

In October 2015, JD Finance adopted a 2015 Share Incentive Plan, which permits the granting of stock options, share appreciation rights, restricted share units and restricted shares of JD Finance to its employees, directors and consultants. We granted restricted shares units of JD Finance equivalent to approximately 7.25% and 2.94% of its ordinary shares on a fully diluted basis in 2015 and 2016, respectively.

**C. Board Practices**

**Board of Directors**

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

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

**Committees of the Board of Directors**

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

***Audit Committee***

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

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management’s response;
- discussing the annual audited financial statements with management and the independent auditors;

	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	%	% of Aggregate Voting Power
<b>Directors and Executive Officers:</b>					
Richard Qiangdong Liu	30,537,566 <sup>(1)</sup>	421,507,423 <sup>(1)</sup>	452,044,989 <sup>(1)</sup>	15.8 <sup>(1)</sup>	80.0 <sup>(2)</sup>
Martin Chiping Lau <sup>(3)</sup>	—	—	—	—	—
Ming Huang <sup>(4)</sup>	*	—	*	*	*
Louis T. Hsieh <sup>(5)</sup>	*	—	*	*	*
David Daokui Li <sup>(6)</sup>	*	—	*	*	*
Shengqiang Chen	*	—	*	*	*
Ye Lan	*	—	*	*	*
Rain Yu Long	*	—	*	*	*
Sidney Xuande Huang	*	—	*	*	*
Chen Zhang	*	—	*	*	*
All Directors and Executive Officers as a Group	39,189,387	421,507,423	460,696,810	16.1	80.1 <sup>(2)</sup>
<b>Principal Shareholders:</b>					
Max Smart Limited <sup>(7)</sup>	27,937,566	421,507,423	449,444,989	15.7	71.7
Huang River Investment Limited <sup>(8)</sup>	516,974,505	—	516,974,505	18.1	4.4
Walmart <sup>(9)</sup>	289,053,746	—	289,053,746	10.1	2.5
Hillhouse Capital Management, Ltd. <sup>(10)</sup>	193,936,122	—	193,936,122	6.8	1.6
Fortune Rising Holdings Limited <sup>(11)</sup>	—	48,874,410	48,874,410	1.7	8.3

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

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

- (1) Represents (i) 421,507,423 Class B ordinary shares directly held by Max Smart Limited, (ii) 13,968,783 restricted ADSs, representing 27,937,566 Class A ordinary shares, owned by Max Smart Limited, and (iii) 2,600,000 class A ordinary shares Mr. Liu had the right to acquire upon exercise of options that shall have become vested within 60 days after February 28, 2017. Max Smart Limited is a British Virgin Islands company beneficially owned by Mr. Richard Qiangdong Liu through a trust and of which Mr. Richard Qiangdong Liu is the sole director, as described in footnote (7) below. The ordinary shares beneficially owned by Mr. Liu do not include 48,874,410 Class B ordinary shares held by Fortune Rising Holdings Limited, a British Virgin Islands company, as described in footnote (11) below.
- (2) The aggregate voting power includes the voting power with respect to the 48,874,410 Class B ordinary shares held by Fortune Rising Holdings Limited. Mr. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited and he may be deemed to beneficially own the voting power with respect to all of the ordinary shares held by Fortune Rising Holdings Limited in accordance with the rules and regulations of the SEC, notwithstanding the facts described in footnote (11) below.
- (3) Mr. Lau was appointed by Huang River Investment Limited. The business address of Mr. Lau is 39/F, Tencent Building, Kejizhongyi Avenue, Hi-Tech Park, Nanshan District, Shenzhen 518057, P.R. China.
- (4) The business address of Mr. Huang is China Europe International Business School, 699 Hongfeng Road, Pudong District, Shanghai 201206, China.
- (5) The business address of Mr. Hsieh is No. 6 Hai Dian Zhong Street, Haidian District, Beijing 100080, P.R. China.
- (6) The business address of Professor Li is School of Economics and Management, Tsinghua University, Beijing 100084, China.

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*Traffic Support, Marketing and Promotion Services Provided to and Non-compete Obligation with Dada and its subsidiaries, or Dada Group.* Dada Group is an equity investee of us. In April 2016, we contributed certain resources and US\$200 million in cash in exchange for newly issued equity interest in Dada. On the completion date of the transaction, the traffic support, marketing and promotion services to be provided to Dada which had a fair value of approximately US\$67.0 million were recorded as deferred revenues and would be recognized as other revenues, and the non-compete obligation with Dada Group which had a fair value of approximately US\$83.4 million were recorded as other liabilities and would be recognized as other income over a period of seven years on a straight line basis starting from May 2016. In 2016, other revenues in the amount of RMB41.4 million (US\$6.0 million) and other income in the amount of RMB53.2 million (US\$7.7 million) had been recognized. As of December 31, 2016, we had a total amount of RMB393.5 million (US\$56.7 million) deferred revenues in relation to traffic support, marketing and promotion services to be provided to Dada Group and a total amount of RMB523.3 million (US\$75.4 million) other liabilities in relation to non-compete obligation with Dada Group.

*Business Transactions with Dada and its subsidiaries, or Dada Group.* In 2016, we provided services and sold goods to Dada Group in a total amount of RMB124.1 million (US\$17.9 million), and in the same period, we also received services from Dada Group in a total amount of RMB136.5 million (US\$19.7 million). As of December 31, 2016, we had a total amount of RMB89.0 million (US\$12.8 million) due from Dada Group.

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

**Employment Agreements and Indemnification Agreements**

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

**Share Incentives**

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

**C. Interests of Experts and Counsel**

Not applicable.

**Item 8. Financial Information**

**A. Consolidated Statements and Other Financial Information**

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

**Legal Proceedings**

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

**Dividend Policy**

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

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

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

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

**B. Significant Changes**

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

**Item 9. The Offer and Listing**

**A. Offering and Listing Details**

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

	Trading Price	
	High	Low
<b>Annual Highs and Lows</b>		
2014 (Since May 22, 2014)	33.10	19.94
2015	38.00	21.55
2016	30.66	19.51
<b>Quarterly Highs and Lows</b>		
First Quarter 2015	30.60	22.96
Second Quarter 2015	38.00	29.01
Third Quarter 2015	35.56	21.55
Fourth Quarter 2015	33.48	25.10
First Quarter 2016	30.66	22.14
Second Quarter 2016	30.01	19.51
Third Quarter 2016	27.29	20.04
Fourth Quarter 2016	29.24	23.38
<b>Monthly Highs and Lows</b>		
November 2016	31.18	26.53
December 2016	33.48	30.03
January 2017	28.91	25.58
February 2017	31.16	27.88
March 2017	32.47	29.88
April 2017	35.50	31.23

**JD.com, Inc.**  
**Consolidated Balance Sheets**  
(All amounts in thousands, except for share and per share data)

	As of December 31,		
	2015	2016	
	RMB	RMB	US\$
			Note 2(h)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	17,863,868	19,771,695	2,847,716
Restricted cash	2,114,913	4,391,955	632,573
Short-term investments	2,780,482	7,173,626	1,033,217
Investment securities	—	723,449	104,198
Accounts receivable, net	8,193,665	17,464,408	2,515,398
Advance to suppliers	927,177	1,423,736	205,061
Inventories, net	20,539,543	28,909,438	4,163,825
Loan receivables, net	3,698,488	12,697,915	1,828,880
Other investments	—	10,766,920	1,550,759
Prepayments and other current assets	1,486,441	2,198,906	316,707
Amount due from related parties	863,516	1,410,050	203,089
<b>Total current assets</b>	<b>58,468,093</b>	<b>106,932,098</b>	<b>15,401,423</b>
<b>Non-current assets</b>			
Property, equipment and software, net	6,233,106	7,397,029	1,065,394
Construction in progress	1,266,992	1,992,123	286,925
Intangible assets, net	5,263,983	8,454,297	1,217,672
Land use rights, net	1,928,192	2,447,511	352,515
Goodwill	29,050	6,541,668	942,196
Investment in equity investees	8,713,219	15,235,020	2,194,300
Investment securities	1,005,831	1,060,632	152,763
Other investments	—	6,997,425	1,007,839
Other non-current assets	2,106,673	3,315,715	477,562
<b>Total non-current assets</b>	<b>26,547,046</b>	<b>53,441,420</b>	<b>7,697,166</b>
<b>Total assets</b>	<b>85,015,139</b>	<b>160,373,518</b>	<b>23,098,589</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b> (including amounts of the consolidated VIEs and VIEs' subsidiaries without recourse to the primary beneficiaries of RMB6,313,410 and RMB33,441,909 as of December 31, 2015 and 2016 respectively. Note 1)			
Short-term borrowings	3,040,209	8,333,317	1,200,247
Nonrecourse securitization debt	579,843	9,389,213	1,352,328
Accounts payable	29,819,341	43,988,087	6,335,602
Advance from customers	7,173,885	11,632,766	1,675,467
Deferred revenues (including amounts in relation to traffic support, marketing and promotion services to be provided to related parties of RMB754,626 and RMB818,805 as of December 31, 2015 and 2016, respectively)	983,721	1,221,865	175,986
Taxes payable	103,211	575,848	82,939
Amount due to related parties	104,726	167,655	24,147
Accrued expenses and other current liabilities (including amounts in relation to non-compete obligation to related party of nil and RMB82,626 as of December 31, 2015 and 2016, respectively)	7,178,065	29,431,484	4,239,015
<b>Total current liabilities</b>	<b>48,983,001</b>	<b>104,740,235</b>	<b>15,085,731</b>
<b>Non-current liabilities</b>			
Deferred revenues (including amounts in relation to traffic support, marketing and promotion services to be provided to related parties of 2,515,603 and RMB2,127,900 as of December 31, 2015 and 2016, respectively)	2,556,345	2,156,835	310,649
Nonrecourse securitization debt	2,753,699	4,077,627	587,300
Unsecured senior notes	—	6,831,012	983,870
Deferred tax liabilities	1,228	907,356	130,686
Other non-current liabilities (related to non-compete obligation to related party of nil and RMB440,670 as of December 31, 2015 and 2016, respectively)	—	440,670	63,470
<b>Total non-current liabilities</b>	<b>5,311,272</b>	<b>14,413,500</b>	<b>2,075,975</b>
<b>Total liabilities</b>	<b>54,294,273</b>	<b>119,153,735</b>	<b>17,161,706</b>

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

**JD.com, Inc.**  
**Consolidated Balance Sheets**  
(All amounts in thousands, except for share and per share data)

	As of December 31,		
	2015	2016	US\$
	RMB	RMB	Note 2(h)
<b>Commitments and contingencies (Note 30)</b>			
<b>MEZZANINE EQUITY</b>			
Redeemable non-controlling interests (Note 19)	—	7,056,921	1,016,408
<b>SHAREHOLDERS' EQUITY:</b>			
<b>JD.com, Inc. shareholders' equity</b>			
Ordinary shares (US\$0.00002 par value; 100,000,000,000 shares authorized; 2,313,578,195 Class A ordinary shares issued and 2,287,701,055 outstanding, 480,178,455 Class B ordinary shares issued and 454,289,431 outstanding as of December 31, 2015; 2,467,134,904 Class A ordinary shares issued and 2,384,954,010 outstanding, 471,573,995 Class B ordinary shares issued and 451,490,387 outstanding as of December 31, 2016.)	358	377	54
Additional paid-in capital	48,393,126	59,258,417	8,534,987
Statutory reserves	55,560	132,938	19,147
Treasury stock	(3)	(5,181,880)	(746,346)
Accumulated deficit	(18,420,834)	(21,860,345)	(3,148,545)
Accumulated other comprehensive income	554,826	1,543,393	222,295
<b>Total JD.com, Inc. shareholders' equity</b>	<b>30,583,033</b>	<b>33,892,900</b>	<b>4,881,592</b>
Non-controlling interests	137,833	269,962	38,883
<b>Total shareholders' equity</b>	<b>30,720,866</b>	<b>34,162,862</b>	<b>4,920,475</b>
<b>Total liabilities, mezzanine equity and shareholders' equity</b>	<b>85,015,139</b>	<b>160,373,518</b>	<b>23,098,589</b>

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

**JD.com, Inc.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2014	2015	2016	US\$
	RMB	RMB	RMB	Note 2(h)
<b>Net revenues</b>				
Online direct sales	108,549,258	167,720,984	237,701,986	34,236,207
Services and others	6,453,059	13,554,441	22,419,659	3,229,103
<b>Total net revenues</b>	<b>115,002,317</b>	<b>181,275,425</b>	<b>260,121,645</b>	<b>37,465,310</b>
<b>Operating expenses</b>				
Cost of revenues	(101,631,443)	(157,008,329)	(220,698,727)	(31,787,228)
Fulfillment	(8,067,048)	(13,920,988)	(20,950,501)	(3,017,500)
Marketing	(4,010,280)	(7,736,172)	(10,573,024)	(1,522,832)
Technology and content	(1,835,919)	(3,453,804)	(5,380,907)	(775,012)
General and administrative	(5,260,064)	(2,876,989)	(4,663,383)	(671,667)
Impairment of goodwill and intangible assets	—	(2,750,129)	—	—
<b>Total operating expenses</b>	<b>(120,804,754)</b>	<b>(187,746,411)</b>	<b>(262,266,542)</b>	<b>(37,774,239)</b>
<b>Loss from operations</b>	<b>(5,802,437)</b>	<b>(6,470,986)</b>	<b>(2,144,897)</b>	<b>(308,929)</b>
<b>Other income/(expense)</b>				
Share of results of equity investees	—	(2,852,677)	(2,785,343)	(401,173)
Interest income	637,641	414,999	481,618	69,367
Interest expense	(28,825)	(82,507)	(259,657)	(37,398)
Others, net	216,587	(140,597)	1,474,055	212,308
<b>Loss before tax</b>	<b>(4,977,034)</b>	<b>(9,131,768)</b>	<b>(3,234,224)</b>	<b>(465,825)</b>
Income tax benefits/(expenses)	(19,324)	14,262	(179,500)	(25,853)
<b>Net loss</b>	<b>(4,996,358)</b>	<b>(9,117,506)</b>	<b>(3,413,724)</b>	<b>(491,678)</b>
Net loss attributable to non-controlling interests shareholders	—	(9,566)	(51,591)	(7,431)
Net income attributable to mezzanine classified non-controlling interests shareholders	—	—	444,657	64,044
<b>Net loss attributable to JD.com, Inc.</b>	<b>(4,996,358)</b>	<b>(9,107,940)</b>	<b>(3,806,790)</b>	<b>(548,291)</b>
Preferred shares redemption value accretion	(7,957,640)	—	—	—
<b>Net loss attributable to ordinary shareholders</b>	<b>(12,953,998)</b>	<b>(9,107,940)</b>	<b>(3,806,790)</b>	<b>(548,291)</b>

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



**JD.com, Inc.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2014	2015	2016	US\$
	RMB	RMB	RMB	Note 2(h)
<b>Net loss</b>	(4,996,358)	(9,117,506)	(3,413,724)	(491,678)
Other comprehensive loss:				
Foreign currency translation adjustments	(121,612)	954,787	943,616	135,909
Net change in unrealized gains/(losses) on available-for-sale securities:				
Unrealized gains/(losses), nil of tax	71,286	(238,852)	(78,792)	(11,349)
Reclassification adjustment for (gains)/losses recorded in net income, nil of tax	(57,181)	216,230	123,743	17,823
Net unrealized gains/(losses) on available-for-sale securities	14,105	(22,622)	44,951	6,474
Total other comprehensive income/(loss)	(107,507)	932,165	988,567	142,383
<b>Total comprehensive loss</b>	(5,103,865)	(8,185,341)	(2,425,157)	(349,295)
Total comprehensive loss attributable to non-controlling interests shareholders	—	(8,352)	(51,591)	(7,431)
Total comprehensive income attributable to mezzanine classified non-controlling interests shareholders	—	—	444,657	64,044
<b>Total comprehensive loss attributable to JD.com, Inc.</b>	(5,103,865)	(8,176,989)	(2,818,223)	(405,908)
<b>Net loss per share</b>				
Basic	(5.35)	(3.33)	(1.36)	(0.20)
Diluted	(5.35)	(3.33)	(1.36)	(0.20)
<b>Weighted average number of shares</b>				
Basic	2,419,668,247	2,735,034,034	2,804,767,889	2,804,767,889
Diluted	2,419,668,247	2,735,034,034	2,804,767,889	2,804,767,889
<b>Share-based compensation expenses included in:</b>				
Fulfillment	(128,623)	(184,733)	(387,073)	(55,750)
Marketing	(23,570)	(50,091)	(97,604)	(14,058)
Technology and content	(79,469)	(234,165)	(554,859)	(79,916)
General and administrative	(4,017,886)	(724,956)	(1,304,249)	(187,851)

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**JD.com, Inc.**  
**Consolidated Statements of Cash Flows**  
(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2014	2015	2016	US\$
	RMB	RMB	RMB	Note 2(h)
<b>Cash flows from operating activities:</b>				
Net loss	(4,996,358)	(9,117,506)	(3,413,724)	(491,678)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	1,650,533	2,619,061	3,633,346	523,311
Share-based compensation	4,249,548	1,193,945	2,343,785	337,575
Allowance for doubtful accounts	74,332	420,750	867,233	124,908
Loss from disposal of property, equipment and software	26,043	7,714	18,478	2,661
Deferred income tax	(4,169)	(42,584)	(34,782)	(5,010)
Amortization of discounts and issuance costs of the unsecured senior notes	—	—	8,622	1,242
Impairment of goodwill and intangible assets	—	2,750,129	—	—
Impairment of investments accounted for under cost method and available-for-sale securities	—	611,108	637,583	91,831
Gain from business and investment disposals	—	(1,507)	(1,232,853)	(177,568)
Share of results of equity investees	(638)	2,852,677	2,785,343	401,173
Foreign exchange losses	28,980	57,395	146,354	21,079
Changes in operating assets and liabilities:				
Accounts receivable	(1,861,364)	(6,167,483)	(9,697,221)	(1,396,690)
Restricted cash	(689,499)	(1,076,628)	526,646	75,853
Inventories	(5,804,688)	(8,348,700)	(8,369,883)	(1,205,514)
Loan receivables	5,430	(26,699)	(74,458)	(10,724)
Investment securities	—	—	(3,703)	(533)
Advance to suppliers	(160,203)	(18,010)	(487,320)	(70,189)
Prepayments and other current assets	(1,210,697)	252,397	(533,596)	(76,854)
Other investments	—	—	(252,223)	(36,328)
Amount due from related parties	(412,314)	(402,795)	(481,774)	(69,390)
Other non-current assets	(66,485)	(1,170,454)	169,144	24,362
Accounts payable	4,902,844	13,113,084	13,693,690	1,972,302
Advance from customers	2,611,035	2,507,225	4,454,299	641,552
Deferred revenues	(65,725)	(461,270)	(707,966)	(101,969)
Taxes payable	(42,615)	(132,949)	494,438	71,214
Accrued expenses and other current liabilities	2,988,499	2,207,476	4,247,921	611,828
Amount due to related parties	67,412	69,946	29,638	4,269
<b>Net cash provided by operating activities</b>	<b>1,289,901</b>	<b>1,696,322</b>	<b>8,767,017</b>	<b>1,262,713</b>

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

**JD.com, Inc.**  
**Consolidated Statements of Cash Flows**  
(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2014	2015	2016	US\$
	RMB	RMB	RMB	Note 2(h)
<b>Cash flows from investing activities:</b>				
Purchase of short-term investments	(19,104,408)	(5,022,000)	(16,969,213)	(2,444,075)
Maturity of short-term investments	7,853,607	16,625,621	12,738,475	1,834,722
Changes of deposits for capital verification	545,000	—	—	—
Purchases of investment securities	(421,133)	(1,139,386)	(1,116,200)	(160,766)
Cash received from disposal of investment securities	—	—	361,893	52,123
Purchase of other investments	—	—	(24,165,716)	(3,480,587)
Maturity of other investments	—	—	6,703,594	965,518
Prepayments and investments in equity investees	(434,585)	(7,156,789)	(7,660,513)	(1,103,343)
Cash received from disposal of equity investment	—	—	34,558	4,977
Changes in restricted cash	—	—	(2,803,688)	(403,815)
Cash paid for loan originations	(662,511)	(10,784,220)	(45,152,496)	(6,503,312)
Cash received from loan repayments	387,626	7,276,347	34,836,743	5,017,536
Purchase of property, equipment and software	(1,424,534)	(2,826,830)	(2,372,035)	(341,644)
Cash paid for construction in progress	(1,036,513)	(1,540,615)	(1,359,364)	(195,789)
Purchase of intangible assets	(17,935)	(6,556)	(50,438)	(7,265)
Purchase of land use rights	(423,084)	(925,758)	(678,328)	(97,700)
Cash received from/(paid for) business combination, net of cash acquired (Note 7)	1,260,337	(290,339)	(615,849)	(88,701)
<b>Net cash used in investing activities</b>	<b>(13,478,133)</b>	<b>(5,790,525)</b>	<b>(48,268,577)</b>	<b>(6,952,121)</b>

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

**JD.com, Inc.**  
**Consolidated Statements of Cash Flows**  
(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2014	2015	2016	US\$
	RMB	RMB	RMB	Note 2(h)
<b>Cash flows from financing activities:</b>				
Proceeds from issuance of ordinary shares, net	17,447,653	—	—	—
Repurchase of ordinary shares	—	—	(5,338,274)	(768,871)
Purchase of capped call options	—	—	(2,007,100)	(289,083)
Proceeds from settlement of capped call options	—	—	1,463,218	210,747
Proceeds from issuance of ordinary shares pursuant to stock plans	—	75,713	82,396	11,867
Proceeds from issuance of redeemable preferred shares of JD Finance	—	—	6,612,264	952,364
Capital injection from non-controlling interest shareholders	—	146,185	177,800	25,609
Proceeds from short-term borrowings	1,890,771	4,871,004	18,443,370	2,656,398
Repayment of short-term borrowings	(946,396)	(3,726,171)	(13,150,262)	(1,894,032)
Proceeds from unsecured senior notes, net of discount and debt issuance costs	—	—	6,355,969	915,450
Proceeds from nonrecourse securitization debt	—	3,333,542	11,053,808	1,592,080
Repayment of nonrecourse securitization debt	—	—	(920,510)	(132,581)
Proceeds from sales of financial products	—	—	25,451,427	3,665,768
Redemption of financial products	—	—	(7,524,635)	(1,083,773)
<b>Net cash provided by financing activities</b>	<b>18,392,028</b>	<b>4,700,273</b>	<b>40,699,471</b>	<b>5,861,943</b>
Effect of exchange rate changes on cash and cash equivalents	(101,484)	343,147	709,916	102,249
<b>Net increase in cash and cash equivalents</b>	<b>6,102,312</b>	<b>949,217</b>	<b>1,907,827</b>	<b>274,784</b>
Cash and cash equivalents at beginning of year	10,812,339	16,914,651	17,863,868	2,572,932
Cash and cash equivalents at end of year	<u>16,914,651</u>	<u>17,863,868</u>	<u>19,771,695</u>	<u>2,847,716</u>
<b>Supplemental cash flow disclosures:</b>				
Cash paid for income taxes	(9,807)	(23,219)	(113,087)	(16,288)
Cash paid for interest	(27,268)	(62,396)	(729,735)	(105,104)
<b>Supplemental disclosures of non-cash investing and financing activities:</b>				
Conversion of preferred shares to ordinary shares	15,474,994	—	—	—
Issuance of ordinary shares in connection with Tencent Transactions, net	11,644,310	—	—	—
Issuance of ordinary shares in connection with Walmart Transactions, net	—	—	9,592,258	1,381,573
Certain time deposits pledged for short-term bank loan	2,000,000	—	—	—
Equity investments obtained through commitment of future services and contribution of certain business	—	3,838,933	2,268,342	326,709

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

**JD.com, Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
(All amounts in thousands, except for share and per share data)

	Series A and A-1 convertible										Accumulated other			Non-controlling	Total Shareholders'
	Ordinary shares		Treasury stock		preferred shares		preferred shares		Additional paid-in capital	Statutory reserves	comprehensive income/(loss)	Accumulated deficit			
	Shares	Amount RMB	Shares	Amount RMB	Shares	Amount RMB	Shares	Amount RMB							
Balance as of December 31, 2013	1,502,933,134	199	(39,279,042)	—	191,894,000	255,850	59,539,244	88,241	6,251,869	2,648	(268,618)	(4,263,624)	—	2,066,565	
Issuance of ordinary shares	657,292,997	80	—	—	—	—	—	—	29,091,883	—	—	—	—	29,091,963	
Issuance of Class A ordinary shares reserved for future exercise of share-based awards	30,000,000	4	(30,000,000)	(4)	—	—	—	—	—	—	—	—	—	—	
Preferred shares redemption value accretion	—	—	—	—	—	—	—	—	(7,957,640)	—	—	—	—	(7,957,640)	
Conversion of series A and A-1 preferred shares to Class A ordinary shares	191,894,000	24	—	—	(191,894,000)	(255,850)	—	—	255,826	—	—	—	—	—	
Conversion of series B preferred shares to Class A ordinary shares	59,539,244	7	—	—	—	—	(59,539,244)	(88,241)	88,234	—	—	—	—	—	
Conversion of series C preferred shares to Class A ordinary shares	258,316,305	32	—	—	—	—	—	—	15,130,871	—	—	—	—	15,130,903	
Exercise of share-based awards	—	—	849,844	—	—	—	—	—	20,593	—	—	—	—	20,593	
Share-based compensation and vesting of share-based awards	93,780,970	12	6,390,905	—	—	—	—	—	4,249,536	—	—	—	—	4,249,548	
Net loss	—	—	—	—	—	—	—	—	—	—	—	(4,996,358)	—	(4,996,358)	
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	(121,612)	—	—	(121,612)	
Net change in unrealized gains on available for sale securities	—	—	—	—	—	—	—	—	—	—	14,105	—	—	14,105	
Statutory reserves	—	—	—	—	—	—	—	—	—	12,361	—	(12,361)	—	—	
Balance as of December 31, 2014	2,793,756,650	358	(62,038,293)	(4)	—	—	—	—	47,131,172	15,009	(376,125)	(9,272,343)	—	37,498,067	
Exercise of share-based awards	—	—	2,694,404	1	—	—	—	—	68,009	—	—	—	—	68,010	
Share-based compensation and vesting of share-based awards	—	—	7,577,725	—	—	—	—	—	1,193,945	—	—	—	—	1,193,945	
Net loss	—	—	—	—	—	—	—	—	—	—	—	(9,107,940)	(9,566)	(9,117,506)	
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	953,573	—	1,214	954,787	
Net change in unrealized losses on available for sale securities	—	—	—	—	—	—	—	—	—	—	(22,622)	—	—	(22,622)	
Statutory reserves	—	—	—	—	—	—	—	—	—	40,551	—	(40,551)	—	—	
Capital injection from non-controlling interests shareholders	—	—	—	—	—	—	—	—	—	—	—	—	146,185	146,185	
Balance as of December 31, 2015	2,793,756,650	358	(51,766,164)	(3)	—	—	—	—	48,393,126	55,560	554,826	(18,420,834)	137,833	30,720,866	
Issuance of ordinary shares	144,952,250	19	—	—	—	—	—	—	9,592,239	—	—	—	—	9,592,258	
Repurchase of ordinary shares	—	—	(62,131,568)	(5,338,276)	—	—	—	—	(543,880)	—	—	—	—	(5,882,156)	
Surrender of ordinary shares by certain shareholder	(1)	—	—	—	—	—	—	—	—	—	—	—	—	—	
Accretion of redeemable non-controlling interests	—	—	—	—	—	—	—	—	(444,657)	—	—	—	—	(444,657)	
Exercise of share-based awards	—	—	2,820,648	77,496	—	—	—	—	(3,293)	—	—	—	—	74,203	
Share-based compensation and vesting of share-based awards	—	—	8,812,582	78,903	—	—	—	—	2,264,882	—	—	—	—	2,343,785	
Net loss	—	—	—	—	—	—	—	—	—	—	—	(3,362,133)	(51,591)	(3,413,724)	
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	943,616	—	—	943,616	
Net change in unrealized gains on available for sale securities	—	—	—	—	—	—	—	—	—	—	44,951	—	—	44,951	
Statutory reserves	—	—	—	—	—	—	—	—	—	77,378	—	(77,378)	—	—	

Capital injection from non-controlling interests shareholders	—	—	—	—	—	—	—	—	—	—	—	—	183,720	183,720
Balance as of December 31, 2016	<u>2,938,708,899</u>	<u>377</u>	<u>(102,264,502)</u>	<u>(5,181,880)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>59,258,417</u>	<u>132,938</u>	<u>1,543,393</u>	<u>(21,860,345)</u>	<u>269,962</u>	<u>34,162,862</u>

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

**JD.com, Inc.**  
**Notes to the Consolidated Financial Statements**  
**(All amounts in thousands, except for share and per share data)**

**2. Summary of significant accounting policies (Continued)**

***m. Inventories, net***

Inventories, consisting of products available for sale, are stated at the lower of cost or market 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 market value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. The Group takes ownership, risks and rewards of the products purchased, but has arrangements to return unsold goods with certain vendors. Write downs are recorded in cost of revenues in the Consolidated Statements of Operations and Comprehensive Loss.

The Group also provides fulfillment-related services in connection with the Group's online marketplace. Third-party sellers maintain ownership of their inventories and therefore these products are not included in the Group's inventories.

***n. Loan receivables, net***

Loan receivables consist primarily of micro loans made to small and medium size enterprises that are merchants on the Group's online marketplace and qualified individual customers as well. The loan periods extended by the Group to the merchants and the individual customers range from 1 day to 36 months. Such amounts are recorded at the outstanding principal amount less allowance for doubtful accounts, and include accrued interest receivable as of the balance sheet date. The loan receivables with the collection period over one year are classified into other non-current assets in the Consolidated Balance Sheets. As of December 31, 2015 and 2016, the balances of loan receivables, net were RMB3,698,488 and RMB12,697,915, respectively.

The Group has entered into syndication loan arrangements with certain third party financial institutions to jointly provide loans to individual customers. The Group and the third party financial institutions make loans to the borrowers and have a direct legal relationship with the borrowers for its own portion of the loans, respectively. The Group and the third party financial institutions have the rights to receive the repayment from the borrowers, take credit risk, and earn interest income on its loan portion, respectively. Hence, the Group records loan receivables and interest income of its portion in the Consolidated Financial Statements.

Allowance for doubtful accounts represents the Group's best estimate of the losses inherent in the outstanding portfolio of loans. Judgment is required to determine the allowance amounts and whether such amounts are adequate to cover potential bad debts, and periodical reviews are performed to ensure such amounts continue to reflect the best estimate of the losses inherent in the outstanding portfolio of loans. As of December 31, 2015 and 2016, allowance for doubtful accounts was RMB87,996 and RMB251,813, respectively.

**JD.com, Inc.**  
**Notes to the Consolidated Financial Statements**  
**(All amounts in thousands, except for share and per share data)**

**2. Summary of significant accounting policies (Continued)**

***jj. Income tax***

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

The Group recognizes in its consolidated financial statements the benefit of a tax position if the tax position is “more likely than not” to prevail based on the facts and technical merits of the position. Tax positions that meet the “more likely than not” recognition threshold are measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. The Group estimates its liability for unrecognized tax benefits which are periodically assessed and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in some cases, appeal or litigation process. The actual benefits ultimately realized may differ from the Group’s estimates. As each audit is concluded, adjustments, if any, are recorded in the Group’s consolidated financial statements in the period in which the audit is concluded. Additionally, in future periods, changes in facts, circumstances and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. As of December 31, 2014, 2015 and 2016, the Group did not have any significant unrecognized uncertain tax positions.

***kk. Leases***

Each lease is classified at the inception date as either a capital lease or an operating lease. For the lessee, a lease is a capital lease if any of the following conditions exist: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property’s estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases. Payments made under operating lease are charged to the Consolidated Statements of Operations and Comprehensive Loss on a straight-line basis over the terms of underlying lease. The Group has no capital leases for any of the periods presented.

***ll. Comprehensive income/(loss)***

Comprehensive income/(loss) is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments from shareholders and distributions to shareholders. Comprehensive income/(loss) for the periods presented includes net loss, changes in unrealized gains/(losses) on available for sales securities, foreign currency translation adjustments, and share of change in other comprehensive income/(loss) of equity investments.



**JD.com, Inc.**  
**Notes to the Consolidated Financial Statements**  
**(All amounts in thousands, except for share and per share data)**

**6. Investment in equity investees (Continued)**

Investment in Tuniu

In December 2014, the Group acquired 6.5% equity interest in Tuniu with cash consideration of RMB305,930 ("Initial Investment"). Tuniu is a leading online leisure travel company in China that is listed on the Nasdaq. The Group accounted for the Initial Investment as an available-for-sale security.

On May 22, 2015, the Group additionally acquired Tuniu's newly issued ordinary shares for total consideration of RMB2,188,490 with a combination of RMB1,528,275 in cash and RMB660,215 in the form of future services, including granting Tuniu an exclusive right, for a period of 5 years, to operate the leisure travel channels on the Group's website and mobile apps, and Tuniu becomes the Group's preferred partner for hotel and air ticket booking services. After the subsequent investment in May 2015, the Group held approximately 28% of Tuniu's issued and outstanding shares and had one board seat. Hence, the Group adopted equity method of accounting to account for the investment in Tuniu. In accordance with ASC 323, accumulated unrealized gains of RMB14,395 that were previously recorded for fair value change of the Initial Investment were reversed in the second quarter of 2015, and the cost of Initial Investment balance was adjusted as if the equity method of accounting had been applied since the Initial Investment was made and reclassified from investment securities to investment in equity investees in the Consolidated Balance Sheets. In January 2016, Tuniu issued new shares to HNA Tourism Group, a third party investor, for an aggregate price of approximately US\$500,000 and the Group's interest in Tuniu was diluted to approximately 21% as of January 21, 2016. As the issuance price per share was higher than the Group's average carrying value per share, the Group recorded a gain of RMB108,495 to reflect the deemed disposal.

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

	As of May 22, 2015 RMB	As of December 31, 2015 RMB	As of December 31, 2016 RMB
Carrying value of investment in Tuniu (*)	2,494,145	2,343,301	1,198,405
Proportionate share of Tuniu's net tangible and intangible assets	1,014,296	878,668	1,006,763
Excess of carrying value of the investment over proportionate share of Tuniu's net tangible and intangible assets	1,479,849	1,464,633	191,642
The excess of carrying value has been primarily assigned to:			
Goodwill (*)	1,212,149	1,212,149	23,899
Amortizable intangible assets (**)	356,933	336,645	223,657
Deferred tax liabilities	(89,233)	(84,161)	(55,914)
	1,479,849	1,464,633	191,642
Cumulative gains/(losses) in equity interest in Tuniu	—	(150,844)	(1,295,740)

(\*) In the second quarter of 2016, the Group conducted an impairment assessment on its investment in Tuniu considering the duration and severity of the decline of Tuniu's stock price after the investment, and concluded the decline in fair value of the investment was other-than-temporary. Accordingly, the Group recorded a charge of RMB721,501 to write down the carrying value of its investment in Tuniu to its then fair value of RMB1,454,578, based on the quoted closing price of Tuniu as of June 30, 2016.

(\*\*) Weighted average life of the intangible assets not included in Tuniu's financial statements was 8 years.

As of December 31, 2015 and 2016, the market value of the Group's investment in Tuniu was approximately RMB2,700,098 and RMB1,579,417 based on the quoted closing price, respectively.

**JD.com, Inc.**  
**Notes to the Consolidated Financial Statements**  
**(All amounts in thousands, except for share and per share data)**

**8. Accounts receivable, net**

Accounts receivable, net, consists of the following:

	As of December 31,	
	2015 RMB	2016 RMB
Online direct sales and online marketplace receivables	7,579,868	16,336,141
Online payment processing transactions receivables	385,547	770,134
Advertising receivables	121,170	179,498
Others	379,059	594,947
Accounts receivable	8,465,644	17,880,720
Allowance for doubtful accounts	(271,979)	(416,312)
Accounts receivable, net	8,193,665	17,464,408

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

	For the year ended December 31,		
	2014 RMB	2015 RMB	2016 RMB
Balance at beginning of the year	(1,770)	(63,715)	(271,979)
Additions	(64,424)	(273,772)	(408,316)
Reverse	868	—	—
Write-offs	1,611	65,508	263,983
Balance at end of the year	(63,715)	(271,979)	(416,312)

The value-added tax receivables due from customers are recorded in online direct sales and online marketplace receivables. The allowance for doubtful accounts related to the Group's financing receivables from individual customers related to the online direct sales business was RMB253,347 and RMB398,815 as of December 31, 2015 and 2016, respectively.

**9. Inventories, net**

Inventories, net, consist of the following:

	As of December 31,	
	2015 RMB	2016 RMB
Products	20,436,275	28,778,528
Packing materials and others	103,268	130,910
Inventories, net	20,539,543	28,909,438

**JD.com, Inc.**  
**Notes to the Consolidated Financial Statements**  
**(All amounts in thousands, except for share and per share data)**

**17. Others, net**

Others, net, consist of the following:

	For the year ended December 31,		
	2014 RMB	2015 RMB	2016 RMB
Foreign exchange losses, net	(28,980)	(57,395)	(146,354)
Government financial incentives	214,623	392,022	740,567
Impairment of investments	—	(611,108)	(637,583)
Gain from business and investment disposals	—	1,507	1,232,853
Others	30,944	134,377	284,572
Total	216,587	(140,597)	1,474,055

Government financial incentives represent rewards provided by the relevant PRC municipal government authorities to the Group for business achievements made by the Group. As there is no further obligation for the Group to perform, government financial incentives are recognized as other income when received. The amounts of such government financial incentives are determined solely at the discretion of the relevant government authorities and there is no assurance that the Group will continue to receive these government financial incentives in the future.

**18. Taxation**

**a) Transition from PRC Business Tax to PRC Value Added Tax**

A pilot program for transition from business tax to value added tax (“VAT”) for certain services revenues was launched in Shanghai on January 1, 2012. Starting from September 1, 2012, the pilot program has been expanded from Shanghai to other cities and provinces in China, including Beijing, Wuhan, Guangzhou, Tianjin and Suqian, in which the Group has operations. Commencing August 1, 2013, the pilot program was expanded to cover all regions in the PRC. From May 1, 2016, VAT replaced business tax in all industries, on a nationwide basis.

**b) Value added tax**

During the periods presented, the Group is subject to statutory VAT rate of 13% and 17% for revenues from sales of audio, video products and books and sales of other products, respectively, in the PRC. The Group is exempted from VAT for revenues from sales of books since January 1, 2014.

Prior to the pilot program, the Group was subject to 5% or 3% business tax for revenues from online advertising and other services or for revenues from logistic services, respectively. After the launch of the pilot program, the Group is subject to 6% and 11% VAT for the revenues from logistics services and 6% VAT for the revenues from online advertising and other services.

The Group is also subject to 3% cultural undertaking development fees on revenues from online advertising services in China.

The Group is also subject to surcharges on VAT payments according to PRC tax law.

**c) Business tax**

Before May 1, 2016, the Group was subject to 5% business tax and related surcharges for revenues from online payment services. Business tax and the related surcharges are recognized when the revenue is earned. Starting from May 1, 2016, the Group is subject to 6% VAT for revenues from online payment services.

**JD.com, Inc.**  
**Notes to the Consolidated Financial Statements**  
**(All amounts in thousands, except for share and per share data)**

**18. Taxation (Continued)**

**d) Income tax**

*Cayman Islands*

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

*British Virgin Islands*

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

*Hong Kong*

Under the current Hong Kong Inland Revenue Ordinance, the Group's subsidiaries in Hong Kong are subject to 16.5% Hong Kong profit tax on its taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

*China*

On March 16, 2007, the National People's Congress of PRC enacted a new Corporate Income Tax Law ("new CIT law"), under which Foreign Investment Enterprises ("FIEs") and domestic companies would be subject to corporate income tax at a uniform rate of 25%. The new CIT law became effective on January 1, 2008. Under the new CIT law, preferential tax treatments will continue to be granted to entities which conduct businesses in certain encouraged sectors and to entities otherwise classified as "high and new technology enterprises".

Chinabank Payment Technology has been qualified as "high and new technology enterprise" in 2010, whose qualification was renewed in 2013 and 2016, and enjoyed a preferential corporate income tax rate of 15% from 2010 to 2018.

Beijing Shangke has been entitled to an exemption from income tax for first two years and 50% reduction for the next three years from its first profitable year as a "software enterprise". It has also been qualified as "high and new technology enterprise" and enjoys a preferential income tax rate of 15% from 2013 to 2018. The privileges cannot be applied simultaneously.

Chongqing Haijia and Chengdu Century have been recognized as encouraged industries in the Western Regions of China and enjoyed a preferential income tax rate of 15% from 2014 to 2016.

The Group's other PRC subsidiaries, VIEs and VIEs' subsidiaries are subject to the statutory income tax rate of 25%.

**JD.com, Inc.**  
**Notes to the Consolidated Financial Statements**  
**(All amounts in thousands, except for share and per share data)**

**18. Taxation (Continued)**

**d) Income tax (Continued)**

*Withholding tax on undistributed dividends*

The new CIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, property, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside of the PRC should be considered a resident enterprise for PRC tax purposes.

The new CIT law also imposes a withholding income tax of 10% on dividends distributed by an FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Company did not record any dividend withholding tax, as it has no retained earnings for any of the periods presented.

The components of loss before tax are as follows:

	For the year ended December 31,		
	2014 RMB	2015 RMB	2016 RMB
Income/(loss) before tax			
Income/(loss) from China operations	(529,173)	(4,705,034)	448,494
Loss from non-China operations	(4,447,861)	(4,426,734)	(3,682,718)
Total loss before tax	(4,977,034)	(9,131,768)	(3,234,224)
Income tax benefits/(expenses) applicable to China operations			
Current income tax expenses	(23,493)	(28,322)	(214,282)
Deferred tax benefits	4,169	42,584	34,782
Subtotal income tax benefits/(expenses) applicable to China operations	(19,324)	14,262	(179,500)
Total income tax benefits/(expenses)	(19,324)	14,262	(179,500)