

Impact of Dual-Class Share Structure on Corporate Governance: A Case Study of JD.com, Inc.

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Abstract. With the rapid development of the global economy, companies operating under the “one-share-one-vote” principle are facing increasingly heightened risks of losing control rights amid equity financing. This conventional corporate governance framework has proven insufficient to meet the needs of all enterprises in China’s booming equity market, especially fast-expanding internet and e-commerce giants. For such firms, the “one-share-one-vote” structure may lead to the gradual erosion of the founding team’s control over the company after multiple rounds of financing, even to the point of losing strategic decision-making power. Taking JD.com, Inc. as a specific case, this study conducts an in-depth exploration of the determinants behind adopting a dual-class share structure and its subsequent governance implications. The research finds that while the dual-class structure has helped JD.com meet large-scale financing needs while maintaining the stability of the founders’ control, it has also triggered issues such as the dilution of minority shareholders’ voting rights, doubts about the transparency of corporate decision-making, and thus, potential reputational risks. Based on the above findings, this paper puts forward a series of targeted recommendations, such as reducing the gap in voting ratios between different classes of shares, establishing a more robust mechanism for protecting minority shareholders’ interests, and optimizing corporate decision-making efficiency by introducing independent third-party supervision.

Keywords: Dual-Class Share Structure, JD.com, Inc., Control Rights, Corporate Governance

1. Introduction

Under the traditional one-share-one-vote structure, companies may face the risk of losing control due to equity financing [1]. This has driven numerous high-quality enterprises to list in the U.S., resulting in a significant outflow of new-economy companies from domestic capital markets [2]. To retain innovative enterprises, the Hong Kong Stock Exchange (HKEX) pioneered the introduction of a dual-class share structure in 2018, with the STAR Market subsequently following suit the following year [3]. This institutional innovation simultaneously satisfies corporate financing demands and safeguards strategic control for founding teams. JD.com exemplifies this mechanism’s efficacy: Each Class B share carries twenty votes. As of 2025, Richard Liu, holding merely 11.7% of equity, retains 71.7% of voting power. This structure enables the completion of multiple strategic financing rounds, reducing decision-making costs from shareholder bargaining while ensuring efficiency in long-term investments and new business expansions, such as logistics sector M&A

initiatives [4,5]. Crucially, it maintains corporate development alignment with the founders' strategic vision [6].

The economic consequences of dual-class structures manifest bidirectionally: On the positive side, they insulate founders from short-term market pressures, enabling long-term strategic execution and stabilizing supply-chain finance through sustained control [7]. Negatively, they may dilute minority shareholder influence and exacerbate information asymmetry [8]. Against this backdrop, this paper employs JD Group as a case study to analyze the adoption drivers of dual-class structures and their governance implications, exploring control equilibrium between management and founders [9]. Finally, it proposes targeted optimization measures informed by empirical evidence, offering referential value for comparable SMEs [10].

JD.com's governance framework comprises two core elements. Firstly, board composition. A 7-member board with 1 Chairman (Richard Liu), 1 executive director, and 5 independent directors (71% ratio). Notably, two independent directors nominated by the founder in 2014 have raised concerns regarding their de facto independence. Secondly, the committee structure. Four board committees - Audit, Compensation, Nominating, and ESG - all except the ESG Committee (established in 2023) were created at IPO. Each committee has at least three members overseeing financial supervision, executive compensation, director nominations, and ESG compliance [11].

2. Overview of the JD Group case

2.1. Introduction to JD Group

JD.com, a China-based supply-chain-centric technology and service leader, was founded by Richard Liu in 1998 and transitioned to e-commerce in 2004. At the governance level, upon its May 2014 Nasdaq IPO, JD.com implemented a dual-class share structure. Through super-voting Class B shares (20 votes per share), Liu retained strategic control, holding 12.7% equity but 73.9% voting power as of 2023, ensuring long-term investment efficiency and decision-making autonomy [12].

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2.2. The financing history of JD Group

Before its 2014 Nasdaq listing, JD.com secured 15 institutional financing rounds from investors including Capital Today Group, Tiger Global Management, DST Global, and Kingdom Holding Company. Financing ranged from \$15 million to \$1.5 billion per round. Table 1 synthesizes pre-IPO financing timelines, investors, amounts, and rounds.

Table 1. Financing situation of JD Group (before listing)

Financing timeline	Investors	Amount raised	Round
August 2007	Capital Today Group	\$10 million	Series A
January 2009	Capital Today Group, CMT Capital, Patrick Liang Personal Investment	\$21 million	Series B
April 2011	DST Global, Tiger Global Management, Sequoia Capital et al.	\$1.5 billion	Series C
November 2012	Ontario Teachers' Pension Plan, Tiger Global Management et al.	\$400 million	Series D
February 2013	Kingdom Holding Company et al.	\$700 million	Strategic Financing

Data source: Compiled based on the annual report of JD Group.

After going public, JD Group has executed multiple strategic investments. As detailed in Table 2, between 2014 and 2021, JD secured investments from Tencent Holdings, Walmart Inc., and other entities through strategic equity placements and spin-off financing. In 2020, its secondary listing on the Hong Kong Stock Exchange (HKEX) raised \$3.86 billion, representing a substantial cumulative financing volume [13]. Investors encompass technology conglomerates, retail giants, and renowned institutional capital. This diversified financing approach facilitated JD.com's business expansion and demonstrated robust capital market confidence.

Table 2. JD Group's financing situation (after listing)

Financing timeline	Investors	Amount raised	Financing type
May 2014	Tencent Holdings	\$214 million	Strategic Investment (concurrent with IPO)
June 2016	Walmart Inc.	\$1.5 billion (for 5% equity)	Strategic Investment
January 2018	Alphabet Inc.	\$550 million	Strategic Investment
June 2020	Hillhouse Capital, Sequoia Capital et al. (HKEX Secondary Listing)	\$3.86 billion (proceeds)	Secondary Listing
March 2021	JD Technology (Spin-off Financing)	\$2 billion	Strategic Financing

Data source: Compiled based on the annual report of JD Group.

2.3. The dual-class share structure design of JD Group

As an early HKEX adopter of the dual-class share structure, JD Group implements a standard Class A/B share model. The system's core features are: First, the allocation of voting rights. Each Class B share represents 20 voting rights (super voting rights), which are exclusively held by the founder, Richard Liu, through the offshore entity (Max Smart Limited). Each Class A share represents one voting right and is held by public investors and institutional shareholders (such as BlackRock and Vanguard Group).

Second, the control rights restraint mechanism: Although Class B shares have 20 times the voting power, under the Cayman Islands Companies Law, major corporate decisions (such as mergers and liquidations) require the support of over 75% of voting rights to be approved. In 2023, Richard Liu's

personal voting rights accounted for 73.9%. As shown in Figure 1, this means that it cannot unilaterally pass major resolutions and needs to reach a consensus with other shareholders.

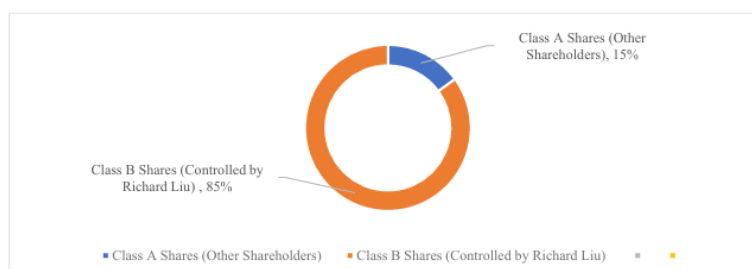


Figure 1. Comparison of Class A shares vs Class B shares

Data source: Compiled based on the annual report of JD Group.

Third, the shareholding entity and circulation rules are as follows: The holder of Class B shares is Richard Liu exclusively. These shares are non-tradable on public markets and subject to transfer restrictions. Holders of Class A shares include public shareholders and institutional investors (HK/U.S. listings), and their shares are freely tradable. The conversion rule is as follows: Class B shares may convert to Class A shares at any time at a 1:1 ratio (losing super-voting rights). Class A shares cannot convert to Class B shares. If Richard Liu resigns or loses legal capacity, automatic conversion of his Class B shares to Class A shares occurs.

In conclusion, regarding the equity structure, Richard Liu maintains control through the dual-class share structure. The distinct features of JD Group's dual-class share system are as follows: As of February 2025, Richard Liu held 11.7% of shares but controlled 71.7% of voting rights via Class B shares (20 votes per share). Key shareholders are detailed in Table 3: Richard Liu through Max Smart Limited (11.3% shares, 67.9% votes) and employee ownership platform Fortune Rising Holdings (0.6% shares, 3.7% votes). BlackRock holds 5.2% shares but only 1.7% votes. As of February 28, 2025, the equity structure comparison is detailed in Table 3.

Table 3. Equity ownership vs. Voting power

Shareholder/Entity	Equity ownership	Voting power	Notes
Richard Liu (Direct)	11.7%	71.7%	Holds Class A (1 vote/share) & Class B (20 votes/share)
Max Smart Limited	11.3%	17.9%	Liu's controlled entity
Fortune Rising Holdings	0.6%	3.7%	Employee Stock Ownership Platform
BlackRock	5.2%	1.7%	Global asset manager
Other Shareholders	71.2%	5.0%	Institutional investors & retail holders
Total	100%	100%	

Data source: Compiled based on the annual report of JD Group.

3. Analysis of the motivations for implementing a dual-class share structure

3.1. Protect the founder's control rights

Since 2007, JD Group has executed multiple large-scale financing rounds. While providing capital for corporate development, this process progressively diluted the founder's equity stake. Pre-

implementation of the dual-class share structure, data indicated combined ownership by major private equity firms reached 48.1%, whereas founder Richard Liu retained merely 11.7%. Such an equity structure could not only erode founder control but also trigger management instability.

The dual-class share structure's adoption effectively resolved this conflict. This innovative equity design satisfies continuous financing needs while securing the founding team's undiminished control. Through differential voting rights, JD.com secured necessary development capital while maintaining the founder's governance dominance. This institutional framework balances financing demands with control protection, offering a referential model for rapidly scaling internet enterprises. As Table 4 demonstrates, post-2014 dual-class implementation, despite Liu's relatively low equity ownership, Class B shares granted him voting power substantially exceeding his equity proportion.

Table 4. Shareholding ratio and voting rights ratio of JD Group after its listing

Shareholder/Entity	Equity ownership	Voting power	Control leverage
Richard Liu	19.4%	82.9%	4.27x
Tencent Holdings	7.8%	3.8%	0.49x
Tiger Global Management	7.8%	3.2%	0.41x
Hillhouse Capital	7.8%	2.3%	0.29x
Capital Today	1.4%	1.4%	1.00x
Other Group Shareholders	54.4%	6.4%	8.50x
Total	100%	100%	

Data source: Compiled based on the annual report of JD Group.

3.2. Ensure the company's long-term strategic deployment

JD Group's long-term strategic objective centers on value chain integration. Its self-built logistics system and R&D innovation demand substantial capital investment. In the highly competitive e-commerce landscape, JD must leverage its strengths to achieve platform upgrades, channel penetration, and logistics infrastructure development. Consequently, securing adequate funding for long-term strategic deployment has become critical. While public listing offers efficient fundraising, it risks continuous equity dilution. Prior to implementing the dual-class structure, Richard Liu stated: "Over the next three years, over CNY 10 billion will be invested to strengthen JD's logistics system". Thus, JD required both capital infusion and stable control to execute strategic objectives efficiently. The dual class share structure resolves this dual need: It facilitates capital access for logistics/R&D through public financing while ensuring the founder's absolute governance authority via super-voting rights, preventing short-term investor interference with long-term strategic planning.

3.3. Prevent being maliciously acquired

Analysis of JD Group's pre-IPO equity structure reveals that the founder's ownership stake had fallen below 50%. Had the company been listed under a one-share-one-vote principle, public market trading would have further diluted the founding shareholders' voting power. This dispersion of control rights would substantially elevate hostile takeover risks. In contrast, the dual class share structure categorizes shares into Class A and Class B. Class A shares remain freely tradable, while

Class B shares confer disproportionately higher voting rights. This framework materially elevates barriers to external control via open market acquisitions, ensuring stable corporate control.

4. The impact of implementing dual-class share structure on corporate governance

4.1. Financial impact

JD.com listed on Nasdaq in 2014 and executed a secondary listing on the Hong Kong Stock Exchange (HKEX: 09618) in June 2020. Its dual class share structure (Class A/B shares) enables founder Richard Liu to retain absolute control via Class B shares (20 votes per share). Financial data from 2013-2024 shows Liu holds 11.7% equity but controls 71.7% voting power, preventing control dilution from financing. This shields strategic decisions from short-term shareholder pressure, enabling persistent long-term investments (e.g., logistics, supply chain, lower-tier markets). During the pandemic, JD rapidly adapted logistics strategies, driving business expansion.

As Table 5 demonstrates, JD Group's return on equity (ROE) and return on assets (ROA) show a fluctuating upward trend, peaking in 2021. From 2021-2023, basic earnings per share remained positive, indicating significantly enhanced profitability under the dual-class structure. This framework ensures stable founder control, facilitates long-term logistics development, aligns core team interests with corporate performance, boosts operational efficiency, and strengthens investor confidence in supply chain competitiveness, ultimately improving capital profitability.

Table 5. Original data of relevant indicators

Year	ROE (Weighted, %)	ROE (Non-GAAP/Weighted, %)	ROA (Weighted, %)	Gross Margin (%)	Net Margin (%)
2024	4.05	2.90	0.98	15.20	2.09
2023	1.89	-0.60	0.09	11.50	0.21
2022	5.45	-2.21	-0.40	11.70	-0.98
2021	23.93	22.05	7.07	28.84	13.98
2020	5.15	2.47	1.18	18.55	3.34
2019	2.16	-1.42	-0.15	15.18	-0.41
2018	4.00	1.77	1.03	20.39	2.97
2017	9.25	8.17	3.41	25.07	8.38

Data source: Compiled based on the annual report of JD Group.

4.2. The impact on corporate reputation risk

This equity structure concentrates excessive corporate dependence on the founder, amplifying reputational risk exposure. In 2018, allegations of sexual assault against Richard Liu in the U.S. triggered a 31% single-day stock price plunge, eroding over \$7 billion in market capitalization and starkly revealing structural vulnerabilities. When founder misconduct potentially jeopardizes corporate stability, the absence of effective checks and balances constitutes a critical governance defect. More alarmingly, should founders exploit absolute control for personal gain, minority shareholders find it difficult to safeguard their rights amid information asymmetry and weak oversight.

Such governance deficiencies not only impair corporate governance efficacy but may also inflict reputational damage, thereby obstructing financing activities and long-term development. For technological enterprises like JD.com, prolonged founder-CEO tenure introduces unique market risks. As the Group's founder and chief brand ambassador, Richard Liu's personal reputation remains inextricably linked to corporate valuation. The 2018 Minnesota incident exemplifies this vulnerability: within 20 days of the allegation's disclosure, JD.com's market capitalization eroded \$7 billion. The stock price plummeted 36% within three months (from \$30 to \$19.2). These market convulsions demonstrate how founder-led enterprises face severe chain reactions from personal crises, ultimately borne collectively by shareholders.

4.3. The impact on shareholders' equity

Although ordinary shareholders hold equity, they exert negligible influence over major decisions. For instance, JD.com's 2019 decision to eliminate base salaries for delivery personnel excluded small-to-mid-sized shareholders from the decision-making process due to insufficient voting power. Such policies risk destabilizing the workforce and service quality while eroding long-term corporate value. Minority shareholders lack effective channels to assert their interests, and this "unequal voting rights per share" framework inherently creates shareholder inequality. JD Group's dual-class structure concentrates excessive decision-making authority with the founder, introducing operational vulnerabilities. Given inherent limitations in individual capability and cognition, founders cannot exercise infallible judgment across all business domains. When major strategic errors occur, all shareholders are compelled to bear the resulting losses.

Due to extreme control concentration, the scope and quality of corporate disclosure depend predominantly on the controlling shareholder's discretion. JD Group has faced recurrent skepticism over disclosure issues, including insufficient related-party transaction transparency. This information asymmetrical heightens decision-making risks for external investors.

4.4. The impact on improving decision-making efficiency

In the rapidly changing e-commerce industry, decision-making efficiency critically determines competitiveness. JD.com's dual-class share structure minimizes shareholder bargaining in major decisions, enabling swift responses to market shifts. During the pandemic, this mechanism facilitated rapid logistics strategy adjustments.

Regarding acquisitions, corporate independence is paramount in competitive environments. JD.com's 2014 acquisition of a 15% stake in Ele.me International exemplifies how Richard Liu's absolute control via Class B shares preserves strategic autonomy. This protection mechanism mitigates acquisition risks common among technology firms.

5. Optimization suggestions

In response to the issues analyzed earlier, such as those related to shareholder rights and decision-making efficiency, this paper proposes the following recommendations: First, narrow the voting-ratio disparity between Class A and B shares. Implement a mechanism to progressively scale down Class B voting power. For example, after ten years of listing, reduce Class B shares' voting rights incrementally from 20:1 to 10:1. These safeguards founder interests while gradually enhancing governance inclusiveness.

Second, enhance the information disclosure regime. Establish more stringent requirements tailored to dual-class firms, particularly for controlling shareholder-related matters like related party transactions and major investment decisions. Raise both the standards and frequency of disclosure, exemplified by Richard Liu's equity changes during JD Health's spin-off.

Third, optimize accounting oversight mechanisms. Establish an independent audit committee. Currently, JD.com's audit committee members are nominated by major shareholders. Incorporate committee members recommended by minority shareholders to intensify scrutiny of contentious items like logistics asset valuation (e.g., depreciation calculations for Asia No.1 Warehouse). Implement a risk early-warning system to validate financial feasibility for extraordinary investments initiated by Class B shareholders, such as JD.com's \$1.5 billion share repurchase plan (2025) [14].

Fourth, enhance minority shareholder protection mechanisms. Introduce partnership frameworks modeled after JD's City Partner Initiative (e.g., the Guangzhou public-private cooperation model), enabling shareholders holding >1% equity to form advisory panels for executive compensation consultation. Implement repurchase safeguards prioritizing Class A shareholders when Class B shareholders conduct share reductions, as exemplified by Richard Liu's 2025 divestment in e [15].

6. Conclusion

JD.com's dual-class share structure represents a double-edged sword. It has preserved the company's e and decision-making, enabling competitive advantage in China's e-commerce sector. However, it concurrently introduces governance imbalances and inadequate minority shareholder protection. Moving forward, JD.com must sustain founder leadership while progressively refining governance mechanisms to better balance control concentration and shareholder rights protection. This evolution is critical not only for JD.com's sustainable development but also as a governance benchmark for Chinese technology enterprises.

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