Institutional Banking
Tier 2 Attorney

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LA

BNP PARIBAS

By: /s/ authorized signatory

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LA

CHINA MERCHANTS BANK CO., LIMITED

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LA

HANG SENG BANK LIMITED

By: /s/ HEUNG Hon-wing, Frank /s/ WONG Ka Shing, Angus
HEUNG Hon-wing, Frank WONG Ka Shing, Angus

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LA

KGI BANK

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LA

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD., CENTRAL BRANCH

By: /s/ Tung-Lung, Wu

Name : TUNG-LUNG, WU

Title : Senior Vice President & General Manager

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LA

OVERSEA-CHINESE BANKING CORPORATION LIMITED

By: /s/ Lisa Fung
Lisa Fung, SVP of Wholesale Corporate Marketing

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

BANK OF AMERICA, N.A.

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

BANK OF CHINA (HONG KONG) LIMITED

By: /s/ Chan Hoi Man /s/ Wong Pik Sin
Chan Hoi Man Wong Pik Sin
(8850841) (8850620)

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

DEUTSCHE BANK AG, SINGAPORE BRANCH

By: /s/ Birendra Baid
Birendra Baid
Director

By: /s/ Avishek Sen
Avishek Sen
Director

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

STANDARD CHARTERED BANK (HONG KONG) LIMITED

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

LENDER

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

By: /s/ Cecily FAN
Cecily FAN
Head of Loan Sales, Asia
Loan Syndications

/s/ TAI, Alan Pak Ling
TAI, Alan Pak Ling
Director, Loans Structuring & Execution Asia

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

BANK OF CHINA LIMITED MACAU BRANCH

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

BANK OF CHINA LIMITED, NEW YORK BRANCH

By: /s/ Raymond Qiao
Raymond Qiao
Chief Lending Officer

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

BARCLAYS BANK PLC

By: /s/ Wong Tse Kay Michael

Wong Tse Kay Michael
Authorised Signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

1831 MA, Ivan Siu-Wah

By: /s/ Ivan Siu-Wah

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

CHINA MINSHENG BANKING CORP., LTD, HONG KONG BRANCH

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

DBS BANK LTD.

By: /s/ Yong Khee Jin

Yong Khee Jin
Senior Vice President

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

By: /s/ Ms. Wong Wing Nar /s/ Suo Fan
Ms. Wong Wing Nar Suo Fan

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

TAI FUNG BANK LIMITED

By: /s/ Ms Irene Lou Kit I /s/ Mr Kou Wa kin
Ms IRENE LOU KIT I Mr KOU WA KIN

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

BANK OF COMMUNICATIONS CO., LTD. (ACTING THROUGH ITS OFFSHORE BANKING UNIT)

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

BANK OF COMMUNICATIONS CO., LTD. HONG KONG BRANCH

By: /s/ Chen Bun, Carmen /s/ Leung Lai Ching (A046)
Chen Bun, Carmen Leung Lai Ching (A046)
General Manager Head of Loans Centre
Structured and Capital Finance Department

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

EXPORT DEVELOPMENT CANADA

By: /s/ Michael Smart
Michael Smart
Senior Financing Manager

By: /s/ Linh Vo
Linh Vo
Financing Manager

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER
THE BANK OF EAST ASIA, LIMITED (東亞銀行有限公司)

By: /s/ Fanny Mok
Fanny Mok
Deputy Head
Corporate Lending & Syndication Department

/s/ Christine Wong
Christine Wong
Head of Corporate Lending & Syndication Department

For credit matters:

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

For operation matters:

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

LENDER

WESTPAC BANKING CORPORATION

By: /s/ Eric Chan
Eric Chan
Head of Syndication, North Asia
Tier 2 Attorney

/s/ Denys Poon
Denys Poon
Director, Corporate & Institutional Banking
Tier 2 Attorney

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

BNP PARIBAS

By: /s/ authorized signatory

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

CHINA MERCHANTS BANK CO., LIMITED

By: /s/ authorized signatory

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

HANG SENG BANK LIMITED

By: /s/ HEUNG Hon-wing, Frank /s/ WONG Ka Shing, Angus
HEUNG Hon-wing, Frank WONG Ka Shing, Angus

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

KGI BANK

By: /s/ authorized signatory _____

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD., CENTRAL BRANCH

By: /s/ Tung-Lung, Wu

Name : TUNG-LUNG, WU

Title : Senior Vice President & General Manager

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

LENDER

OVERSEA-CHINESE BANKING CORPORATION LIMITED

By: /s/ Lisa Fung
Lisa Fung, SVP of Wholesale Corporate Marketing

Address: ***

Telephone: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

THE AGENT

STANDARD CHARTERED BANK (HONG KONG) LIMITED

By: /s/ Lam Tze Kit

Lam Tze Kit
Senior Transaction Manager
Signing No: HK9592

Address: ***

Fax: ***

Email: ***

Attention: ***

PROJECT JOY — SIGNATURE PAGES TO FACILITIES AGREEMENT

List of Principal Subsidiaries and Consolidated Variable Interest Entities

	Place of Incorporation
Subsidiaries:	
Jingdong Technology Group Corporation	Cayman Islands
Jingdong Logistics Group Corporation	Cayman Islands
Jingdong Express Group Corporation	Cayman Islands
Jingdong E-Commerce (Express) Hong Kong Co., Ltd.	Hong Kong
Jingdong E-Commerce (Trade) Hong Kong Co., Ltd.	Hong Kong
Jingdong E-Commerce (Logistics) Hong Kong Co., Ltd.	Hong Kong
JD.com International (Singapore) Pte. Ltd.	Singapore
JD.com International Limited	Hong Kong
JD.com E-commerce (investment) Hong Kong Co., Ltd.	Hong Kong
JD.com Investment Limited (including subsidiaries)	British Virgin Islands
Beijing Jingdong Century Trade Co., Ltd. (including subsidiaries)	PRC
Jiangsu Jingdong Information Technology Co., Ltd.	PRC
Chongqing Jingdong Haijia E-commerce Co., Ltd.	PRC
Beijing Jingdong Shangke Information Technology Co., Ltd.	PRC
Tianjin Star East Co., Ltd. (including subsidiaries)	PRC
Shanghai Shengdayuan Information Technology Co., Ltd.	PRC
Xi'an Jingxundi Supply Chain Technology Co., Ltd.	PRC
Consolidated variable interest entities and their subsidiaries:	
Beijing Jingdong 360 Degree E-commerce Co., Ltd.	PRC
Jiangsu Yuanzhou E-commerce Co., Ltd.	PRC
Jiangsu Jingdong Bangneng Investment Management Co., Ltd.	PRC
Suqian Jingdong Sanhong Enterprise Management Center	PRC
Xi'an Jingdong Xincheng Information Technology Co., Ltd.	PRC
Beijing Jingbangda Trade Co., Ltd.	PRC
Fortune Rising Holdings Limited	British Virgin Islands

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Richard Qiangdong Liu, certify that:

1. I have reviewed this annual report on Form 20-F of JD.com, Inc. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 27, 2018

By: /s/ Richard Qiangdong Liu
Name: Richard Qiangdong Liu
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Sidney Xuande Huang, certify that:

1. I have reviewed this annual report on Form 20-F of JD.com, Inc. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 27, 2018

By: /s/ Sidney Xuande Huang
Name: Sidney Xuande Huang
Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of JD.com, Inc. (the "Company") on Form 20-F for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Qiangdong Liu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2018

By: /s/ Richard Qiangdong Liu
Name: Richard Qiangdong Liu
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of JD.com, Inc. (the "Company") on Form 20-F for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sidney Xuande Huang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2018

By: /s/ Sidney Xuande Huang
Name: Sidney Xuande Huang
Title: Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-198578) and the Registration Statements on Form F-3 (File No. 333-206653 and File No. 333-210795) of JD.com, Inc. of our report dated April 27, 2018 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China

April 27, 2018

[Zhong Lun Law Firm Letterhead]

April 27, 2018

JD.com, Inc.
20th Floor, Building A, No. 18 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District, Beijing 101111
People's Republic of China

Dear Sir/Madam:

We hereby consent to the reference of our name under the headings “Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure” and “Item 4.C. Information on the Company—Organizational Structure” in JD.com, Inc.’s Annual Report on Form 20-F for the year ended December 31, 2017 (the “**Annual Report**”), which will be filed with the Securities and Exchange Commission (the “**SEC**”) on the date hereof, and further consent to the incorporation by reference into the Registration Statement on Form S-8 (File No. 333-198578) pertaining to JD.com, Inc.’s Share Incentive Plan and the Registration Statements on Form F-3 (File Nos. 333-206653 and 333-210795) of the summary of our opinion under the headings “Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure” and “Item 4.C. Information on the Company—Organizational Structure” in the Annual Report. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Very truly yours,

/s/ Zhong Lun Law Firm

jd-20171231.xml

jd-20171231.xsd

jd-20171231_cal.xml

jd-20171231_def.xml

jd-20171231_lab.xml

jd-20171231_pre.xml