OUR BUSINESS

Our Mission

Powered by Technology for a More Productive and Sustainable World.

Overview

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

Overview of Our E-Commerce Business

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

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

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

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

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

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

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

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

Overview of Our Supply Chain-based Technologies and Services

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

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

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

Logistics Services

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

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

Our Retail Technology Services and Other Technology Initiatives

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

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

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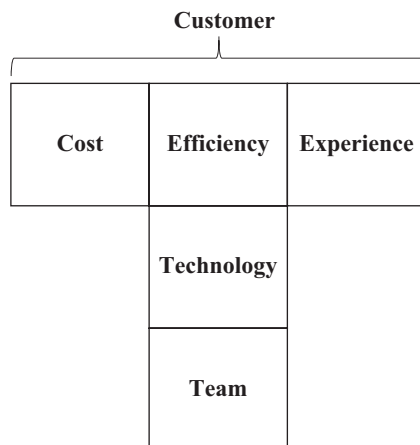
Our Competitive Strengths

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

```
                              Customer
        ┌───────────────────────┴──────────────────────┐
    ┌─────────┬──────────────┬──────────────┐
    │         │              │              │
    │  Cost   │  Efficiency  │  Experience  │
    │         │              │              │
    └─────────┴──────────────┴──────────────┘
              │              │
              │  Technology  │
              │              │
              ├──────────────┤
              │              │
              │     Team     │
              │              │
              └──────────────┘
```

China's Largest Retailer with Substantial Economies of Scale

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

Superior Customer Experience

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

- *Products*

  □ wide selection of products supported by strong merchandise procurement capabilities and stringent standards for merchant selection;

  □ authentic products and quality assurance backed by a zero tolerance policy toward counterfeits;

  □ intelligent and personalized product recommendations from our content-rich and user-friendly mobile apps and website *www.jd.com;*

- *Pricing*

  □ competitive pricing benefited from our scale of economies and operational efficiency;

- *Customer Service*

  □ timely and reliable logistics services empowered by industry-leading technologies, and self-operated fulfillment infrastructure;

  □ responsive and highly attentive, 24/7 customer services; and

  □ customer-friendly return and exchange policies.

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

Relentless Focus on Operational Efficiency

We place utmost focus on continuous improvement of operational efficiency. To this end, we have cultivated a strong corporate culture for efficiency to optimize our business operations over the years. Behind our highly efficient operations is our data-driven methodology and technologies. For example, we utilize AI technology to improve the accuracy of customer demand prediction in order to optimize our sales planning, dynamic pricing, procurement strategy and inventory management for both our online retail business and omni-channel initiatives such as 7FRESH. In addition, in some of our automated warehousing facilities, we deploy robots and utilize various advanced technologies including image and voice recognition, automatic packaging, AI and IoT to facilitate package processing. Some of those warehouses are supported by only a small number of staff through highly automated workflows, covering goods-receiving, storing, sorting, packaging, categorizing and goods-dispatching. As a result, we have achieved significant improvement in operational efficiency. From 2017 to 2019, our annual inventory turnover days improved from 38.9 days to 35.8 days. Annual inventory turnover days are the quotient of average inventory over the immediately preceding five quarters, up to and including the last quarter of the annual period, to cost of revenues of retail business for that annual period, and then multiplied by 360 days. From 2017 to 2019, our fulfillment expenses as a percentage of revenues decreased from 7.1% to 6.4%.

Proprietary Supply Chain-based Technology Platform with Strong Service Capabilities

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

Our fulfillment capability is built on the massive logistics infrastructure and a sophisticated system. We have developed a cloud-based AI-driven technology platform, along with other advanced technologies, such as big data analytics and IoT, to power our logistics infrastructure and service capabilities. More importantly, having full control of the logistics infrastructure allows us to accumulate more data and operational experience, and continuously develop and deploy of new

technologies across our network. For example, we develop technologies such as warehouse robotics to realize high degree of automation in some of our self-owned industry-leading smart warehouses. In addition, we have established and efficient fulfillment and service capabilities, which not only support our online retail business, but also open up to and empower our third-party merchants and external partners. We also provide comprehensive logistics technology services, such as smart inventory and inventory replenishment services.

Experienced Management Team and Strong Corporate Culture

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

Our Growth Strategies

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

Further grow our scale and reinforce economies of scale

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

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

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

lower-tier cities. We will continue to invest in our fulfillment infrastructure to better serve customers in lower-tier cities. We also plan to prudently explore growth opportunities in overseas markets to grow overseas customer base through organic growth, strategic collaboration, and selective investments and acquisitions.

Enhance our supply chain-based technology service capabilities

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

Strengthen our team, organization and culture

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

Our Business

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

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

JD Retail

Online Retail

In our online retail business, we acquire products from suppliers and sell them directly to customers. As we now offer a wide range of product categories through our online retail business

model, net revenues from electronics products, which include computers, mobile handsets and other mobile digital products, and home appliances, have declined as a percentage of our total net revenues. As of December 31, 2019, we sourced products from over 24,000 suppliers. We believe that large scale and market leading position are critical to success in the online retail market in China and can provide important competitive advantages to us.

Online Marketplace

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

Omni-channel Initiatives

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

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

In June 2016, we entered into a series of agreements in relation to our strategic alliance with Walmart. We have collaborated with Walmart on e-commerce, including launching a Sam's Club Flagship Store and Walmart Flagship Store on JD.com, Sam's Club Global Flagship Store, Walmart Global Flagship Store, and several category global stores to sell specific category products (for example Walmart Beauty and Personal Care Global Store) on JD Worldwide, and a one-hour delivery service from Walmart Stores and Sam's Clubs in selected cities through the JD-Daojia app. We have also experimented with other omni-channel opportunities, aimed at offering shoppers across China faster and more convenient access to high-quality products through multiple channels.

To provide customers with a more dynamic and interactive integrated omni-channel shopping experience, we have enabled some of our offline partners with a variety of the latest technologies such

as facial recognition, product recognition, and a tracking system for customers' in-store activities, among others. We have established a closed loop to accumulate a large volume of offline shopping data, and through further analysis of the integrated online and offline dataset, we can offer differentiated products that best suit potential customer demand in each offline franchise store.

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

Marketing Services

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

JD Logistics

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

JD Property

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

Technology Initiatives

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

Other New Initiatives

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

Customer Experience

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

Products

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

- home appliances;

- mobile handsets and other digital products;

- computers, including desktop, laptop and other varieties, as well as printers and other office equipment;

- furniture and household goods;

- apparel;

- cosmetics and other personal care items and pet products;

- women's shoes, bags, jewelry and luxury goods;

- men's shoes, sports gear and fitness equipment;

- automobiles and accessories;

- maternal and childcare products, toys and musical instruments;

- food, beverage and fresh produce;

- gifts, flowers and plants;

- pharmaceutical and healthcare products, including nutritional supplements, healthcare services and other healthcare equipment;

- books, e-books, music, movies and other media products;

- virtual goods, including online travel agency, attraction tickets, and prepaid phone cards and game cards;

- industrial products; and

- installation and maintenance services.

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

In building up our product offerings, we focus on quality as well as quantity. Due to our nationwide reach and our efficient fulfillment system, suppliers often choose us to launch new products that they expect will be in high demand, and we often act as the preferred distributor for a period of days or weeks when a hot new product first becomes available for sale to the public. We had a GMV of RMB1,294.5 billion, RMB1,676.9 billion and RMB2,085.4 billion (US$299.5 billion) in 2017, 2018 and 2019, respectively.

Online Experience

We believe that providing a compelling online experience is critical to attracting and retaining customers. We make sales primarily through our content-rich and user-friendly mobile apps and website *www.jd.com*. Our website not only offers a broad selection of authentic products at competitive prices but also provides easy site navigation, basic and advanced search functions, customized product recommendations, comprehensive product information and a large volume of customer reviews and

ratings. These features address customers' desire to view, understand and compare products before purchasing. With the increasing popularity of mobile internet-enabled devices, we have also developed apps and features adapted for mobile internet users. We currently offer mobile access through our mobile website m.jd.com and our various iOS and Android mobile apps. As part of our strategic partnership with Tencent, we launched level 1 access on Tencent's Weixin and direct access on Tencent's Mobile QQ, whereby Tencent users can easily access our product offerings and have an enjoyable mobile shopping experience. Over 90% of orders fulfilled were placed through our mobile apps in 2019.

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

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

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

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

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

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

their order information such as changing the shipping address or the preferred delivery date or time slot.

Customer Service

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

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

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

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

Membership program. We have established a membership program to cultivate customer loyalty and encourage our customers to make repeat purchases. In 2017, we upgraded the membership

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

Pricing

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

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

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

Delivery

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

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

Flexible delivery arrangements. We believe that timely and convenient delivery is an essential part of customer satisfaction, and we arrange our delivery schedule to suit our customers' needs.

Customers can choose their preferred delivery window during a day, including evening delivery in selected areas, when they place orders. Customers who need to reschedule a delivery can log into their account on our websites or mobile apps to look up the contact information for the delivery person and contact the delivery person directly themselves, provided that the delivery will be made by our employees.

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

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

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

Payment

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

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

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

Merchandise Sourcing

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

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

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

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

Logistics Services

Fulfillment

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

couriers to service areas that are not covered by our network. To further enhance inventory accountability and security, we track our inventory at all stages of the receiving and order fulfillment process.

Nationwide Fulfillment Infrastructure

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

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

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

Fulfillment Process

The following flow chart outlines our fulfillment process:
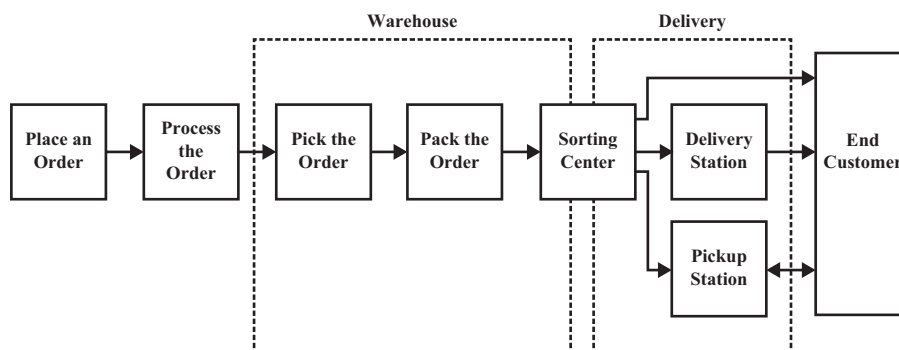
When a customer places an order, our delivery management system automatically processes the order and matches it to the warehouse or warehouses with the appropriate inventory. Picking is done on the basis of instructions that are generated automatically by our warehouse management system. The warehouse management system also automatically generates the bar codes and shipping labels that allow our staff to match the items to the correct order in the packing process. After picking, packing, and sorting, the order is shipped to a delivery or pickup station in the customer's city for further handling and delivery. If a customer's order contains products from different warehouses, the products will be combined at the last-mile delivery station and then sent to the customer in a single delivery. If the customer's address is not one to which we make deliveries ourselves, we will have a third-party courier pick up the order at our sorting center to make the delivery. In some cases, we also use third-

party couriers to transfer orders between a sorting center and a delivery station. Once the order has been shipped, our system automatically updates the inventory level for each product in the order, ensuring that additional inventory will be ordered as needed. Our customers can track the shipping status of their orders through our websites or mobile apps at each step in the process.

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

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

Open Platform of Our Logistics Services

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

Technology Platform

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

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

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

AI-powered Services Improving Customer Satisfaction and Partner Productivity

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

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

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

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

Smart Retail & Supply Chain Technology Enhancing Operational Efficiency

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

At the infrastructural level, our cloud service offers a robust platform that serves both our own online business as well as external government and enterprise customers. During the two major online shopping events in 2019, our cloud platform had a solid operational performance by recording 99.95%

of service level agreements (SLAs) and having zero outages. According to International Data Corporation's China Public Cloud Service Market report published in the first quarter of 2019, we are one of China's top 10 public cloud IaaS (infrastructure as a service) providers.

Technology Transcending Boundaries of Smart Logistics

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

Marketing

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

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

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

Competition

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

companies in China focused on specific product categories and from physical retail stores, including big-box stores that also aim to offer a one-stop shopping experience.

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

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

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

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

Seasonality

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

Customers and Suppliers

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

Intellectual Property

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright,

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

Insurance

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

Enterprise Social Responsibility

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

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

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

as those of its third-party partners, to new energy vehicles. JD Logistics has also partnered with several brands to promote reusable packaging across the entire supply chain.

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

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

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

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

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

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

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

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

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

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

Employees

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

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

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

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

We invest resources in the recruitment of employees in support of our fast-growing business operations. In 2019, we recruited new employees in connection with the expansion of our business, and we will continue to invest resources in training, managing and motivating our workforce. In 2019, we have invested a considerable amount of resources in employee career development and training. We

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

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

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

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

Properties

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

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

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

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

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

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

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

Legal and Administrative Proceedings

From time to time, we may be subject to legal, regulatory and/or administrative proceedings relating to third-party and principal intellectual property infringement claims, contract disputes involving suppliers and third-party merchants, consumer protection claims, claims relating to data and privacy protection, employment related disputes, unfair competition and other matters in the ordinary course of our business.

As we routinely enter into business contracts with our suppliers, third-party merchants and consumers on our platform, we have been and may continue to be involved in legal proceedings arising from contract disputes, including being named as a co-defendant in lawsuits filed against our suppliers by third parties. For example, in July 2019, Shanghai Gopher Asset Management Co., Ltd., or Gopher, filed a lawsuit in a court in Shanghai, requesting the court to enforce the fulfillment of payment obligations by Jingdong Century, one of our subsidiaries, to Gopher under certain accounts receivable assignment confirmation letters allegedly signed by Jingdong Century. Gopher alleges that (i) Jingdong Century was a party to certain purchase agreements with its two suppliers, Guangdong Chengxing Holding Group Co., Ltd., or Guangdong Chengxing, and Guangdong Zhongcheng Industry Holding Co., Ltd., or Guangdong Zhongcheng, and has payment obligations to these two suppliers under these agreements; and (ii) Jingdong Century confirmed and agreed to certain accounts receivable assignment confirmation letters (by affixing its seal to the letter) delivered by Gopher and the two suppliers when the two suppliers assigned their rights under the purchase agreements to Gopher. Gopher sought uncollected accounts receivable of approximately RMB2.4 billion in aggregate, plus damages due to late payments as well as litigation related expenses. In addition, in August 2019, Noah (Shanghai) Financial Leasing Co., Ltd., or Noah, filed a lawsuit in a court in Shanghai, requesting the court to enforce the fulfillment of payment obligations by Jingdong Century to Noah under certain accounts receivable assignment confirmation letters allegedly signed by Jingdong Century. Noah alleges that (i) Jingdong Century was a party to certain purchase agreements with Guangdong Chengxing and Guangdong Zhongcheng and has payment obligations to these two suppliers under these agreements; and (ii) Jingdong Century confirmed and agreed to certain accounts receivable assignment confirmation letters (by affixing its seal to the letter) delivered by Noah and the two vendors when the two vendors assigned their rights under the purchase agreements to Noah. Noah sought uncollected

accounts receivable of approximately RMB71.1 million in aggregate, plus damages due to late payments as well as litigation related expenses. These two lawsuits relate to similar subject matters and are still at an early stage. Jingdong Century has not received nor confirmed the accounts receivable assignment confirmation letters as alleged by the plaintiffs. In addition, Jingdong Century's corporate seal that was allegedly affixed to the purchase agreements and accounts receivable assignment confirmation letters is inconsistent with the corporate seal of Jingdong Century filed with the competent PRC government authority. We believe these lawsuits are without merit and we are defending ourselves vigorously. There is uncertainty, however, regarding the timing or ultimate resolution of these lawsuits and the other legal proceedings in which we are involved. See "Risk Factors—We may be subject to legal, regulatory and/or administrative proceedings."

In the opinion of Shihui, our PRC Legal Advisor, our Major Subsidiaries were in compliance with relevant PRC laws and regulations in all material aspects during the Track Record Period.