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## RECENT DEVELOPMENTS

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### Summary of First Quarter 2020 Highlights

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

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

### Business Updates

#### *JD Retail*

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

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

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*Note:*

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

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### *JD Health*

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

### *JD Logistics*

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

### *JD Property*

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

### *Operational Metrics Update*

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

### *Environment, Social and Governance*

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

## **Financial Updates**

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

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The consolidated financial information below should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements for the three years ended December 31, 2019 and as of December 31, 2017, 2018 and 2019 and related notes included in Appendix IA and IB to this document. Our historical results do not necessarily indicate results expected for any future periods, and the results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2020. Please refer to “Financial Information,” “Risk Factors” and “Our Business” included elsewhere in this document for information regarding trends and other factors that may affect our results of operations.

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

## RECENT DEVELOPMENTS

*Notes:*

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

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

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

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

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

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

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

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

Note:

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

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

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

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

## RECENT DEVELOPMENTS

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

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

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

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

*Notes:*

\* Including logistics facilities and other real estate properties developed by JD Property, which may be sold under various equity structures.

\*\* Including capital expenditures related to our headquarters in Beijing and all other capital expenditures.

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

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

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

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

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

**Cost of revenues.** Our cost of revenues increased by 20.2% from RMB102,897 million for the three months ended March 31, 2019 to RMB123,670 million (US\$17,465 million) for the three months ended March 31, 2020. This increase was primarily due to the growth of our online retail business. Costs related to the logistics services provided to third parties also increased along with the expansion of our logistics business.

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

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

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

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

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

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

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

### Segment Information

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



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

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

Note:

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

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

### Cash Flows and Working Capital

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

Our net inventories have decreased from RMB57.9 billion as of December 31, 2019 to RMB50.6 billion (US\$7.1 billion) as of March 31, 2020 as the Chinese New Year in 2020 was relatively early, for which we reserved stock in advance during December 2019. Our inventory turnover days were 36.5 days and 35.4 days for the three months ended March 31, 2019 and 2020, respectively. Inventory turnover days are the quotient of average inventory over the immediately preceding five quarters, up to and including the last quarter of the period, to cost of revenues of retail business for the last twelve months, and then multiplied by 360 days. Our inventory balances will fluctuate over time due to a number of factors, including expansion in our product selection and changes in our product mix. Our inventory balances typically increase when we prepare for special promotion events, such as the anniversary of the founding of our company on June 18 and China's new online shopping festival on November 11.

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

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

### *Operating Activities*

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

Net cash provided by operating activities for the three months ended March 31, 2019 was RMB3,323 million. For the three months ended March 31, 2019, the principal items accounting for the difference between our net cash provided by operating activities and our net income were certain non-cash expenses, principally gain from fair value change of long-term investments of RMB5,751 million, depreciation and amortization of RMB1,673 million, share of results of equity

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investees of RMB717 million and share-based compensation of RMB618 million, and changes in certain working capital accounts, principally a decrease in accounts payable of RMB8,107 million, partially offset by a decrease in inventories of RMB5,781 million. The decrease in our accounts payable was in line with the decrease in inventories, as we usually reserve stock during December 2018.

### *Investing Activities*

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

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

### *Financing Activities*

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

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

### *Capital Expenditures*

We made capital expenditures of RMB2,396 million and RMB2,212 million (US\$312 million) for the three months ended March 31, 2019 and 2020, respectively. Our capital expenditures for the three months ended March 31, 2019 and 2020 consisted primarily of expenditures related to the expansion of our fulfillment infrastructure, technology platform, logistics equipment as well as our office buildings. Our capital expenditures will continue to be significant in the foreseeable future as we expand and improve our fulfillment infrastructure and technology platform to meet the needs of our anticipated growth. JD Property seeks to realize development profits and recycle capital from mature properties to fund new developments and scale the business.

## **Impact of COVID-19 on Our Operations**

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

In connection with the intensifying efforts to contain the spread of COVID-19, the Chinese government has taken a number of actions, which included extending the Chinese Spring Festival,

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

The spread of COVID-19 has caused us to incur incremental costs, in particular, relating to our logistics business. In addition, we have seen a decrease in demand for big-ticket items, durable goods and discretionary products. However, leveraging our self-operated supply chain and logistics network, we were able to resume part of our operations after the Chinese Spring Festival and have seen an increase in demand for certain product categories, including consumer staples, such as groceries, fresh produce, healthcare and household products during this period. Furthermore, to mitigate any negative impacts that COVID-19 may have on the operations of our suppliers, we have implemented a variety of measures to support our suppliers, including adopting a shorter payable cycle and increasing advance payments to suppliers. As of the Latest Practicable Date, (i) most of our employees, including corporate office employees and field staff, had returned to work, (ii) our major operations, including JD Retail and JD Logistics, were resuming gradually around China and we plan to continue to do so as steadily and safely as we can, and (iii) customer demand across product and service categories on our platform was resuming gradually.

As of March 31, 2020, we had cash and cash equivalents of RMB43,529 million (US\$6,148 million). Subsequently, we drew down the remaining US\$550 million in April 2020 of the US\$1.0 billion term and revolving credit facilities we entered into in 2017. We believe this level of liquidity is sufficient to successfully navigate an extended period of uncertainty. See also “Risk Factors—Risks Related to Our Business and Industry—We face risks related to natural disasters, health epidemics and other outbreaks, such as the outbreak of COVID-19, which could significantly disrupt our operations.”

### **U.S. Regulatory Update**

On May 20, 2020, the U.S. Senate passed S. 945, the Holding Foreign Companies Accountable Act (the “Kennedy Bill”). If passed by the U.S. House of Representatives and signed by the U.S. President, the Kennedy Bill would amend the Sarbanes-Oxley Act of 2002 to direct the SEC to prohibit securities of any registrant from being listed on any of the U.S. securities exchanges if the auditor of the registrant’s financial statements is not subject to PCAOB inspection for three consecutive years after the law becomes effective. For details of relevant regulatory risks, see “Risk Factors—Risks Related to Our Shares, ADSs and the Listing—Registered public accounting firms in China, including auditors of our consolidated financial statements in our prior annual reports on Form 20-F filed with the SEC, are not inspected by the U.S. Public Company Accounting Oversight Board, which deprives us and our investors of the benefits of such inspection.”

### **Issuance of Class A Ordinary Shares to Tencent**

On May 27, 2020, we issued 2,938,584 Class A ordinary shares to Huang River Investment Limited, a wholly-owned subsidiary of Tencent Holdings Limited, pursuant to the share subscription

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

### **Strategic Investment in Gome Retail**

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