HELMERICH & PAYNE INC
Form 4
December 03, 2014

FORM 4

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
HELM GORDON K
(Last) (First) (Middle)
1437 SOUTH BOULDER AVE.
(Street)
TULSA, OK 74119
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HELMERICH & PAYNE INC [HP]

3. Date of Earliest Transaction (Month/Day/Year)
12/02/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Vice President & Controller

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	12/02/2014		A		1,600	A	$ 0	31,768	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount o Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Share
Stock Option (right to buy)	$ 68.83	12/02/2014		A		13,000		12/02/2015 (1)	12/02/2024	Common Stock	13,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HELM GORDON K 1437 SOUTH BOULDER AVE. TULSA, OK 74119			Vice President & Controller	

Signatures

Jonathan M. Cinocca, by Power of Attorney for Gordon K. Helm	12/03/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The options were granted under the Helmerich & Payne, Inc. 2010 Long-Term Incentive Plan on 12/2/2014. The options vest 25% a year over 4 years. The noted date represents the first date options vest.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. or="#CCEEFF" style="background:#CCEEFF;padding:0in 0in 0in 0in;width:10.0%;">

Interest income

176

0.4

344

0.5

638

103

0.6

Interest expense

(8

)

(0.0

)

(8

)

(0.0

)

(29

)

(5

)

(0.0

)

Others, net

60

0.1

193

0.3

216

35

0.2

Explanation of Responses:

Loss before tax

(1,723

)

(4.2

)

(50

)

(0.0

)

(4,977

)

(802

)

(4.3

)

Income tax expense

(6

)

(0.0

)

0

0.0

(19

)

Explanation of Responses:

(3

)

(0.0

)

Net loss

(1,729

)

(4.2

)

(50

)

(0.0

)

(4,996

)

(805

)

(4.3

)

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

	For the Year Ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
Fulfillment	(78)	(81)	(129)	(21)
Marketing	(9)	(9)	(24)	(3)
Technology and content	(25)	(33)	(79)	(13)
General and administrative	(113)	(138)	(4,018)	(648)

Years Ended December 31, 2014 and 2013

Net Revenues. Our total net revenues increased by 65.9% from RMB69,340 million in 2013 to RMB115,002 million (US$18,535 million) in 2014, with increases in both categories of net revenues.

The increase in our total net revenues was primarily due to the growth in our annual active customer accounts from 47.4 million in 2013 to 96.6 million in 2014 and the growth in the number of orders we fulfilled from approximately 323.3 million in 2013 to approximately 689.0 million in 2014.

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Operating Expenses. Our total operating expenses increased by 72.8% from RMB69,919 million in 2013 to RMB120,804 million (US$19,470 million) in 2014. This increase was due to increases in all of our operating expense line items.

- *Cost of revenues.* Our cost of revenues increased by 62.6% from RMB62,496 million in 2013 to RMB101,631 million (US$16,380 million) in 2014. This increase reflects the increase in our volume of online direct sales and the increased traffic acquisition costs directly related to the online marketing services provided to merchants and suppliers. Our gross profit increased by 95.4% from RMB6,844 million in 2013 to RMB13,371 million (US$2,155 million) in 2014, primarily due to the overall increase in the scale of our business. Our gross margin increased from 9.9% in 2013 to 11.6% in 2014, primarily due to the increase in net revenues from services and others attributable to our online marketplace and our provision of online marketing services.

- *Fulfillment expenses.* Our fulfillment expenses increased by 96.3% from RMB4,109 million in 2013 to RMB8,067 million (US$1,300 million) in 2014. This increase was primarily due to the expansion of delivery services provided to merchants on our marketplace and an increase in compensation costs relating to fulfillment expenses from RMB2,005 million in 2013 to RMB4,111 million (US$663 million) in 2014, which was due in turn to the increase in the number of our fulfillment employees from 32,953 as of December 31, 2013 to 58,913 as of December 31, 2014, as well as to higher average compensation expenses. The increase in our fulfillment expenses was also attributable to (i) increased shipping charges from contracted third-party shipping companies and couriers from RMB794 million in 2013 to RMB1,290 million (US$208 million) in 2014 as our sales volume increased, even as our use of contracted third-party couriers has declined as a percentage of all orders fulfilled, (ii) an increase in the rental expenses for our fulfillment infrastructure from RMB422 million in 2013 to RMB715 million (US$115 million) in 2014, which was primarily due to the increase in the aggregate gross floor area leased in 2014, and (iii) to an increase in payment processing charges from RMB235 million in 2013 to RMB435 million (US$70 million) in 2014 as our volume of sales increased.

- *Marketing expenses.* Our marketing expenses increased by 152.2% from RMB1,590 million in 2013 to RMB4,010 million (US$646 million) in 2014. This increase was primarily due to an increase in our advertising expenditures, including offline and online advertising for the special promotional campaigns in June 2014 to celebrate our anniversary and during China s online shopping festival in November 2014, from RMB1,491 million in 2013 to RMB2,781 million (US$448 million) in 2014 as we continued to enhance our brand recognition and attract new purchases, as well as amortization of intangible assets related to our strategic cooperation with Tencent.

- *Technology and content expenses.* Our technology and content expenses increased by 90.5% from RMB964 million in 2013 to RMB1,836 million (US$296 million) in 2014. This increase was primarily due to the increase in the headcount of our technology employees from 2,720 as of December 31, 2013 to 5,076 as of December 31, 2014, which involved the addition of research and development talent after our transaction with Tencent in March 2014 and the hiring of additional senior and experienced technology employees to execute our technology-related strategies of continuously improving our mobile and big data technologies.

- *General and administrative expenses.* Our general and administrative expenses increased by 591.8% from RMB760 million in 2013 to RMB5,260 million (US$848 million) in 2014. This increase was primarily due to an increase in share-based compensation expenses from RMB138 million in 2013 to RMB4,018 million (US$648 million) in 2014, which was primarily attributable to our grant of 93,780,970 immediately vesting restricted share units to our chairman and chief executive officer, Mr. Richard Qiangdong Liu, in the first quarter of 2014. The increase was also due to an increase in staff cost associated with the increase in headcount of general and administrative employees from 2,372 as of December 31, 2013 to 3,011 as of December 31, 2014, as well as amortization of intangible assets related to our strategic cooperation with Tencent.

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Interest Income. Our interest income increased from RMB344 million in 2013 to RMB638 million (US$103 million) in 2014. This increase was primarily due to the larger cash balance we held in 2014, which was attributable primarily to the proceeds from our initial public offering and private issuances of ordinary shares.

Others, Net. Others, net, increased from RMB193 million in 2013 to RMB216 million (US$35 million) in 2014. This increase was primarily attributable to the government financial incentives provided to us, which we recognized as income upon receipt of these financial incentives.

Net Loss. As a result of the foregoing, we had a net loss of RMB4,996 million (US$805 million) in 2014, as compared to a net loss of RMB50 million in 2013.

Years Ended December 31, 2013 and 2012

Net Revenues. Our total net revenues increased by 67.6% from RMB41,381 million in 2012 to RMB69,340 million in 2013, with increases in both categories of net revenues.

The increase in our total net revenues was primarily due to the growth in our annual active customer accounts from 29.3 million in 2012 to 47.4 million in 2013 and the growth in the number of orders we fulfilled from approximately 193.8 million in 2012 to approximately 323.3 million in 2013.

Operating Expenses. Our total operating expenses increased by 61.4% from RMB43,332 million in 2012 to RMB69,919 million in 2013. This increase was due to increases in all of our operating expense line items.

- *Cost of revenues.* Our cost of revenues increased by 64.9% from RMB37,898 million in 2012 to RMB62,496 million in 2013. This increase reflects the increase in our volume of online direct sales. Our gross profit increased by 96.6% from RMB3,483 million in 2012 to RMB6,844 million in 2013, primarily due to the overall increase in the scale of our business. Our gross margin increased from 8.4% in 2012 to 9.9% in 2013, primarily due to the increase in net revenues from services and others attributable to our online marketplace, as well as the increase in margin of the products we sold through our online direct sales.

- *Fulfillment expenses.* Our fulfillment expenses increased by 34.2% from RMB3,061 million in 2012 to RMB4,109 million in 2013. This increase was primarily due to an increase in compensation costs relating to fulfillment expenses from RMB1,527 million in 2012 to RMB2,005 million in 2013, which was due in turn to the increase in the number of our fulfillment employees from 23,789 as of December 31, 2012 to 32,953 as of December 31, 2013, as well as to higher average compensation expenses. The increase in our fulfillment expenses was also attributable to (i) an increase in the rental expenses for our fulfillment infrastructure from RMB281 million in 2012 to RMB422 million in 2013, which was primarily due to the increase in the aggregate gross floor area leased, as well as to increases in rental rates on leases that we renewed in 2013, (ii) increased shipping charges from contracted third-party shipping companies and couriers from RMB661 million in 2012 to RMB794 million in 2013 as our sales volume increased, even as our use of contracted third-party couriers has declined as a percentage of all orders fulfilled, and (iii) to an increase in payment processing charges from RMB116 million in 2012 to RMB235 million in 2013 as our volume of sales increased.

- *Marketing expenses.* Our marketing expenses increased by 45.0% from RMB1,097 million in 2012 to RMB1,590 million in 2013. This increase was primarily due to an increase in our advertising expenditures, including offline and online advertising, from RMB1,016 million in 2012 to RMB1,491 million in 2013 as we continued to enhance our brand recognition and attract new purchases.

- *Technology and content expenses.* Our technology and content expenses increased by 51.4% from RMB636 million in 2012 to RMB964 million in 2013. This increase was primarily due to the increase in the headcount of our technology employees from 2,453 as of December 31, 2012 to 2,720 as of December 31, 2013, which involved hiring of additional senior and experienced technology employees, to execute our technology-related strategies of improving our technology platform.

- *General and administrative expenses.* Our general and administrative expenses increased by 19.0% from RMB640 million in 2012 to RMB760 million in 2013. This increase was primarily due to an increase in headcount of general and administrative employees from 1,479 as of December 31, 2012 to 2,372 as of December 31, 2013. The increase was also due to an increase in share-based compensation expenses from RMB113 million in 2012 to RMB138 million in 2013.

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Interest Income. Our interest income increased from RMB176 million in 2012 to RMB344 million in 2013. This increase was primarily due to the larger cash balance we held in 2013, which was attributable primarily to the proceeds from our issuance of ordinary shares in November 2012 and February 2013 as well as the increase in cash flow from operating activities.

Others, Net. Others, net, increased from RMB60 million in 2012 to RMB193 million in 2013. This increase was primarily attributable to the government financial incentives provided to us, which we recognized as income upon receipt of these financial incentives. The increase in others, net is also attributable to foreign exchange gains as well.

Net Loss. As a result of the foregoing, our net loss decreased by 97.1% from RMB1,729 million in 2012 to RMB50 million in 2013.

Critical Accounting Policies

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

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

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

Consolidation of Affiliated Entities

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

To comply with PRC laws and regulations, we conduct our operations in China through a series of contractual arrangements entered into between our PRC subsidiary, Jingdong Century, our affiliated PRC entities, Jingdong 360, Jiangsu Yuanzhou, Beijing Jiasheng and Beijing Yuanyi and their 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 the results in our consolidated financial statements. Any changes in PRC laws and regulations that affect our ability to control these entities might preclude us from consolidating these entities in the future.

Revenue

We engage primarily in the sale of electronics products and general merchandise products (including audio, video products and books) sourced from manufacturers, distributors and publishers in China on the internet through our website jd.com. We also offer an online marketplace that enables third-party sellers to sell their products to customers on jd.com. Customers place their orders for products online through the website jd.com. Payment for the purchased products is generally made either before delivery or upon delivery.

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

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

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

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

Rebates and Subsidies

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

Inventories

Inventories are primarily accounted for using the weighted average cost method and are valued at the lower of cost or market value. This valuation requires us to make judgments, based on currently-available information, about the likely method of disposition, such as through sales to individual customers, returns to product vendors, or liquidations, and expected recoverable values of each disposition category. These assumptions about future disposition of inventory are inherently uncertain and changes in our estimates and assumptions may cause us to realize material write-downs in the future. As a measure of sensitivity, for every 1% of additional inventory valuation allowance as of December 31, 2014, we would have recorded an additional cost of sales of approximately RMB122 million.

Goodwill

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

During the years ended December 31, 2012, 2013 and 2014, management monitored the actual performance of the business relative to the fair value assumptions used during our annual goodwill impairment test, no triggering events were identified that required an update to our annual impairment test. As a measure of sensitivity, a 10% decrease in the fair value of our reporting units as of December 31, 2014 would have had no impact on the carrying value of our goodwill.

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Share-Based Compensation

Non-vested ordinary shares and restricted share units

The following table sets forth information regarding the non-vested ordinary shares and restricted share units granted to eligible employees and non-employee consultants:

Grant Date	Number of Shares Granted	Fair Value Per Share (US$)	Type of Valuation
May 15, 2011	6,878,360	3.42	Retrospective
July 15, 2012	32,629,911	3.67	Retrospective
December 15, 2012	1,335,500	3.70	Retrospective
February 2, 2013	600,000	3.70	Retrospective
December 20, 2013	14,583,405	3.96	Contemporaneous
March 11, 2014	93,780,970	6.30	Contemporaneous
March 31, 2014	12,296,594	6.33	Contemporaneous
May 22, 2014	147,702	9.50	Contemporaneous
July 1, 2014	2,950,220	14.26	Contemporaneous
October 1, 2014	1,099,000	12.91	Contemporaneous

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

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

Share options

The following table sets forth information regarding the share options granted to eligible employees:

Grant or Exchange(1) dates	Number of Share Options Granted or	Exercise Price	Fair Value of the Options as of the Grant	Fair Value of the Underlying Ordinary	Intrinsic Value as of the Grant Date

	Exchanged		**Date**	**Shares as of the Grant or Exchange Date**	
		US$	**US$**	**US$**	**US$**
December 20-27, 2013	26,912,328	3.96	1.73~2.01	3.96	
March 31, 2014	1,955,000	6.30	3.55~3.64	6.33	58,650
October 1, 2014	790,000	12.91	6.78	12.51	

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(1) In December 2013, certain of our employees elected to exchange an aggregate of 7,954,526 restricted share units which had been previously granted to them for options to purchase an aggregate of 23,863,578 ordinary shares.

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

In determining the fair value of our stock options, the binomial option pricing model was applied. The key assumptions used to determine the fair value of the options at the relevant grant dates in 2013 and 2014 were as follows. Changes in these assumptions could significantly affect the fair value of stock options and hence the amount of compensation expenses we recognize in our consolidated financial statements.

Our share-based compensation expense is measured at the fair value of the awards as calculated under the Binomial option-pricing model. Assumptions used in the Binomial Model are presented below:

	2013	**2014**
Expected volatility(1)	47%~50%	52%~53%
Risk-free interest rate (per annum)(2)	1.83%~2.91%	2.42%~3.50%
Exercise multiples(3)	2.8	2.8
Expected dividend yield(4)		
Expected term (in years)(5)	7.4~10.0	10.0

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(1) We estimate expected volatility based on the annualized standard deviation of the daily return embedded in historical share prices of comparable companies with a time horizon close to the expected expiry of the term.

(2) We estimate risk-free interest rate based on the yield to maturity of U.S. treasury bonds with a maturity similar to the expected expiry of the term.

(3) The exercise multiple is estimated as the ratio of fair value of underlying shares over the exercise price as at the time the option is exercised, based on a consideration of research study regarding exercise pattern based on historical statistical data.

(4) We have never declared or paid any cash dividends on our capital stock, and we do not anticipate any dividend payments on our ordinary shares in the foreseeable future.

(5) Expected term is the contract life of the option.

The assumptions used in share-based compensation expense recognition represent our best estimates, but these estimates involve inherent uncertainties and the application of our judgment. If factors change or different assumptions are used, the share-based compensation expense could be materially different for any period. Moreover, the estimates of fair value are not intended to predict actual future events or the value that ultimately will be realized by grantees who receive share-based awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by us for accounting purposes.

Fair Value of Our Ordinary Shares

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

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• determining the fair value of our ordinary shares at the date of issuance of convertible instruments as one of the inputs into determining the intrinsic value of the beneficial conversion feature, if any; and

• determining the fair value of our ordinary shares at the date of the grant of a share-based compensation award to our employees or non-employees as one of the inputs into determining the grant date fair value of the award.

The following table sets forth the fair value of our ordinary shares estimated at different times during the past three fiscal years prior to our initial public offering with the assistance from an independent valuation firm:

Date	**Equity Value (US$ thousands)**	**Fair Value per Share (US$)**	**DLOM**	**Discount Rate**	**Type of Valuation**
July 15, 2012	6,822,739	3.67	20%	19%	Retrospective
December 15, 2012	7,117,524	3.70	20%	19%	Retrospective
February 2, 2013	7,552,785	3.70	15%	19%	Retrospective
December 20, 2013	8,030,000	3.96	10%	19%	Contemporaneous
March 11, 2014	15,721,000	6.30	10%	17.5%	Contemporaneous
March 31, 2014	15,794,000	6.33	10%	17.5%	Contemporaneous
May 22, 2014	25,974,631	9.50		N/A	Contemporaneous

In determining the fair value of our ordinary shares in 2012 and February 2013, we relied in part on a valuation retrospectively determined with the assistance of an independent valuation firm based on data we provided. The valuation report provided us with guidelines in determining the fair value, but the determination was made by our management. We obtained a retrospective valuation instead of a contemporaneous valuation by an unrelated valuation specialist because, prior to December 2013, our financial and limited human resources were principally focused on our business development efforts. We applied the income approach/discounted cash flow analysis based on our projected cash flow using our best estimate as of the valuation date. The determination of the fair value of our ordinary shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

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

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

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

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

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

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

The option-pricing method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of our company or an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board of directors and management. Estimating the volatility of the share price of a privately held company is complex because there is no readily available market for the shares. We estimated the volatility of our shares to range from 35.7% to 48.8% based on the historical volatilities of comparable publicly traded companies engaged in similar lines of business. Had we used different estimates of volatility, the allocations between preferred and ordinary shares would have been different.

The fair value of our ordinary shares increased slightly from July 15, 2012 to February 2, 2013. DLOM decreased from 20% to 15% during the same period, primarily due to our expectations for the timing of our initial public offering and the improved capital market sentiment in the United States. The effect of the decrease in DLOM was offset by our lower estimate of revenues because of the slowdown of China economic growth rate.

The fair value of our ordinary shares increased from US$3.70 as of February 2, 2013 to US$3.96 as of December 20, 2013. The increase in fair value of our ordinary shares was primarily attributable to both the organic growth of our business and the decrease of DLOM from 15% to 10%. The decrease of DLOM was primarily due to our expectations for the timing of our initial public offering and the improved capital market sentiment in the United States.

The fair value of our ordinary shares increased from US$3.96 as of December 20, 2013 to US$6.33 as of March 31, 2014. We believe the increase in the fair value of our ordinary shares was primarily attributable to the fact that on March 10, 2014, we entered into a strategic cooperation agreement with Tencent and a series of agreements to acquire the Paipai and QQ Wanggou marketplace businesses, equity interests in Shanghai Icson and other intangible assets. We believed that this transaction would further extend our presence in the China e-commerce market and create synergies through economies of scales. In view of the above, we adjusted our financial forecast to reflect the expected economic benefits and synergistic of this transaction. We also lowered the discount rate from 19.0% as of December 20, 2013 to 17.5% as of March 31, 2014 due to the increase in the size of our business and the reduction in perceived uncertainties associated with our business plan.

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

Income Taxes

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

In accordance with the provisions of ASC 740, we recognize in our financial statements the benefit of a tax position if the tax position is more likely than not to prevail based on the facts and technical merits of the position. Tax positions that meet the more likely than not recognition threshold are measured at the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement. We estimate our liability for unrecognized tax benefits which are periodically assessed and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in some cases, appeal or litigation process. The actual benefits ultimately realized may differ from our estimates. As each audit is concluded, adjustments, if any, are recorded in our financial statements in the period in which the audit is concluded. Additionally, in future periods, changes in facts, circumstances and new information may require us to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. As of December 31, 2012, 2013 and 2014, we did not have any significant unrecognized uncertain tax positions.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which supersedes the revenue recognition requirements in Revenue Recognition (Topic 605) , and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements - Going Concern . This standard requires management to evaluate for each annual and interim reporting period whether it is probable that the reporting entity will not be able to meet its obligations as they become due within one year after the date that the financial statements are issued. If the entity is in such a position, the standard provides for certain disclosures depending on whether or not the entity will be able to successfully mitigate its going concern status. This guidance is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early application is permitted. We do not anticipate that this adoption will have a significant impact on our consolidated financial statements.

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In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis , which provides guidance for reporting entities that are required to evaluate whether they should consolidate certain legal entities. In accordance with ASU 2015-02, all legal entities are subject to reevaluation under the revised consolidation model. ASU 2015-02 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2015-02 on our consolidated financial statements.

B. Liquidity and Capital Resources

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

As of December 31, 2014, we had a total of RMB32.1 billion (US$5.2 billion) in cash and cash equivalents, restricted cash and short-term investments. This included RMB1.3 billion (US$0.2 billion) in the United States, RMB3.6 billion (US$0.6 billion), HK$8.1 million (US$1.1 million) and US$725.6 million in Hong Kong, RMB1.0 billion (US$0.2 billion) and US$1.0 billion in the Cayman Islands, and RMB9.1 billion (US$1.5 billion) and US$1.0 billion in China. Our cash and cash equivalents generally consist of bank deposits and liquid investments with maturities of three months or less. As of December 31, 2014, we had one-year revolving lines of credit for an aggregate amount of RMB9.9 billion (US$1.6 billion) from several Chinese commercial banks. We had RMB3.6 billion (US$0.6 billion) outstanding under these revolving lines of credit as of December 31, 2014.

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

Our accounts payable primarily include accounts payable to suppliers associated with our online direct sales business and those to third-party sellers on our online marketplace. As of December 31, 2012, 2013 and 2014, our accounts payable amounted to RMB8,097 million, RMB11,019 million and RMB16,364 million (US$2,637 million), respectively. These increases reflected a significant growth in our sales volumes and scale of operations for our online direct sales business and the related increase in products sourced from our suppliers, as well as the growth in the scale of operations of our online marketplace. From late 2013, we started to provide supply chain financing to our suppliers of online direct sales business. As of December 31, 2013 and December 31, 2014, the balances of financing we provided to our suppliers amounted to RMB0.1 billion and RMB1.5 billion (US$0.2 billion), respectively. Our annual accounts payable turnover days for our online direct sales business excluding the impact from supply chain financing were 42.5 days in 2012, 42.2 days in 2013 and 40.9 days in 2014. Annual accounts payable turnover days are the quotient of total cost of revenues to average accounts payable over five consecutive quarter ends.

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Our net inventories have increased significantly in recent periods, from RMB4,754 million as of December 31, 2012 to RMB6,386 million as of December 31, 2013 and further to RMB12,191 million (US$1,965 million) as of December 31, 2014. These increases reflected the additional inventory required to support our substantially expanded sales volumes. Our annual inventory turnover days were 34.1 days in 2012, 34.2 days in 2013 and 34.8 days in 2014. Annual inventory turnover days are the quotient of total cost of revenues to average inventory over five consecutive quarter ends. 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.

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

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

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

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

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

	For the Year Ended December 31,			
	2012	2013		2014
	RMB	RMB	RMB	US$
	(in millions)			
Summary Consolidated Cash Flow Data:				
Net cash provided by operating activities	1,404	3,570	1,015	164
Net cash used in investing activities	(3,369)	(2,671)	(13,203)	(2,128)
Net cash provided by financing activities	2,854	2,795	18,392	2,964
Effect of exchange rate changes on cash and cash equivalents	(1)	(59)	(101)	(16)
Net increase in cash and cash equivalents	888	3,635	6,103	984
Cash and cash equivalents at beginning of year	6,289	7,177	10,812	1,742
Cash and cash equivalents at end of year	7,177	10,812	16,915	2,726

Operating Activities

Net cash provided by operating activities in 2014 was RMB1,015 million (US$164 million). In 2014, 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 share-based compensation of RMB4,250 million (US$685 million) and depreciation and amortization of RMB1,651 million (US$266 million), and changes in certain working capital accounts, principally an increase in accounts payable of RMB4,903 million (US$790 million), an increase in accrued expenses and other current liabilities of RMB2,988 million (US$482 million) and an increase in advance from customers of RMB2,611 million (US$421 million), partially offset by an increase in inventories of RMB5,805 million (US$936 million) an increase in accounts receivable of RMB2,005 million (US$323 million) and an increase in prepayments and other current assets RMB1,211 million (US$195 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 as well as the payable to employees in relation to the exercise of options or pursuant to other awards. The increase in our advance from customers was due to the increase in advance from customers related to the sales on our online marketplace, since third-party sellers tend to take longer to complete deliveries to the extent that they do not use our fulfillment services, as well as the increase in our sales of prepaid cards. The increase in our inventories was due to the growth of our business. The increase in accounts receivable was due to the consumer financing we started providing to our selected customers as part of our internet financing initiatives in 2014. The increase in prepayments and other current assets was attributable to the receivables on behalf of our employees in relation to the exercise of options or pursuant to other awards.

Net cash provided by operating activities in 2013 was RMB3,570 million. In 2013, the principal items accounting for the difference between our net cash provided by operating activities and our net loss were an increase in accounts payable of RMB2,687 million, an increase in advance from customers of RMB1,159 million and an increase in accrued expenses and other current liabilities of RMB929 million, partially offset by an increase in inventories of RMB1,632 million and an increase in advance to suppliers of RMB660 million. The increase in our accounts payable was due to the growth of our business. The increase in our advance from customers was due to the increase in our sales of prepaid cards as well as the increase in advance from customers related to the sales on our online marketplace, since third-party sellers tend to take longer to complete deliveries to the extent that they do not use our fulfillment services. 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 as well as the growth in our online marketplace business which resulted in the increase of vendor deposits. The increase in our inventories was due to the growth of our business. The increase in advance to suppliers was due to increased advance payments made to our suppliers in order to secure steady supply of products during the Chinese New Year season, which was close to the 2013 year end.

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Net cash provided by operating activities in 2012 was RMB1,404 million. In the year ended December 31, 2012, the principal items accounting for the difference between our net cash provided by operating activities and our net loss were an increase in accounts payable of RMB4,156 million, an increase in accrued expenses and other current liabilities of RMB754 million and an increase in advance from customers of RMB604 million, partially offset by an increase in inventories of RMB1,990 million and an increase in restricted cash of RMB628 million. The increase in our accounts payable was due to the growth of our business and the resulting increase in our ability to negotiate more favorable payment terms from suppliers. 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 as well as 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 as well as the increase in advance from customers related to the sales on our online marketplace, since third-party sellers tend to take longer to complete deliveries to the extent that they do not use our fulfillment services. The increase in our inventories was due to the growth of our business. The increase in our restricted cash was due to the increase in secured deposits held in designated bank accounts associated with our increased use of bank acceptance.

Investing Activities

Net cash used in investing activities in 2014 was RMB13,203 million (US$2,128 million), consisting primarily of the purchase of short-term investments along with purchases of property, equipment and software and cash paid for construction in progress, partially offset by the maturity of short-term investments, as well as net cash acquired from business combinations.

Net cash used in investing activities in 2013 was RMB2,671 million, consisting primarily of the purchase of short-term investments, largely offset by the maturity of short-term investments, as well as cash paid for construction in progress on our new warehouses and office building, purchases of property, equipment and software and deposit for capital verification associated with capital contributions to our entities in China.

Net cash used in investing activities in 2012 was RMB3,369 million, consisting primarily of our purchases of short term investments along with purchases of property, equipment and software and purchases of land use rights, partially offset by maturity of short-term investments.

Financing Activities

Net cash provided by financing activities in 2014 was RMB18,392 million(US$2,964 million),, consisting of proceeds from our initial public offering and private issuances of ordinary shares, as well as proceeds from short-term borrowings, partially offset by the repayment of short-term bank loan.

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Net cash provided by financing activities in 2013 was RMB2,795 million, consisting of proceeds from the issuance of ordinary shares and proceeds from short-term borrowings, partially offset by the repayment of short-term bank loan.

Net cash provided by financing activities in 2012 was RMB2,854 million, consisting primarily of the proceeds from the issuance of ordinary shares as well as short-term bank loans and proceeds from the exercise of warrants.

Holding Company Structure

JD.com, Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and consolidated variable interest entities in China. As a result, JD.com, Inc. s ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and our consolidated variable interest entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our wholly foreign-owned subsidiaries in China may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion fund and staff bonus and welfare fund at its discretion. Each of the other PRC subsidiaries and our consolidated variable interest entities may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. As of December 31, 2014, the amount restricted, including paid-in capital and statutory reserve funds, as determined in accordance with PRC accounting standards and regulations, was approximately RMB14,968 million (US$2,412 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 RMB1,148 million, RMB1,292 million and RMB2,902 million (US$468 million) in 2012, 2013 and 2014, respectively. In 2012 and 2013, our capital expenditures mainly included our payment for the purchase of land use rights for premises on which we plan to construct warehouses and office buildings, our payment for construction in progress, and our payment for the purchase of property, equipment and software and other intangible assets. Our capital expenditures for 2014 consisted primarily of expenditures related to the expansion of our fulfillment infrastructure, technology platform, logistics equipment as well as our new office buildings. Our capital expenditures will continue to be significant in the foreseeable future as we expand and improve our fulfillment infrastructure and technology platform to meet the needs of our anticipated growth.

C. Research and Development

We have built our technology platform relying primarily on software and systems that we have developed in-house and to a lesser extent on third-party software that we have modified and incorporated. We employed 5,076 IT professionals to design, develop and operate our technology platform as of December 31, 2014, including the IT professionals we have hired from Tencent in connection with our recent transactions with Tencent.

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In the three years ended December 31, 2012, 2013 and 2014, our technology and content expenses, including share-based compensation expenses for research and development staff, were RMB636 million, RMB964 million and RMB1,836 million (US$296 million), respectively. Our technology and content expenses consist primarily of payroll and related expenses for IT professionals involved in developing and maintaining our technology platform and website, server and other equipment depreciation, bandwidth and data center costs, and rental expenses. We expect spending in technology and content to increase over time as we add more experienced IT professionals and continue to invest in our technology platform to enhance customer experience and provide value-added services to suppliers and third-party sellers.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2014 that are reasonably likely to have a material and adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions.

E. Off-Balance Sheet Arrangements

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

F. Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2014:

	Payment Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(RMB thousands)		
Rental expenses	1,588,506	655,815	511,552	244,840	176,299
Bandwidth leasing	546,934	210,815	149,112	142,944	44,063
Construction	669,298	669,298			
Total	2,804,738	1,535,928	660,664	387,784	220,362

In connection with our transactions with Tencent in March 2014, we have agreed to pay Tencent RMB631 million (US$102 million) in cash, subject to substantial completion of the post-closing covenants by Tencent and its affiliates, of which RMB181 million (US$29 million) was paid during 2014.

Our operating lease obligations relate to our leases of offices and fulfillment centers and our lease of bandwidth and data centers.

In addition to operating lease obligations, we had capital commitments contracted in an aggregate amount of RMB669.3 million (US$107.9 million) as of December 31, 2014. These 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.

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Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

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

Directors and Executive Officers	Age	Position/Title
Richard Qiangdong Liu	42	Founder, Chairman of the Board of Directors and Chief Executive Officer
Martin Chi Ping Lau	41	Director
Ming Huang	51	Independent Director
Louis T. Hsieh	50	Independent Director
David Daokui Li	51	Independent Director
Haoyu Shen	44	Chief Executive Officer of JD Mall
Ye Lan	44	Chief Marketing Officer
Yu Long	39	Chief Human Resources Officer and General Counsel
Sidney Xuande Huang	49	Chief Financial Officer
Shengqiang Chen	38	Chief Executive Officer of Internet Finance

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

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

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

Louis T. Hsieh has served as our independent director since May 2014. Mr. Hsieh has served as the chief financial officer of New Oriental Education & Technology Group Inc., the largest provider of private educational services in China listed on the NYSE, since December 2005, director since March 2007 and president since May 2009. Previously, Mr. Hsieh was the chief financial officer of ARIO Data Networks, Inc. in San Jose, California from 2004 to 2005. Prior to that, Mr. Hsieh was a managing director for the private equity firm of Darby Asia Investors (HK) Limited from 2002 to 2003. From 2000 to 2002, Mr. Hsieh was managing director and Asia-Pacific tech/media/telecoms head of UBS Capital Asia Pacific, the private equity division of UBS AG. From 1997 to 2000, Mr. Hsieh was a technology investment banker at JP Morgan in San Francisco, California, where he was a vice president, and Credit Suisse First Boston in Palo Alto, California, where he was an associate. From 1990 to 1996, Mr. Hsieh was a corporate and securities attorney at White & Case LLP in Los Angeles. Mr. Hsieh also serves as an independent director of United Information Technologies, a leading Chinese storage solutions company. Mr. Hsieh holds a bachelor s degree in industrial engineering and engineering management from Stanford University, an MBA degree from the Harvard Business School, and a J.D. degree from the University of California at Berkeley.

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

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Haoyu Shen has served as the chief executive officer of JD Mall, our B2C business group, since April 2014. From August 2011 to April 2014, he was our chief operating officer, in charge of our entire supply chain management and customer service functions. Mr. Shen has extensive experience across different countries and industries. Prior to joining us, Mr. Shen worked at Baidu, Inc., the leading Chinese language internet search provider, where he served as a senior vice president from January 2010 to July 2011 and the vice president of business operations from July 2007 to July 2010. From June 2001 to June 2007, Mr. Shen worked at American Express in New York as a director at the strategic planning and business development group, a vice president at the prepaid card group and a vice president at the U.S. consumer card group. Prior to that, Mr. Shen was a management consultant at McKinsey & Company from 1997 to 2000 and a financial analyst at Sinochem Group from 1992 to 1995. Mr. Shen received a bachelor s degree in international finance from People s University of China in Beijing and an MBA degree from the University of Iowa. Mr. Shen is a CFA charterholder.

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

Yu Long (also known as Rain Long) has served as our chief human resources officer and general counsel since August 2012. Ms. Long has extensive experience in handling the legal affairs of U.S. listed companies and managing multinational companies. Prior to joining us, Ms. Long served as the senior vice president, general counsel and chief compliance officer of UTStarcom Holdings Corp., a provider of interactive, IP-based network solutions listed on NASDAQ. Ms. Long joined UTStarcom in November 2010 as general counsel and vice president and was appointed as the chief compliance officer in December 2011 and then promoted to senior vice president in February 2012. Prior to that, Ms. Long worked for several Chinese and multinational telecommunication companies, and last served as the APAC Legal Affairs Director for the Swiss stock market listed Myriad Group AG and was appointed by its head office to be the key member of its China Executive Management Team. Ms. Long received her bachelor s degree in economic law from China Southwest Political and Law University in Chongqing and an EMBA from the China Europe International Business School. Ms. Long is a qualified attorney in the PRC.

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

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Shengqiang Chen has served as the chief executive officer of our internet finance group since September 2013 and is in charge of the establishment and development of our new internet finance business. Mr. Chen has over 15 years of experience in finance and accounting management in China. Mr. Chen was our chief financial officer from March 2012 to September 2013, our finance vice president from January 2009 to March 2012 and our financial controller from April 2007 to December 2008. Mr. Chen received a bachelor s degree in accounting from Beijing Technology and Business University and an MBA degree from Beijing Institute of Technology in Beijing and has completed his studies at the EMBA program of China Europe International Business School.

B. **Compensation**

In 2014, we paid an aggregate of approximately RMB16.7 million (US$2.7 million) in cash to our executive officers, and approximately US$113 thousand in cash to our non-executive directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries and consolidated variable interest entities are required by law to make contributions equal to certain percentages of each employee s salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

Employment Agreements and Indemnification Agreements

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

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

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

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

Share Incentive Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2014, we had an aggregate of 44,234,918 restricted shares, which are treated as non-vested ordinary shares under U.S. GAAP, 49,984,599 restricted share units and options to purchase an aggregate of 26,201,252 ordinary shares that had been granted to our officers, employees and consultants and remained outstanding, excluding awards that were forfeited or cancelled after the relevant grant date.

In March 2014, we granted 93,780,970 immediately vested restricted share units to Mr. Richard Qiangdong Liu, our founder, chairman and chief executive officer, pursuant to which we issued 93,780,970 ordinary shares to Max Smart Limited, a British Virgin Islands company wholly owned by Mr. Richard Qiangdong Liu, on May 22, 2014 immediately after the listing of our ADSs on NASDAQ. The number of restricted shares, restricted share units and options granted to each of our other directors and executive officers represents less than 1% of our total outstanding ordinary shares on an as-converted basis as of the date of this annual report. The awards to our other directors and executive officers have two-year, four-year, five-year or six-year vesting schedule, with an equal installment vesting at the end of each calendar year following the grant or on the anniversary of the grant date.

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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;

- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;

- reviewing and approving all proposed related party transactions;

- meeting separately and periodically with management and the independent auditors; and

- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

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Compensation Committee

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

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;

- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;

- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and

- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person s independence from management.

Nominating and Corporate Governance Committee

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

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;

- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;

- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and

- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

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Terms of Directors and Executive Officers

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

D. Employees

As of December 31, 2014, we had a total of 68,109 fulltime employees. We had a total of 38,325 employees as of December 31, 2013, 27,952 employees as of December 31, 2012, and a total of 20,153 employees as of December 31, 2011.

The following tables give breakdowns of our employees as of December 31, 2014, by function and by region:

Function	**Number**
Procurement	3,293
Warehouses	12,580
Delivery	35,282
Customer Service	7,758
Technology	5,076
Sales and Marketing	1,109
General and Administrative	3,011
TOTAL	68,109

Region	**Number**
Northeastern China	2,551
Northern China(1)	25,613
Eastern China(2)	16,297
Central China	3,891
Southern China	11,751
Southwestern China(3)	6,305
Northwestern China	1,701
TOTAL	68,109

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(1) Includes the employees at our national headquarters in Beijing.

(2) Includes the employees at our national customer service center in Suqian, Jiangsu.

(3) Includes the employees at our national customer service center in Chengdu, Sichuan.

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

We invest significant resources in the recruitment of employees in support of our fast-growing business operations. In 2014, we have recruited additional employees in connection with the expansion of our fulfillment infrastructure and additional research and development personnel in connection with the expansion of our technology platform, including the former employees who joined us in connection with our recent acquisition of certain e-commerce businesses and assets from Tencent. We have established comprehensive training programs that cover such topics as our corporate culture, employee rights and responsibilities, team-building, professional behavior, job performance, management skills, leadership and executive decision-making. In 2012, we set up a special dedicated training facility, Jingdong Academy, which we have since renamed JD Corporate University, to further strengthen our internal training programs. As of December 31, 2014, approximately 370 management trainees had undergone our dedicated management training program. We also sponsored certain senior and mid-level management to attend part-time MBA education in 2012 and 2013. In November 2013, we set up a Go to College at Jingdong program in collaboration with external educational and training institutions. This program will offer tailored courses to our employees and allow them to obtain a college degree through online education. To boost our strategy of exploring oversea markets, we also have been recruiting international management trainees from top universities in the United States.

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

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

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

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 31, 2015 by:

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

The calculations in the table below are based on 2,766,369,452 ordinary shares outstanding as of March 31, 2015, comprising of (i) 2,229,204,761 Class A ordinary shares, excluding the 27,387,198 Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Share Incentive Plan, and (ii) 537,164,691 Class B ordinary shares.

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

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	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	%	% of Aggregate Voting Power
Directors and Executive Officers:					
Richard Qiangdong Liu	(1)	449,444,989(1)	449,444,989(1)	16.2(1)	82.8(2)
Martin Chi Ping Lau(3)					
Ming Huang	*		*	*	*
Louis T. Hsieh	*		*	*	*
David Daokui Li	*		*	*	*
Haoyu Shen	*		*	*	*
Ye Lan	*		*	*	*
Rain Yu Long	*		*	*	*
Sidney Xuande Huang	*		*	*	*
Shengqiang Chen	*		*	*	*
All Directors and Executive Officers as a Group	7,027,911	449,444,989	456,472,900	16.5	82.9
Principal and Selling Shareholders:					
Max Smart Limited(4)		449,444,989	449,444,989	16.2	69.3
Huang River Investment Limited(5)	498,850,435		498,850,435	18.0	3.8
Entities affiliated with Tiger Global Management(6)	420,549,298		420,549,298	15.2	3.2
Hillhouse Capital Management, Ltd.(7)	304,843,330		304,843,330	11.0	2.3
Best Alliance International Holdings Limited(8)	178,937,180		178,937,180	6.5	1.4
Fortune Rising Holdings Limited(9)		87,719,702	87,719,702	3.2	13.5

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

** Except for Mr. Martin Chi Ping Lau, Mr. Louis T. Hsieh, Mr. Ming Huang and Mr. Daokui Li, the business address of our directors and executive officers is 10th Floor, Building A, North Star Century Center, No. 8 Beichen West Street, Chaoyang District, Beijing 100101, The People s Republic of China.

For each person and group included in this column, percentage ownership is calculated by dividing the number of ordinary shares beneficially owned by such person or group by the sum of the total number of ordinary shares outstanding, which is 2,766,369,452 on an as-converted basis as of March 31, 2015.

For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to twenty votes per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

(1) Represents 449,444,989 Class B ordinary shares directly held by Max Smart Limited, 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 (4) below. The ordinary shares beneficially owned by Mr. Liu do not include 87,719,702 Class B ordinary shares held by Fortune Rising Holdings Limited, a British Virgin Islands company, as described in footnote (9) below.

(2) The aggregate voting power includes the voting power with respect to the 87,719,702 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 (9) below.

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(3) Mr. Lau was appointed by Huang River Investment Limited. The business address of Mr. Lau is Level 29, Three Pacific Place, 1 Queen s Road East, Wanchai, Hong Kong.

(4) Represents 449,444,989 Class B ordinary shares directly held by Max Smart Limited, a British Virgin Islands company beneficially owned by Mr. Richard Qiangdong Liu through a trust and of which Mr. Richard Qiangdong Liu is the sole director. The registered address of Max Smart Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(5) Represents (i) 486,245,393 Class A ordinary shares held by Huang River Investment Limited, and (ii) 12,605,042 Class A ordinary shares in the form of ADSs purchased by Huang River Investment Limited or its affiliate in our public follow-on offering in December 2014. Huang River Investment Limited is a company incorporated in the British Virgin Islands, and is wholly owned by Tencent Holdings Limited, a company listed on Hong Kong Stock Exchange. The registered address of Huang River Investment Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(6) Based on a Schedule 13G jointly filed on February 17, 2015 by Tiger Global Private Investment Partners V, L.P., Tiger Global PIP Performance V, L.P., Tiger Global PIP Management V, Ltd., Tiger Global Five 360 Holdings, Tiger Global 360Buy Holdings, Tiger Global Management, LLC, Charles P. Coleman III, Scott Shleifer, Lee Fixel and Feroz Dewan, which we collectively refer to as Entities affiliated with Tiger Global Management. According to the Schedule 13G filing, 420,549,298 shares may be deemed beneficially owned by each of Tiger Global Management, LLC, Charles P. Coleman III, Scott Shleifer, Lee Fixel and Feroz Dewan, 410,319,122 shares may be deemed beneficially owned by Tiger Global Private Investment Partners V, L.P., Tiger Global PIP Performance V, L.P. and Tiger Global PIP Management V, Ltd., 259,303,416 shares may be deemed beneficially owned by Tiger Global Five 360 Holdings and 151,015,706 shares deemed beneficially owned by Tiger Global 360buy Holdings. According to the Schedule 13G filing, the securities reported are owned by private funds advised by Tiger Global Management, LLC. The address of Tiger Global Private Investment Partners V, L.P., Tiger Global PIP Performance V, L.P. and Tiger Global PIP Management V, Ltd. is c/o Campbells Corporate Services Limited, P.O. Box 268, Floor 4 Willow House, Cricket Square, Grand Cayman KY1-1104, Cayman Islands. The address of Tiger Global Five 360 Holdings and Tiger Global 360Buy Holdings is Twenty Seven, Cybercity, Ebene, Mauritius and we refer to these funds collectively as the Tiger Global entities. The address of Tiger Global Management, LLC, Charles P. Coleman III, Scott Shleifer, Lee Fixel and Feroz Dewan is c/o Tiger Global Management, LLC, 9 West 57th Street, 35th Floor, New York, New York 10019.

(7) Based on a Schedule 13 G/A filed on January 9, 2015 by Hillhouse Capital Management, Ltd., or Hillhouse Capital, an exempted Cayman Islands company, with respect to the Class A ordinary shares held by Gaoling Fund, L.P. and YHG Investment, L.P. As the sole management company of Gaoling Fund, L.P. and sole general partner of YHG Investment, L.P., Hillhouse Capital is deemed to be the sole beneficial owner of, and to solely control the voting power of, the Class A ordinary shares held by Gaoling Fund, L.P. and YHG Investment, L.P. Through share ownership and as the President and Chief Investment Officer of Hillhouse Capital, Mr. Lei Zhang may be deemed to have controlling power over Hillhouse Capital. Mr. Zhang disclaims beneficial ownership of all the Class A ordinary shares owned or controlled by Hillhouse Capital except to the extent of his pecuniary interest therein. The address of the business office of Hillhouse Capital is Suite 1608, One Exchange Square, 8 Connaught Place, Hong Kong.

(8) Based on a Schedule 13G jointly filed on February 11, 2015 by Best Alliance International Holdings Limited, Capital Today China Growth Fund, L.P., Capital Today China Growth GenPar, Ltd., Capital Today Partners Limited and Xin Xu. According to the Schedule 13G filing, Best Alliance International Holdings Limited is a company incorporated in the British Virgin Islands, and controlled by Capital Today China Growth Fund, L.P., a limited partnership organized under the laws of the Cayman Islands. The general partner of Capital Today China Growth Fund, L.P. is Capital Today China Growth GenPar, Ltd., a Cayman Islands company, which is controlled by Capital Today Partners Limited, a British Virgin Islands company. Capital Today Partners Limited is wholly owned by Xin Xu. Xin Xu disclaims the beneficial

ownership with respect to the Class A ordinary shares held by Best Alliance International Holdings Limited except to the extent of her pecuniary interest therein. The business address of each of Best Alliance International Holdings Limited, Capital Today China Growth Fund, L.P., Capital Today China Growth GenPar, Ltd., Capital Today Partners Limited and Xin Xu is c/o Capital Today, 9th Floor, Tung Ning Building, 249-253 Des Voeux Road Central, Hong Kong.

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(9) Represents 87,719,702 Class B ordinary shares held by Fortune Rising Holdings Limited. Fortune Rising Holdings Limited holds these Class B ordinary shares for the purpose of transferring such shares to the plan participants according to our awards under our Share Incentive Plan, and administers the awards and acts according to our instruction, and is therefore treated as our consolidated variable interest entity under U.S. GAAP. Fortune Rising Holdings Limited exercises the voting power with respect to these shares according to our instruction. Fortune Rising Holdings Limited is a company incorporated in the British Virgin Islands. Mr. Richard Qiangdong Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited. The registered address of Fortune Rising Holdings Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

To our knowledge, as of March 31, 2015, a total of 1,281,759,449 class A ordinary shares were held by five record holders in the United States, representing approximately 45.9% of our total outstanding shares on an as-converted basis. One of these holders is Deutsche Bank Trust Company Americas, the depositary of our ADS program, which held 1,271,410,308 Class A ordinary shares on record (including the 27,387,198 Class A ordinary shares issued to it for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Share Incentive Plan), representing approximately 45.5% of our total outstanding shares on record as of March 31, 2015. None of our outstanding Class B ordinary shares were held by record holders in the United States as of March 31, 2015. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

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

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

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

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

B. Related Party Transactions

Contractual Arrangements with Our Variable Interest Entities and Their Shareholders

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

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Agreements and Business Cooperation with Tencent

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

Share Purchase Agreement. In connection with the strategic cooperation agreement, we also entered into a share purchase agreement with Tencent and Huang River Investment Limited on March 10, 2014. Pursuant to the agreement, we issued a total of 351,678,637 ordinary shares to Huang River Investment Limited, a wholly-owned subsidiary of Tencent, representing 15% of our total issued and outstanding shares as of the closing of the transaction, calculated on a fully diluted basis under the treasury method. Huang River Investment Limited has agreed not to sell or transfer any of our shares it acquired in this transaction during the three-year period commencing from March 10, 2014, subject to limited exceptions.

Share Subscription Agreement. We entered into a share subscription agreement with Tencent and Huang River Investment Limited on March 10, 2014. Huang River Investment Limited agreed to purchase a number of Class A ordinary shares from us at the per share equivalent of the price to the public in our initial public offering that represents 5% of our total issued and outstanding share capital on a fully diluted basis immediately following the completion of our initial public offering (including an option to further subscribe if the underwriters option to purchase additional securities is exercised). Pursuant to the agreement, we issued a total of 139,493,960 Class A ordinary shares to Huang River Investment Limited in a private placement concurrent with our initial public offering in May 2014. Huang River Investment Limited has agreed not to sell or transfer any of our shares it acquired in the concurrent private placement during the three-year period commencing from March 10, 2014, subject to limited exceptions.

Business Cooperation with Tencent. Huang River Investment Limited, a wholly-owned subsidiary of Tencent, has been a principal shareholder of us since March 2014. In 2014, we generated a total amount of RMB95.3 million (US$15.4 million) commission services revenues from cooperation on advertising business with Tencent, and also purchased a total amount of RMB88.1 million (US$14.2 million) advertising resources from Tencent and also generated a total amount of RMB0.3 million (US$43.8 thousand) commission services revenues from online marketplace services provided to Tencent. As of December 31, 2014, we had a total amount of RMB174.9 million (US$28.2 million) due from Tencent.

Shareholders Agreements and Registration Rights

We entered into our thirteenth amended and restated shareholders agreement on March 10, 2014 with the then-existing shareholders. Pursuant to this shareholders agreement, Huang River Investment Limited is entitled to appoint one director so long as it holds in aggregate 80% of the aggregate number of shares it acquired in March 2014 plus the shares acquired concurrently with our initial public offering. Huang River Investment Limited s right to appoint one director will terminate upon the earlier of March 10, 2017 and the date on which Huang River Investment Limited holds less than 75% of the aggregate of the number of shares it acquired in March 2014 plus the shares acquired concurrently with our initial public offering in May 2014.

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Pursuant to our thirteenth amended and restated shareholders agreement, we have granted certain registration rights to holders of our registrable securities, which include our ordinary shares issued or issuable pursuant to conversion of our preferred shares, except those held by Mr. Richard Qiangdong Liu, Max Smart Limited and Mr. Richard Qiangdong Liu s associate as defined in the agreement. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. At any time after six months following the completion of our initial public offering in May 2014, holders of at least 15% of our outstanding registrable securities have the right to demand that we file a registration statement covering the registration of more than 10% of the total registrable securities then outstanding or the registration of the registrable securities with anticipated aggregate gross proceeds in excess of US$20 million. We, however, are not obligated to effect a demand registration if we have already effected a registration within six months preceding the date of such request or if we have effected three demand registrations. We have the right to defer filing of a registration statement for a period of not more than 90 days after the receipt of the request of the initiating holders if our board of directors determines in good faith that filing of a registration will be materially detrimental to us and our shareholders, but we cannot exercise the deferral right more than once in any 12-month period and cannot register any securities during such 12-month period. Further, if the registrable securities are offered by means of an underwriting and the underwriter advises us in writing that marketing factors require a limitation of the number of securities to be underwritten, a maximum of 75% of such registrable securities may be reduced as required by the underwriters and the number of the registrable securities will be allocated among the holders on a pro rata basis according to the number of registrable securities then outstanding held by each holder requesting registration, provided that in no event may any registrable securities be excluded from such underwriting unless all other securities are first excluded.

Piggyback Registration Rights. If we propose to file a registration statement for a public offering of our securities other than relating to any employee benefit plan or a corporate reorganization, we must offer holders of our registrable securities an opportunity to include in the registration all or any part of their registrable securities. If the managing underwriters of any underwritten offering determine in good faith that marketing factors require a limitation of the number of shares to be underwritten, the managing underwriters may decide to exclude shares from the registration and the underwriting and to allocate the number of securities first to us and second to each of holders requesting for the inclusion of their registrable securities on a pro rata basis based on the total number of registrable securities held by each such holder and third, to holders of other securities of our company, provided that (1) in no event may any registrable securities be excluded from such offering unless all other securities are first excluded, and (2) in no event may the amount of securities of selling holders of registrable securities be reduced below 25% of the aggregate number of registrable securities requested to be included in such offering.

Form F-3 Registration Rights. Holders of at least 15% of our outstanding registrable securities have the right to request that we effect registration statements on Form F-3 at any time after our initial public offering. We, however, are not obligated to effect such registration if, among other things, (1) Form F-3 is not available for such offering by the holders of registrable securities, (2) the aggregate anticipated price of such offering is less than US$5 million, (3) we have effected a registration within the six-month period preceding the date of such request for Form F-3 registration and (4) we have effected at least three Form F-3 registrations in any 12-month period. We have the right to defer filing of a Form F-3 registration statement for a period of not more than 90 days after the receipt of the request of relevant holders if our board of directors determines in good faith that filing of such registration will be materially detrimental to us and our shareholders, but we cannot exercise the deferral right more than once in any 12-month period and cannot register any other securities during such 90-day period.

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Expenses of Registration. We will bear all registration expenses, other than underwriting discounts and selling commissions incurred in connection with any demand, piggyback or F-3 registration, except each holder that exercised its demand, piggyback or F-3 registration rights will bear such holder s proportionate share (based on the total number of shares sold in such registration other than for our account) of all underwriting discounts and selling commissions or other amounts payable to underwriters or brokers. We are also not required to pay for any expenses of any registration proceeding begun in response to holders exercise of their demand registration rights if the registration request is subsequently withdrawn at the request of the holders of a majority of the registrable securities to be registered, subject to a few exceptions.

Termination of Obligations. We have no obligation to effect any demand, piggyback or Form F-3 registration upon the earlier of (i) the second anniversary after the completion of our initial public offering; and (ii) as to any registrable security holder, at such time as all registrable securities owned by such holder may be sold in any 90-day period without registration pursuant to Rule 144 under the Securities Act, except that Huang River Investment Limited has the right to demand on one occasion registration of its shares during the two-year period following March 10, 2017.

Loan to Jiangsu Suqian Network Co., Ltd.

In 2010, we loaned RMB1.5 million to Jiangsu Suqian Network Co., Ltd., a company controlled by a relative of Mr. Richard Qiangdong Liu, our founder, chairman and chief executive officer, to fund certain of its activities that were for our benefit. The loan was repaid in 2012, and no amount is outstanding as of the date of this annual report.

Transactions with our Equity Investees

Services Provided to Beijing Haoyaoshi Medicine Co., Ltd. In 2012 and 2013, we provided online marketplace services to Beijing Haoyaoshi Medicine Co., Ltd., our equity investee, in the amount of RMB8 million and RMB8 million, respectively. We provide online marketplace related services to Beijing Haoyaoshi Medicine Co., Ltd., a merchant of our online marketplace, and collect payments from customers on its behalf. As of December 31, 2012 and 2013, we had amounts of RMB5 million and nil, respectively, due to Beijing Haoyaoshi Medicine Co., Ltd. for cash collections on its behalf related to online marketplace services. We disposed of the equity investment in Beijing Haoyaoshi Medicine Co., Ltd. in August 2013.

Business Transactions with Shanghai Icson. As part of our transactions with Tencent in March 2014, we acquired a 9.9% stake in Shanghai Icson. In 2014, we provided service and sold goods in a total amount of RMB164.8 million (US$26.6 million) to Shanghai Icson, and in the same period, we also had purchases and received services from Shanghai Icson in a total amount of RMB104.0 million (US$16.8 million). As of December 31, 2014, we had a total amount of RMB237.4 million (US$38.3 million) due from Shanghai Icson.

Purchase of Goods from PICOOC Technology Ltd. PICOOC Technology Ltd., or PICOOC, is an equity investee of us. In 2014, we purchased from PICOOC goods in a total amount of RMB12.4 million (US$2.0 million). As of December 31, 2014, we had a total amount of RMB3.3 million (US$0.5 million) due to PICOOC for the purchase of goods.

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Transactions with Hangzhou Gubei Electronic Technology Co., Ltd. Hangzhou Gubei Electronic Technology Co., Ltd., or Hangzhou Gubei, is an equity investee of us. In 2014, we purchased goods in a total amount of RMB2.2 million (US$0.4 million) from Hangzhou Gubei. As of December 31, 2014, we had a total amount of RMB0.8 million (US$0.1 million) due to Hangzhou Gubei for the purchase of goods.

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. 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 organized 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.

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If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, 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

[redacted]

B. Plan of Distribution

Not applicable.

C. **Markets**

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

D. **Selling Shareholders**

Not applicable.

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E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and the Companies Law (2013 Revision) of the Cayman Islands, which is referred to as the Companies Law below, and the common law of the Cayman Islands.

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

Registered Office and Objects

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

Board of Directors

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

Ordinary Shares

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

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

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

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

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

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

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

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

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

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

Redemption, Repurchase and Surrender of Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company s profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. The rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not our company is being wound-up, may only be varied with the consent in writing of the holders of a majority of the issued shares of that class or series or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class or series.

Anti-Takeover Provisions. Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

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- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and

- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

General Meetings of Shareholders and Shareholder Proposals. Our shareholders general meetings may be held in such place within or outside the Cayman Islands as our board of directors considers appropriate.

As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting.

Shareholders annual general meetings and any other general meetings of our shareholders may be convened by a majority of our board of directors or our chairman. Our board of directors shall give not less than seven days written notice of a shareholders meeting to those persons whose names appear as members in our register of members on the date the notice is given (or on any other date determined by our directors to be the record date for such meeting) and who are entitled to vote at the meeting.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company s articles of association. Our memorandum and articles of association allow one or more of our shareholders holding shares representing in aggregate not less than one-third of the votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings, to requisition an extraordinary general meeting of our shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Limitations on the Right to Own Shares. There are no limitations on the right to own our shares.

Transfer of Shares. Any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

However, our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which our company has a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

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- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;

- the instrument of transfer is in respect of only one class of shares;

- the instrument of transfer is properly stamped, if required;

- the ordinary shares transferred are free of any lien in favor of us;

- any fee related to the transfer has been paid to us; or

- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

If our directors refuse to register a transfer they are required, within three months after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

Directors Power to Issue Shares. Our memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our memorandum and articles of association also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;

- the number of shares of the series;

- the dividend rights, dividend rates, conversion rights, voting rights; and

- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent of available authorized but unissued shares. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Exempted Company. We are an exempted company with limited liability under the Companies Law. The Companies Law in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company s register of members is not required to be open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value, negotiable or bearer shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

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Limited liability means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder s shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil). We are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. Except as otherwise disclosed in this annual report, we currently intend to comply with the NASDAQ rules in lieu of following home country practice.

Register of Members. Under the Companies Law, we must keep a register of members and there should be entered therein:

- the names and addresses of our members, a statement of the shares held by each member, and of the amount paid or agreed to be considered as paid, on the shares of each member;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members is deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in Item 4. Information on the Company, Item 7.B. Major Shareholders and Related Party Transactions Related Party Transactions, or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

See Item 4.B. Information on the Company Business Overview Regulation Regulations Relating to Foreign Exchange.

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E. Taxation

The following summary of the principal Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People s Republic of China and the United States.

Cayman Islands Taxation

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

There is no income tax treaty or convention currently in effect between the United States and the Cayman Islands.

People s Republic of China Taxation

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

We believe that none of JD.com, Inc. and its subsidiaries outside of China is a PRC resident enterprise for PRC tax purposes. JD.com, Inc. is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that JD.com, Inc. meets all of the conditions above. JD.com, Inc. is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the

PRC. For the same reasons, we believe our other subsidiaries outside of China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term de facto management body.

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

Provided that our Cayman Islands holding company, JD.com, Inc., is not deemed to be a PRC resident enterprise, holders of our ADSs and ordinary shares who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our shares or ADSs. SAT Circular 7 further clarifies that, if a non-resident enterprise derives income by acquiring and selling shares in an offshore listed enterprise in the public market, such income will not be subject to PRC tax. However, there is uncertainty as to the application of SAT Circular 698 and SAT Circular 7, we and our non-PRC resident investors may be at risk of being required to file a return and being taxed under SAT Circular 698 and SAT Circular 7 and we may be required to expend valuable resources to comply with SAT Circular 698 and SAT Circular 7 or to establish that we should not be taxed under SAT Circular 698 and SAT Circular 7. See Item 3.D. Key Information Risk Factors Risks Related to Doing Business in China We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies, and heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

United States Federal Income Tax Considerations

The following is a discussion of the principal United States federal income tax considerations relating to the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that hold our ADSs or ordinary shares as capital assets (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the Code). This discussion is based upon existing United States federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This discussion does not address all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, certain financial institutions, insurance companies, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships and their partners, tax-exempt organizations (including private foundations), investors who are not U.S. Holders, investors who own (directly, indirectly, or constructively) 10% or more of our voting stock, investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, or investors that have a functional currency other than the United States dollar), all of whom may be subject to tax rules that differ significantly from those summarized below.

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In addition, this discussion does not address any state, local or non-United States tax considerations (other than the discussion below relating to certain withholding rules and the United States PRC income tax treaty). Each U.S. Holder is urged to consult its tax advisor regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in ADSs or ordinary shares.

General

For purposes of this discussion, a U.S. Holder is a beneficial owner of our ADSs or ordinary shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the law of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person under the Code.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) owns our ADSs or ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or ordinary shares.

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of passive income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company s unbooked intangibles associated with active business activity are taken into account as a non-passive asset. The average percentage of a corporation s assets that produce or are held for the production of passive income generally is determined on the basis of the fair market value of the corporation s assets at the end of each quarter. This determination is based on the adjusted tax basis of the corporation s assets, however, if the corporation is a controlled foreign corporation, or CFC, that is not a publicly traded corporation for the taxable year. We would be treated as a CFC for any year on any day in which U.S. Holders each own (directly, indirectly or by attribution) at least 10% of our voting shares and together own more than 50% of the total combined voting power of all classes of our voting shares or more than 50% of the total value of all of our shares. If we are treated as a CFC for United States federal income tax purposes for any portion of our taxable year ended December 31, 2014, we would likely be classified as a PFIC for that year. The CFC determination involves a highly complex and technical factual analysis and, in certain cases such as our own, potentially cannot be made with complete certainty. However, although no assurances can be made in this regard, based on our shareholder composition during the taxable year ended December 31, 2014, we believe that we were not a CFC for any portion of such taxable year.

In addition, we will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock. Although the law in this regard is unclear, we treat our VIEs as being owned by us for United States federal income tax purposes because we control their management decisions and we are entitled to substantially all of the economic benefits associated with these entities, and, as a result, we consolidate their results of operations in our U.S. GAAP financial statements and treat them as being owned by us for United States federal income tax purposes. If it were determined, however, that that we are not the owner of our VIEs for United States federal income tax purposes, we may be treated as a PFIC for our taxable year ended December 31, 2014 and in future taxable years.

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Subject to the foregoing uncertainties, based on our current income and assets and the value of our ADSs and outstanding ordinary shares, we do not expect to be classified as a PFIC for our taxable year ended December 31, 2014 or in the foreseeable future. While we do not anticipate becoming a PFIC, changes in the nature of our income or assets, or fluctuations in the market price of our ADSs or ordinary shares, may cause us to become a PFIC for future taxable years. In estimating the value of our goodwill and other unbooked intangibles, we have taken into account market capitalization, which may fluctuate over time. Among other factors, if our market capitalization subsequently declines, we may be or become classified as a PFIC for the current or future taxable years. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income or where we determine not to deploy significant amounts of cash for working capital or other purposes, our risk of becoming classified as a PFIC may substantially increase.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, the PFIC tax rules discussed below under Passive Foreign Investment Company Rules generally will apply to such U.S. Holder for such taxable year and, unless the U.S. Holder makes certain elections, will apply in future years even if we cease to be a PFIC. The discussion below under Dividends and Sale or Other Disposition of ADSs or Ordinary Shares assumes that we will not be classified as a PFIC for United States federal income tax purposes.

Dividends

Any cash distributions (including any amount of any PRC tax withheld) paid on our ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of ordinary shares, or by the depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution we pay will generally be treated as a dividend for United States federal income tax purposes. Dividends received on our ADSs or ordinary shares will not be eligible for the dividends received deduction allowed to corporations under the Code.

A non-corporate recipient will be subject to tax at the lower capital gain tax rate applicable to qualified dividend income on dividends paid on our ADSs, provided that certain conditions are satisfied, including that (1) our ADSs are readily tradable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefit of the United States-PRC income tax treaty (the Treaty), (2) we are neither a passive foreign investment company nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. Because we do not expect that our ordinary shares will be listed on an established securities market, we do not believe that dividends we pay on our ordinary shares that are not represented by ADSs will meet the conditions required for such reduced tax rates, unless we are deemed to be a PRC resident enterprise (as described above). In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC taxes on dividends paid on our ADSs or ordinary shares. We may, however, be eligible for the benefits of the United States-PRC income tax treaty. If we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation described in the preceding paragraph.

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For United States foreign tax credit purposes, dividends generally will be treated as income from foreign sources and generally will constitute passive category income. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit not in excess of any applicable treaty rate in respect of any foreign withholding taxes imposed on dividends received on our ADSs or ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for United States federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Ordinary Shares

A U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the sale or other disposition and the holder s adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year and will generally be United States-source gain or loss for United States foreign tax credit purposes. However, in the event that gain from the disposition of the ADSs or ordinary shares is subject to tax in the PRC because we are deemed to be a PRC resident enterprise, a U.S. Holder may be able to elect to treat such gain as PRC-source gain. The deductibility of a capital loss may be subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder s holding period for the ADSs or ordinary shares), and (ii) any gain realized on the sale or other disposition, including a pledge, of ADSs or ordinary shares. Under the PFIC rules:

• the excess distribution or gain will be allocated ratably over the U.S. Holder s holding period for the ADSs or ordinary shares;

• amounts allocated to the current taxable year and any taxable years in a U.S. Holder s holding period prior to the first taxable year in which we are classified as a PFIC (a pre-PFIC year) will be taxable as ordinary income; and

• amounts allocated to each prior taxable year, other than the current taxable year or a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to such U.S. Holder for that year, and such amounts will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to such years.

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If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of marketable stock in a PFIC may make a mark-to-market election with respect to our ADSs, but not our ordinary shares, provided that our ADSs remained listed on NASDAQ and that the ADSs are regularly traded. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes this election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder s adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of our ADSs and we cease to be a PFIC, the holder will not be required to take into account the gain or loss described above during any period that we are not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the general PFIC rules described above with respect to such U.S. Holder s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

A U.S. Holder that holds ADSs or ordinary shares in any year in which we are classified as a PFIC may make a deemed sale election with respect to such ADSs or ordinary shares in a subsequent taxable year in which we are not classified as a PFIC. If a U.S. Holder makes a valid deemed sale election with respect to such ADSs or ordinary shares, such U.S. Holder will be treated as having sold all of its ADSs or ordinary shares for their fair market value on the last day of the last taxable year in which we were a PFIC and such ADSs or ordinary shares will no longer be treated as PFIC stock. A U.S. Holder will recognize gain (but not loss), which will be subject to tax as an excess distribution received on the last day of the last taxable year in which we were a PFIC. A U.S. Holder s basis in the ADSs or ordinary shares would be increased to reflect gain recognized, and such U.S. Holder s holding period would begin on the day after we ceased to be a PFIC.

The deemed sale election is only relevant to U.S. Holders that hold the ADSs or ordinary shares during a taxable year in which we cease to be a PFIC. U.S. Holders are urged to consult their tax advisors regarding the advisability of making a deemed sale election and the consequences thereof in light of the U.S. Holder s individual circumstances.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from the tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or ordinary shares during any taxable year that we are a PFIC, the holder must file an annual Internal Revenue Service Form 8621.

Each U.S. Holder is urged to consult its tax advisor concerning the United States federal income tax consequences of purchasing, holding, and disposing of ADSs or ordinary shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market election and the unavailability of the qualified electing fund election.

Medicare Tax

An additional 3.8% tax is imposed on a portion or all of the net investment income of certain individuals with a modified adjusted gross income of over $200,000 (or $250,000 in the case of joint filers or $125,000 in the case of married individuals filing separately) and on the undistributed net investment income of certain estates and trusts. For these purposes, net investment income generally includes interest, dividends (including dividends paid with respect to our ADSs or ordinary shares), annuities, royalties, rents, net gain attributable to the disposition of property not held in a trade or business (including net gain from the sale, exchange or other taxable disposition of an ADS or ordinary share) and certain other income, reduced by any deductions properly allocable to such income or net gain. U.S. Holders are urged to consult their tax advisors regarding the applicability of this tax to their income and gains in respect of an investment in the ADSs or ordinary shares.

Backup Withholding and Information Reporting

Individual U.S. Holders and certain entities may be required to submit to the IRS certain information with respect to his or her beneficial ownership of the ADSs or ordinary shares, if such ADSs or ordinary shares are not held on his or her behalf by a financial institution. This new law also imposes penalties if an individual U.S. Holder is required to submit such information to the IRS and fails to do so.

Proceeds from the sale, exchange or other disposition of, or a distribution on, the ADSs or ordinary shares may be subject to information reporting to the IRS and possible backup withholding. Backup withholding generally will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on IRS Form W-9.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder s United States federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS. Each U.S. Holder is encouraged to consult its own tax advisor regarding the application of the information reporting and backup withholding rules.

F. **Dividends and Paying Agents**

Not applicable.

G. **Statement by Experts**

Not applicable.

H. **Documents on Display**

We previously filed with the SEC our registration statement on Form F-1 (Registration No. 333-193650), as amended, including the prospectus contained therein, to register the issuance and sale of our ordinary shares represented by ADSs in relation to our initial public offering and our registration statement on Form F-1 (Registration No. 333-200450), as amended, including the prospectus contained therein, to register the sale of our ordinary shares represented by ADSs by certain shareholders in relation to a follow-on public offering. We have also filed with the SEC registration statements on Form F-6 (Registration No. 333-195849 and No. 333-200954) to register our ADSs.

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We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers, and are required to file reports and other information with the SEC. Specifically, we are required to file annually an annual report on Form 20-F within four months after the end of each fiscal year, which is December 31. All information filed with the SEC can be obtained over the internet at the SEC s website at *www.sec.gov* or inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of documents, upon payment of a duplicating fee, by writing to the SEC. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Deutsche Bank Trust Company Americas, the depositary of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders meeting received by the depositary from us.

In accordance with NASDAQ Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at http://ir.jd.com. In addition, we will provide hardcopies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

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

Foreign Exchange Risk

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

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The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People s Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. After June 2010, the RMB began to appreciate against the U.S. dollar again, although there have been some periods when it has lost value against the U.S. dollar, as it did for example during 2014. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

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

As of December 31, 2014, we had RMB-denominated cash and cash equivalents, restricted cash and short-term investments of RMB15.0 billion, and U.S. dollar-denominated cash, cash equivalents and short-term investments of US$2.8 billion. Assuming we had converted RMB15.0 billion into U.S. dollars at the exchange rate of RMB6.2046 for US$1.00 as of December 31, 2014, our U.S. dollar cash balance would have been US$5.2 billion. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US$4.9 billion instead. Assuming we had converted US$2.8 billion into RMB at the exchange rate of RMB6.2046 for US$1.00 as of December 31, 2014, our RMB cash balance would have been RMB32.1 billion. If the RMB had depreciated by 10% against the U.S. dollar, our RMB cash balance would have been RMB34.0 billion instead.

Inflation

Inflation in China has not affected our results of operations in recent years. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2012, 2013 and 2014 were increases of 2.5%, 2.5% and 1.5%, respectively. Although we have not been affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. **Other Securities**

Not applicable.

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D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

An ADS holder will be required to pay the following service fees to the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of the ADSs):

Service	**Fees**
• to any person to whom ADSs are issued or to any person to whom a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)	Up to US$0.05 per ADS issued
• Surrendering ADSs for cancellation and withdrawal of deposited securities	Up to US$0.05 per ADS surrendered
• Distribution of cash dividends	Up to US$0.05 per ADS held
• Distribution of cash entitlements (other than cash dividends) and/or cash proceeds, including proceeds from the sale of rights, securities and other entitlements	Up to US$0.05 per ADS held
• Distribution of ADSs pursuant to exercise of rights	Up to US$0.05 per ADS held
• Operation and maintenance costs	Up to US$0.05 per ADS held on the applicable record date(s) established by the depositary bank

An ADS holder will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of the ADSs) such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).

- Expenses incurred for converting foreign currency into U.S. dollars.

- Expenses for cable, telex, fax and electronic transmissions and for delivery of securities.

- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).

- Fees and expenses incurred in connection with the delivery of ordinary shares on deposit or the servicing of ordinary shares, deposited securities and/or ADSs.

- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, deposited securities, ADSs and ADRs.

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The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients ADSs in DTC accounts in turn charge their clients accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Fees and Other Payments Made by the Depositary to Us

Deutsche Bank Trust Company Americas, as depositary, has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. Further, the depositary has agreed to reimburse us certain fees payable to the depositary by holders of ADSs. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this time. We are entitled to receive approximately US$2.4 million reimbursement from the depositary for our expenses incurred in connection with investor relationship programs related to the ADS facility and the travel expense of our key personnel in connection with such programs for the period from our initial public offering in May 2014 to December 31, 2014.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Explanation of Responses:

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Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

See Item 10.B Additional Information Memorandum and Articles of Association Ordinary Shares for a description of the rights of securities holders, which remain unchanged.

The following Use of Proceeds information relates to the registration statement on Form F-1, as amended (File No. 333-193650) in relation to our initial public offering, which was declared effective by the SEC on May 21, 2014. 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. Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC were the representatives of the underwriters for our initial public offering.

For the period from May 21, 2014, the date that the F-1 Registration Statement was declared effective by the SEC, to December 31, 2014, we used the net proceeds from our initial public offering as follows:

- Approximately US$276 million to expand our fulfillment infrastructure;

- Approximately US$389 million for general corporate purposes, including funding investments and acquisitions of complementary businesses, assets and technologies.

We still intend to use the remainder of the proceeds from our initial public offering, as disclosed in our registration statements on Form F-1, for (i) the expansion of our fulfillment infrastructure by acquiring land use rights, building new warehouses and purchasing vehicles for shipping and delivery, and (ii) general corporate purposes, including funding potential investments and acquisitions of complementary businesses, assets and technologies.

We filed another registration statement on Form F-1 (Registration No. 333-200450), as amended, in relation to the sale of our ordinary shares represented by ADSs by certain shareholders in a follow-on public offering. The follow-on offering closed in December 2014, and we did not receive any of the proceeds from the sale of ADSs by the selling shareholders in the follow-on offering.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, as of December 31, 2014, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

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Management s Annual Report on Internal Control over Financial Reporting

This annual report does not include a report of management s assessment regarding internal control over financial reporting or an attestation report by our independent registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Internal Control over Financial Reporting

In connection with the audits of our consolidated financial statements as of and for the year ended December 31, 2013, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness that has been identified relates to our lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to properly address complex U.S. GAAP accounting issues and to prepare and review our consolidated financial statements and related disclosures to fulfill U.S. GAAP and SEC financial reporting requirements.

We have implemented a number of measures to address the material weakness that has been identified in connection with the audits of our consolidated financial statements as of and for the year ended December 31, 2013. We have hired additional qualified financial and accounting staff with extensive U.S. GAAP and SEC reporting experience, including our new chief financial officer. We have allocated additional resources, including staff with relevant U.S. GAAP and SEC reporting experience, to improve financial oversight function, to introduce formal business performance review process, and to prepare and review the consolidated financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirements. We have also established an ongoing program to provide appropriate training to our accounting staff, especially training related to U.S. GAAP and SEC reporting requirements. We have also been making continuous efforts to further enhance our internal audit function to enhance our monitoring of U.S. GAAP accounting and reporting matters.

As of December 31, 2014, based on an assessment performed by our management on the performance of the above mentioned remediation measures, we determined that the material weakness previously identified in our internal control over financial reporting had been remediated.

Since our initial public offering, we have become subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act requires that we include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2015. In addition, beginning at the same time, our independent registered public accounting firm must report on the effectiveness of our internal control over financial reporting. It is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm perform an audit of our internal control over financial reporting, additional internal control deficiencies may have been identified. See Item 3. Key Information D. Risk Factors Risks Relating to Our Business If we fail to develop and maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud.

Explanation of Responses:

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Changes in Internal Control over Financial Reporting

Other than as described above, there were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Louis T. Hsieh, an independent director (under the standards set forth in NASDAQ Stock Market Rule 5605(a)(2) and Rule 10A-3 under the Exchange Act) and member of our audit committee, is an audit committee financial expert.

Item 16B. Code of Ethics

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers and employees in April 2014. We have posted a copy of our code of business conduct and ethics on our website at http://ir.jd.com.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our principal external auditors, for the periods indicated.

	2013		2014	
Audit fees(1)	US$	1,803,266	US$	2,464,301
Audit-related fees(2)	US$			4,494,703
All other fees(3)	US$	468,916	US$	1,310,613

(1) Audit fees means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements and assistance with and review of documents filed with the SEC. In 2013 and 2014, the audit refers to financial audit.

(2) Audit-related fees means fees billed in each of the fiscal years listed for the issue of comfort letter, rendering of listing advice and other audit-related services.

(3) All other fees means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors associated with certain financial due diligence projects, permissible services to review and comment on internal control design over financial reporting and other advisory services.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by PricewaterhouseCoopers Zhong Tian LLP, including audit services, audit-related services, tax services and other services as described above, other than those for *de minimis* services which are approved by the audit committee prior to the completion of the audit.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

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Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 16F. Change in Registrant s Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

As a Cayman Islands company listed on NASDAQ, we are subject to the NASDAQ corporate governance listing standards. However, NASDAQ rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NASDAQ corporate governance listing standards. Currently, we do not plan to rely on home country exemption for corporate governance matters. However, if we choose to follow home country practice in the future, our shareholders may be afforded less protection than they otherwise would under the NASDAQ corporate governance listing standards applicable to U.S. domestic issuers. See Item 3.D. Key Information Risk Factors Risks Related to Our ADSs We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of JD.com, Inc., its subsidiaries and its consolidated variable interest entities are included at the end of this annual report.

Item 19. Exhibits

Exhibit Number	Description of Document
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
2.1	Registrant s Specimen American Depositary Receipt (included in Exhibit 2.3)
2.2	Registrant s Specimen Certificate for Class A Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)

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Exhibit Number	Description of Document
2.3	Deposit Agreement dated May 21, 2014 among the Registrant, the depositary and holder of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-198578), filed with the Securities and Exchange Commission on September 5, 2014)
2.4	Thirteenth Amended and Restated Shareholders Agreement between the Registrant and other parties therein dated March 10, 2014 (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.1	Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-200450), as amended, initially filed with the Securities and Exchange Commission on November 21, 2014)
4.2	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.3	Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.4	English translation of the Amended and Restated Loan Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 25, 2013 (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.5	English translation of the Amended and Restated Equity Pledge Agreements between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 25, 2013 (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.6	English translation of the Power of Attorney by the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 25, 2013 (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.7	English translation of the Amended and Restated Exclusive Technology Consulting and Service Agreement between Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated May 29, 2012 (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.8	English translation of the Amended and Restated Intellectual Property Rights License Agreement between Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 25, 2013 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)

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Exhibit Number	Description of Document
4.9	English translation of the Amended and Restated Business Cooperation Agreement between Beijing Jingdong Century Trade Co., Ltd., Shanghai Shengdayuan Information Technology Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated May 29, 2012 (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.10	English translation of the Amended and Restated Exclusive Purchase Option Agreement between Beijing Jingdong Century Trade Co., Ltd., Beijing Jingdong 360 Degree E-Commerce Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 25, 2013 (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.11	English translation of the Amended and Restated Loan Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated December 18, 2013 (incorporated herein by reference to Exhibit 10.11 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.12	English translation of the Amended and Restated Equity Pledge Agreements between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated December 18, 2013 (incorporated herein by reference to Exhibit 10.12 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.13	English translation of the Power of Attorney by the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated December 18, 2013 (incorporated herein by reference to Exhibit 10.13 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.14	English translation of the Amended and Restated Exclusive Technology Consulting and Service Agreement between Beijing Jingdong Century Trade Co., Ltd. and Jiangsu Yuanzhou E-Commerce Co., Ltd. dated May 29, 2012 (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.15	English translation of the Amended and Restated Intellectual Property Rights License Agreement between Beijing Jingdong Century Trade Co., Ltd. and Jiangsu Yuanzhou E-Commerce Co., Ltd. dated December 18, 2013 (incorporated herein by reference to Exhibit 10.15 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.16	English translation of the Amended and Restated Exclusive Purchase Option Agreement between Beijing Jingdong Century Trade Co., Ltd., Jiangsu Yuanzhou E-Commerce Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated December 18, 2013 (incorporated herein by reference to Exhibit 10.16 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)

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Exhibit Number	**Description of Document**
4.17	Share Purchase Agreement by and between the Registrant and Tencent Holdings Limited and Huang River Investment Limited dated March 10, 2014 (incorporated herein by reference to Exhibit 10.20 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.18	Share Subscription Agreement by and between the Registrant and Tencent Holdings Limited and Huang River Investment Limited dated March 10, 2014 (incorporated herein by reference to Exhibit 10.21 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.19	Strategic Cooperation Agreement by and between the Registrant and Tencent Holdings Limited dated March 10, 2014 (incorporated herein by reference to Exhibit 10.22 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.20	Subscription Agreement by and among Bitauto Holdings Limited, JD.com Global Investment Limited, JD.com, Inc. and Dongting Lake Investment Limited dated January 9, 2015 (incorporated herein by reference to Exhibit 99.2 to Schedule 13D (File No. 005-85981) filed with the Securities and Exchange Commission on February 26 , 2014)
4.21	English translation of Business Cooperation Agreement between the Registrant and Bitauto Holdings Limited, dated January 9, 2015 (incorporated herein by reference to Exhibit 99.3 to Schedule 13D (File No. 005-85981) filed with the Securities and Exchange Commission on February 26 , 2014)
4.22	Investor Rights Agreement by and among Bitauto Holdings Limited, JD.com Global Investment Limited and Dongting Lake Investment Limited dated February 16, 2015 (incorporated herein by reference to Exhibit 99.4 to Schedule 13D (File No. 005-85981) filed with the Securities and Exchange Commission on February 26 , 2014)
4.23*	English translation of Executed Form of the Equity Pledge Agreement between a wholly owned subsidiary of the Registrant and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.24*	English translation of Executed Form of the Power of Attorney by the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.25*	English translation of Executed Form of the Exclusive Technology Consulting and Service Agreement between a wholly owned subsidiary of the Registrant and a Chinese variable interest entity of the Registrant, as currently in effect
4.26*	English translation of Executed Form of the Business Cooperation Agreement between a wholly owned subsidiary of the Registrant, a Chinese variable interest entity of the Registrant, and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.27*	English translation of Executed Form of the Exclusive Purchase Option Agreement between a wholly owned subsidiary of the Registrant, a Chinese variable interest entity of the Registrant, and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.28*	English translation of Executed Form of the Loan Agreement between a wholly owned subsidiary of the Registrant and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect

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Exhibit Number	Description of Document
8.1*	List of Principal Subsidiaries and Consolidated Variable Interest Entities
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of PricewaterhouseCoopers Zhong Tian LLP
15.2*	Consent of Zhong Lun Law Firm
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** Furnished herewith

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

JD.com, Inc.

By:	/s/ Richard Qiangdong Liu	
	Name:	Richard Qiangdong Liu
	Title:	Chairman and Chief Executive Officer

Date: April 17, 2015

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JD.com, Inc.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of JD.Com, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive loss, of changes in shareholders equity and of cash flows present fairly, in all material respects, the financial position of JD.com, Inc. and its subsidiaries (collectively, the Group) at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Group s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People s Republic of China
April 17, 2015

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JD.com, Inc.

Consolidated Balance Sheets

As of December 31, 2013 and 2014

(All amounts in thousands, except for share and per share data)

	As of December 31,		
	2013	2014	
	RMB	RMB	US$ Note 2(e)
ASSETS			
Current assets			
Cash and cash equivalents	10,812,339	16,914,651	2,726,147
Restricted cash	1,887,387	3,038,286	489,683
Short-term investments	1,903,224	12,161,643	1,960,101
Accounts receivable, net	502,089	2,436,256	392,653
Advance to suppliers	769,765	930,026	149,893
Inventories, net	6,386,155	12,190,843	1,964,807
Loan receivables, net		123,344	19,879
Prepayments and other current assets	219,102	1,734,334	279,526
Amount due from related parties		412,314	66,453
Total current assets	22,480,061	49,941,697	8,049,142
Non-current assets			
Investment in equity investees	36,502	586,959	94,601
Investment securities		434,118	69,967
Property, equipment and software, net	1,024,428	2,408,438	388,170
Construction in progress	1,237,644	1,928,899	310,882
Intangible assets, net	215,802	6,877,947	1,108,524
Land use rights, net	598,853	1,067,253	172,010
Goodwill	14,649	2,622,470	422,665
Other non-current assets	401,873	625,391	100,795
Total non-current assets	3,529,751	16,551,475	2,667,614
Total assets	26,009,812	66,493,172	10,716,756
LIABILITIES			
Current liabilities (including amounts of the consolidated VIEs and VIEs subsidiaries without recourse to the primary beneficiaries of RMB952,566 and RMB2,383,405 as of December 31, 2013 and 2014, respectively. Note 1)			
Short-term bank loans	932,826	1,890,771	304,737
Accounts payable	11,018,865	16,363,671	2,637,345
Advance from customers	2,055,625	4,666,660	752,129
Deferred revenues	208,527	157,080	25,317
Taxes payable	278,256	236,160	38,062
Amount due to related parties		325,119	52,400
Accrued expenses and other current liabilities	2,269,798	5,311,832	856,113
Deferred tax liabilities	6,087	43,812	7,061
Total current liabilities	16,769,984	28,995,105	4,673,164

Total liabilities	16,769,984	28,995,105	4,673,164

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

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JD.com, Inc.

Consolidated Balance Sheets

As of December 31, 2013 and 2014

(All amounts in thousands, except for share and per share data)

	As of December 31,		
	2013	2014	
	RMB	RMB	US$ Note 2(e)
Commitments and contingencies (Note 28)			
MEZZANINE EQUITY			
Series C convertible redeemable preferred shares			
(US$0.00002 par value; 258,316,305 shares authorized, issued and outstanding as of December 31, 2013; Redemption value of RMB7,918,251 and Liquidation value of RMB1,219,380 as of December 31, 2013; None issued and outstanding as of December 31, 2014)	7,173,263		
SHAREHOLDERS EQUITY:			
Series A and A-1 convertible preferred shares			
(US$0.00002 par value; 221,360,925 shares authorized, 191,894,000 shares issued and outstanding as of December 31, 2013; None issued and outstanding as of December 31, 2014)	255,850		
Series B convertible preferred shares			
(US$0.00002 par value; 84,786,405 shares authorized, 59,539,244 shares issued and outstanding as of December 31, 2013; None issued and outstanding as of December 31, 2014)	88,241		
Ordinary shares			
(US$0.00002 par value, 2,435,536,365 shares authorized, 1,502,933,134 shares issued and 1,463,654,092 shares outstanding as of December 31, 2013; and 100,000,000,000 shares authorized, 2,237,460,751 Class A ordinary shares issued and 2,208,310,595 outstanding, 556,295,899 Class B ordinary shares issued and 523,407,762 Class B ordinary shares outstanding as of December 31, 2014)	199	358	58
Additional paid-in capital	6,251,869	47,131,172	7,596,166
Statutory reserves	2,648	15,009	2,419
Treasury stock		(4)	(1)
Accumulated deficit	(4,263,624)	(9,272,343)	(1,494,430)
Accumulated other comprehensive loss	(268,618)	(376,125)	(60,620)
Total shareholders equity	2,066,565	37,498,067	6,043,592
Total liabilities, mezzanine equity and shareholders equity	26,009,812	66,493,172	10,716,756

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

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JD.com, Inc.

Consolidated Statements of Operations and Comprehensive Loss

For the years ended December 31, 2012, 2013 and 2014

(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$ Note 2(e)
Net revenues				
Online direct sales	40,334,551	67,017,977	108,549,258	17,494,965
Services and others	1,045,970	2,321,835	6,453,059	1,040,044
Total net revenues	41,380,521	69,339,812	115,002,317	18,535,009
Operating expenses				
Cost of revenues	(37,898,387)	(62,495,538)	(101,631,443)	(16,380,015)
Fulfillment	(3,061,024)	(4,108,939)	(8,067,048)	(1,300,172)
Marketing	(1,096,765)	(1,590,171)	(4,010,280)	(646,340)
Technology and content	(636,346)	(963,653)	(1,835,919)	(295,896)
General and administrative	(639,097)	(760,338)	(5,260,064)	(847,768)
Total operating expenses	(43,331,619)	(69,918,639)	(120,804,754)	(19,470,191)
Loss from operations	(1,951,098)	(578,827)	(5,802,437)	(935,182)
Other income/(expense)				
Interest income	175,751	343,770	637,641	102,769
Interest expense	(8,324)	(8,437)	(28,825)	(4,646)
Others, net	60,325	193,555	216,587	34,907
Loss before tax	(1,723,346)	(49,939)	(4,977,034)	(802,152)
Income tax (expenses)/benefits	(6,127)	40	(19,324)	(3,114)
Net loss	(1,729,473)	(49,899)	(4,996,358)	(805,266)
Preferred shares redemption value accretion	(1,587,454)	(2,435,366)	(7,957,640)	(1,282,539)
Net loss attributable to holders of permanent equity securities	(3,316,927)	(2,485,265)	(12,953,998)	(2,087,805)
Net loss	(1,729,473)	(49,899)	(4,996,358)	(805,266)
Other comprehensive loss:				
Foreign currency translation adjustments	(7,546)	(137,921)	(121,612)	(19,600)
Net change in unrealized gains on available-for-sale securities:				
Unrealized gains, nil of tax		96,501	71,286	11,489
Reclassification adjustment for gains included in interest income, nil of tax		(73,277)	(57,181)	(9,216)
Net unrealized gains on available-for-sale securities		23,224	14,105	2,273
Total other comprehensive loss	(7,546)	(114,697)	(107,507)	(17,327)
Comprehensive loss	(1,737,019)	(164,596)	(5,103,865)	(822,593)
Net loss per share of permanent equity securities				
Basic	(2.18)	(1.47)	(5.35)	(0.86)
Diluted	(2.18)	(1.47)	(5.35)	(0.86)

Weighted average number of permanent equity securities				
Basic	1,523,639,783	1,694,495,048	2,419,668,247	2,419,668,247
Diluted	1,523,639,783	1,694,495,048	2,419,668,247	2,419,668,247
Share-based compensation expenses included in:				
Fulfillment	(77,393)	(81,013)	(128,623)	(20,730)
Marketing	(8,979)	(8,741)	(23,570)	(3,799)
Technology and content	(25,176)	(33,269)	(79,469)	(12,808)
General and administrative	(113,491)	(138,150)	(4,017,886)	(647,566)

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

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JD.com, Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2012, 2013 and 2014

(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$ Note 2(e)
Cash flows from operating activities:				
Net loss	(1,729,473)	(49,899)	(4,996,358)	(805,266)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	185,730	293,141	1,650,533	266,018
Share-based compensation	225,039	261,173	4,249,548	684,903
Allowance for doubtful accounts	(2,406)	(107)	74,332	11,980
Loss from disposal of property, equipment and software	10,982	22,726	26,043	4,197
Non-cash marketing services contributed by certain shareholder		24,682		
Deferred income tax	6,127	(40)	(4,169)	(672)
Investment losses/(income)		309	(638)	(103)
Foreign exchange (gains)/losses	(13,762)	(92,761)	28,980	4,671
Changes in operating assets and liabilities:				
Accounts receivable	(226,931)	(22,844)	(2,004,884)	(323,129)
Restricted cash	(628,358)	577,743	(689,499)	(111,127)
Inventories	(1,989,996)	(1,632,326)	(5,804,688)	(935,546)
Loan receivables			(125,935)	(20,297)
Advance to suppliers	58,651	(660,000)	(160,203)	(25,820)
Prepayments and other current assets	(30,292)	(59,684)	(1,210,697)	(195,129)
Amount due from related parties	1,500		(412,314)	(66,453)
Other non-current assets	(101,350)	(78,644)	(66,485)	(10,716)
Accounts payable	4,155,911	2,687,361	4,902,844	790,195
Advance from customers	604,053	1,158,745	2,611,035	420,823
Deferred revenues	44,252	103,258	(65,725)	(10,593)
Taxes payable	76,220	112,951	(42,615)	(6,868)
Accrued expenses and other current liabilities	754,298	928,920	2,988,499	481,658
Amount due to related parties	3,457	(4,885)	67,412	10,865
Net cash provided by operating activities	1,403,652	3,569,819	1,015,016	163,591
Cash flows from investing activities:				
Purchase of short-term investments	(2,590,000)	(9,966,200)	(19,104,408)	(3,079,071)
Maturity of short-term investments	510,000	9,166,200	7,853,607	1,265,772
Changes of deposits for capital verification		(545,000)	545,000	87,838
Purchases of investment securities			(421,133)	(67,874)
Prepayments and investments in equity investees	(2,000)	(35,133)	(434,585)	(70,042)
Cash received from disposal of investment in equity investees		1,162		
Purchase of property, equipment and software	(597,312)	(439,881)	(1,424,534)	(229,593)
Cash paid for construction in progress	(136,122)	(737,411)	(1,036,513)	(167,056)
Purchase of intangible assets	(45,300)	(10,237)	(17,935)	(2,891)

Purchase of land use rights	(369,001)	(104,552)	(423,084)	(68,189)
Cash (paid for)/received from business combination, net of cash acquired (Note 7)	(139,719)		1,260,337	203,129
Net cash used in investing activities	(3,369,454)	(2,671,052)	(13,203,248)	(2,127,977)

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

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JD.com, Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2012, 2013 and 2014

(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$ Note 2(e)
Cash flows from financing activities:				
Proceeds from issuance of ordinary shares, net	1,571,431	2,720,076	17,447,653	2,812,051
Proceeds from exercise of Warrants-C	410,164			
Proceeds from short-term bank loans	872,036	940,216	1,890,771	304,737
Repayment of short-term bank loans		(865,108)	(946,396)	(152,531)
Net cash provided by financing activities	2,853,631	2,795,184	18,392,028	2,964,257
Effect of exchange rate changes on cash and cash equivalents	688	(58,906)	(101,484)	(16,357)
Net increase in cash and cash equivalents	888,517	3,635,045	6,102,312	983,514
Cash and cash equivalents at beginning of year	6,288,777	7,177,294	10,812,339	1,742,633
Cash and cash equivalents at end of year	7,177,294	10,812,339	16,914,651	2,726,147
Supplemental disclosures of non-cash financing activities:				
Conversion of preferred shares to ordinary shares		38,176	15,474,994	2,494,116
Issuance of ordinary shares in connection with Tencent Transactions, net			11,644,310	1,876,722
Certain time deposits pledged for short-term bank loan			2,000,000	322,341

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

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JD.com, Inc.

Consolidated Statements of Changes in Shareholders Equity

For the years ended December 31, 2012, 2013 and 2014

(All amounts in thousands, except for share and per share data)

	Ordinary shares		Treasury stock		Series A and A-1 convertible preferred shares		Series B convertible preferred shares		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive loss	Warrants	A
	Shares	Amount RMB	Shares	Amount RMB	Shares	Amount RMB	Shares	Amount RMB	RMB	RMB	RMB	RMB	
Balance as of December 31, 2011	1,211,469,630	163	(48,679,075)	(11,712)	191,894,000	255,850	84,786,405	126,417	5,025,325		(146,375)	15,327	
Issuance of ordinary shares	63,117,901	8							1,571,423				
Exercise of Warrants-C	83,952,800	11							424,589		891	(15,327)	
Share based compensation			10,595,589	3,931					221,108				
Preferred shares redemption value accretion									(1,587,454)				
Net loss													
Foreign currency translation adjustment											(8,437)		
Statutory reserves										1,838			
Balance as of December 31, 2012	1,358,540,331	182	(38,083,486)	(7,781)	191,894,000	255,850	84,786,405	126,417	5,654,991	1,838	(153,921)		
Issuance of ordinary shares	119,145,642	14	(9,960,005)						2,720,062				
Conversion of series B preferred shares to ordinary shares	25,247,161	3					(25,247,161)	(38,176)	34,108		4,065		
Share based compensation			8,764,449	7,781					253,392				
Preferred shares redemption value accretion									(2,435,366)				
Net loss													
Foreign currency translation adjustment											(141,986)		
Fair value changes of available for sale securities											23,224		

Non-cash marketing services contributed by certain shareholder									24,682		
Statutory reserves										810	
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)
Issuance of ordinary shares	657,292,997	80							29,091,883		
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)		
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		
Exercise of share options			849,844						20,593		
Share based compensation	93,780,970	12	6,390,905						4,249,536		
Net loss											
Foreign currency translation adjustment											(121,612)
Fair value changes of available for sale securities											14,105
Statutory reserves										12,361	
Balance as of December 31, 2014	2,793,756,650	358	(62,038,293)	(4)					47,131,172	15,009	(376,125)

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

Explanation of Responses:

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JD.com, Inc.

Notes to the Consolidated Financial Statements

(All amounts in thousands, except for share and per share data)

1. Principal activities and organization

JD.com, Inc. (the Company , formerly known as 360buy Jingdong Inc. and Starwave Investments Holdings Limited), through its wholly-owned subsidiaries, variable interest entities (VIEs) and VIEs subsidiaries (collectively, the Group) serves consumers through its retail website jd.com and focuses on selection, price and convenience. The Group also offers programs that enable third party sellers to sell their products on its website and to fulfill the orders either by the sellers or through the Group (known as online marketplace). The Group s principal operations and geographic markets are in the People s Republic of China (PRC). The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries, VIEs and VIEs subsidiaries.

As of December 31, 2014, the Company s major subsidiaries, VIEs and VIEs subsidiaries are as follows:

Subsidiaries	**Equity interest held**	**Place and Date of incorporation or date of acquisition**
Beijing Jingdong Century Trade Co., Ltd. (Jingdong Century)	100%	Beijing, China, April 2007
Guangzhou Jingdong Trading Co., Ltd.	100%	Guangzhou, China, July 2007
Shanghai Yuanmai Trading Co., Ltd.	100%	Shanghai, China, August 2007
Jiangsu Jingdong Information Technology Co., Ltd.	100%	Jiangsu, China, June 2009
Chengdu Jingdong Century Trading Co., Ltd.	100%	Chengdu, China, December 2009
Beijing Jingdong Century Information Technology Co., Ltd.	100%	Beijing, China, September 2010
Wuhan Jingdong Century Trading Co., Ltd.	100%	Wuhan, China, February 2011
Shanghai Shengdayuan Information Technology Co., Ltd. (Shanghai Shengdayuan)	100%	Shanghai, China, April 2011
Jingdong E-Commerce (Express) Hong Kong Co., Ltd.	100%	Hong Kong, China, August 2011
Jingdong Technology Group Corporation	100%	Cayman Islands, November 2011
Shenyang Jingdong Century Trading Co., Ltd.	100%	Shenyang, China, January 2012
Jingdong Logistics Group Corporation	100%	Cayman Islands, January 2012
Jingdong E-Commerce (Logistics) Hong Kong Co., Ltd.	100%	Hong Kong, China, February 2012
Jingdong E-Commerce (Trade) Hong Kong Co., Ltd.	100%	Hong Kong, China, February 2012
Beijing Jingdong Shangke Information Technology Co., Ltd (Beijing Shangke).	100%	Beijing, China, March 2012
Tianjin Star East Co., Ltd.	100%	Tianjin, China, April 2012
Beijing Jingbangda Trade Co., Ltd.	100%	Beijing, China, August 2012

VIEs	**Economic interest held**	**Place and Date of incorporation or date of acquisition**
Beijing Jingdong 360 Degree E-commerce Co., Ltd. (Jingdong 360)	100%	Beijing, China, April 2007
Fortune Rising Holdings Ltd. (Fortune Rising)	100%	British Virgin Islands, May 2008
Jiangsu Yuanzhou E-commerce Co., Ltd. (Jiangsu Yuanzhou)	100%	Jiangsu, China, September 2010

VIEs Subsidiaries		
Chinabank Payment Business Services Co., Ltd. (Chinabank Payment)	100%	Beijing, China, Acquired in October 2012
Chinabank Payment Technology Co., Ltd. (Chinabank Payment Technology)	100%	Beijing, China, Acquired in October 2012

Organization

The Company was incorporated in the British Virgin Islands (BVI) in November 2006 and was re-domiciled in the Cayman Islands in January 2014 as an exempted company registered under the laws of the Cayman Islands, and was renamed as JD.com, Inc.

In April 2007, the Company established Jingdong Century as wholly foreign-owned enterprise in the PRC. In April 2007 and September 2010, Jingdong 360 and Jiangsu Yuanzhou were incorporated in the PRC, respectively. The paid-in capital of these entities were funded by the Company, and they were established to facilitate the Group s operation and business expansion plans and to comply with the PRC laws and regulations which prohibit or restrict foreign ownership of the companies where the PRC operating licenses are required. By entering into a series of agreements, Jingdong 360 and Jiangsu Yuanzhou became VIEs of Jingdong Century. Consequently, Jingdong Century became the primary beneficiary of Jingdong 360 and Jiangsu Yuanzhou.

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JD.com, Inc.

Notes to the Consolidated Financial Statements

(All amounts in thousands, except for share and per share data)

1. Principal activities and organization (Continued)

In May 2008, Fortune Rising, a BVI incorporated company and a consolidated variable interest entity of the Group, was established by the Group to facilitate the adoption of the Company s stock incentive plans.

Variable interest entities

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its website and other restricted businesses in the PRC through certain PRC domestic companies, whose equity interests are held by certain management members of the Company (Nominee Shareholders). The Company obtained control over these PRC domestic companies by entering into a series of contractual arrangements with these PRC domestic companies and their respective Nominee Shareholders. These contractual agreements include loan agreements, exclusive purchase option agreements, exclusive technology consulting and services agreements, intellectual property rights license agreement, equity pledge agreements, powers of attorney and business cooperation agreements. These contractual agreements can be extended at Jingdong Century s option prior to the expiration date. As a result, the Company maintains the ability to control these PRC domestic companies, is entitled to substantially all of the economic benefits from these PRC domestic companies and is obligated to absorb expected losses of these PRC domestic companies. Management concluded that these PRC domestic companies are VIEs of the Company, of which the Company is the ultimate primary beneficiary. As such, the Group consolidated the financial results of these PRC domestic companies and their subsidiaries in the Group s consolidated financial statements. Refer to Note 2(b) to the consolidated financial statements for the principles of consolidation.

The following is a summary of the contractual agreements (collectively, Contractual Agreements) that the Company, through Jingdong Century and Shanghai Shengdayuan, entered into with the VIEs and their Nominee Shareholders:

• ***Loan agreements***

Pursuant to the relevant loan agreements, Jingdong Century has granted interest-free loans to the relevant Nominee Shareholders of the VIEs with the sole purpose of providing funds necessary for the capital injection to the relevant VIEs. The loans for initial and subsequent capital injections are eliminated with the capital of the relevant VIEs during consolidation. Jingdong Century can require the Nominee Shareholders to settle the loan amount through the equity interests of relevant VIEs, subject to any applicable PRC laws, rules and regulations. The loan agreements are renewable upon expiration.

• ***Exclusive purchase option agreements***

The Nominee Shareholders of the VIEs have granted Jingdong Century the exclusive and irrevocable right to purchase from the Nominee Shareholders, to the extent permitted under PRC laws and regulations, part or all of the equity interests in these entities for a purchase price equal to the lowest price permitted by PRC laws and regulations. Jingdong Century may exercise such option at any time. In addition, the VIEs and their Nominee Shareholders agree that without prior written consent of Jingdong Century, they will not transfer or otherwise dispose the equity interests or declare any dividend.

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JD.com, Inc.

Notes to the Consolidated Financial Statements

(All amounts in thousands, except for share and per share data)

1. Principal activities and organization (Continued)

• ***Exclusive technology consulting and services agreements***

Jingdong Century and relevant VIEs entered into exclusive technology consulting and services agreements under which relevant VIEs engage Jingdong Century as their exclusive provider of technical platform and technical support, maintenance and other services. The VIEs shall pay to Jingdong Century service fees determined based on the volume and market price of the service provided. Jingdong Century shall exclusively own any intellectual property arising from the performance of the agreements. During the term of the agreement, relevant VIEs may not enter into any agreement with third parties for the provision of identical or similar services without prior consent of Jingdong Century.

• ***Intellectual property rights license agreement***

Pursuant to the intellectual property rights license agreement, Jingdong Century grants Jingdong 360 non-exclusive rights to use certain software products, trademarks, website, copyrights, and domain names developed or owned by Jingdong Century within the scope of internet information service operation of Jingdong 360 and in the territory of PRC. Jingdong 360 agrees to pay license fees to Jingdong Century and the amount of the license fee is at least RMB10 per year, subject to annual evaluation and adjustment.

• ***Equity pledge agreements***

Pursuant to the relevant equity pledge agreements, the Nominee Shareholders of the VIEs have pledged all of their equity interests in relevant VIEs to Jingdong Century as collateral for all of their payments due to Jingdong Century and to secure their obligations under the above agreements. The Nominee Shareholders may not transfer or assign the equity interests, the rights and obligations in the share pledge agreements or create or permit to create any pledges which may have an adverse effect on the rights or benefits of Jingdong Century without Jingdong Century preapproval. Jingdong Century is entitled to transfer or assign in full or in part the equity interests pledged. In the event of default, Jingdong Century as the pledgee, will be entitled to request immediate repayment of the loans or to dispose of the pledged equity interests through transfer or assignment. The equity pledge agreements will expire on the second anniversary of the date when the Nominee Shareholders have completed all their obligations under the above agreements unless otherwise terminated earlier by Jingdong Century.

• ***Power of attorney***

Pursuant to the irrevocable power of attorney, each of the Nominee Shareholders appointed any person designated by Jingdong Century as their attorney-in-fact to exercise all shareholder rights under PRC law and the relevant articles of association, including but not limited to, voting on their behalf on all matters requiring shareholder approval, disposing of all or part of the Nominee Shareholders equity interests, and electing, appointing or removing directors and the general manager. Each power of attorney will remain in force during the period when the Nominee Shareholders continue to be shareholders of the VIEs. Each Nominee Shareholders has waived all the rights which have been authorized to the person designated by Jingdong Century under each power of attorney.

• ***Business cooperation agreement***

Pursuant to the business cooperation agreement, Jingdong 360 agrees to provide to Jingdong Century and Shanghai Shengdayuan services, including operating our website, posting Jingdong Century s and Shanghai Shengdayuan s product and service information on the website, transmitting the users order and transaction information to Jingdong Century and Shanghai Shengdayuan, processing user data and transactions in collaboration with banks and payment agents and other services reasonably requested by Jingdong Century and Shanghai Shengdayuan. Jingdong Century and Shanghai Shengdayuan agree to pay service fees to Jingdong 360 on a quarterly basis. The service fee should be 105% of Jingdong 360 s operating costs incurred in the previous quarter, but in no event more than RMB20 per quarter.

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JD.com, Inc.

Notes to the Consolidated Financial Statements

(All amounts in thousands, except for share and per share data)

1. Principal activities and organization (Continued)

• ***Risks in relations to the VIE structure***

In the opinion of management, Jingdong Century s Contractual Arrangements with the VIEs and the Nominee Shareholders are in compliance with PRC laws and regulations and are legally binding and enforceable. The Nominee Shareholders are also shareholders or nominees of shareholders of the Company and therefore have no current interest in seeking to act contrary to the contractual arrangements. However, there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations including those that govern the Group s contractual arrangements, which could limit the Group s ability to enforce these contractual arrangements and if the Nominee Shareholders of the VIEs were to reduce their interests in the Company, their interest may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual arrangements. The Company s ability to control the VIEs also depends on the power of attorney Jingdong Century has to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Company believes these power of attorney are legally enforceable but may not be as effective as direct equity ownership. In addition, if the Group s corporate structure and contractual arrangements with the VIEs through which the Group conducts its business in PRC were found to be in violation of any existing or future PRC laws and regulations, the relevant PRC regulatory authorities could:

• revoke or refuse to grant or renew the Group s business and operating licenses;

• restrict or prohibit related party transactions between Jingdong Century and its subsidiaries, the VIEs;

• impose fines, confiscate income or other requirements which the Group may find difficult or impossible to comply with;

• require the Group to alter the corporate structure operations; and

• restrict or prohibit the Group s ability to finance its operations.

The imposition of any of these government actions could result in a material adverse effect on the Group s ability to conduct its operations. In such case, the Group may not be able to operate or control the VIEs, which may result in deconsolidation of the VIEs in the Group s consolidated financial statements. In the opinion of management, the likelihood for the Company to lose such ability is remote based on current facts and circumstances. The Company s operations depend on the VIEs to honor their contractual agreements with the Company. Almost all of these agreements are governed by PRC law and disputes arising out of these agreements are expected to be decided by arbitration in China. The management believes that each of the contractual agreements constitutes valid and legally binding obligations of each party to such contractual agreements under PRC Laws. However, the interpretation and implementation of the laws and regulations in the PRC and their application to an effect on the legality, binding effect and enforceability of contracts are subject to the discretion of competent PRC authorities, and therefore there is no assurance that relevant PRC authorities will take the same position as the Group herein in respect of the legality, binding effect and enforceability of each of the contractual agreements. Meanwhile, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to the Company to enforce the contractual arrangements should the VIEs or the Nominee Shareholders of the VIEs fail to perform their obligations under those arrangements.

The following table sets forth the assets, liabilities, results of operations and changes in cash and cash equivalents of the VIEs and their subsidiaries taken as a whole, which were included in the Company s consolidated financial statements with intercompany transactions eliminated:

	As of December 31,	
	2013	**2014**
	RMB	**RMB**
Total assets	1,285,176	3,784,170
Total liabilities	1,642,412	4,180,518

		For the year ended December 31,	
	2012	**2013**	**2014**
	RMB	**RMB**	**RMB**
Total net revenues	1,310,602	2,023,143	3,431,134
Net loss	(159,177)	(206,144)	(41,228)

		For the year ended December 31,	
	2012	**2013**	**2014**
	RMB	**RMB**	**RMB**
Net cash provided by /(used in) operating activities	173,830	(144,315)	1,450,744
Net cash used in investing activities	(183,542)	(22,659)	(494,633)
Net cash provided by financing activities	240,490	262,270	438,891
Net increase in cash and cash equivalents	230,778	95,296	1,395,002
Cash and cash equivalents at beginning of year	7,304	238,082	333,378
Cash and cash equivalents at end of year	238,082	333,378	1,728,380

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JD.com, Inc.

Notes to the Consolidated Financial Statements

(All amounts in thousands, except for share and per share data)

1. Principal activities and organization (Continued)

As of December 31, 2013 and 2014, the total assets of the Group s VIEs and VIEs subsidiaries were mainly consisting of cash and cash equivalents, accounts receivable, inventories, prepayments and other current assets and intangible assets. As of December 31, 2013 and 2014, the total liabilities of the VIEs and VIEs subsidiaries were mainly consisting of accounts payable and liabilities to the Group s other subsidiaries. These balances have been reflected in the Group s consolidated financial statements with intercompany transactions eliminated.

In accordance with the Contractual Agreements, Jingdong Century has the power to direct activities of the Group s VIEs and VIEs subsidiaries, and can have assets transferred out of the Group s VIEs and VIEs subsidiaries. Therefore, Jingdong Century considers that there is no asset in the Group s VIEs and VIEs subsidiaries that can be used only to settle their obligations except for registered capitals of the Group s VIEs amounting to RMB44,000 as of December 31, 2014. As the Group s VIEs and VIEs subsidiaries are incorporated as limited liability companies under the PRC Company Law, the creditors do not have recourse to the general credit of Jingdong Century for all the liabilities of the Group s VIEs and VIEs subsidiaries. The total shareholders deficit of the Group s VIEs and VIEs subsidiaries was RMB357,236 and RMB396,348 as of December 31, 2013 and 2014, respectively.

Currently there is no contractual arrangement that could require Jingdong Century or the Group to provide additional financial support to the Group s VIEs and VIEs subsidiaries. As the Group is conducting certain businesses in the PRC through the VIEs and VIEs subsidiaries, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss.

There is no VIE where the Company or any subsidiary has a variable interest but is not the primary beneficiary.

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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

a. Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP). Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

b. Principles of consolidation

The consolidated financial statements of the Group have been prepared in accordance with U.S. GAAP. The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIEs and VIEs subsidiaries for which the Company is the ultimate primary beneficiary. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors.

A VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, bears the risks of, and enjoys the rewards normally associated with, ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity.

All transactions and balances among the Company, its subsidiaries, the VIEs and VIEs subsidiaries have been eliminated upon consolidation.

c. Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent liabilities at the balance sheet date, and the reported revenues and expenses during the reported period in the consolidated financial statements and accompanying notes. Significant accounting estimates are used for, but not limited to, sales returns, vendor and customer incentives, the valuation and recognition of share-based compensation arrangements, realization of deferred tax assets, fair value of assets and liabilities acquired in business combinations, assessment for impairment of long-lived assets, investment in equity investees, investment securities, intangible assets and goodwill, allowance for doubtful accounts, inventory valuation for excess and obsolete inventories, lower of cost and market value of inventories, depreciable lives of property, equipment and software, useful life of intangible assets and redemption value of the redeemable preferred shares. Actual results may differ materially from those estimates.

d. Foreign currency translation

The Group s reporting currency is Renminbi (RMB). The functional currency of the Group s entities incorporated in Cayman Islands, British Virgin Islands (BVI) and Hong Kong (HK) is the United States dollars (US$). The Group s PRC subsidiaries, VIEs and VIEs subsidiaries determined their functional currency to be RMB. The determination of the respective functional currency is based on the criteria of ASC 830, *Foreign Currency Matters*.

Transactions denominated in currencies other than functional currency are translated into functional currency at the exchange rates quoted by authoritative banks prevailing at the dates of the transactions. Exchange gains and losses resulting from those foreign currency transactions denominated in a currency other than the functional currency are recorded as a component of Others, net in the Consolidated Statements of Operations and Comprehensive Loss. Total exchange gains were RMB13,762 and RMB92,761 for the years ended December 31, 2012 and 2013, respectively, and total exchange losses were RMB28,980 for the year ended December 31, 2014.

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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)

d. Foreign currency translation(Continued)

The financial statements of the Group are translated from the functional currency into RMB. Assets and liabilities denominated in foreign currencies are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than earnings generated in current period are translated into RMB at the appropriate historical rates. Revenues, expenses, gains and losses are translated into RMB using the periodic average exchange rates. The resulting foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income or loss in the Consolidated Statements of Changes in Shareholders Equity. Total foreign currency translation adjustment losses were RMB7,546, RMB137,921 and RMB121,612 for the years ended December 31, 2012, 2013 and 2014, respectively. The grant-date fair value of the Group s share-based awards is reported in US$ as the respective valuation is conducted on US$ basis.

e. ***Convenience translation***

Translations of balances in the Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Loss and Consolidated Statements of Cash Flows from RMB into US$ as of and for the year ended December 31, 2014 are solely for the convenience of the readers and were calculated at the rate of US$1.00=RMB6.2046, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 31, 2014. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on December 31, 2014, or at any other rate.

f. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, time deposits, as well as highly liquid investments, some of which are subject to certain penalty as to early withdrawal, which have original maturities of three months or less.

g. Restricted cash

Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the Consolidated Balance Sheets, and is not included in the total cash and cash equivalents in the Consolidated Statements of Cash Flows. The Group s restricted cash mainly represents (a) the secured deposits held in designated bank accounts for issuance of bank acceptance and letter of guarantee; (b) time deposits that are pledged for short-term loan; and (c) deposits held in designated bank accounts for capital verification of establishment of new entities.

h. Short-term investments

The Group classifies the short-term investment in debt securities as available-for-sale . The Group made certain deposits with variable interest rates or principal not-guaranteed with certain financial institutions. These investments were recorded at fair market value with the unrealized gains or losses recorded as a component of accumulated other comprehensive income in the Consolidated Statements of Changes in Shareholders Equity. Realized gains are reflected as a component of interest income.

In addition, short-term investments are also comprised of time deposits placed with banks with original maturities longer than three months but less than one year.

The Group assesses whether there are any other-than-temporary impairment to its short-term investments due to declines in fair value or other market conditions. Declines in fair values that are considered other-than-temporary are recorded as an impairment loss in the Consolidated Statements of Operations and Comprehensive Loss. No impairment losses were recorded for the years ended December 31, 2012, 2013 and 2014.

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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)

i. Accounts receivable, net

Accounts receivable, net mainly represents amounts due from customers and online payment channels, are recorded net of allowance for doubtful accounts. The Group considers many factors in assessing the collectability of its accounts receivable, such as, the age of the amounts due, the customer s payment history, credit-worthiness, financial conditions of the customers and industry trend. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. The Group also makes specific allowance if there is strong evidence indicating that the accounts receivable is likely to be unrecoverable. Accounts receivable balances are written off after all collection efforts have been exhausted.

j. 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.

k. Investment in equity investees

Investment in equity investees represent the Company s investments in privately held companies. The Company applies the equity method of accounting to account for an equity investment, in common stock or in-substance common stock, according to ASC 323 Investment Equity Method and Joint Ventures , over which it has significant influence but does not own a majority equity interest or otherwise control.

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

For other equity investments that are not considered as debt securities or equity securities that have readily determinable fair values and over which the Company has neither significant influence nor control through investments in common stock or in-substance common stock, the cost method of accounting is used.

The Company continually reviews its investment in equity investees to determine whether a decline in fair value to below the carrying value is other than temporary. The primary factors the Company considers in its determination are the length of time that the fair value of the investment is below the Company s carrying 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. No impairment charges were recorded for the years ended December 31, 2012, 2013 and 2014, respectively.

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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)

l. Loan receivables, net

Loan receivables consist primarily of micro loans services to small and medium size enterprises that are merchants on the Group s online marketplace. Such amounts are recorded at the principal amount less allowance for doubtful accounts relating to micro loans, and include accrued interest receivable as of the balance sheet date. Allowance for doubtful accounts relating to micro loans represents the Group s best estimate of the losses inherent in the outstanding portfolio of loans. The loan periods extended by the Group to the merchants generally range from 7 days to 182 days. Judgment is required to determine the allowance amounts and whether such amounts are adequate to cover potential bad debts, and periodic 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, 2014, allowance for doubtful accounts relating to micro loans was insignificant.

m. Investment securities

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

n. Property, equipment and software, net

Property, equipment and software are stated at cost less accumulated depreciation and impairment. Property, equipment and software are depreciated at rates sufficient to write off their costs less impairment and residual value, if any, over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

Category	Estimated Useful lives
Electronic equipment	3 years
Office equipment	5 years
Vehicles	5 years
Logistic and warehouse equipment	5 years
Leasehold improvement	Over the shorter of the expected life of leasehold improvements or the lease term
Software	3-5 years
Building	40 years

Repairs and maintenance costs are charged to expenses as incurred, whereas the cost of renewals and betterment that extends the useful lives of property, equipment and software are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the costs, accumulated depreciation and impairment with any resulting gain or loss recognized in the Consolidated Statements of Operations and Comprehensive Loss.

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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)

o. Construction in progress

Direct costs that are related to the construction of property, equipment and software and incurred in connection with bringing the assets to their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property, equipment and software items and the depreciation of these assets commences when the assets are ready for their intended use. As of December 31, 2013 and 2014, the balance of construction in progress were RMB1,237,644 and RMB1,928,899, which was primarily related to the construction of office buildings and warehouses.

p. Intangible assets, net

Domain name and copyrights

Domain name and copyrights purchased from third parties are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives of approximately ten years and two to five years, respectively.

Intangible assets arising from business combination

The Group performs valuation of the intangible assets arising from business combination to determine the relative fair value to be assigned to each asset acquired. The acquired intangible assets are recognized and measured at fair value and are expensed or amortized using the straight-line approach over the estimated economic useful life of the assets.

q. Land use rights, net

Land use rights are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives which are generally 50 years and represent the shorter of the estimated usage periods or the terms of the agreements.

r. Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired in a business combination.

Goodwill is not depreciated or amortized but is tested for impairment on an annual basis as of December 31, and in between annual tests when an event occurs or circumstances change that could indicate that the asset might be impaired. In accordance with the FASB guidance on Testing of Goodwill for Impairment, a company first has the option to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the company decides, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount of each reporting unit exceeds its fair value, an impairment loss equal to the difference between the implied fair value of the reporting unit s goodwill and the carrying amount of goodwill will be recorded. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

No impairment loss was recognized for any of the periods presented.

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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)

s. Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets. No impairment charge was recognized for any of the periods presented.

t. Fair value

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

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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)

u. Revenue

The Group engages primarily in the sale of electronics and home appliance products and general merchandise products (including audio, video products and books) sourced from manufacturers, distributors and publishers in China on the internet through its website jd.com. The Group also offers an online marketplace that enables third-party sellers to sell their products to customers on jd.com. Customers place their orders for products online through the website jd.com. Payment for the purchased products is generally made either before delivery or upon delivery.

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

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

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

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

The Group also sells prepaid cards which can be redeemed to purchase products sold by the Group. 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 for the sales of the respective product when the prepaid cards are redeemed.

Revenue is recorded net of value-added taxes, business taxes and related surcharges.

Online Direct Sales

The Group primarily sells electronics and home appliance products and general merchandise products through online direct sales. The Group recognizes the revenues from the online direct sales on a gross basis as the Group is primarily obligated in these transactions, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has met several but not all of these indicators. Revenues from the sales of electronics and home appliance products were RMB34,011,756, RMB56,814,078 and RMB90,890,026, and revenues from the sales of general merchandise products were RMB6,322,795, RMB10,203,899 and RMB17,659,232, for the years ended December 31, 2012, 2013 and 2014, 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)

u. Revenue (Continued)

Services and Others

The revenues of services and others primarily consist of fees charged to third-party sellers for participating in the Group s online marketplace, where the Group generally is not the primary obligor, does not bear the inventory risk, does not have the ability to establish the price and control the related shipping services when utilized by the online marketplace merchants. Upon successful sales at jd.com, the Group will charge the third-party sellers a negotiated amount or a fixed rate commission fee based on the sales amount. Commission fee revenues are recognized on a net basis at the point of delivery of products, net of return allowance.

The Group also provides online marketing services to merchants and suppliers on its various website channels and third party marketing affiliate s websites, including but not limited to advertising placements such as banners, links, logos and buttons, and pay for performance marketing services on which merchants and suppliers are charged based on click on their products or service listings. The Group recognizes revenues from advertising placements ratably over the period during which the advertising services were provided, and recognizes revenues from pay for performance marketing services based on effective clicks. Advertising arrangements involving multiple deliverables are allocated into single-element arrangements based on their relative selling price in the absence of both vendor specific objective evidence and third party evidence, and the related revenue is recognized over the period during which the element is provided. Significant assumptions and estimates have been made in estimating the relative selling price of each single-element, and changes in judgments on these assumptions and estimates could materially impact the timing of advertising revenue recognition. The Group did not enter into material advertising-for-advertising barter transactions, or any other types of barter transactions.

The Group earns transaction fees from processing transactions for online payment customers. Revenues resulting from these transactions are recognized when transactions are completed. Transaction fee is charged based on certain criteria (such as account type and volume of payments received per month) for funds they receive.

The Group offers comprehensive customer services, primarily include 7*24 hours customer service to respond to customer post-sales requests, return and exchange service to facilitate customer s return, exchange and repair of defective goods. These services are free of charge. The Group also provides return/exchange logistic service to the customers, of which the revenues recognized was not material for the periods presented.

v. Customer incentives and loyalty programs

The Group provides two types of discounted coupons, referred to as D Coupons and J Coupons, for free to its customers to incentivize purchase.

- D Coupons are given to a customer upon their current purchase or can be given for free to promote future purchases. This coupon requires the customer to make future purchase of a minimum value in order to enjoy the value provided by the coupon. The right to purchase discounted products in the future is not considered an element of an arrangement within the scope of the multiple-element arrangements guidance in ASC 605, as the right does not represent a significant and incremental discount to the customer. The Group assesses the significance of the discount by considering its percentage of the total future minimum purchase value, historical usage pattern by the customers and relative outstanding volume and monetary value of D Coupons compared to the other discounts offered by the Group. D Coupons are accounted for as a reduction of revenue on the future purchase.

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)

v. Customer incentives and loyalty programs (Continued)

- J Coupons are given to a customer that has made a qualified purchase and is to be used on a future purchase, with no limitation as to the minimum value of the future purchase. Accordingly, the Group has determined that J Coupons awarded during a purchase activity are considered an element of an arrangement within the scope of ASC 605-25, as the J Coupons represent a significant and incremental discount to the customer. Therefore, the delivered products and the J Coupons awarded are treated as separate unit of accounting. The selling price of the J Coupons awarded is generally determined by management s best estimate of the selling price in the absence of both vendor specific objective evidence and third party evidence. The amount allocated to the J Coupons is deferred and recognized when the J Coupons are redeemed or at the coupon s expiration, whichever occurs first. J Coupons have an expiration of one year after issuance. For the years ended December 31, 2012, 2013 and 2014, the amount of expired J Coupons was not material.

Registered customers may also earn loyalty points or J Beans, which was launched in October 2013, based on certain activities performed on the Group s website such as purchasing merchandise or reviewing their buying experiences. Customers may redeem the loyalty points for J Coupons or J Beans to be used for future purchase of selected items without minimum purchase requirements. The Group considers loyalty points and J Beans awarded from sales of products and reviewing buying experiences to be part of its revenue generating activities, and such arrangements are considered to have multiple elements. Therefore, the sales consideration is allocated to the products and loyalty points or J Beans based on the relative selling price of the products and loyalty points or J Beans awarded. Consideration allocated to the loyalty points or J Beans is initially recorded as deferred revenues, and recognized as revenues when the J Coupons for which the loyalty points are redeemed are used, or when J Beans are used or expired. In October 2014, the Group terminated its loyalty points program and transferred all of the loyalty points to J Beans for the customer. J Beans will expire at the subsequent year end after issuance. For the year ended December 31, 2014, the amount of expired J Beans was not material.

w. Cost of revenues

Cost of revenues consists of purchase price of products, inbound shipping charges, write-downs of inventory and traffic acquisition costs related to online marketing services. Shipping charges to receive products from the suppliers are included in the inventories, and recognized as cost of revenues upon sale of the products to the customers. Payment processing and related transaction costs, including those associated with the sales transactions as well as packaging material costs, are classified in fulfillment in the Consolidated Statements of Operations and Comprehensive Loss.

x. Rebates and subsidies

The Group periodically receives consideration from certain vendors, representing rebates for products sold and subsidies for the sales of the vendors products over a period of time. The rebates are not sufficiently separable from the Group s purchase of the vendors products and they do not represent a reimbursement of costs incurred by the Group to sell vendors products. The Group accounts for the rebates received from its vendors as a reduction to the price it pays for the products purchased and therefore the Group records such amounts as a reduction of cost of revenues when recognized in the Consolidated Statements of Operations and Comprehensive Loss. Rebates are earned based on reaching minimum purchase thresholds for a specified period. When volume rebates can be reasonably estimated based on the Group s past experiences and current forecasts, a portion of the rebate is recognized as the Group makes progress towards the purchase threshold. Subsidies are calculated based on the volume of products sold through the Group and are recorded as a reduction of cost of revenues when the sales have been completed and the amount is determinable.

y. Fulfillment

Fulfillment costs represent packaging material costs and those costs incurred in outbound shipping, operating and staffing the Group s fulfillment and customer service centers, including costs attributable to buying, receiving, inspecting and warehousing inventories; picking, packaging and preparing customer orders for shipment; processing payment and related transaction costs and responding to inquiries from customers. Fulfillment costs also contain third party transaction fees, such as credit card processing and debit card processing fees. Shipping cost amounted to RMB1,615,912, RMB2,068,781 and RMB4,077,586 for the years ended December 31, 2012, 2013 and 2014, respectively.

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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)

z. Marketing

Marketing expenses consist primarily of advertising costs and related expenses for personnel engaged in marketing and business development activities.

Advertising costs, which consist primarily of online advertising, offline television, movie and outdoor advertising, are expensed as incurred, and totaled RMB1,015,991, RMB1,491,467 and RMB2,780,642 for the years ended December 31, 2012, 2013 and 2014, respectively.

aa. Technology and content

Technology and content expenses consist primarily of technology infrastructure expenses and payroll and related expenses for employees involved in platform development, category expansion, editorial content, buying and merchandising selection systems support, as well as costs associated with the compute, storage and telecommunications infrastructure for internal use that supports the Group s web services. Technology and content expenses are expensed as incurred. Software development costs are recorded in Technology and content as incurred as the costs qualifying for capitalization have been insignificant.

bb. General and administrative

General and administrative expenses consist of payroll and related expenses for employees involved in general corporate functions, including accounting, finance, tax, legal and human relations; costs associated with use by these functions of facilities and equipment, such as depreciation expenses, rental and other general corporate related expenses.

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(All amounts in thousands, except for share and per share data)

2. Summary of significant accounting policies (Continued)

cc. Share-based compensation

The Company grants non-vested ordinary shares, restricted share units (RSUs) and share options to eligible employees, non-employee consultants and the Founder of the Company and accounts for these share-based awards in accordance with ASC 718 *Compensation Stock Compensation* and ASC 505-50 *Equity-Based Payments to Non-Employees.*

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

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

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

Founder share-based awards are measured at the grant date fair value of the awards and recognized as expenses based on the probable outcome of the performance conditions.

If a share-based award is modified after the grant date, the Company evaluate for such modifications in accordance with ASC 718 *Compensation Stock Compensation* and the modification is determined to be a probable-to-probable (Type 1) modification, additional compensation expenses are recognized in an amount equal to the excess of the fair value of the modified equity instrument over the fair value of the original equity instrument immediately before modification. The additional compensation expenses are recognized immediately on the date of modification or over the remaining requisite service period, depending on the vesting status of the award.

Prior to our initial public offering, the fair value of the non-vested ordinary shares and RSUs were assessed using the income approach/discounted cash flow method, with a discount for lack of marketability given that the shares underlying the awards were not publicly traded at the time of grant. This assessment required complex and subjective judgments regarding the Company s projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants were made. In addition, the binomial option-pricing model is used to measure the value of share options. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee and non-employee share option exercise behavior, risk-free interest rates and expected dividends. Binomial option-pricing model incorporates the assumptions about grantees future exercise patterns. The fair value of these awards was determined partly in reliance on a valuation report prepared by an independent valuation firm using management s estimates and assumptions.

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

The assumptions used in share-based compensation expense recognition represent management s best estimates, but these estimates involve inherent uncertainties and application of management judgment. If factors change or different assumptions are used, the share-based compensation expenses could be materially different for any period. Moreover, the estimates of fair value of the awards are not intended to predict actual future events or the value that ultimately will be realized by grantees who receive share-based awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company for accounting purposes.

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)

cc. Share-based compensation (continued)

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

dd. 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, 2012, 2013 and 2014, the Group did not have any significant unrecognized uncertain tax positions.

ee. 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 leaser 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.

ff. Comprehensive income/(loss)

Comprehensive income/(loss) is defined to include all changes in equity of the Group during a period arising from transactions and other event and circumstances except those resulting from investments by shareholders and distributions to shareholders. For the periods presented, the Group s comprehensive income/(loss) includes net income/(loss) and foreign currency translation adjustments and is presented in the Consolidated Statements of Operations and Comprehensive Loss.

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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)

gg. Earnings (Loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to holders of ordinary shares, considering the accretions to redemption value of the preferred shares, by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Diluted earnings (loss) per share is calculated by dividing net income (loss) attributable to ordinary shareholders, as adjusted for the accretion and allocation of net income related to the preferred shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares using the if-converted method, unvested restricted shares, restricted share units and ordinary shares issuable upon the exercise of outstanding share options using the treasury stock method. Ordinary equivalent shares are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive.

hh. Segment reporting

The Group engages primarily in the sale of electronics and home appliance products and general merchandise products (including audio, video products and books) sourced from manufacturers, distributors and publishers in PRC on the internet through its website jd.com. The Group also operates its online marketplace under which third-party sellers sell products on the Group s website to customers. The Group does not distinguish revenues, costs and expenses between segments in its internal reporting, and reports costs and expenses by nature as a whole. The Group s chief operating decision maker, who has been identified as the Chief Executive Officer, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group operates and manages its business as a single segment mainly through the provision of a single class of services for accelerating and improving the delivery of its products over the internet. The Group does not distinguish between markets or segments for the purpose of internal reports. As the Group s long-lived assets are all located in the PRC and most of all the Group s revenues are derived from the PRC, no geographical information is presented.

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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)

ii. Statutory reserves

The Company s subsidiaries, VIEs and VIEs subsidiaries established in the PRC are required to make appropriations to certain non-distributable reserve funds.

In accordance with the laws applicable to the Foreign Investment Enterprises established in the PRC, the Group s subsidiaries registered as wholly-owned foreign enterprise have to make appropriations from their after-tax profits (as determined under generally accepted accounting principles in the PRC (PRC GAAP)) to reserve funds including general reserve fund, enterprise expansion fund and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the company. Appropriations to the enterprise expansion fund and staff bonus and welfare fund are made at the respective company s discretion.

In addition, in accordance with the PRC Company Laws, the Group s VIE and VIEs subsidiaries, registered as Chinese domestic companies, must make appropriations from their after-tax profits as determined under the PRC GAAP to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

The use of the general reserve fund, enterprise expansion fund, statutory surplus fund and discretionary surplus fund are restricted to the offsetting of losses or increasing of the registered capital of the respective company. The staff bonus and welfare fund is a liability in nature and is restricted to fund payments of special bonus to employees and for the collective welfare of employees. None of these reserves are allowed to be transferred to the company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

For the years ended December 31, 2012, 2013 and 2014, profit appropriation to statutory surplus fund for the Group s entities incorporated in the PRC was approximately RMB1,838, RMB810 and RMB12,361 respectively. No appropriation to other reserve funds was made for any of the periods presented.

jj. Recent accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which supersedes the revenue recognition requirements in Revenue Recognition (Topic 605), and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Group is currently in the process of evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements - Going Concern. This standard requires management to evaluate for each annual and interim reporting period whether it is probable that the reporting entity will not be able to meet its obligations as they become due within one year after the date that the financial statements are issued. If the entity is in such a position, the standard provides for certain disclosures depending on whether or not the entity will be able to successfully mitigate its going concern status. This guidance is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early application is permitted. The Group does not anticipate that this adoption will have a significant impact on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis, which provides guidance for reporting entities that are required to evaluate whether they should consolidate certain legal entities. In accordance with ASU 2015-02, all legal entities are subject to reevaluation under the revised consolidation model. ASU 2015-02 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. The Group is currently in the process of evaluating the impact of the adoption of ASU 2015-02 on its consolidated financial statements.

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(All amounts in thousands, except for share and per share data)

3. Concentration and risks

Concentration of customers and suppliers

There are no customers or suppliers from whom revenues or purchases individually represent greater than 10% of the total revenues or the total purchases of the Group for the years ended December 31, 2012, 2013 and 2014.

Concentration of credit risk

Assets that potentially subject the Group to significant concentrations of credit risk primarily consist of cash and cash equivalents, restricted cash, accounts receivable and short-term investments. The maximum exposure of such assets to credit risk is their carrying amounts as of the balance sheet dates. As of December 31, 2013 and 2014, all of the Group s cash and cash equivalents, restricted cash and short-term investments were held by major financial institutions located in the PRC and Hong Kong which management believes are of high credit quality. PRC does not have an official deposit insurance program, nor does it have an agency similar to the Federal Deposit Insurance Corporation (FDIC) in the United States. However, the Group believes that the risk of failure of any of these PRC banks is remote. Bank failure is uncommon in China and the Group believes that those Chinese banks that hold the Group s cash and cash equivalents, restricted cash and short-term investments are financially sound based on public available information. Accounts receivable are typically unsecured and are derived from revenues earned from customers in the PRC. The risk with respect to accounts receivable is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances.

Currency convertibility risk

The PRC government imposes controls on the convertibility of RMB into foreign currencies. The Group s cash and cash equivalents, restricted cash and short-term investments denominated in RMB that are subject to such government controls amounted to RMB9,865,714 and RMB9,054,762 as of December 31, 2013 and 2014, respectively. The value of RMB is subject to changes in the central government policies and to international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People s Bank of China (the PBOC). Remittances in currencies other than RMB by the Group in the PRC must be processed through PBOC or other Chinese foreign exchange regulatory bodies which require certain supporting documentation in order to process the remittance.

Foreign currency exchange rate risk

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the RMB appreciation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant fluctuation of the RMB against the U.S. dollar.

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4. Restricted cash and restricted time deposit

To meet the requirements of specific business operations, including secured deposits held in designated bank accounts for issuance of bank acceptance and letter of guarantee, the Group held restricted cash of RMB342,387 and RMB1,038,286 as of December 31, 2013 and December 31, 2014, respectively. Changes in the restricted cash balance associated with the bank acceptance are classified as cash flows from operating activities as the Group considers restricted cash arising from these activities directly related to the Group s ordinary business operations.

To maintain guarantee balances at the bank as collaterals for the short-term bank loans of US$153,000 and US$309,000 (see Note 15), the Group held restricted cash of RMB1,000,000 and RMB2,000,000 as of December 31, 2013 and December 31, 2014, respectively, which were bank deposits with the original term of one year at the bank. In addition, the Group held restricted cash of RMB545,000 and Nil for capital verification of establishment of new entities as of December 31, 2013 and December 31, 2014, respectively. Changes in the restricted cash balance associated with short-term bank loans and capital verification are classified as cash flow from investing activities as the Group considers restricted cash arising from these activities similar to an investment.

5. Fair value measurement

As of December 31, 2013 and 2014, information about inputs into the fair value measurements of the Group s assets that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

		Fair value measurement at reporting date using		
Description	**December 31, 2013 RMB**	**Quoted Prices in Active Markets for Identical Assets (Level 1) RMB**	**Significant Other Observable Inputs (Level 2) RMB**	**Significant Unobservable Inputs (Level 3) RMB**
Assets				
Cash equivalents:				
Time deposits	4,605,262		4,605,262	
Restricted cash	1,887,387		1,887,387	
Short-term investments				
Wealth management product	1,903,224		1,903,224	
Total assets	8,395,873		8,395,873	

Description	December 31, 2014 RMB	Fair value measurement at reporting date using Quoted Prices in Active Markets for Identical Assets (Level 1) RMB	Significant Other Observable Inputs (Level 2) RMB	Significant Unobservable Inputs (Level 3) RMB
Assets				
Cash equivalents:				
Time deposits	4,323,900		4,323,900	
Restricted cash	3,038,286		3,038,286	
Short-term investments				
Time deposits	10,402,301		10,402,301	
Wealth management product	1,759,342		1,759,342	
Investment securities				
Listed equity securities	434,118	434,118		
Total assets	19,957,947	434,118	19,523,829	

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. Following is a description of the valuation techniques that the Group uses to measure the fair value of assets that the Group reports on its consolidated balance sheets at fair value on a recurring basis.

As of December 31, 2013 and 2014, gross unrealized gains of nil and RMB14,512 and gross unrealized losses of Nil and RMB1,527 were recorded on listed equity securities and gross unrealized gains of RMB23,224 and RMB24,344 were recorded on wealth management, respectively. No impairment charges were recorded for years ended December 31, 2013 and 2014, respectively.

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(All amounts in thousands, except for share and per share data)

5. Fair value measurement (Continued)

Cash equivalents

Time deposits. The Group values its time deposits held in certain bank accounts using quoted prices for securities with similar characteristics and other observable inputs, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 2.

Restricted cash

Restricted cash are valued based on the pervasive interest rate in the market, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 2.

Short-term investments

Wealth management product. The Group values its wealth management product using alternative pricing sources and models utilizing market observable inputs, and accordingly the Group classifies the valuation techniques that use these inputs as Level 2.

Available for sale securities

Listed equity securities. The Group values its listed equity securities using quoted prices for the underlying securities in active markets, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 1.

Other financial instruments

The followings are other financial instruments not measured at fair value in the consolidated balance sheets, but for which the fair value is estimated for disclosure purposes.

Short-term receivables and payables. Accounts receivable, loan receivable and prepayments and other assets are financial assets with carrying values that approximate fair value due to their short-term nature. Accounts payable, advance from customers, accrued expenses and other liabilities and deferred revenues are financial liabilities with carrying values that approximate fair value due to their short-term nature.

Short-term bank loans. The rates of interest under the loan agreements with the lending banks were determined based on the prevailing interest rates in the market. The Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurements of short-term bank loans.

Prepayments and other assets in non-current assets. Prepayments and other assets in non-current assets are financial assets with carrying values that approximates fair value due to the change in fair value after considering the discount rate. The Group estimated fair values of non-current prepayments and other assets using the discount cash flow method. The Group classifies the valuation technique as Level 3 of fair value measurement, as it uses estimated cash flow input which is unobservable in the market.

Assets and liabilities measured at fair value on a nonrecurring basis

Goodwill. The inputs used to measure the estimated fair value of goodwill are classified as a Level 3 fair value measurement due to the significance of unobservable inputs using company-specific information. The valuation methodology used to estimate the fair value of goodwill is discussed in Note 7 Business Combination .

Other Investments. As of December 31, 2013 and 2014, the Company held approximately RMB36,502 and RMB586,959, respectively, of investments in equity securities of privately-held companies that are accounted for using the cost method. These investments are included within investment in equity investees on the consolidated balance sheets. Such investments are reviewed periodically for impairment using fair value measurements.

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JD.com, Inc.

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(All amounts in thousands, except for share and per share data)

6. Investment in equity investees

	Cost method RMB
Balance at December 31, 2012	**2,840**
Additions	34,502
Disposals and transfers	(840)
Balance at December 31, 2013	**36,502**
Additions	552,493
Foreign currency translation adjustments	(2,036)
Balance at December 31, 2014	**586,959**

During the year ended December 31, 2014, the Company completed several investments in equity investees. Details of the significant investments are as follows:

Investment in Shanghai Icson

In March 2014, the Company completed an investment in preferred shares in Shanghai Icson with a call option to acquire the remaining equity interests of Shanghai Icson at a price based on higher of the fair value of the remaining equity interests or RMB800,000 before March 10, 2017. Shanghai Icson operates an e-commerce platform in China. The total consideration for the investment in Shanghai Icson was RMB252,779 (Refer to Note 7 for details of the transaction). Such investment is accounted for under the cost method given that such preferred shares contain certain terms such as liquidation preference over ordinary shares.

Other investments

Other investments in equity investees comprise of a number of investments in private companies, including China Homerun Ltd.

As of December 31, 2014, the Company identified no events or changes in circumstances that may have a significant adverse effect on the fair values of the Company s investments in equity investees and determined that it is not practicable to estimate their fair values.

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7. Business Combination

Acquisition of Chinabank Payment

On October 31, 2012, the Group invested RMB145,500 through Jingdong 360 to acquire 100% equity interests in Chinabank Payment and its wholly owned subsidiary Chinabank Payment Technology. The main purpose of the acquisition is to offer flexible payment service to the Group s online shopping customers, and in the meantime to improve cost efficiency in the Group s payment processing.

The acquisition had been accounted for as a business combination and the results of operations of Chinabank Payment from the acquisition date have been included in the Group s consolidated financial statementsThe Group made estimates and judgments in determining the fair value of acquired assets and liabilities, based on an independent valuation report and management s experiences with similar assets and liabilities. The allocation of the purchase price is as follows:

	Amount RMB	Amortization Years
Tangible assets acquired and liabilities assumed		
Cash	5,781	
Accounts payable	(53,936)	
Advance from customers	(6,552)	
Others	(3,442)	
Identifiable intangible assets:		
Online payment and other licenses	189,000	15
Identifiable net assets acquired (a)	130,851	
Cash consideration (b)	145,500	
Goodwill (b-a)	14,649	

Goodwill primarily represents the expected synergies from combining operations of the Group, Chinabank Payment and Chinabank Payment Technology, which are complementary in a way to each other, and any other intangible benefits that would accrue to the Group that do not qualify for separate recognition. The excess of purchase price over net tangible assets and identifiable intangible assets acquired were recorded as goodwill. The goodwill is not expected to be deductible for tax purposes. No measurement period adjustment has been recorded.

Based on the assessment on the acquired companies financial performance made by the Group, acquired company including its subsidiary is not considered material to the Group. Thus the presentation of the pro-forma financial information with regard to a summary of the results of operations of the Group for the business combination is not required.

Transaction with Tencent

On March 10, 2014, the Company entered into a Strategic Cooperation Agreement (Agreement) with Tencent Holdings Limited (Tencent), for a period of 5 years from April 1, 2014 to March 31, 2019. Pursuant to the Agreement, the Company will become Tencent s preferred partner in the development of physical goods e-Commerce business in Greater China including: (a) Tencent will grant the Company prominent level-1 access points in Weixin and mobile QQ applications; (b) Tencent will provide internet traffic and other support from other key platforms to the Company; and (c) the Company will cooperate with Tencent in a number of areas primarily mobile-related products, social networking services, membership systems and payment solutions. Terms described in (a), (b) and (c) above are hereinafter collectively referred to as Strategic Cooperation . In addition, for a period of 8 years from April 1, 2014 to March 31, 2022, other than the operation of Shanghai Icson E-Commerce Development Company Limited (Shanghai Icson), a subsidiary of Tencent, Tencent will not engage in any online direct sales or managed marketplace business model in physical goods e-Commerce businesses in Greater China and a few selected international markets, hereinafter referred to as Non-Compete .

On the same date, the Company also entered into a series of agreements with Tencent and its affiliates, pursuant to which, the Company acquired from Tencent: (i) 100% business operation of two online marketplace platforms, Paipai and QQ Wanggou (Combined Platform Business); (ii) 9.9% equity interest in Shanghai Icson (Investment in Shanghai Icson); (iii) a call option (Call Option) to acquire the remaining equity interest of Shanghai Icson, with a price higher of the fair value of the remaining equity interest or RMB800,000 within three years commencing the closing of the Transaction; (iv) certain logistic workforce; and (v) a land use right. The above (i) to (v), Strategic Cooperation and Non-Compete are collectively referred to as Transaction .

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Notes to the Consolidated Financial Statements

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7. Business Combination (Continued)

As consideration for the Transaction, the Company issued 351,678,637 ordinary shares to Huang River Investment Limited, a wholly-owned subsidiary of Tencent, representing 15% shares on a fully diluted basis under treasury method upon the closing of the Transaction, on March 10, 2014.

The main purpose of the transaction is to further expand product and service offerings to the Group s online shopping customers.

The acquisition of Combined Platform Business is accounted for as a business combination and the results of operations of the Combined Platform Business from the acquisition date have been included in the Group s consolidated financial statements. The acquisitions of Strategic Cooperation, Non-compete, Investment in Shanghai Icson, Logistic Workforce and Land use right are considered asset acquisitions separate from the acquisition of Combined Platform Business. The investment in Shanghai Icson was accounted for under the cost method and recorded in investment in equity investees on the acquisition day. The identifiable intangible assets acquired are amortized on a straight-line basis over the respective useful lives.

The Company has performed the following steps to estimate the cost of the assets and business acquired with the assistance from an independent valuation firm: 1) estimate the total fair value of 351,678,637 ordinary shares issued to Huang River Investment Limited as the consideration of the transaction on March 10, 2014 using the income approach, or the discounted cash flow, or DCF method; 2) estimate the stand-alone fair value of the Combined Platform Business as well as fair value of each of Strategic Cooperation Agreement, Non-Compete, Investment in Shanghai Icson, Logistic workforce and Land Use Right (collectively Asset Acquisition); 3) The excess of (1) over sum of (2) and net cash acquired in the transaction has been allocated to individual assets of the Asset Acquisition and the Combined Platform Business based on their relative fair values. Additionally, in accordance with the relevant accounting guidance, non-transferability relating to lock-up period associated with the shares issued to Huang River Investment Limited for a period of three years commencing from March 10, 2014, is factored in estimating the fair value of shares issued to acquire Strategic Cooperation, Non-compete, Investment in Shanghai Icson, Logistic Workforce and Land use right, but is not factored in estimating the fair value of shares issued to acquire Combined Platform Business.

The Company considered the following valuation method and significant assumptions in evaluating certain significant intangibles acquired from the current Transaction:

Strategic Cooperation Agreement In addition to the Company s general business cooperation with Tencent primarily in areas of mobile-related products, social networking services, membership systems and payment solutions, the other parts of the Strategic Cooperation Agreement is in substance a prepaid advertising/promotion service where Tencent users can be diverted to the Company s websites/platforms where (a) Tencent will grant the Company prominent level-1 access points in Weixin and mobile QQ applications and (b) Tencent will provide internet traffic and other support from its other key platforms to the Company. These advertising/promotion services include push messages, advertising, payment processing and application activation. The general business cooperation is not recognized as a separate intangible asset because such provisions only set out the general principal for the cooperation between the Company and Tencent with no specific deliverables provided to the Company. The amount recognized for the Strategic Cooperation Agreement relates to the advertising/ promotion services and the fair value was established using a form of the income approach known as the cost saving method. This method recognizes that, because of the Strategic Cooperation Agreement, the Company can save advertising fees, traffic acquisition costs, payment processing fees and application activation fees that otherwise it would need to be paid to a third party for the similar services. The estimated unit market price of the advertising/promotion services were multiplied by the volume of the services to be provided by Tencent to arrive at the cost saving attributable to the Strategic Cooperation Agreement. The most significant assumptions inherent in this approach include: 1) the estimated market price of the services to be provided, 2) the volume of the services to be provided, and 3) discount rate. When applying the cost saving method for the valuation of the Strategic Cooperation Agreement, market participant assumptions were used in accordance with ASC 820. Specifically, the basis of the assumptions were determined with consideration of the terms of the Strategic Cooperation Agreement, an industry report regarding China s e-commerce sector and a market rate that market participants have to pay to third parties for similar services on arm s length basis. The present value of the after-tax cost savings at an appropriate discount rate indicates the value of Strategic Cooperation Agreement. The discount rate was derived by using the capital asset pricing model (the CAPM), which is a method that market participants commonly use to price assets. Based on the CAPM, the Company concluded a discount rate of 17.5% was appropriate for valuing the Strategic Cooperation Agreement.

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7. Business Combination (Continued)

Non-compete Agreement Other than the operation of Shanghai Icson, Tencent will not engage in any online direct sales or managed marketplace business models in physical goods e-Commerce business in Greater China and a few selected international markets. The fair value of the Non-compete was determined based on the with and without method, which takes into consideration the cash flow increments between the scenario where the Non-compete is not in place and the scenario where the Non-compete is in place for a period of 8 years from April 1, 2014 to March 31, 2022. The most significant assumption inherent in this approach when valuing the Non-compete was the amount of economic impact to the Company that would occur from competition during the period when non-compete agreement is effective. Based on the CAPM, the Company concluded a discount rate of 17.5%, which reflects a market participant s required rate of return for the risks of investing in the Non-compete, was appropriate for discounting the cash flow attributable to the Non-compete.

Investment in Shanghai Icson In determining the fair value of the investment in Shanghai Icson, the Company followed a two-step process. In the first step, the discounted cash flow method, or DCF, was used as the primary approach to determine the fair value of the equity interest of Shanghai Icson and market approach to cross-check the valuation results derived by the DCF method. The free cashflow of Shanghai Icson was discounted by 22%, which was determined by the CAPM to reflect a market participant s required rate of return for the risks of investing in the equity interest of Shanghai Icson. In the second step, since the Company s investment in Shanghai Icson is in the form of preferred shares, an option pricing method to allocate the equity interest of Shanghai Icson to its common shares and preferred shares was used. The significant assumptions inherent in option pricing models are the expected time of liquidity event, risk free rate and volatility factor of equity interest of Shanghai Icson.

The Group made estimates and judgments in determining the fair value of the assets and business acquired with the assistance from an independent valuation firm. The purchase price allocation is as follows:

	Amount RMB
Fair value of the Company s shares issued *	11,644,310
Transaction costs**	20,705
Total value to be allocated in purchase accounting	**11,665,015**

	Amount RMB	**Amortization Years**
Strategic Cooperation Agreement	6,075,289	5
Non-compete Agreement	1,442,389	8
Combined Platform Business		
Cash	60,284	
Other current assets	3,587	

Property, plant and equipment, net	17,647	
Current liabilities	(63,871)	
Technology	108,800	5
Domain names and trademark	33,100	10
Advertising customer relationship	80,400	7
Goodwill	2,593,420	
Deferred tax liability	(41,893)	
Investment in Shanghai Icson	252,779	
Call Option		
Logistic workforce	13,900	3
Land use right	73,632	40
Net cash acquired	1,015,552	
Total Purchase price	**11,665,015**	

* Among total fair value of the shares issued of RMB11,644,310, RMB2,791,474 is the consideration for the acquisition of Combined Platform Business and RMB8,852,836 is the consideration for the acquisition of Strategic Cooperation, Non-compete, Investment in Shanghai Icson, Logistics workforce, Land use right, and Net cash acquired.

** In accordance with ASC 805-10-25-23, transaction costs relating to the business combination of the Combined Platform Business are expensed as incurred while in accordance with ASC 805-50-30-2, transaction costs relating to the acquisition of individual assets acquired in the Asset Acquisition form part of the assets initial carrying values, and have been included in the estimated purchase price.

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7. Business Combination (Continued)

Based on the assessment on financial performance of the acquired Combined Platform Business made by the Group, the acquired business is not considered material to the Group. Thus the presentation of the pro-forma financial information with regard to a summary of the results of operations of the Group for the business combination is not required.

8. Accounts receivable, net

Accounts receivable, net, consists of the following:

	As of December 31,	
	2013 RMB	2014 RMB
Product sales and online marketplace receivables	380,938	2,043,243
Online payment processing transactions receivables	35,083	182,412
Advertising receivables	44,372	62,705
Others	43,466	219,567
Allowance for doubtful accounts		
Balance at beginning of the year	(1,877)	(1,770)
Additions	(559)	(72,608)
Reversals	666	868
Write-offs		1,839
Balance at end of the year	(1,770)	(71,671)
Accounts receivable, net	502,089	2,436,256

The value-added tax receivables from customers are recorded in product sales and online marketplace receivables.

9. Inventories, net

Inventories, net, consist of the following:

	As of December 31,	
	2013	2014
	RMB	RMB
Products	6,358,151	12,119,359
Packing materials and others	28,004	71,484
Inventories, net	6,386,155	12,190,843

10. Prepayments and other current assets

Prepayments and other current assets consist of the following:

	As of December 31,	
	2013	2014
	RMB	RMB
Receivables related to employees exercise of share-based awards		811,783
Interest receivables	28,654	135,498
Prepaid rental fees	79,423	145,501
Prepaid advertising costs	31,977	45,677
Deposits	20,386	166,945
Bridge loans		157,438
Staff loans		151,612
Employee advances	12,809	16,217
Others	45,853	103,663
Total	219,102	1,734,334

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11. Property, equipment and software, net

Property, equipment and software, net, consist of the following:

	As of December 31,	
	2013 RMB	2014 RMB
Electronic equipment	671,491	1,372,896
Office equipment	30,326	33,190
Vehicles	199,780	530,731
Logistic and warehouse equipment	232,603	598,831
Leasehold improvement	59,983	136,522
Software	57,508	100,215
Building	275,717	661,365
Total	1,527,408	3,433,750
Less: Accumulated depreciation	(502,980)	(1,025,312)
Net book value	1,024,428	2,408,438

Depreciation expenses were RMB169,277, RMB257,213 and RMB514,974 for the years ended December 31, 2012, 2013 and 2014, respectively.

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12. Intangible assets, net

Intangible assets, net, consist of the following:

	As of December 31, 2013			As of December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization RMB	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization RMB	Net Carrying Amount
Strategic Cooperation				6,075,289	(915,455)	5,159,834
Non-compete				1,447,189	(146,364)	1,300,825
Technology				110,900	(17,965)	92,935
Advertising customer relationship				80,400	(9,283)	71,117
Domain names and trademark	40,353	(5,926)	34,427	79,969	(12,447)	67,522
Logistic workforce				13,900	(3,745)	10,155
Online payment and other licenses	189,000	(14,700)	174,300	189,000	(27,300)	161,700
Copyrights	17,805	(10,730)	7,075	28,873	(15,014)	13,859
Total	247,158	(31,356)	215,802	8,025,520	(1,147,573)	6,877,947

Amortization expenses for intangible assets were RMB6,888, RMB24,228 and RMB1,116,217 for the years ended December 31, 2012, 2013 and 2014, respectively.

As of December 31, 2014, amortization expenses related to the intangible assets for future periods are estimated to be as follows:

	For the years ended December 31,					
	2015 RMB	2016 RMB	2017 RMB	2018 RMB	2019 RMB	2020 and thereafter RMB
Amortization expenses	1,457,322	1,455,765	1,451,273	1,450,343	517,711	545,533

13. Land use rights, net

Land use rights, net, consist of the following:

	As of December 31, 2013 RMB	2014 RMB
Land use rights	620,383	1,108,125
Less: Accumulated amortization	(21,530)	(40,872)
Net book value	598,853	1,067,253

Amortization expenses for land use rights were RMB9,565, RMB11,700 and RMB19,342 for the years ended December 31, 2012, 2013 and 2014, respectively.

As of December 31, 2014, amortization expenses related to the land use rights for future periods are estimated to be as follows:

	For the years ended December 31,					
	2015 RMB	2016 RMB	2017 RMB	2018 RMB	2019 RMB	2020 and thereafter RMB
Amortization expenses	22,162	22,162	22,162	22,162	22,162	956,443

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(All amounts in thousands, except for share and per share data)

14. Other non-current assets

Other non-current assets consist of the following:

	As of December 31,	
	2013 RMB	2014 RMB
Prepayments for purchase of office building	100,000	288,999
Staff loans	132,932	
Prepayments for purchase of land use rights	22,000	96,911
Rental deposits	54,408	108,621
Prepayments for purchase of property, equipment and software	34,456	110,469
Prepayments for construction in progress	33,765	
Others	24,312	20,391
Total	401,873	625,391

15. Short-term bank loans

In November 2013, the Group entered into a loan agreement, whereby on November 4, 2013 the Group effectively pledged certain time deposits to secure the bank loan, totaling US$153,000 and bearing interest at 1.30% per annum over 1-month London Inter-Bank Offered Rate (LIBOR) with the maturity date on November 3, 2014. The loan was fully repaid in November 2014.

In March 2014, the Group entered into another loan agreement, whereby on March 7, 2014 the Group effectively pledged certain time deposits to secure the bank loan, totaling US$309,000 and bearing interest at 0.80% per annum over 1-month LIBOR with the maturity date on March 6, 2015.

16. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of December 31,	
	2013	2014
	RMB	RMB
Salary and welfare payable	1,080,072	1,577,761
Deposits	857,573	1,834,172
Payable related to employees exercise of share-based awards		811,783
Rental fee payables	22,155	69,341
Professional fee accruals	63,280	48,121
Others	246,718	970,654
Total	2,269,798	5,311,832

17. Others, net

Others, net, consist of the following:

	For the year ended December 31,		
	2012	2013	2014
	RMB	RMB	RMB
Foreign exchange gains/(losses), net	13,762	92,761	(28,980)
Government financial incentives	41,690	120,301	214,623
Others	4,873	(19,507)	30,944
Total	60,325	193,555	216,587

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 amount 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.

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JD.com, Inc.

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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 was expanded from Shanghai to other cities and provinces in China, including Beijing, Wuhan, Guangzhou, Tianjin and Suqian, in which the Group has its operations.

b) *Value added tax*

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

Prior to the pilot program, the Group were 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.

Not affected by the pilot program, 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 of VAT payments according to PRC tax law.

c) *Business tax*

Chinabank Payment and Chinabank Payment Technology are 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.

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 Island 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.

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18. Taxation (Continued)

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 since 2010, whose qualification was renewed in 2013, and enjoyed a preferential corporate income tax rate of 15% from 2010 to 2015.

Beijing Shangke can enjoy an exemption from income tax for first two years and reduction half for the next three years from the profit year as a software enterprise , which has also been qualified as high and new technology enterprise and enjoys a preferential income tax rate of 15% from 2013 to 2016. The privileges cannot be applied simultaneously.

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

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. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. 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.

Reconciliation of difference between PRC statutory income tax rate and the Group s effective income tax rate for the years ended December 31, 2012, 2013 and 2014 is as follows:

	For the year ended December 31,		
	2012	**2013**	**2014**
Statutory income tax rate	25.0%	25.0%	25.0%
Tax effect of preferential tax treatments	0.0%	172.3%	1.7%
Tax effect of tax-exempt entities	0.3%	54.7%	(22.4)%
Effect on tax rates in different tax jurisdiction	0.2%	22.1%	0.1%
Tax effect of non-deductible expenses	(3.3)%	(148.4)%	(3.4)%
Tax effect of non-taxable income	0.3%	36.5%	1.1%
Changes in valuation allowance	(22.0)%	(97.0)%	(0.5)%
Expiration of loss carry forward	(0.9)%	(65.1)%	(2.0)%
Effective tax rates	(0.4)%	0.1%	(0.4)%

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18. Taxation (Continued)

e) ***Deferred tax assets and deferred tax liabilities***

	As of December 31,	
	2013 **RMB**	**2014** **RMB**
Deferred tax assets		
- Allowance for doubtful accounts	443	17,918
- Deferred revenues	52,132	39,270
- Net operating loss carry forwards	853,258	874,270
Less: valuation allowance	(905,833)	(931,458)
Net deferred tax assets		
Current deferred tax liabilities		
- Interest income	6,087	5,650
- Intangible assets arisen from business combination		38,162
Total current deferred tax liabilities	6,087	43,812

As of December 31, 2014, the Group had net operating loss carry forwards of approximately RMB 3,623,104 which arose from the subsidiaries, VIEs and VIEs subsidiaries established in the PRC. The loss carry forwards will expire during the period from 2015 to 2018.

A valuation allowance is provided against deferred tax assets when the Group determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Group evaluates a variety of factors including the Group s operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

The Group has incurred net accumulated operating losses for income tax purposes since its inception. The Group believes that it is more likely than not that these net accumulated operating losses and other deferred tax assets will not be utilized in the future. Therefore, the Group has provided full valuation allowances for the deferred tax assets as of December 31, 2012, 2013 and 2014.

Movement of valuation allowance

	As of December 31,		
	2012	2013	2014
	RMB	RMB	RMB
Balance at beginning of the period	478,120	857,413	905,833
Additions	399,568	81,119	156,820
Reversals	(20,275)	(32,699)	(131,195)
Balance at end of the period	857,413	905,833	931,458

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19. Convertible Preferred Shares

The Company s preferred shares activities for the years ended December 31, 2012, 2013 and 2014 are summarized below:

	Series A and A-1 Preferred Shares		Series B Preferred Shares		Series C Preferred Shares	
	Number of shares	Amount RMB	Number of shares	Amount RMB	Number of shares	Amount RMB
Balance as of December 31, 2011	191,894,000	255,850	84,786,405	126,417	258,316,305	3,150,443
Preferred shares redemption value accretion						1,587,454
Balance as of December 31, 2012	191,894,000	255,850	84,786,405	126,417	258,316,305	4,737,897
Preferred shares redemption value accretion						2,435,366
Conversion of Series B Preferred Shares to ordinary shares			(25,247,161)	(38,176)		
Balance as of December 31, 2013	191,894,000	255,850	59,539,244	88,241	258,316,305	7,173,263
Preferred shares redemption value accretion						7,957,640
Conversion of Series A and A-1 Preferred Shares to Class A ordinary shares	(191,894,000)	(255,850)				
Conversion of Series B Preferred Shares to Class A ordinary shares			(59,539,244)	(88,241)		
Conversion of Series C Preferred Shares to Class A ordinary shares					(258,316,305)	(15,130,903)
Balance as of December 31, 2014						

All of the preference shares were converted to ordinary shares immediately upon the completion of our initial public offering on May 28, 2014. Prior to their automatic conversion to ordinary shares upon the Company s initial public offering on May 28, 2014, the preferred shares were entitled to certain preferences with respect to conversion, redemption, dividends and liquidation. The holders of preferred shares were entitled to vote together with the holders of ordinary shares, and not as a separate class, on all matters submitted to a vote of the shareholders of the Company, on an as-if-converted basis. Immediately prior to the initial public offering, the Company s preference shares comprised the following:

Series	**Issuance Date**	**Shares Issued**	**Issue Price per Share US$**	**Proceeds from Issuance US$**	**Shares Outstanding**	**Carrying Amount RMB**
A	March 27, 2007	155,000,000	0.0323	5,000	155,000,000	215,626
A-1	August 15, 2007	130,940,000	0.0382	5,000	36,894,000	40,224
B	January 12, 2009	235,310,000	0.0892	21,000	59,539,244	88,241
C	September 21, 2010	178,238,250	0.7742	138,000	258,316,305*	15,130,903

*Among total shares outstanding, 64,579,075 shares and 15,498,980 shares were re-designated from Series A-1 and Series B preferred shares in conjunction with the issuance of the Series C Preferred Shares.

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19. Convertible Preferred Shares (Continued)

Prior to the issuance of Series C Preferred Shares, the Company determined that the Series A, A-1 and B Preferred Shares should be classified as mezzanine equity since the Series A, A-1 and B Preferred Shares were contingently redeemable. In conjunction with the issuance of the Series C Preferred Shares, as a result of the waivers to their redemption and preferential liquidation rights, the Series A, A-1 and B Preferred Shares were reclassified from mezzanine equity to permanent equity. The Series C Preference Shares were classified as mezzanine equity in the consolidated balance sheets because they were contingently redeemable.

The Company records accretion on the Preferred Shares, where applicable, to the redemption value from the issuance dates to the earliest redemption dates. The accretion of Series C Preference Shares was RMB7,957,640 for the year ended December 31, 2014.

20. Re-designation of Series B Preferred Shares

25,247,161 Series B Preferred Shares were transferred to new investors and re-designated into ordinary shares in December 2013. The transaction would be viewed as if the holders of the Series B Preferred Shares exercised their option to convert Series B Preferred Shares into ordinary shares, and then subsequently transferred the newly converted ordinary shares to the new investors. Accordingly, the carrying amounts of the Series B Preferred Shares were reduced, offset by increases in the ordinary shares and additional paid-in capital which equaled to RMB34,108, with total translation adjustment gains amounted to RMB4,065.

21. Warrants

In conjunction with the issuance of the Series C Preferred Shares on September 21, 2010, the Group granted warrants (Warrants-C) to two of the Series C Preferred Shares investors to acquire 78,786,475 and 5,166,325 shares of ordinary shares, respectively. The Warrants-C have an exercise price of US$0.7742 per ordinary share. The relative fair value of the Warrants-C at issuance was RMB15,327, which was allocated from the cash proceeds of the Series C Preferred Shares on a relative fair value basis to the Series C Preferred Shares and Warrants-C.

Warrants-C were classified in permanent equity in the Consolidated Balance Sheets because they were exercisable to purchase ordinary shares, and the Group had sufficient authorized and unissued ordinary shares to settle the warrant contract.

In February 2012, upon the exercise of the Warrants-C, the Company issued 83,952,800 ordinary shares for considerations amounted to RMB410,164.

22. Ordinary Shares

Upon inception, 1 ordinary share was issued at a par value of US$0.00002 per share. In March 2014, the Company issued 351,678,637 ordinary shares to Huang River Investment Limited, a wholly owned subsidiary of Tencent, in connection with Tencent Transaction (Note 7). Additionally, upon the initial public offering in May 2014, the Company issued 166,120,400 Class A ordinary shares. Concurrently, the Company issued 139,493,960 Class A ordinary shares in a private placement to Huang River Investment Limited.

The ordinary shares reserved for conversion of Preferred Shares and exercise of the RSUs and share options were as follows:

	As of December 31,	
	2013	2014
Reserved for conversion of the Preferred Shares (Note 19)	509,749,549	
Reserved for future exercise of the RSUs and share options (Note 23)	54,093,176	59,786,401
	563,842,725	59,786,401

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23. Share-based Compensation

For the years ended December 31, 2012, 2013 and 2014, total share-based compensation expenses recognized were RMB225,039, RMB261,173 and RMB4,249,548, respectively.

The ordinary shares issued for the Company s equity incentive plans are held by Fortune Rising, a consolidated variable interest entity of the Company, and accounted for as treasury stocks of the Company prior to their vest. As of December 31, 2014, the Group had reserved 240,095,221 ordinary shares available to be granted as share-based awards.

Share incentive plan

The Company granted share-based awards to eligible employees and non-employees pursuant to the 2008, 2009, 2010, 2011 stock incentive plans and 2011 special stock incentive plan (collectively, the Plans), which govern the terms of the awards. On December 20, 2013, the Company adopted a 2013 Share Incentive Plan (2013 Plan), which was approved by the Board of Directors of the Company, to replace the Plans. The awards granted and outstanding under the Plans will survive and remain effective and binding under the 2013 Plan, subject to certain amendments to the original award agreements. The adoption of 2013 Plan did not result in any significant incremental share-based compensation expenses. The 2013 Plan was replaced by a share incentive plan entitled Share Incentive Plan containing substantially the same terms as the 2013 Plan on November 13, 2014.

Share option exchange program

On December 20, 2013, the Company launched a one-time stock option exchange program (the Program) pursuant to which eligible employees were able to exchange certain unvested RSUs for share options with the exercise price of US$3.96. Our named executive officers and members of our Board of Directors were not eligible to participate in the Program. The Program expired on December 27, 2013. As a result of the Program, 7,954,526 unvested RSUs were accepted for exchange and were cancelled effective as of the expiration of the Program, and in exchange for those RSUs, the Company issued options to purchase 23,863,578 ordinary shares to the employees who participated in the Program. The new awards are subject to the original vesting schedule with the corresponding exchanged RSUs. The Company accounted for the Program as a probable to probable modification and expected to take a modification charge for the incremental compensation costs of RMB89,030 as a result of the exchange over the remaining vesting periods of 1 to 6 years.

1) Employee awards

The non-vested ordinary shares, RSUs and share options are scheduled to be vested over three to six years:

(1). One-third, one-fourth, one-fifth or one-sixth of the awards, depending on different vesting schedules of the 2013 Plans, shall be vested upon the end of the calendar year in which the awards were granted or the first anniversary dates of the grants;

(2). The remaining of the awards shall be vested on straight line basis at the end of the remaining calendar or the anniversary years.

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JD.com, Inc.

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(All amounts in thousands, except for share and per share data)

23. Share-based Compensation (Continued)

1) Employee awards (Continued)

Non-vested ordinary shares

A summary of the non-vested ordinary shares activities for the years ended December 31, 2012, 2013 and 2014 is presented below:

	Number of Shares	Weighted-Average Grant-Date Fair Value US$
Unvested at January 1, 2012	8,688,844	0.19
Granted		
Vested	(5,642,161)	0.16
Forfeited	(217,603)	0.17
Unvested at December 31, 2012	2,829,080	0.24
Unvested at January 1, 2013	2,829,080	0.24
Granted		
Vested	(2,320,633)	0.24
Forfeited	(508,447)	0.24
Unvested at December 31, 2013		

No non-vested ordinary shares activities for the year ended December 31, 2014.

For the years ended December 31, 2012, 2013 and 2014, total share-based compensation expenses recognized by the Group for the non-vested ordinary shares granted were RMB3,156, RMB1,142 and Nil, respectively.

As of December 31, 2014, all share-based compensation expenses related to the non-vested ordinary shares granted have been recognized.

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JD.com, Inc.

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(All amounts in thousands, except for share and per share data)

23. Share-based Compensation (Continued)

1) Employee awards (Continued)

RSUs

a) Service-based RSUs

A summary of the service-based RSUs activities for the years ended December 31, 2012, 2013 and 2014 is presented below:

	Number of RSUs	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2012	4,905,776	3.42
Granted	33,701,641	3.67
Vested	(4,689,658)	3.59
Forfeited	(3,099,422)	3.63
Unvested at December 31, 2012	30,818,337	3.65
Unvested at January 1, 2013	30,818,337	3.65
Granted	15,075,413	3.95
RSUs exchanged in connection with the share option exchange program	(7,954,526)	3.83
Vested	(6,365,824)	3.62
Forfeited	(4,422,552)	3.66
Unvested at December 31, 2013	27,150,848	3.77
Unvested at January 1, 2014	27,150,848	3.77
Granted	14,588,400	8.43
Vested	(6,385,905)	3.71
Forfeited	(3,649,817)	5.07
Unvested at December 31, 2014	31,703,526	5.77

For the years ended December 31, 2012, 2013 and 2014, total share-based compensation expenses recognized by the Company for the service-based RSUs granted were RMB215,713, RMB254,124 and RMB 386,632 , respectively.

As of December 31, 2014, there were RMB794,926 of unrecognized share-based compensation expenses related to the service-based RSUs granted. The expenses are expected to be recognized over a weighted-average period of 5.0 years.

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Notes to the Consolidated Financial Statements

(All amounts in thousands, except for share and per share data)

23. Share-based Compensation (Continued)

1) Employee awards (Continued)

b) Performance-based RSUs

The Company granted Nil, Nil and 1,515,151 performance-based RSUs to its employees for the years ended December 31, 2012, 2013, and 2014, respectively.

A summary of the performance-based RSUs activities for the year ended December 31, 2014 is presented below:

	Number of RSUs	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2014		
Granted	1,515,151	6.33
Vested		
Forfeited	(48,493)	6.33
Unvested at December 31, 2014	1,466,658	6.33

For the years ended December 31, 2012, 2013 and 2014, total share-based compensation expenses recognized by the Company for the performance-based RSUs granted were Nil, Nil and RMB 14,124, respectively.

As of December 31, 2014, there were RMB17,912 of unrecognized share-based compensation expenses related to the performance-based RSUs granted. The expenses are expected to be recognized over a weighted-average period of 4.3 years.

Share Options

The Company granted Nil, 3,048,750 and 2,745,000 service-based share options to its employees for the years ended December 31, 2012, 2013 and 2014, respectively. In December, 2013, the Company launched a one-time stock option exchange program under which 7,954,526 RSUs were exchanged for 23,863,578 share options, with the exercise price of US$3.96.

The summary of the service-based share options activities for the years ended December 31, 2013 and 2014 is presented below:

Share options	**Number of share options**	**Weighted Average Exercise Price US$**	**Weighted Average Remaining Contractual Term (years)**	**Aggregate Intrinsic Value US$**
Outstanding as of January 1, 2013				
Granted	3,048,750	3.96		
Share options exchanged in connection with the share option exchange program	23,863,578	3.96		
Exercised				
Forfeited or cancelled				
Expired				
Outstanding as of December 31, 2013	26,912,328	3.96	9.4	
Granted	2,745,000	8.20		
Exercised	(849,844)	3.96		
Forfeited or cancelled	(2,606,232)	4.31		
Expired				
Outstanding as of December 31, 2014	26,201,252	4.37	8.5	189,729
Vested and expected to vest as of December 31, 2014	23,581,127	4.37	8.5	170,756
Exercisable as of December 31, 2014	5,199,818	3.96	8.5	39,571

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(All amounts in thousands, except for share and per share data)

23. Share-based Compensation (Continued)

1) Employee awards (Continued)

No options were granted for the year ended December 31, 2012. The weighted average grant date fair value of options granted for the years ended December 31, 2013 and 2014 was US$1.94 and US$4.48 per share, respectively.

No options were exercised for the year ended December 31, 2013. The total intrinsic value of options exercised during the year ended December 31, 2014 was US$6,648. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the share options. Cash receivable from the exercises of share options of the Company during the year ended December 31, 2014 was US$3,365.

For the years ended December 31, 2012, 2013 and 2014, total share-based compensation expenses recognized by the Group for the share options granted were Nil, RMB4,007 and RMB115,469, respectively. As of December 31, 2014, there were RMB184,446 of unrecognized share-based compensation expenses related to the share options granted. The expenses are expected to be recognized over a weighted-average period of 4.8 years.

The estimated fair value of each option grant is estimated on the date of grant using the Binominal option-pricing model with the following assumptions:

	2013	**2014**
Expected volatility	47%~50%	52%~53%
Risk-free interest rate (per annum)	1.83%~2.91%	2.42%~3.5%
Exercise multiples	2.8	2.8
Expected dividend yield		
Expected term (in years)	7.4~10.0	10.0
Fair value of the underlying shares on the date of option grants (US$)	3.96	6.33~12.51

The Group estimated the risk free rate based on the yield to maturity of U.S. treasury bonds denominated in USD at the option valuation date. The exercise multiple is estimated as the ratio of fair value of underlying shares over the exercise price as at the time the option is exercised, based on a consideration of research study regarding exercise pattern based on historical statistical data. Expected term is the contract life of the option. The expected volatility at the date of grant date and each option valuation date was estimated based on the historical stock price volatility of listed comparable companies over a period comparable to the expected term of the options. The Group has never declared or paid any cash dividends on its capital stock, and the Group does not anticipate any dividend payments in the foreseeable future.

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(All amounts in thousands, except for share and per share data)

23. Share-based Compensation (Continued)

2) Non-employee awards

RSUs

A summary of activities for the non-employee RSUs for the years ended December 31, 2012, 2013 and 2014 is presented below:

	Number of RSUs	Weighted-Average Grant-Date Fair Value US$
Unvested at January 1, 2012		
Granted	263,770	3.67
Vested	(263,770)	3.67
Unvested at December 31, 2012		
Unvested at January 1, 2013		
Granted	107,992	3.96
Vested	(77,992)	3.96
Unvested at December 31, 2013	30,000	3.96
Unvested at January 1, 2014	30,000	3.96
Granted	389,965	7.89
Vested	(5,000)	3.96
Unvested at December 31, 2014	414,965	7.65

For the years ended December 31, 2012, 2013 and 2014, total share-based compensation expenses recognized for the non-employee RSUs granted were RMB6,170 , RMB1,900 and RMB15,917, respectively.

As of December 31, 2014, there were RMB14,090 of unrecognized share-based compensation expenses related to the RSUs granted. The expenses are expected to be recognized over a weighted-average period of 2.8 years.

3) Founder awards

On March 11, 2014, the Company approved a grant of 93,780,970 RSUs to the Founder. The share awards were immediately vested and the Company recorded a share-based compensation charge of RMB3,685,041 for the year ended December 31, 2014. The grant date fair value of the awards was US$ 6.3.

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(All amounts in thousands, except for share and per share data)

24. Net loss per share

Basic and diluted net loss per share for each of the years presented are calculated as follows:

	For the year ended December 31,		
	2012 RMB	2013 RMB	2014 RMB
Numerator:			
Net loss	(1,729,473)	(49,899)	(4,996,358)
Series C Preferred Shares redemption value accretion	(1,587,454)	(2,435,366)	(7,957,640)
Net loss attributable to the holders of permanent equity securities	(3,316,927)	(2,485,265)	(12,953,998)
Numerator for basic net loss per share of permanent equity securities	(3,316,927)	(2,485,265)	(12,953,998)
Numerator for diluted net loss per share of permanent equity securities	(3,316,927)	(2,485,265)	(12,953,998)
Denominator:			
Weighted average number of permanent equity securities basic	1,523,639,783	1,694,495,048	2,419,668,247
Weighted average number of permanent equity securities diluted	1,523,639,783	1,694,495,048	2,419,668,247
Basic net loss per share attributable to the holders of permanent equity securities	(2.18)	(1.47)	(5.35)
Diluted net loss per share attributable to the holders of permanent equity securities	(2.18)	(1.47)	(5.35)

Generally, basic net loss per share is computed using the weighted average number of ordinary shares outstanding during the period. Diluted net loss per share is computed using the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the period.

As a result of the modification of the Series A, A-1 and B Preferred Shares on September 21, 2010, the Series A, A-1 and B Preferred Shares were classified as separate classes of permanent equity securities with no senior or prior rights to ordinary shares, except for the dividend rights. Accordingly for the years ended December 31, 2012, 2013 and 2014, the two-class method is required to be used for the calculation of net loss per share. Since the Company did not declare any dividends for the years ended December 31, 2012, 2013 and 2014, the net loss per share attributable to each class would be the same under the two-class method for the years ended December 31, 2012, 2013 and 2014. As such, the three classes of shares have been presented on a combined basis in the Consolidated Statements of Operations and Comprehensive Loss and in the above computation of net loss per share.

Diluted net loss per share is computed using the weighted average number of ordinary shares, Series A, A-1 and B Preferred Shares and dilutive potential ordinary shares outstanding during the respective year. The potentially dilutive securities that were not included in the calculation of diluted net loss per share in the periods presented where their inclusion would be anti-dilutive include non-vested ordinary shares, RSUs and options to purchase ordinary shares of 27,484,412, 33,084,709 and 63,453,677 and Warrants-C of 8,303,024, Nil and Nil for the years ended December 31, 2012, 2013 and 2014 on a weighted average basis, respectively. For the years ended December 31, 2012, 2013 and 2014, the assumed conversion of the Series C Preferred Shares was anti-dilutive and excluded from the calculation of diluted net loss per share.

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(All amounts in thousands, except for share and per share data)

25. Related party transactions

The table below sets forth the major related parties and their relationships with the Group as of December 31, 2014:

Name of related parties	Relationship with the Group
Tencent and its subsidiaries (Tencent Group)	Tencent is a shareholder of the Group
Shanghai Icson and its subsidiaries (Shanghai Icson Group)	An investee of the Group
Hangzhou Gubei Electronic Technology Co., Ltd. (Hangzhou Gubei)	An investee of the Group
PICOOC Technology Ltd. (PICOOC)	An investee of the Group
Jiangsu Suqian Network Co., Ltd.	Controlled by an individual related to the Founder
Beijing Haoyaoshi Medicine Co., Ltd.(Haoyaoshi)	An investee of the Group, and the Group disposed the equity investment in August 2013

(a) The Group entered into the following transactions with related parties:

Transactions	For the year ended December 31, 2012 RMB	2013 RMB	2014 RMB
Revenues:			
Service and sales of goods to Shanghai Icson Group			164,811
Commission service revenue from cooperation on advertising business with Tencent Group			95,287
Online marketplace service provided to Haoyaoshi*	8,391	8,297	
Online marketplace services provided to Tencent Group			272
Cost and expenses:			
Service and purchases from Shanghai Icson Group			103,976
Purchase of advertising resources from Tencent Group			88,076
Purchase of goods from PICOOC			12,383
Purchase of goods from Hangzhou Gubei			2,178
Others:			
Loan repayment from Jiangsu Suqian Network Co., Ltd.	1,500		

(b) The Group had the following balances with related parties:

	As of December 31,	
	2013	2014
	RMB	RMB
Due from Shanghai Icson Group		237,365
Due from Tencent Group		174,949
Total		412,314
Due to Tencent Group		(321,066)
Due to PICOOC for purchase of goods		(3,254)
Due to Hangzhou Gubei for purchase of goods		(799)
Total		(325,119)

** Haoyaoshi is a merchant of the Company s online marketplace. The Company provided related services to Haoyaoshi, and collected the payments from customers on behalf of Haoyaoshi.*

JD.com, Inc.

Notes to the Consolidated Financial Statements

(All amounts in thousands, except for share and per share data)

26. Employee benefit

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries and VIEs and VIEs subsidiaries of the Group make contributions to the government for these benefits based on certain percentages of the employees salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefit expenses, which were expensed as incurred, were approximately RMB528,524, RMB618,052 and RMB903,494 for the years ended December 31, 2012, 2013 and 2014, respectively.

27. Lines of credit

As of December 31, 2014, the Group had agreements with fourteen PRC commercial banks for unsecured revolving lines of credit, and increased its revolving lines of credit to RMB9.9 billion. The Company was in compliance with the financial covenants, if any, under those lines of credit as of December 31, 2014.

As of December 31, 2014, under the lines of credit, the Company had no outstanding borrowings and RMB3,102,590 reserved for the issuances of bank acceptance, and RMB473,003 reserved for supply chain financing guarantees.

28. Commitments and contingencies

Operating lease commitments

The Group leases office, fulfillment centers and bandwidth under non-cancelable operating lease agreements. The rental and bandwidth leasing expenses were RMB419,235, RMB621,629 and RMB1,084,264 for the years ended December 31, 2012, 2013 and 2014, respectively, and were charged to Consolidated Statements of Operations and Comprehensive Loss when incurred.

Future minimum lease payments under non-cancelable operating lease agreements with initial terms of one year or more consist of the following:

	Office and fulfillment centers rental RMB	Bandwidth leasing RMB	Total RMB
2015	655,815	210,815	866,630
2016	320,434	77,640	398,074
2017	191,118	71,472	262,590
2018	135,168	71,472	206,640
2019	109,672	71,472	181,144
2020 and thereafter	176,299	44,063	220,362
	1,588,506	546,934	2,135,440

Capital commitments

The Group s capital commitments primarily relate to commitments on construction of office building and warehouses. Total capital commitments contracted but not yet reflected in the consolidated financial statements amounted to RMB669,298 as of December 31, 2014. All of these capital commitments will be fulfilled in the following years according to the construction progress.

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JD.com, Inc.

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(All amounts in thousands, except for share and per share data)

28. Commitments and contingencies (Continued)

Legal proceedings

From time to time, the Group is subject to legal proceedings and claims in the ordinary course of business. Third parties assert patent infringement claims against the Group from time to time in the form of letters, lawsuits and other forms of communication. In addition, from time to time, the Group receives notification from customers claiming that they are entitled to indemnification or other obligations from the Group related to infringement claims made against them by third parties. Litigation, even if the Group is ultimately successful, can be costly and divert management s attention away from the day-to-day operations of the Group.

The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Group reviews the need for any such liability on a regular basis. The Group has not recorded any material liabilities as of December 31, 2012, 2013 and 2014.

29. Restricted net assets

The Group s ability to pay dividends is primarily dependent on the Group receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Group s subsidiaries, VIEs and VIEs subsidiaries incorporated in PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Group s subsidiaries.

In accordance with the PRC Regulations on Enterprises with Foreign Investment and their articles of association, a foreign invested enterprise established in the PRC is required to provide certain statutory reserve funds, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profits as reported in the enterprise s PRC statutory financial statements. A foreign invested enterprise is required to allocate at least 10% of its annual after-tax profits to the general reserve fund until such reserve fund has reached 50% of its registered capital based on the enterprise s PRC statutory financial statements. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors for all foreign invested enterprises. The aforementioned reserved funds can only be used for specific purposes and are not distributable as cash dividends.

Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide statutory surplus fund at least 10% of its annual after-tax profits until such statutory surplus fund has reached 50% of its registered capital based on the enterprise s PRC statutory financial statements. A domestic enterprise is also required to provide discretionary surplus fund, at the discretion of the board of directors, from the net profits reported in the enterprise s PRC statutory financial statements. The aforementioned reserve funds can only be used for specific purposes and are not distributable as cash dividends.

As a result of these PRC laws and regulations that require annual appropriations of 10% of net after-tax profits to be set aside prior to payment of dividends as general reserve fund or statutory surplus fund, the Group s PRC subsidiaries, VIEs and VIEs subsidiaries are restricted in their ability to transfer a portion of their net assets to the Company.

Amounts restricted include paid-in capital and statutory reserve funds, as determined pursuant to PRC GAAP, totaling approximately RMB14,967,957 as of December 31, 2014; therefore in accordance with Rules 4.08 (e) (3) of Regulation S-X, the condensed parent company only financial statements as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014 are disclosed in Note 31.

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30. Subsequent events

Transaction with Bitauto Holdings Limited

On January 9, 2015, the Company, Bitauto Holdings Limited (Bitauto) and Tencent entered into a series of share subscription and business cooperation agreements to jointly provide enhanced online automotive transaction services across China, pursuant to which the Company will hold 15,689,443 newly issued ordinary shares of Bitauto (subscription shares) upon completion of this transaction, representing 25% of the ordinary shares of Bitauto on a fully diluted basis. In exchange of the subscription shares, the Company will invest a combination of cash of US$400,000 and certain resources, including exclusive access to the new and used car channels on the Company s e-commerce websites and mobile apps as well as additional support from the Company including traffic and advertising for a period of 5 years. The above transaction was completed on February 16, 2015. On the same date, the Company also invested US$100,000 to subscribe newly issued series A preferred shares of Yixin Capital Limited (Yixin Capital), which is a subsidiary of Bitauto, representing a 17.7% equity interest on a fully diluted basis.

31. Parent company only condensed financial information

The Company performed a test on the restricted net assets of consolidated subsidiaries, VIEs and VIEs subsidiaries in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), General Notes to Financial Statements and concluded that it was applicable for the Company to disclose the financial information for the parent company.

The subsidiaries did not pay any dividend to the Company for the years presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company.

The Company did not have significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2014

Condensed Balance Sheet

	As of December 31,		
	2013	2014	
	RMB	RMB	US$ Note 2(e)
ASSETS			
Current assets:			
Cash and cash equivalents	12,475	8,128,802	1,310,125
Short-term investments		6,119,000	986,204
Prepayments and other current assets		66,209	10,671
Amount due from related parties		170,592	27,494
Total current assets	12,475	14,484,603	2,334,494
Non-current assets:			
Investments in subsidiaries and VIEs	9,237,302	16,563,755	2,669,593
Intangible assets, net	1,845	6,456,198	1,040,550
Total non-current assets	9,239,147	23,019,953	3,710,143
Total assets	9,251,622	37,504,556	6,044,637
LIABILITIES			
Current liabilities:			
Accrued expenses and other liabilities	11,794	6,489	1,045
Total liabilities	11,794	6,489	1,045

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(All amounts in thousands, except for share and per share data)

31. Parent company only condensed financial information (Continued)

Condensed Balance Sheet (Continued)

	As of December 31,		
	2013	2014	
	RMB	RMB	US$ Note2(e)
MEZZANINE EQUITY			
Series C convertible redeemable preferred share (US$0.00002 par value; 258,316,305 shares authorized, issued and outstanding as of December 31, 2013; Redemption value of RMB7,918,251 and Liquidation value of RMB1,219,380 as of December 31, 2013; None issued and outstanding as of December 31, 2014)	7,173,263		
SHAREHOLDERS EQUITY:			
Series A and A-1 convertible preferred shares (US$0.00002 par value; 221,360,925 shares authorized, 191,894,000 shares issued and outstanding as of December 31, 2013; None issued and outstanding as of December 31, 2014)	255,850		
Series B convertible preferred shares (US$0.00002 par value; 84,786,405 shares authorized, 59,539,244 shares issued and outstanding as of December 31, 2013; None issued and outstanding as of December 31, 2014)	88,241		
Ordinary shares (US$0.00002 par value, 2,435,536,365 shares authorized, 1,502,933,134 shares issued and 1,463,654,092 shares outstanding as of December 31, 2013; and 100,000,000,000 shares authorized, 2,237,460,751 Class A ordinary shares issued and 2,208,310,595 outstanding, 556,295,899 Class B ordinary shares issued and 523,407,762 Class B ordinary shares outstanding as of December 31, 2014)	199	358	58
Additional paid-in capital	6,251,869	47,131,172	7,596,166
Statutory reserves	2,648	15,009	2,419
Treasury stock		(4)	(1)
Accumulated deficit	(4,263,624)	(9,272,343)	(1,494,430)
Accumulated other comprehensive loss	(268,618)	(376,125)	(60,620)
Total shareholders equity	2,066,565	37,498,067	6,043,592
Total liabilities, mezzanine equity and shareholders equity	9,251,622	37,504,556	6,044,637

Explanation of Responses:

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(All amounts in thousands, except for share and per share data)

31. Parent company only condensed financial information (Continued)

Condensed Statements of Operations and Comprehensive Loss

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
Operating expenses				
Marketing			(915,455)	(147,545)
General and administrative	(18,581)	(4,065)	(3,834,699)	(618,041)
Loss from operations	(18,581)	(4,065)	(4,750,154)	(765,586)
Equity in loss of subsidiaries and VIEs	(1,750,074)	(164,843)	(449,816)	(72,497)
Interest income, net	37,190	3,987	183,294	29,542
Others, net	1,992	115,022	20,318	3,275
Net loss	(1,729,473)	(49,899)	(4,996,358)	(805,266)
Preferred shares redemption value accretion	(1,587,454)	(2,435,366)	(7,957,640)	(1,282,539)
Net loss attributable to holders of permanent equity securities	(3,316,927)	(2,485,265)	(12,953,998)	(2,087,805)
Net loss	(1,729,473)	(49,899)	(4,996,358)	(805,266)
Other comprehensive loss:				
Foreign currency translation adjustments	(7,546)	(137,921)	(121,612)	(19,600)
Net change in unrealized gains on available-for-sale securities:				
Unrealized gains, nil of tax		96,501	71,286	11,489
Reclassification adjustment for gains included in interest income, nil of tax		(73,277)	(57,181)	(9,216)
Net unrealized gains on available-for-sale securities		23,224	14,105	2,273
Total other comprehensive loss	(7,546)	(114,697)	(107,507)	(17,327)
Comprehensive loss	(1,737,019)	(164,596)	(5,103,865)	(822,593)

Condensed Statements of Cash Flow

	For the year ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
Net cash provided by/ (used in)operating activities	35,559	(1,209)	101,150	16,302

Net cash used in investing activities	(3,574,993)	(5,399,613)	(9,069,394)	(1,461,721)
Net cash provided by financing activities	1,981,595	2,720,076	17,447,655	2,812,052
Effect of exchange rate changes on cash and cash equivalents	(6,445)	(51,988)	(363,084)	(58,519)
Net (decrease)/increase in cash and cash equivalents	(1,564,284)	(2,732,734)	8,116,327	1,308,114
Cash and cash equivalents at beginning of year	4,309,493	2,745,209	12,475	2,011
Cash and cash equivalents at end of year	2,745,209	12,475	8,128,802	1,310,125

Basis of presentation

The Company s accounting policies are the same as the Group s accounting policies with the exception of the accounting for the investments in subsidiaries, VIEs and VIEs subsidiaries.

For the Company only condensed financial information, the Company records its investments in subsidiaries, VIEs and VIEs subsidiaries under the equity method of accounting as prescribed in ASC 323, Investments-Equity Method and Joint Ventures. Such investments are presented on the condensed balance sheets as Investment in subsidiaries and VIEs and the subsidiaries and VIEs loss as Equity in loss of subsidiaries and VIEs on the Condensed Statements of Operations and Comprehensive Loss. The parent company only condensed financial information should be read in conjunction with the Group consolidated financial statements.