The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in the Accountants' Reports in Appendix IA and Appendix IB to this document and in particular, "Business." This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this document. We have prepared our consolidated financial statements in accordance with U.S. GAAP. Our fiscal year ends on December 31 and references to fiscal years 2017, 2018 and 2019 are to the fiscal years ended December 31, 2017, 2018 and 2019, respectively.

Overview

We are a leading technology driven e-commerce company transforming to become a leading supply chain-based technology and service provider. Our e-commerce business includes online retail and online marketplace. In the online retail business, we acquire products from suppliers and sell them directly to our customers primarily through our mobile apps and websites. In the online marketplace business, third-party merchants sell products to customers primarily through our mobile apps and websites. We also offer marketing, logistics and other value-added services.

Our business has grown substantially in recent years. We generated total net revenues of RMB362.3 billion, RMB462.0 billion and RMB576.9 billion (US$82.9 billion) in 2017, 2018 and 2019, respectively. Our customer base has also expanded rapidly. We had 292.5 million, 305.3 million and 362.0 million active customer accounts in 2017, 2018 and 2019, respectively. Our online retail business generated net product revenues of RMB331.8 billion, RMB416.1 billion and RMB510.7 billion (US$73.4 billion) in 2017, 2018 and 2019, respectively. In addition, our marketplace, marketing, logistics and other services generated net service revenues of RMB30.5 billion, RMB45.9 billion and RMB66.2 billion (US$9.5 billion) in 2017, 2018 and 2019, respectively.

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

Major Factors Affecting Our Results of Operations

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

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

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

JD.com, Inc., the holding company that is listed on Nasdaq, has no material operations of its own. We conduct our operations primarily through our subsidiaries and consolidated variable interest entities and their subsidiaries in China. As a result, JD.com, Inc.'s ability to pay dividends to our shareholders depends in part upon dividends paid by our PRC subsidiaries subject to compliance with applicable PRC regulations. Our wholly-owned PRC subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC regulations, each of our wholly-owned PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. As of December 31, 2019, the amount restricted, including paid-in capital and statutory reserve funds, as determined in accordance with PRC accounting standards and regulations, was approximately RMB24,189 million (US$3,475 million). Our PRC subsidiaries have never paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

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

- our ability to increase active customer accounts and customer purchases;
- our ability to manage our mix of product and service offerings;
- our ability to further increase and leverage our scale of business;

- our ability to effectively invest in our fulfillment infrastructure and technology platform; and
- our ability to conduct and manage strategic investments and acquisitions.

Our Ability to Increase Active Customer Accounts and Customer Purchases

Growth in the number of our active customer accounts and customer purchases are key drivers of our revenue growth. We have a growing and loyal active customer base. Over the years, our customers have shown loyalty to us through their increased activity levels. Our annual active customer accounts increased from 292.5 million in 2017, to 305.3 million in 2018 and further to 362.0 million in 2019. This increase was primarily driven by our success in attracting new active customer accounts, as well as by our success in generating repeat purchases from existing customer accounts.

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

Our Ability to Manage Our Mix of Product and Service Offerings

Our results of operations are also affected by the mix of products and services we offer. We commenced our e-commerce business by primarily selling electronics and home appliances products. We began offering general merchandise products around the end of 2008, and we launched our online marketplace in 2010. We earn commissions and service fees from third-party merchants on our online marketplace. We offer a wide range of products and services and aim to provide one-stop shopping solutions to maximize our wallet share. Our mix of products and services also affects our gross margin. For example, the marketplace service revenues that we earn from third-party merchants and the other services that we offer generally have higher gross margins. The split between our online retail business and our online marketplace business thus has a major influence on our revenue growth and our gross margins. Our marketplace, marketing, logistics and other services revenues increased from RMB30.5 billion in 2017, to RMB45.9 billion in 2018, and further to RMB66.2 billion (US$9.5 billion) in 2019. We intend to further (i) expand our selection of general merchandise products, such as FMCG, which are well received by customers and expected to have a potential for greater online penetration; (ii) attract more third-party merchants to our online marketplace; and (iii) provide more fulfillment and other value-added services to third-party merchants and others.

Our Ability to Further Increase and Leverage our Scale of Business

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

As of December 31, 2019, our nationwide fulfillment infrastructure employed a total of 175,954 warehouse and delivery personnel that manages this fulfillment infrastructure and the large number of orders we receive, process and fulfill each year. Our fulfillment expenses in absolute amount increased over 2017, 2018 and 2019, while the fulfillment expenses as a percentage of our total net revenues decreased from 7.1% in 2017, to 6.9% in 2018 and further to 6.4% in 2019. Our research and development professionals design, develop and operate the technology platform, develop and post content, and improve our AI, big data and cloud technologies and services. Personnel costs are the largest component of our fulfillment costs and of our research and development costs and are likely to remain the largest component for the foreseeable future as we continue to expand our operations. We expect our fulfillment expenses to increase in absolute amount in the near future. Labor costs are rising in China and we strive to continue improving efficiency and utilization of our fulfillment and other personnel to mitigate this effect. Our fulfillment expenses and thus operational efficiency are also affected by the average size of orders placed by our customers.

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

Our results of operations depend in part on our ability to invest in our fulfillment infrastructure and technology platform to cost-effectively meet the demands of our anticipated growth. Our nationwide fulfillment infrastructure covers almost all counties and districts across China, which, as of December 31, 2019, included a warehousing network of over 700 warehouses in 89 cities that are operated by us, and an aggregate gross floor area of approximately 16.9 million square meters, including warehouse space managed under the JD Logistics Open Warehouse Platform. As of December 31, 2019, we have acquired land use rights to approximately 11 million square meters of land in 37 cities in China. We plan to continue to build large scale warehouse facilities with optimized configurations on these sites to improve our fulfillment efficiency, minimize order splitting, accommodate greater product selection and fulfill the anticipated sales of our own products as well as sales by third-party merchants using our fulfillment services. We had paid an aggregate of approximately 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 sold certain of our development properties and received proceeds of RMB7.9 billion (US$1.1 billion) in 2019. See "History and Corporate Structure" for further information. In selecting locations for our pickup and delivery stations, order density, a parameter we use to measure the frequency and number of orders generated from a geographical area, is an important criterion. To efficiently deploy our delivery network, we have established delivery stations and pickup stations in areas where we expect order density to increase to the extent where operating our own delivery network will be more cost efficient than using third-party couriers. We also paid significant amounts for upgrading our technology platform during the same periods. To enhance our technology platform, we intend to further invest in AI, big data analytics and cloud computing. We expect these technology initiatives to provide innovative features, solutions and services to customers and suppliers, while increasing our operational efficiency.

Our Ability to Conduct and Manage Strategic Investments and Acquisitions

We have made, and may continue to make, strategic investments and acquisitions to add assets or businesses that are complementary to our existing business. Our financial results could be adversely affected by our investments or acquisitions. The investments and acquired assets or businesses may not generate the financial results we expect. They could result in occurrence of significant investments and goodwill impairment charges, and amortization expenses for other intangible assets. Moreover, we share the results of the investments which we account for as equity method investments. In 2019, our share of results of equity investees was a loss of RMB1.7 billion (US$0.2 billion), primarily attributable to losses picked up and the impairment recognized from our equity method investments. We may continue to incur impairment charges in connection with our investments or acquisitions and pick up the losses of our equity method investments, which could depress our profitability and have a material adverse impact on our financial results.

Impact of COVID-19 On Our Operations

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

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

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

As of December 31, 2019, we had cash and cash equivalents of RMB36,971 million (US$5,311 million). Subsequently, we issued in January 2020 unsecured senior notes in an aggregate principal amount of US$1.0 billion. In February 2020, Jingdong Century, a subsidiary of our company, consummated a private placement of an aggregate of RMB3.0 billion 2.65% notes due April 27, 2020. In March 2020, Jingdong Century consummated a private placement of an aggregate of RMB2.0 billion 2.75% notes due October 30, 2020. In April 2020, we drew down the remaining US$550 million under our US$1.0 billion term and revolving credit facilities. We believe this level of liquidity is sufficient to successfully navigate an extended period of uncertainty. See also "Risk Factors—Risks Related to Our Business and Industry—We face risks related to natural disasters, health epidemics and other outbreaks, such as the outbreak of COVID-19, which could significantly disrupt our operations."

Selected Statements of Operations Items

Net Revenues

Net revenues include net product revenues and net service revenues. Net product revenues are further divided into sales of electronics and home appliances products and sales of general merchandise products. Net revenues from electronics and home appliances products include revenues from sales of computer, communication and consumer electronics products as well as home appliances. Net revenues from general merchandise products mainly include revenues from sales of food, beverage and fresh produce, baby and maternity products, furniture and household goods, cosmetics and other personal care items, pharmaceutical and healthcare products, books, automobiles and accessories, apparel and footwear, bags and jewelry. Net service revenues are further divided into revenues from online marketplace and marketing and revenues from logistics and other services. The following table breaks down our total net revenues by these categories, by amounts and as percentages of total net revenues:

	For the Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US $	%
	(in millions, except for percentages)						
Electronics and home appliances revenues	236,269	65.2	280,059	60.6	328,703	47,215	57.0
General merchandise revenues	95,555	26.4	136,050	29.5	182,031	26,147	31.5
Net product revenues	331,824	91.6	416,109	90.1	510,734	73,362	88.5
Marketplace and marketing revenues	25,391	7.0	33,532	7.2	42,680	6,131	7.4
Logistics and other service revenues	5,117	1.4	12,379	2.7	23,474	3,372	4.1
Net service revenues	30,508	8.4	45,911	9.9	66,154	9,503	11.5
Total net revenues	362,332	100.0	462,020	100.0	576,888	82,865	100.0

As we have been continually expanding our product categories and value-added service offerings, sales of electronics and home appliances products may decrease as a percentage of our total net revenues, and sales of general merchandise and service revenues may increase as a percentage of our total net revenues.

Net service revenues primarily consist of fees earned from providing marketing and logistics services to our business partners, and commissions earned from third-party merchants for sales made through our online marketplace. Currently, we recognize revenues from the third-party merchants on a net basis as we are not the primary obligor, we do not have control over goods sold by third-party merchants and we do not have latitude to establish prices for them.

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

Cost of revenues

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

Fulfillment expenses

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

Marketing expenses

Our marketing expenses consist primarily of advertising costs, public relations expenditures, and payroll and related expenses for employees involved in marketing and business development activities. We pay commissions to participants in the associates program when their customer referrals result in successful product sales. We plan to continue to conduct brand promotion and marketing activities to enhance our brand recognition and attract new purchases from new and existing customers.

Research and development expenses

Our research and development expenses consist primarily of payroll and related expenses for research and development professionals involved in designing, developing and operating our technology platform, and improving our AI, big data and cloud technologies and services, and technology infrastructure costs. Technology infrastructure costs include servers and other equipment depreciation, bandwidth and data center costs, rent, utilities and other expenses necessary to support our internal and external business. We plan to continue to invest in technology and innovation to enhance customer experience and provide value-added services to suppliers and third-party merchants.

General and administrative expenses

Our general and administrative expenses consist primarily of employee related expenses for general corporate functions, including accounting, finance, tax, legal and human relations; costs associated with these functions include facilities and equipment depreciation expenses, rental and other general corporate related expenses. We plan to continue to hire additional qualified employees to support our business operations and planned expansion.

Gain on sale of development properties

The gain on sale of development properties is mainly derived from sale of development properties to Core Fund. JD Property develops and manages our logistics facilities and other real estate properties, to support JD Logistics and other third parties. By leveraging its fund management platform, JD Property can realize development profits and recycle capital from mature properties to fund new developments and scale the business. 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. 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. See "History and Corporate Structure" for more details on JD Property and Core Fund.

Share of results of equity investees

Share of the post-acquisition profits or losses, impairment, and gains or losses from disposals of the equity investments that are accounted for under the equity method are recorded in share of results of equity investees.

Others, net

Others, net consist primarily of gains or losses from fair value change, impairment, disposals of long-term investments other than those accounted for under the equity method, government financial incentives, and other non-operating income or expenses.

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of the shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the Shares, nor will gains derived from the disposal of the shares be subject to Cayman Islands income or corporation tax.

Hong Kong

Our subsidiaries incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong for the years of assessment 2015/2016, 2016/2017 and 2017/2018. Commencing from the year of assessment 2018/2019, the first HK$2 million of profits earned by our subsidiaries incorporated in Hong Kong will be taxed at half the current tax rate (i.e., 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate. Under the Hong Kong tax laws, we are exempted from the Hong Kong income tax on our foreign-derived income. In addition, payments of dividends from our incorporations in Hong Kong to us are not subject to any Hong Kong withholding tax.

China

Generally, our subsidiaries and consolidated variable interest entities in China are subject to enterprise income tax on their taxable income in China at a rate of 25%, except that a few entities in our group benefit from a preferential tax rate of 15% as they conduct business in certain encouraged sectors or areas, and any entity that qualifies as a "software enterprise" is entitled to an exemption from income tax for the first two years and 50% reduction for the next three years from such entity's first profitable year. Besides, some small profit enterprises whose annual taxable income amount is RMB1 million or less in 2018 are entitled to the incentive of computing 50% of their income as their taxable income amount and are subject to a reduced enterprise income tax rate of 20%. From January 1, 2019 to December 31, 2021, subject to certain criteria, the portion of annual taxable income amount of a small profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate. Furthermore, our certain entities in China engaging in research and development activities in China were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that years of 2016 and 2017, and to claim 175% of their research and development expenses as Super Deduction for the years of 2018 and 2019 ("Super Deduction") according to the relevant laws and regulations in the PRC. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

We are subject to VAT at a rate of 13% prior to July 1, 2017, 11% from July 1, 2017 to April 30, 2018 and 10% from May 1, 2018 to March 1, 2019, and 9% since April 1, 2019 on sales of books, audio and video products, at a rate of 17% prior to May 1, 2018, 16% from May 1, 2018 to March 31, 2019 and 13% from April 1, 2019 on sales of other products, at a rate of 6% or 11%/10%/9% (11% prior to May 1, 2018, 10% from May 1, 2018 to March 31, 2019, and 9% since April 1, 2019) on logistics services and at a rate of 6% on advertising and other services, in each case less any deductible VAT we have already paid or borne. Since January 1, 2014, we have been exempted from VAT on sales of books. We are also subject to surcharges on VAT payments in accordance with PRC law. VAT has been phased in since January 1, 2012, to replace the business tax, and has been implemented in all industries since May 1, 2016.

Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding companies in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and other regulations including Circular 9, and receives approval from the relevant tax authority. If the relevant Hong Kong entity satisfies all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong entity would be subject to withholding tax at the standard rate of 5%. Effective from November 1, 2015, the above mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority. See "Risk Factors—Risks Related to Our Corporate Structure—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business."

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

Results of Operations

The following table summarizes our consolidated results of operations in absolute amount for the periods indicated. Period-to-period comparisons of historical results of operations should not be relied upon as indicative of future performance.

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in millions, except for share, per share and per ADS data)			
Net revenues:				
Net product revenues	331,824	416,109	510,734	73,362
Net service revenues	30,508	45,911	66,154	9,503
Total net revenues	**362,332**	**462,020**	**576,888**	**82,865**
Cost of revenues	(311,517)	(396,066)	(492,467)	(70,738)
Fulfillment	(25,865)	(32,010)	(36,968)	(5,310)
Marketing	(14,918)	(19,237)	(22,234)	(3,194)
Research and development	(6,652)	(12,144)	(14,619)	(2,100)
General and administrative	(4,215)	(5,160)	(5,490)	(789)
Impairment of goodwill and intangible assets	—	(22)	—	—
Gain on sale of development properties	—	—	3,885	558
Income/(loss) from operations(1)(2)	**(835)**	**(2,619)**	**8,995**	**1,292**
Other income/(expense):				
Share of results of equity investees	(1,927)	(1,113)	(1,738)	(250)
Interest income	2,530	2,118	1,786	257
Interest expense	(964)	(855)	(725)	(104)
Others, net	1,317	95	5,375	772
Income/(loss) before tax	121	(2,374)	13,693	1,967
Income tax expenses	(140)	(427)	(1,803)	(259)
Net income/(loss) from continuing operations	**(19)**	**(2,801)**	**11,890**	**1,708**
Net income from discontinued operations, net of tax	**7**	—	—	—
Net income/(loss)	**(12)**	**(2,801)**	**11,890**	**1,708**

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in millions, except for share, per share and per ADS data)			
Net loss from continuing operations attributable to non-controlling interests shareholders	(135)	(311)	(297)	(42)
Net loss from discontinued operations attributable to non-controlling interests shareholders	(5)	—	—	—
Net income from continuing operations attributable to mezzanine equity classified as non-controlling interests shareholders	—	2	3	0
Net income from discontinued operations attributable to mezzanine equity classified as non-controlling interests shareholders	281	—	—	—
Net income/(loss) attributable to ordinary shareholders	**(153)**	**(2,492)**	**12,184**	**1,750**
Including: Net loss from discontinued operations attributable to ordinary shareholders	(269)	—	—	—
Net income/(loss) from continuing operations attributable to ordinary shareholders	**116**	**(2,492)**	**12,184**	**1,750**
Net income/(loss) per share				
Basic				
Continuing operations	0.04	(0.87)	4.18	0.60
Discontinued operations	(0.09)	—	—	—
Net income/(loss) per share	(0.05)	(0.87)	4.18	0.60
Diluted				
Continuing operations	0.04	(0.87)	4.11	0.59
Discontinued operations	(0.09)	—	—	—
Net income/(loss) per share	(0.05)	(0.87)	4.11	0.59
Net income/(loss) per ADS[3]				
Basic				
Continuing operations	0.08	(1.73)	8.37	1.20
Discontinued operations	(0.19)	—	—	—
Net income/(loss) per ADS	(0.11)	(1.73)	8.37	1.20
Diluted				
Continuing operations	0.08	(1.73)	8.21	1.18
Discontinued operations	(0.18)	—	—	—
Net income/(loss) per ADS	(0.11)	(1.73)	8.21	1.18
Weighted average number of shares:				
Basic	2,844,826,014	2,877,902,678	2,912,637,241	2,912,637,241
Diluted	2,911,461,817	2,877,902,678	2,967,321,803	2,967,321,803

Notes:

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

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
		(in millions)		
Cost of revenues	(28)	(72)	(82)	(12)
Fulfillment	(426)	(419)	(440)	(63)
Marketing	(136)	(190)	(259)	(37)
Research and development	(671)	(1,163)	(1,340)	(193)
General and administrative	(1,520)	(1,816)	(1,573)	(226)

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

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
		(in millions)		
Fulfillment	(164)	(168)	(165)	(24)
Marketing	(1,222)	(1,232)	(637)	(92)
Research and development	(84)	(98)	(99)	(14)
General and administrative	(308)	(308)	(308)	(44)

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

Years Ended December 31, 2019 and 2018

Net Revenues. Our total net revenues increased by 24.9% from RMB462,020 million in 2018 to RMB576,888 million (US$82,865 million) in 2019, with increases in both categories of net revenues. Net product revenues increased by 22.7% from RMB416,109 million in 2018 to RMB510,734 million (US$73,362 million) in 2019. Net service revenues increased by 44.1% from RMB45,911 million in 2018 to RMB66,154 million (US$9,503 million) in 2019.

The increase in our total net revenues was primarily due to our ability to expand our customer base and enhance customer engagement in 2019. Our annual active customer accounts increased from 305.3 million in 2018 to 362.0 million in 2019. The increase in our net service revenues was primarily due to the increasing penetration of our logistics services among our third-party merchants and other third parties, as well as the increase in the marketing services due to our continuous improvement in the automated marketing technologies which resulted in higher ROI and attracted business partners to spend more on marketing.

Cost of revenues. Our cost of revenues increased by 24.3% from RMB396,066 million in 2018 to RMB492,467 million (US$70,738 million) in 2019. This increase was primarily due to the growth of our online retail business. Costs related to the logistics services provided to third parties also increased rapidly along with the expansion of our logistics business.

Fulfillment expenses. Our fulfillment expenses increased by 15.5% from RMB32,010 million in 2018 to RMB36,968 million (US$5,310 million) in 2019. This increase was primarily due to the increase in shipping charges, compensation costs relating to fulfillment personnel, rental expenses for our fulfillment infrastructure and payment processing charges, corresponding with the growth of our sales volume. Fulfillment expenses as a percentage of net revenues, were 6.4% in 2019, as compared to 6.9% in 2018, primarily due to economies of scale from enhanced logistics capacity utilization and staff productivity.

Marketing expenses. Our marketing expenses increased by 15.6% from RMB19,237 million in 2018 to RMB22,234 million (US$3,194 million) in 2019. This increase was primarily due to an increase in our advertising expenditures on both online and offline channels from RMB15,970 million in 2018 to RMB19,286 million (US$2,770 million) in 2019, as we continued to enhance our brand recognition and to promote our new business initiatives.

Research and development expenses. Our research and development expenses increased by 20.4% from RMB12,144 million in 2018 to RMB14,619 million (US$2,100 million) in 2019 as we continued to invest in top-notch R&D talent and technology infrastructure. The increase in our research and development expenses was primarily attributable to the increase in the depreciation and amortization expenses in connection with an increase in the number of servers and other electronic equipment, the IDC expenses in connection with the execution of our strategies of continuously improving our mobile, big data and cloud computing technologies, and the compensation costs associated with research and development personnel and relating to hiring additional senior and experienced technology personnel.

General and administrative expenses. Our general and administrative expenses slightly increased by 6.4% along with the expansion of our business, from RMB5,160 million in 2018 to RMB5,490 million (US$789 million) in 2019.

Gain on sale of development properties. Gain on sale of development properties was nil in 2018, and RMB3,885 million (US$558 million) in 2019. The gain on sale of development properties in 2019 was primarily derived from sale of development properties to Core Fund.

Share of results of equity investees. Share of results of equity investees was a loss of RMB1,738 million (US$250 million) in 2019, compared to a loss of RMB1,113 million in 2018. In 2019, our share of results of equity investees was primarily attributable to losses picked up from our equity method investments in Dada Group and impairment losses recognized from our equity method investments in Bitauto and Tuniu.

Others, Net. Others, net was RMB95 million income in 2018 and RMB5,375 million (US$772 million) income in 2019. In 2019, others, net mainly contained an unrealized gain from fair value change of long-term investments, the realized gain from disposals of our business and investments, and government financial incentives.

Net Income/(Loss). As a result of the foregoing, we had a net income of RMB11,890 million (US$1,708 million) in 2019, as compared to a net loss of RMB2,801 million in 2018.

Years Ended December 31, 2018 and 2017

Net Revenues. Our total net revenues increased by 27.5% from RMB362,332 million in 2017 to RMB462,020 million in 2018, with increases in both categories of net revenues. Net product revenues increased by 25.4% from RMB331,824 million in 2017 to RMB416,109 million in 2018. Net service revenues increased by 50.5% from RMB30,508 million in 2017 to RMB45,911 million in 2018.

The increase in our total net revenues was primarily due to our ability to expand our customer base and enhance customer engagement in 2018. Our annual active customer accounts increased from 292.5 million in 2017 to 305.3 million in 2018. Over the years, our customers have shown loyalty to us through their increased activity levels. The increase in our net service revenues was also due to the increasing penetration of our logistics services among our third-party merchants and other third parties.

Cost of revenues. Our cost of revenues increased by 27.1% from RMB311,517 million in 2017 to RMB396,066 million in 2018. This increase was primarily due to the growth of our online retail business. Costs related to the logistics services provided to third parties also increased rapidly along with the expansion of our logistics business.

Fulfillment expenses. Our fulfillment expenses increased by 23.8% from RMB25,865 million in 2017 to RMB32,010 million in 2018. This increase was primarily due to the increase in compensation costs relating to fulfillment personnel, shipping charges from contracted third-party shipping companies and couriers, rental expenses for our fulfillment infrastructure and payment processing charges, corresponding with the growth of our sales volume. Fulfillment expenses as a percentage of net revenues, were 6.9% in 2018, as compared to 7.1% in 2017.

Marketing expenses. Our marketing expenses increased by 28.9% from RMB14,918 million in 2017 to RMB19,237 million in 2018. This increase was primarily due to an increase in our advertising expenditures on both online and offline channels from RMB12,376 million in 2017 to RMB15,970 million in 2018, as we continued to enhance our brand recognition and to promote our new business initiatives.

Research and development expenses. Our research and development expenses increased by 82.6% from RMB6,652 million in 2017 to RMB12,144 million in 2018. This increase was primarily due to the increase in the headcount of our technology employees and our continued investment in technology infrastructure. We hired more senior and experienced technology employees to execute our technology-related strategies of continuously improving our mobile, big data and cloud computing technologies.

General and administrative expenses. Our general and administrative expenses increased by 22.4% from RMB4,215 million in 2017 to RMB5,160 million in 2018. This increase was primarily due to an increase in staff cost from RMB1,324 million in 2017 to RMB1,637 million in 2018, and an increase in share-based compensation expenses from RMB1,520 million in 2017 to RMB1,816 million in 2018, which were attributable to an increase in the number of employees along with business expansion.

Share of results of equity investees. Share of results of equity investees was a loss of RMB1,113 million in 2018, compared to a loss of RMB1,927 million in 2017. In 2018, our share of results of equity investees was primarily attributable to losses picked up from our equity method investments in Dada Group and Bitauto.

Others, Net. Others, net was RMB1,317 million income in 2017 and RMB95 million income in 2018. In 2018, others, net mainly contained loss from fair value change of long-term investments and the realized gain from disposals of long-term investments.

Net Loss. As a result of the foregoing, we had a net loss of RMB2,801 million in 2018, as compared to a net loss from continuing operations of RMB19 million in 2017.

Segment Information

We have two operating segments, namely JD Retail and New Businesses. JD Retail mainly consists of online retail, online marketplace and marketing services in China. New Businesses include logistics services provided to third parties, overseas business, technology initiatives, as well as asset management services to logistics property investors and sale of development properties by JD Property. JD Digits was previously included in New Businesses, but has been deconsolidated from our financial statements since June 30, 2017 as a result of its reorganization. Our product sales, marketplace and marketing services are mainly included in the JD Retail segment, and our logistics and other services are mainly included in the New Businesses segment.

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

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
		(in millions)		
Net revenues:				
JD Retail	356,020	447,502	552,245	79,325
New Businesses	6,022	14,665	23,932	3,438
Inter-segment	(547)	(1,103)	(435)	(63)
Total segment net revenues	361,495	461,064	575,742	82,700
Unallocated items*	837	956	1,146	165
Total consolidated net revenues	362,332	462,020	576,888	82,865
Operating income/(loss):				
JD Retail	4,956	7,049	13,775	1,979
New Businesses	(2,070)	(5,137)	(1,022)	(147)
Including: gain on sale of development properties	—	—	*3,885*	*558*
Total segment operating income	2,886	1,912	12,753	1,832
Unallocated items*	(3,721)	(4,531)	(3,758)	(540)
Total consolidated operating income/(loss)	(835)	(2,619)	8,995	1,292

Note:

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

Operating expenses (excluding cost of revenues) before unallocated items as a percentage of net revenues for JD Retail were 12.9%, 13.1% and 12.3% for the years ended December 31, 2017, 2018 and 2019, respectively.

Investments Summary

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

Note:

* Prior to January 1, 2018, for other equity investments (including the private equity funds) that are not considered as debt securities or equity securities that have readily determinable fair values and over which we have neither significant influence nor control through investments in common stock or in-substance common stock, the cost method of accounting is used. Upon the adoption of ASU 2016-01 "Financial Instruments-Overall (Subtopic 825-10):Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU

2016-01") on January 1, 2018, we measured long-term investments other than equity method investments at fair value through earnings. For investments without readily determinable fair values, we elect to record these investments under the measurement alternative upon the adoption of ASU 2016-01 (the "Measurement Alternative"). Under the Measurement Alternative, the carrying value is measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. For private equity funds, we elect to record these investments under the existing practical expedient in ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820") to estimate fair value using the net asset value per share (or its equivalent) of the investment ("NAV practical expedient").

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

As of December 31, 2019, our major investees accounted for under investment securities are Farfetch, China Unicom and Vipshop; our major investees accounted for under equity method are Bitauto, Yixin, Tuniu, Yonghui, Dada Group and Jiangsu Five Star; our major investees accounted for under measurement alternative are Dada Group, Wanda Commercial Properties and AiHuiShou; and our investees accounted for under NAV practical expedient are investment funds. See "History and Corporate Structure—Our Major Investments" for further information.

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

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

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

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

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

On May 29, 2020, as required by Rule 3-09 of Regulation S-X under the Securities Exchange Act of 1934, as amended ("Rule 3-09"), we filed an amendment to our annual report on Form 20-F for the fiscal year ended December 31, 2019, originally filed with the U.S. Securities Exchange Commission on April 15, 2020, to include the financial statements and related notes of Dada Group, Bitauto and Tuniu as of December 31, 2017, 2018 and 2019 and for the years ended December 31, 2017, 2018 and 2019. Rule 3-09 requires, among other things, that separate financial statements for unconsolidated subsidiaries and investees accounted for by the equity method to be included in the annual report on Form 20-F when such entities are individually significant. We have determined that our equity method investments in Dada Group, Bitauto and Tuniu, each of which is not consolidated in our financial statements, were significant under Rule 1-02(w) and Rule 3-09 of Regulation S-X in relation to our financial results for the year ended December 31, 2017, and our equity method investments in Dada Group was also significant under Rule 1-02(w) and Rule 3-09 of Regulation S-X in relation to our financial results for the year ended December 31, 2018.

The tables set forth below present the selected consolidated financial data of each of Dada Group, Bitauto and Tuniu as of December 31, 2017, 2018 and 2019 and for the years ended December 31, 2017, 2018 and 2019. See https://www.sec.gov/Archives/edgar/data/1549802/000119312520154810/d924786dex991.htm, https://www.sec.gov/Archives/edgar/data/1549802/000119312520154810/d924786dex992.htm, https://www.sec.gov/Archives/edgar/data/1549802/000119312520154810/d924786dex993.htm, https://www.sec.gov/Archives/edgar/data/1549802/000110465919038102/a19-12003_1ex99d3.htm and https://www.sec.gov/Archives/edgar/data/1549802/000110465919038102/a19-12003_1ex99d4.htm for the consolidated financial statements of each of Dada Group, Bitauto and Tuniu. See also "Related Party Transactions—Transactions with Our Equity Investees and Other Related Parties" for information on the transactions we had with each of Dada Group, Bitauto and Tuniu during the Track Record Period.

DADA NEXUS LIMITED

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB (in thousands)	RMB
Operating data:			
Net revenues	1,217,965	1,922,015	3,099,698
Loss from operations	(1,586,763)	(1,976,475)	(1,749,719)
Net loss and net loss attributable to Dada Group	(1,449,090)	(1,878,375)	(1,669,781)
Net loss attributable to ordinary shareholders	(1,823,336)	(2,390,021)	(2,464,796)

	As of December 31,		
	2017	2018	2019
	RMB	RMB (in thousands)	RMB
Balance sheet data:			
Current assets	2,360,310	3,759,958	2,564,659
Non-current assets	2,051,754	1,886,899	1,721,456
Current liabilities	923,064	573,001	840,350
Non-current liabilities	80,272	52,733	43,701
Mezzanine equity	5,883,754	9,798,011	10,593,026

BITAUTO HOLDINGS LIMITED

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB (in thousands)	RMB
Operating data:			
Revenue	8,751,259	10,579,609	10,752,917
Gross profit	5,516,579	6,335,211	6,508,165
Loss from operations	(1,076,593)	(465,506)	(956,237)
Net loss	(1,426,988)	(679,316)	(1,183,040)
Net loss attributable to Bitauto	(1,611,114)	(608,352)	(1,200,118)

	As of December 31,		
	2017	2018	2019
	RMB	RMB (in thousands)	RMB
Balance sheet data:			
Current assets	28,117,369	34,174,847	30,663,562
Non-current assets	23,398,363	25,569,091	17,713,482
Current liabilities	22,699,239	28,637,649	23,642,737
Non-current liabilities	8,578,822	10,797,852	4,978,086
Redeemable noncontrolling interests	301,953	360,010	390,437
Noncontrolling interests	8,607,031	8,818,110	9,382,202

TUNIU CORPORATION

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB (in thousands)	RMB
Operating data:			
Net revenues	2,192,100	2,240,149	2,280,987
Gross profit	1,167,894	1,175,127	1,080,975
Loss from operations	(883,426)	(348,994)	(870,844)
Net loss	(771,316)	(199,371)	(729,382)
Net loss attributable to ordinary shareholders	(773,029)	(187,934)	(699,199)

	As of December 31,		
	2017	2018	2019
	RMB	RMB (in thousands)	RMB
Balance sheet data:			
Current assets	5,089,303	4,407,888	3,823,276
Non-current assets	1,568,502	2,149,035	2,773,344
Current liabilities	2,921,296	3,102,655	3,748,769
Non-current liabilities	42,481	40,416	99,012
Redeemable noncontrolling interests	96,719	69,319	37,200
Noncontrolling interests	2,198	(5,830)	1,010

Liquidity and Capital Resources

Our primary sources of liquidity have been proceeds from operating activities, equity and debt financing, and certain business or assets reorganizations.

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

- In April 2016, we issued an aggregate of US$500 million unsecured senior notes due 2021, with stated annual interest rate of 3.125%, and an aggregate of US$500 million unsecured senior notes due 2026, with stated annual interest rate of 3.875%. The net proceeds from the sale of these notes were used for general corporate purposes. As of December 31, 2019, the total carrying value and estimated fair value were US$498.4 million and US$507.3 million, respectively, with respect to the notes due 2021, and US$492.4 million and US$524.1 million, respectively, with respect to the notes due 2026. The estimated fair values were based on quoted prices for our publicly traded debt securities as of December 31, 2019. The unsecured senior notes contain covenants including, among others, limitation on liens, and restriction on consolidation, merger and sale of all or substantially all of our assets. We are in compliance with all the covenants. During 2019, we paid an aggregate of US$35.0 million in interest payments related to these notes.

- As of June 30, 2017, we completed the reorganization JD Digits. Pursuant to the agreements relating to the reorganization, we received approximately RMB14.3 billion in cash with an economic gain of RMB14.2 billion.

- In December 2017, we entered into a five-year US$1.0 billion term and revolving credit facilities agreement with a group of 24 arrangers. The facilities were priced at 115 basis points over LIBOR. The use of proceeds of the facilities were intended for general corporate purposes. As of the date of this document, we had fully drawn down the credit facilities.

- In February 2018, we entered into definitive agreements with certain third-party investors for financing of JD Logistics and raised approximately US$2.5 billion from this round of financing. After the completion of this financing, the third-party investors own approximately 19% of the equity interests of JD Logistics on a fully diluted basis.

- In June 2018, we received US$550 million from Google by issuing 27,106,948 Class A ordinary shares to Google.

- In 2019, we sold certain of our development properties and received proceeds of RMB7.9 billion (US$1.1 billion), which primarily related to Core Fund transaction. 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. 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.

- 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. The total amount of financing raised was US$931 million, representing 13.5% of the ownership of JD Health on a fully diluted basis upon the completion of this transaction.

- In January 2020, we issued an aggregate of US$700 million unsecured senior notes due 2030, with stated annual interest rate of 3.375%, and an aggregate of US$300 million unsecured senior notes due 2050, with stated annual interest rate of 4.125%. The net proceeds from the sale of these notes will be used for general corporate purposes and refinancing. The unsecured senior notes contain covenants including, among others, limitation on liens, and restriction on consolidation, merger and sale of all or substantially all of our assets. In March 2020, we purchased from the open market US$5.0 million of the notes due 2030 and US$7.0 million of the notes due 2050. We are in compliance with all the covenants.

- In February 2020, Jingdong Century, a subsidiary of our company, consummated a private placement of an aggregate of RMB3.0 billion 2.65% notes due April 27, 2020. In March 2020, Jingdong Century consummated a private placement of an aggregate of RMB2.0

billion 2.75% notes due October 30, 2020. These notes are listed on the inter-bank bond market of China. We intend to use the proceeds from these notes for general corporate purposes.

As of December 31, 2019, we had revolving lines of credit for an aggregate amount of RMB75.3 billion (US$10.8 billion) from several commercial banks (not including the US$1.0 billion term and revolving credit facilities we entered into in December 2017). We had drawn down an aggregate of RMB24.3 billion (US$3.5 billion) under these revolving lines of credit as of December 31, 2019.

As of December 31, 2019, we had a total of RMB64.5 billion (US$9.3 billion) in cash and cash equivalents, restricted cash and short-term investments. This included primarily RMB33.6 billion (US$4.8 billion) and US$2.0 billion in China, RMB1.7 billion (US$240.2 million), HK$48.8 million (US$6.3 million) and US$1.6 billion in Hong Kong, US$0.3 billion in the United States, and US$0.3 billion in Singapore. Our cash and cash equivalents generally consist of bank deposits and liquid investments with maturities of three months or less.

As of December 31, 2019, we were at a net current liability position of RMB922.5 million (US$132.5 million).

Taking into account cash and cash equivalents on hand, our operating cash flows, and the available bank facilities, we believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document. We may, however, need additional cash resources in the future if we experience changes in business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, capital expenditure or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand, we may seek to issue debt or equity securities or obtain additional credit facilities.

Our net inventories have increased significantly in recent years, from RMB41.7 billion as of December 31, 2017 to RMB44.0 billion as of December 31, 2018 and further to RMB57.9 billion (US$8.3 billion) as of December 31, 2019. These increases reflected the additional inventory required to support our substantially expanded sales volumes. Our annual inventory turnover days were 38.9 days in 2017, 38.7 days in 2018 and 35.8 days in 2019. Annual inventory turnover days are the quotient of average inventory over the immediately preceding five quarters, up to and including the last quarter of the annual period, to cost of revenues of retail business for that annual period, and then multiplied by 360 days. Our inventory balances will fluctuate over time due to a number of factors, including expansion in our product selection and changes in our product mix. Our inventory balances typically increase when we prepare for special promotion events, such as the anniversary of the founding of our company on June 18 and China’s new online shopping festival on November 11.

Our accounts payable primarily include accounts payable to suppliers associated with our retail business. As of December 31, 2017, 2018 and 2019, our accounts payable amounted to RMB74.3 billion, RMB80.0 billion and RMB90.4 billion (US$13.0 billion), respectively. These increases reflected a significant growth in our sales volumes and scale of operations for our retail business and the related increase in products sourced from our suppliers. Our annual accounts payable turnover days for retail business were 60.3 days in 2017, 60.2 days in 2018 and 54.5 days in 2019. Annual accounts payable turnover days are the quotient of average accounts payable for retail business over the immediately preceding five quarters, up to and including the last quarter of the annual period, to cost of revenues of retail business for that annual period, and then multiplied by 360 days.

Our accounts receivable primarily include amounts due from customers and online payment channels. As of December 31, 2017, 2018 and 2019, our accounts receivable amounted to RMB16.4 billion, RMB11.1 billion and RMB6.2 billion (US$0.9 billion), respectively. The decrease in 2018 and 2019 was primarily due to our derecognition of accounts receivable related to consumer financing through the sales type arrangements serviced by JD Digits. As of December 31, 2017, 2018 and 2019, the balances of current portion of financing provided to our customers that were included in accounts receivable balances amounted to RMB14.3 billion, RMB6.3 billion and RMB1.0 billion (US$0.1 billion), respectively. Our accounts receivable turnover days excluding the impact from consumer financing were 1.4 days in 2017, 2.7 days in 2018 and 3.2 days in 2019. Annual accounts receivable turnover days are the quotient of average accounts receivable over the immediately preceding five quarters, up to and including the last quarter of the annual period, to total net revenues for that annual period, and then multiplied by 360 days.

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

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

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

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

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

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
		(in millions)		
Summary Consolidated Cash Flows Data:				
Net cash provided by continuing operating activities	29,342	20,881	24,781	3,560
Net cash used in discontinued operating activities	(2,486)	—	—	—
Net cash provided by operating activities	26,856	20,881	24,781	3,560
Net cash used in continuing investing activities	(21,944)	(26,079)	(25,349)	(3,641)
Net cash used in discontinued investing activities	(17,871)	—	—	—
Net cash used in investing activities	(39,815)	(26,079)	(25,349)	(3,641)
Net cash provided by continuing financing activities	5,180	11,220	2,572	370
Net cash provided by discontinued financing activities	14,055	—	—	—
Net cash provided by financing activities	19,235	11,220	2,572	370
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(642)	1,682	406	57
Net increase in cash, cash equivalents and restricted cash	5,634	7,704	2,410	346
Cash, cash equivalents and restricted cash at beginning of year	24,164	29,798	37,502	5,387
Cash, cash equivalents and restricted cash at end of year	29,798	37,502	39,912	5,733

Continuing Operating Activities

Net cash provided by operating activities in 2019 was RMB24,781 million (US$3,560 million). In 2019, the principal items accounting for the difference between our net cash provided by operating activities and our net income were certain non-cash expenses, principally depreciation and amortization of RMB5,828 million (US$837 million), share-based compensation of RMB3,695 million (US$531 million), gain on sale of development properties of RMB3,885 million (US$558 million), and gain from fair value change of long-term investments of RMB3,496 million (US$502 million), and changes in certain working capital accounts, principally an increase in accounts payable of RMB10,391 million (US$1,493 million), an increase in accrued expenses and other current liabilities of RMB4,418 million (US$635 million), an increase in advance from customers of RMB3,061 million (US$440 million), and a decrease of accounts receivable of RMB3,937 million (US$565 million), partially offset by an increase in inventories of RMB13,916 million (US$1,999 million). The increase in our accounts payable was due to the growth of our business. The increase in our accrued expenses and other current liabilities was primarily due to the increase of vendor deposits and the growth in payroll. The increase in our advance from customers was due to the increase in our sales of prepaid cards. The decrease in accounts receivable was due to the derecognition of consumer financing related accounts receivable through sales type arrangements. The increase in our inventories was due to the growth of our business.

Net cash provided by operating activities in 2018 was RMB20,881 million. In 2018, the principal items accounting for the difference between our net cash provided by operating activities and our net loss were certain non-cash expenses, principally depreciation and amortization of RMB5,560 million, share of results of equity investees of RMB1,113 million and share-based compensation of RMB3,660 million, and changes in certain working capital accounts, principally an increase in accounts payable of RMB5,467 million, an increase in accrued expenses and other current liabilities of RMB5,158 million, a decrease of accounts receivable of RMB4,287 million and a decrease in amount due from related parties of RMB1,770 million, partially offset by an increase in inventories of RMB2,342 million. The increase in our accounts payable was due to the growth of our business. The increase in our accrued expenses and other current liabilities was primarily due to the growth in payroll and related accruals primarily associated with the increase in our headcount, the growth in our online marketplace business which resulted in the increase of vendor deposits, partially offset by the decrease in the payable to employees in relation to the exercise of options or pursuant to other awards. The increase in our advance from customers was due to the increase in our sales of prepaid cards. The decrease in accounts receivable was due to the derecognition of consumer financing related accounts receivable through sales type arrangements. The increase in our inventories was due to the growth of our business.

Net cash provided by operating activities in 2017 was RMB29,342 million. In 2017, the principal items accounting for the difference between our net cash provided by operating activities and our net loss were certain non-cash expenses, principally depreciation and amortization of RMB4,193 million, share of results of equity investees of RMB1,927 million, share-based compensation of RMB2,781 million, and changes in certain working capital accounts, principally an increase in accounts payable of RMB26,106 million, an increase in advance from customers of RMB2,139 million, an increase in accrued expenses and other current liabilities of RMB4,624 million and a decrease in amount due from related parties of RMB2,457 million, partially offset by an increase in inventories of RMB12,788 million. The increase in our accounts payable was due to the growth of our business. The increase in our accrued expenses and other current liabilities was primarily due to the growth in payroll and related accruals primarily associated with the increase in our headcount and the growth in our online marketplace business which resulted in the increase of vendor deposits. The increase in our advance from customers was due to the increase in our sales of prepaid cards. The increase in our inventories was due to the growth of our business.

Continuing Investing Activities

Net cash used in investing activities in 2019 was RMB25,349 million (US$3,641 million), consisting primarily of the purchase of short-term investments, investment in equity investees, investment securities, purchases of property, equipment and software and cash paid for construction in progress, partially offset by the maturity of short-term investments, cash received from sale of development properties, cash received from disposals of equity investment and investment securities and loans settled by JD Digits.

Net cash used in investing activities in 2018 was RMB26,079 million, consisting primarily of the purchase of short-term investments, investment in equity investees, investment securities, purchases of property, equipment and software and cash paid for construction in progress, partially offset by the maturity of short-term investments and cash received from disposals of equity investment and investment securities and loans settled by JD Digits.

Net cash used in investing activities in 2017 was RMB21,944 million, consisting primarily of the purchase of short-term investments, investment in equity investees and investment securities, purchases of property, equipment and software, cash paid for construction in progress and land use rights, cash paid for loan originations, and increase in loans to JD Digits, partially offset by the maturity of short-term investments, cash received from loan repayments, and cash consideration received with respect to the reorganization of JD Digits.

Continuing Financing Activities

Net cash provided by financing activities in 2019 was RMB2,572 million (US$370 million), consisting primarily of capital injection from non-controlling interest shareholders of JD Health and proceeds from short-term borrowings, partially offset by the repayment of short-term borrowings and nonrecourse securitization debt.

Net cash provided by financing activities in 2018 was RMB11,220 million, consisting primarily of proceeds from issuance of equity securities by us and JD Logistics and long-term borrowings, partially offset by the repayment of short-term borrowings and nonrecourse securitization debt, and our repurchase of ADSs.

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

Non-GAAP Financial Measures

In evaluating our business, we consider and use non-GAAP measures, such as non-GAAP net income/(loss) attributable to ordinary shareholders, non-GAAP EBITDA and free cash flow, as supplemental measures to review and assess our operating performance. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. We define non-GAAP net income/(loss) from continuing operations attributable to ordinary shareholders as net income/(loss) from continuing operations attributable to ordinary shareholders excluding share-based compensation, amortization of intangible assets resulting from assets and business acquisitions, effects of business cooperation arrangements and non-compete agreements, gain/(loss) on disposals/deemed disposals of investments, reconciling items on the share of equity method investments, loss/(gain) from fair value change of long-term investments, impairment of goodwill, intangible assets and investments, gain and foreign exchange impact in relation to sale of development properties and tax effects on non-GAAP adjustments. We define non-GAAP EBITDA from continuing operations as income/(loss) from operations from continuing operations excluding share-based compensation, depreciation and amortization, effects of business cooperation arrangements, gain on sale of development properties and impairment of goodwill and intangible assets. We define free cash flow from continuing operations as operating cash flow from continuing operations adjusting the impact from JD Baitiao receivables included in the operating cash flow from continuing operations and capital expenditures, net of proceeds from sale of development properties. Capital expenditures include purchase of property, equipment and software, cash paid for construction in progress, purchase of intangible assets and land use rights.

We present these non-GAAP financial measures because they are used by our management to evaluate our operating performance and formulate business plans. By excluding certain expenses, gain/(loss) and other items that are not expected to result in future cash payments or that are non-recurring in nature or may not be indicative of our core operating results and business outlook, we also believe that the non-GAAP financial measures provide useful information to management and investors about our core business operations, which can then be used to evaluate our operating results, evaluate strategic investments and assess our ability and need to incur and service debt.

Non-GAAP net income/(loss) from continuing operations attributable to ordinary shareholders and non-GAAP EBITDA from continuing operations reflect the company's ongoing business operations in a manner that allows more meaningful period-to-period comparisons. Free cash flow from continuing operations takes into account the impact of the expansion of our fulfillment infrastructure and technology platform on our financial resources and excludes the impact from JD Baitiao receivables included in the operating cash flow from continuing operations. The cash flow associated with JD Baitiao receivables represents the changes in JD Baitiao receivables on our reported operating cash flow. As JD Digits provides customers who use JD Baitiao with credit assessment services and repayment management services to facilitate the origination and repayment of the receivables, and essentially absorbs the credit risk of the Baitiao receivables, our management does not consider cash flow from those JD Baitiao receivables to be indicative of the performance of our core business operations or ongoing operating results. Excluding this item allows investors to better understand cash flow from our core business operations and provides a meaningful basis of comparison between periods.

These non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. The non-GAAP financial measures have limitations as analytical tools. Our non-GAAP financial measures do not reflect all items of income and expense that affect our operations or not represent the residual cash flow available for discretionary expenditures. Further, these non-GAAP measures may differ from the non-GAAP information used by other companies, including peer companies, and therefore their comparability may be limited.

We compensate for these limitations by reconciling each of the non-GAAP financial measures to the nearest U.S. GAAP performance measure, all of which should be considered when evaluating our performance. We encourage you to review our financial information in its entirety and not rely on a single financial measure.

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

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in millions)			
Reconciliation of Net Income/(Loss) from Continuing Operations Attributable to Ordinary Shareholders to Non-GAAP Net Income from Continuing Operations Attributable to Ordinary Shareholders:				
Net income/(loss) from continuing operations attributable to ordinary shareholders	116	(2,492)	12,184	1,750
Share-based compensation	2,781	3,660	3,695	531
Amortization of intangible assets resulting from assets and business acquisitions	1,778	1,806	885	127
Reconciling items on the share of equity method investments	1,071	582	456	66
Impairment of goodwill, intangible assets, and investments	140	615	2,751	395
Loss/(gain) from fair value change of long-term investments	—	1,513	(3,496)	(502)
Gain and foreign exchange impact in relation to sale of development properties	—	—	(3,997)	(574)
Gain on disposals/deemed disposals of investments	—	(1,320)	(1,237)	(178)
Effects of business cooperation arrangements and non-compete agreements	(918)	(1,035)	(904)	(130)
Tax effects on non-GAAP adjustments	—	131	413	59
Non-GAAP net income from continuing operations attributable to ordinary shareholders	4,968	3,460	10,750	1,544

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

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in millions)			
Reconciliation of Income/(Loss) from Operations from Continuing Operations to Non-GAAP EBITDA:				
Income/(loss) from operations from continuing operations	(835)	(2,619)	8,995	1,292
Share-based compensation	2,781	3,660	3,695	531
Depreciation and amortization	4,193	5,560	5,828	837
Effects of business cooperation arrangements	(838)	(956)	(822)	(118)
Gain on sale of development properties	—	—	(3,885)	(558)
Impairment of goodwill and intangible assets	—	22	—	—
Non-GAAP EBITDA from continuing operations	5,301	5,667	13,811	1,984

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

	For the Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in millions)			
Reconciliation of Net Cash Provided by Operating Activities from Continuing Operations to Free Cash Flow from Continuing Operations:				
Net cash provided by operating activities from continuing operations	29,342	20,881	24,781	3,560
Less: Impact from JD Baitiao receivables included in the operating cash flow	(289)	(7,369)	(4,233)	(609)
Add/(less): Capital expenditures				
Capital expenditures for development properties, net of related sales proceeds*	(3,849)	(8,857)	2,420	348
Other capital expenditures**	(7,507)	(12,512)	(3,515)	(505)
Free cash flow from continuing operations	17,697	(7,857)	19,453	2,794

Notes:

* Including logistics facilities and other real estate properties developed by JD Property, which may be sold under various equity structures. For the year ended December 31, 2019, approximately RMB7.9 billion proceeds from the sale of development properties were included in this line.

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

Holding Company Structure

JD.com, Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and consolidated variable interest entities in China. As a result, JD.com, Inc.'s ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and our consolidated variable interest entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. Each of the other PRC subsidiaries and our consolidated variable interest entities may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. As of December 31, 2019, the amount restricted, including paid-in capital and statutory reserve funds, as determined in accordance with PRC accounting standards and regulations, was approximately RMB24,189 million (US$3,475 million). Our PRC subsidiaries have never paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

Capital Expenditures

We made capital expenditures of RMB11,356 million, RMB21,369 million and RMB9,000 million (US$1,293 million) in 2017, 2018 and 2019, respectively. Our capital expenditures for 2017, 2018 and 2019 consisted primarily of expenditures related to the expansion of our fulfillment infrastructure, technology platform, logistics equipment as well as our office buildings. Our capital expenditures will continue to be significant in the foreseeable future as we expand and improve our fulfillment infrastructure and technology platform to meet the needs of our anticipated growth. JD Property seeks to realize development profits and recycle capital from mature properties to fund new developments and scale the business. We sold certain of our development properties and received proceeds of RMB7.9 billion (US$1.1 billion) in 2019. See "History and Corporate Structure" for further information.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2019:

		Payment Due by Period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in RMB thousands)				
Operating lease commitments for offices and fulfillment infrastructures	9,680,789	3,267,527	3,736,982	1,750,015	926,265
Commitments for internet data center service fee	6,021,915	1,495,899	2,385,860	1,390,993	749,163
Capital commitments(1)	7,093,075	7,093,075	—	—	—
Long-term debt obligations(2)	10,051,782	—	6,616,566	—	3,435,216
Estimated interest payments in relation to long-term debt(2)	1,357,659	349,363	535,222	270,328	202,746
Total	34,205,220	12,205,864	13,274,630	3,411,336	5,313,390

Notes:

(1) Our capital commitments primarily relate to commitments on construction of office buildings and warehouses, and are to be paid in the following years according to the construction progress.

(2) Our long-term debt obligations are mainly unsecured senior notes and long-term borrowings. In addition, we issued in January 2020 US$700 million 3.375% unsecured senior notes due 2030 and US$300 million 4.125% unsecured senior notes due 2050, and drew down in April 2020 the remaining US$550 million under our term and revolving credit facilities, obtained in December 2017, which are not reflected in the table above.

As of March 31, 2020, we had outstanding principal amounts of short-term debts, long-term borrowings and unsecured senior notes of RMB8.6 billion, RMB3.2 billion and RMB14.1 billion, respectively, which were unsecured and unguaranteed. As of March 31, 2020, we also had operating lease liabilities amounting to RMB8.7 billion, certain of which were secured by the rental deposits and all of which were unguaranteed. For detailed information of our indebtedness, see "Unaudited Interim Condensed Consolidated Financial Statements" as set out in Appendix IC to this document.

As of March 31, 2020 and the Latest Practicable Date, save as disclosed in the Accountants' Report in Appendix IB to this document, we did not have significant contingent liabilities.

Save as disclosed above, since the Latest Practicable Date and up to the date of this document, there has not been any material and adverse change in our indebtedness and contingent liabilities. Our directors do not foresee any potential difficulty in obtaining bank facilities should the need arise.

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

Working Capital

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

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

For a detailed discussion on our cash position, being the balance sheet item that has material impact on our liquidity, as well as material changes in the various working capital items, see "—Liquidity and Capital Resources."

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

Off-balance Sheet Arrangements

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

Material Related Party Transactions

For details relating to our related party transactions, see "Related Party Transactions". Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Foreign Exchange Risk

Substantially all of our revenues and expenses are denominated in RMB. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and RMB because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

The conversion of RMB into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between RMB and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amounts available to us.

As of December 31, 2019, we had RMB-denominated cash and cash equivalents, restricted cash and short-term investments of RMB35.3 billion, and U.S. dollar-denominated cash, cash equivalents and short-term investments of US$4.2 billion. Assuming we had converted RMB35.3 billion into U.S. dollars at the exchange rate of RMB6.9618 for US$1.00 as of December 31, 2019, our U.S. dollar cash balance would have been US$9.2 billion. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US$8.7 billion instead. Assuming we had converted US$4.2 billion into RMB at the exchange rate of RMB6.9618 for US$1.00 as of December 31, 2019, our RMB cash balance would have been RMB64.3 billion. If the RMB had depreciated by 10% against the U.S. dollar, our RMB cash balance would have been RMB67.5 billion instead.

Inflation

To date, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2017, 2018 and 2019 were increases of 1.8%, 1.9% and 4.5%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected by higher rates of inflation in China in the future.

Critical Accounting Policies

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

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

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

Consolidation of Affiliated Entities

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

To comply with PRC laws and regulations, we conduct our operations in China through a series of contractual arrangements entered into between our PRC subsidiaries, including Jingdong Century, and our affiliated PRC entities, including, among others, Jingdong 360, Jiangsu Yuanzhou, Jingdong Bangneng and Xi'an Jingdong Xincheng, and their respective shareholders. As a result of these contractual arrangements, we have the ability to direct the activities of these PRC affiliates that most significantly impact their economic performance, and to obtain a majority of the residual returns of these entities. We are considered the primary beneficiary of these entities, and accordingly these entities are our variable interest entities under U.S. GAAP and we consolidate their results in our consolidated financial statements. We will reconsider the initial determination of whether a legal entity is a consolidated affiliated entity upon certain events listed in ASC 810-10-35-4 occurring. We will also continuously reconsider whether we are the primary beneficiaries of our affiliated entities as facts and circumstances change. Any changes in PRC laws and regulations that affect our ability to control these entities might preclude us from consolidating these entities in the future.

Investment in Equity Investees

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

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

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

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

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

Beginning on January 1, 2018, our equity investments without readily determinable fair values, which do not qualify for NAV practical expedient and over which we do not have the ability to exercise significant influence through the investments in common stock or in substance common stock, are accounted for under the measurement alternative upon the adoption of Accounting Standards Update ("ASU") 2016-01 (the "Measurement Alternative"). Under the Measurement Alternative, the carrying value is measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. All gains and losses on these investments, realized and unrealized, are recognized in others, net in the Consolidated Statements of Operations and Comprehensive Income/(Loss). We make assessment of whether an investment is impaired based on performance and financial position of the investee as well as other evidence of market value at each reporting date. Such assessment includes, but is not limited to, reviewing the investee's cash position, recent financing, as well as the financial and business performance. We recognize an impairment loss equal to the difference between the carrying value and fair value in others, net in the Consolidated Statements of Operations and Comprehensive Income/(Loss) if there is any. Prior to January 1, 2018, the cost method of accounting was used.

Revenues

We adopted ASC topic 606, *Revenue from Contracts with Customers* ("ASC 606"), from January 1, 2018, using the modified retrospective transition method. Revenues for the years ended December 31, 2018 and 2019 were presented under ASC 606, and revenues for the year ended December 31, 2017 were not adjusted and continue to be presented under ASC topic 605, *Revenue Recognition* ("ASC 605"). Our revenue recognition policies effective on the adoption date of ASC 606 are presented as below.

Consistent with the criteria of ASC 606, we recognize revenues when we satisfy a performance obligation by transferring a promised good or service (that is, an asset) to a customer. An asset is transferred when the customer obtains control of that asset.

In accordance with ASC 606, we evaluate whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When we are acting as a principal, that we obtain control of the specified goods or services before they are transferred to the customers, the revenues should be recognized in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. When we are acting as an agent and our obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, revenues should be recognized in the net amount for the amount of commission which we earn in exchange for arranging for the specified goods or services to be provided by other parties. Revenues are recorded net of value-added taxes.

We recognize revenue net of discounts and return allowances when the products are delivered and title passes to customers. Significant judgement is required to estimate return allowances. For online retail business with return conditions, we reasonably estimate the possibility of return based on the historical experience, changes in judgments on these assumptions and estimates could materially impact the amount of net revenues recognized.

We also sell prepaid cards which can be redeemed to purchase products sold on mobile apps and website *www.jd.com*. In accordance with ASC 606, the cash collected from the sales of prepaid cards is initially recorded in advance from customers in the Consolidated Balance Sheets and subsequently recognized as revenues upon the sales of the respective products through redemption of prepaid cards are completed. While the portion estimated unredeemed is recognized as revenues over the expected customer redemption periods.

Revenue arrangements with multiple deliverables are divided into separate units of accounting based on the stand-alone selling price ("SSP") of each separate unit. In instances where SSP is not directly observable, such as we do not have vendor-specific objective evidence or third-party evidence of the selling prices of the deliverables, considerations are allocated using estimated selling prices. Determining the SSP of each separate unit may require significant judgments, and significant assumptions and estimates have been made in estimating the relative selling price of each single-element.

Inventories

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value. Cost of inventory is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. We take ownership, risks and rewards of the products purchased, but have arrangements to return unsold goods with certain vendors. Write-downs are recorded in cost of revenues in our Consolidated Statements of Operations and Comprehensive Income/(Loss). As a measure of sensitivity, for every 1% of additional inventory valuation allowance as of December 31, 2019, we would have recorded an additional cost of sales of approximately RMB590 million (US$85 million).

We also provide fulfillment-related services in connection with our online marketplace. Third-party merchants maintain ownership of their inventories and therefore these products are not included in our inventories.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired in a business combination. Goodwill is not depreciated or amortized but is tested for impairment annually or more frequently when an event occurs or circumstances change that could indicate that the carrying value may not be recoverable. Our annual testing date is December 31. We first assess qualitative factors to determine whether it is necessary to perform the two-step test in accordance with ASC 350-20, Intangibles—Goodwill and Other: Goodwill, (“ASC 350-20”). If, as a result of the qualitative assessment, it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described above is required. Otherwise, no further testing is required. In performing the two-step quantitative impairment test, the first step compares the carrying amount of the reporting unit to the fair value of the reporting unit. If the carrying amount of each reporting unit exceeds its fair value, a second step is performed to compute the amount of impairment as the difference between the implied fair value of the reporting unit’s goodwill and the carrying amount of goodwill. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

As of December 31, 2017, 2018 and 2019, our goodwill balance was RMB6,650 million, RMB6,644 million and RMB6,644 million, respectively. Such goodwill balance was mainly generated from the business combination of Yihaodian in relation to the transaction with Walmart and the business combination of Shanghai Icson E-Commerce Development Company Limited (“Shanghai Icson”) in relation to the transaction with Tencent. All the goodwill was attributed to JD Retail’s business unit. As of each year end of the Track Record Period, management performed the annual impairment testing and considered the qualitative factors, including the macroeconomics, overall business performance of JD Retail, industry and market conditions and the market capitalization of the Company, which significantly exceeds the carrying value of our net assets. We concluded that there was no impairment indicator, and therefore, we were not required to perform the quantitative analysis to further evaluate the fair value of JD Retail’s business unit.

During the years ended December 31, 2017, 2018 and 2019, management monitored the actual performance of the business and conducted goodwill impairment test pursuant to ASC 350. The goodwill impairment charges during the years ended December 31, 2017, 2018 and 2019 are nil, RMB7 million and nil, respectively.

Nonrecourse Securitization Debt and Transfer of Financial Assets

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

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

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

Due to our continuing involvement rights in securitization vehicles prior to October 2017, we cannot derecognize the existing receivables through the transfer of the receivables to securitization vehicles. The proceeds from the financing-type transactions were reported as current and non-current nonrecourse securitization debt in our consolidated balance sheets based on their respective expected repayment dates pursuant to ASC 860. While the contractual maturities of the asset-backed debt securities were from 2018 to 2019, the securities were repaid as collections on the underlying collateralized assets occur. As of December 31, 2018 and 2019, the collateralized accounts receivable were RMB3,116 million and nil, respectively, and the collateralized loan receivables were RMB1,281 million and nil, respectively.

The weighted average interest rate for the outstanding nonrecourse securitization debt as of December 31, 2018 was approximately 5.81% per annum. The interest expenses in relation to the nonrecourse securitization debt were charged back to JD Digits.

Beginning October 2017, we have revised certain structural arrangements to relinquish our continuing involvement rights when setting up the new securitization vehicles. In 2019, RMB21,500 million (2017: RMB8,000 million, 2018: RMB17,500 million) consumer credit receivables financial assets were derecognized through the sales type arrangements, including accounts receivable of RMB15,302 million (2017: RMB5,693 million, 2018: RMB12,632 million) and loan receivables of RMB6,198 million (2017: RMB2,307 million, 2018: RMB4,868 million). Proceeds from the derecognition were RMB21,500 million in 2019 (2017: RMB8,000 million, 2018: RMB17,500 million), and JD Digits and other third party investors acted as the servicers and purchased the subordinate tranche of the securitization vehicles in these transactions. The investors, including JD Digits, have no recourse to us when the underlying consumers fail to pay amounts contractually on due. The gain/loss recorded upon the sale accounting was immaterial in the periods presented.

Share-Based Compensation

We grant restricted share units ("RSUs") and share options of our company and our subsidiaries to eligible employees and non-employee consultants. We account for these share-based awards issued to employees in accordance with ASC Topic 718 Compensation—Stock Compensation. We early adopted ASU 2018-07, "Compensation—Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting" beginning July 1, 2018, before then, we accounted for share-based awards issued to non-employees in accordance with ASC 505-50 Equity-Based Payments to Non-Employees.

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

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

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

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

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

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

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

Income Taxes

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

We recognize in our consolidated financial statements the benefit of a tax position if the tax position is “more likely than not” to prevail based on the facts and technical merits of the position. Tax positions that meet the “more likely than not” recognition threshold are measured at the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement. We estimate our liability for unrecognized tax benefits which are periodically assessed and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in some cases, appeal or litigation process. The actual benefits ultimately realized may differ from our estimates. As each audit is concluded, adjustments, if any, are recorded in our consolidated financial statements in the period in which the audit is concluded. Additionally, in future periods, changes in facts, circumstances and new information may require us to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. As of December 31, 2018 and 2019, we did not have any significant unrecognized uncertain tax positions.

Leases

Before January 1, 2019, we adopted the ASC Topic 840 (“ASC 840”), Leases, each lease is classified at the inception date as either a capital lease or an operating lease.

We adopted the new lease accounting standard, ASC Topic 842, Leases (“ASC 842”), from January 1, 2019 using the optional transition method through a cumulative-effect adjustment in the period of adoption rather than retrospectively adjusting prior periods and the package of practical expedients. We categorize leases with contractual terms longer than twelve months as either operating or finance lease. However, we have no finance leases for any of the periods presented.

Right-of-use (“ROU”) assets represent our right to use underlying assets for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term, reduced by lease incentives received, plus any initial direct costs, using the discount rate for the lease at the commencement date. As the implicit rate in lease is not readily determinable for our operating leases, we generally use the incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. When calculating the incremental borrowing rates, we have taken into account the recent ratings from credit agencies, recent loan prime rate in the PRC and other market rates in the economic environments where our leased assets are located. We apply the incremental borrowing rates at a portfolio level based on lease terms. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. We account for lease and non-lease components separately.

We also enter into sale and leaseback transactions. We act as the seller-lessee, transfers its assets to a third-party entity (the buyer-lessor) and then leases the transferred assets back from the buyer-lessor using an arm-length rental price. Upon consideration of ASC Topic 842-40-25-1 and ASC 606, the transfer of the underlying assets is considered as sales, and according to ASC 842, the leaseback transaction is classified as an operating lease. Therefore, the sale and the leaseback of the underlying assets are separately accounted for by us. Upon completion of the transaction, the legal titles of these assets are transferred to the third-party entity (the buyer-lessor), and we derecognize these transferred assets and recognizes gains or losses from disposal of these assets in accordance with ASC Topic 360, Property, Plant and Equipment. The leaseback transactions are accounted for under ASC 842, and the ROU assets and lease liabilities are recognized at commencement date accordingly.

Recent Accounting Pronouncements

For a summary of recently issued accounting pronouncements, see Note 2 to the consolidated financial statements of JD.com, Inc. and its subsidiaries shown in the Accountants' Report in Appendix IB to this document.

Dividend Policy

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

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

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

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

No Material Adverse Change

After due and careful consideration, our directors confirm that, up to the date of and save as disclosed in this document, there has not been any material adverse change in our financial or trading position or prospects since December 31, 2019, and there is no event since December 31, 2019 which would materially affect the information shown in the Accountants' Report in Appendix IB to this document.

Listing Expenses

We expect to incur listing expenses of approximately RMB368 million after December 31, 2019 (assuming that the Global Offering is conducted at the indicative offer price per Offer Share of HK$236.00 for both Hong Kong Public Offering and International Offering and the Over-allotment Option is not exercised). We expect most of the listing expenses will be recorded as a deduction in equity directly.

Unaudited Pro Forma Adjusted Net Tangible Assets

The following unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to our ordinary shareholders prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules are set out to illustrate the effect of the Global Offering on our audited consolidated net tangible assets attributable to our ordinary shareholders as of December 31, 2019 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to our ordinary shareholders have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets of the Group had the Global Offering been completed as of December 31, 2019 or at any future dates. It is prepared based on our audited consolidated net tangible assets attributable to our ordinary shareholders as of December 31, 2019 as derived from the Accountants' Report, the text of which is set out in Appendix IB to this document, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to ordinary shareholders of our Company as of December 31, 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of our Company as of December 31, 2019	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to our ordinary shareholders per Share	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to our ordinary shareholders per ADS	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to our ordinary shareholders per Share	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to our ordinary shareholders per ADS
	(in thousands of RMB) (Note 1)	(in thousands of RMB) (Note 2)	(in thousands of RMB)	RMB (Note 3)	RMB (Note 4)	HK$ (Note 5)	HK$ (Note 5)
Based on the indicative offer price of HK$236.00 per Offer Share	71,134,628	28,523,661	99,658,289	32.60	65.20	35.42	70.84

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to ordinary shareholders of our Company as of December 31, 2019 is derived from the Accountants' Report set out in Appendix IB to this prospectus, which is based on the audited consolidated net assets of the Group attributable to ordinary shareholders of our Company as of December 31, 2019 of RMB81,855,970,000 with adjustments for goodwill and intangible assets of the Group attributable to the ordinary shareholders of our Company of RMB6,643,669,000 and RMB4,077,673,000, respectively.

(2) The estimated net proceeds from the Global Offering are based on 133,000,000 Offer Shares at the indicative offer price of HK$236.00 per Offer Share after deduction of the estimated listing and share issue costs (including underwriting fees and other related expenses) expected to be incurred by our Company subsequent to December 31, 2019 and without taking into account any allotment and issuance of any Shares upon the exercise of the Over-allotment Option, the Shares to be issued pursuant to the Share Incentive Plan, including pursuant to the exercise of options or the vesting of RSUs or other awards that have been or may be granted from time to time and any issuance or repurchase of Shares and/or ADSs by our Company. For the purpose of calculating the estimated net proceeds from the Global Offering, the translation of Hong Kong dollars into Renminbi was made at the exchange rate of HK$1.00 to RMB0.9205, which is derived from the respective exchange rate of Hong Kong dollars and Renminbi against U.S. Dollars on May 29, 2020 set forth in the H.10 statistical release of the Federal Reserve Board as disclosed in the Exchange Rate Conversion section of the Prospectus. No

representation is made that Hong Kong dollars have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of our Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 3,057,315,263 Shares were in issue assuming that the Global Offering had been completed on December 31, 2019 without taking into account any allotment and issuance of any Shares upon the exercise of the Overallotment Option, the Shares to be issued pursuant to the Share Incentive Plan, including pursuant to the exercise of options or the vesting of RSUs or other awards that have been or may be granted from time to time and any issuance or repurchase of Shares by our Company.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of our Company per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that one ADS represents two Shares.

(5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of our Company, the balances stated in Renminbi are converted into Hong Kong dollars at the exchange rate of RMB1.00 to HK$1.0864, which is derived from the respective exchange rate of Hong Kong dollars and Renminbi against U.S. Dollars on May 29, 2020 set forth in the H.10 statistical release of the Federal Reserve Board as disclosed in the Exchange Rate Conversion section of the Prospectus. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

(6) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the ordinary shareholders of our Company to reflect any trading results or other transactions our Company entered into subsequent to December 31, 2019.