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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of September 2016

Commission File Number: 001-33853

CTRIP.COM INTERNATIONAL, LTD.

**968 Jin Zhong Road
Shanghai 200335, People's Republic of China**
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):____________

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):____________

EXPLANATORY NOTE

The documents attached as exhibits 23.2, 99.1, 99.2 and 99.3 to this Current Report on Form 6-K are hereby incorporated by reference into the Registration Statement on Form F-3 of Ctrip.com International, Ltd. (File No. 333-208399).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CTRIP.COM INTERNATIONAL, LTD.

By: /s/ XIAOFAN WANG

Name: Xiaofan Wang
Title: *Chief Financial Officer*

Date: September 6, 2016

EXHIBIT INDEX

Exhibit No.	Description
23.2	Consent of Ernst & Young Hua Ming LLP, Independent Registered Public Accounting Firm
99.1	Unaudited Condensed Consolidated Interim Financial Statements—Ctrip.com International, Ltd.
99.2	Audited Consolidated Annual Financial Statements—Qunar Cayman Islands Limited
99.3	Unaudited Pro Forma Condensed Combined Financial Information

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Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form F-3 No. 333-208399) and related Prospectus of Ctrip.com International, Ltd. and to the incorporation by reference therein of our report dated April 14, 2016, with respect to the consolidated financial statements of Qunar Cayman Islands Limited as of December 31, 2014 and 2015, and for each of the three years in the period ended December 31, 2015.

/s/ Ernst & Young Hua Ming LLP
Shanghai, the People's Republic of China
September 6, 2016

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Exhibit 99.1

CTRIP.COM INTERNATIONAL, LTD.

Unaudited interim condensed consolidated statements of income and comprehensive income for the six-month periods ended June 30, 2015 and 2016

	Six-month period ended June 30, 2015	Six-month period ended June 30, 2016	Six-month period ended June 30, 2016
	RMB	RMB	US$
Revenues:			
Accommodation reservation	2,056,220,713	3,389,849,328	510,066,256
Transportation ticketing	2,000,458,455	3,952,429,921	594,717,032
Packaged-tour	725,286,233	1,030,426,993	155,047,020
Corporate travel	213,459,763	262,728,423	39,532,407
Others	113,366,310	306,098,841	46,058,298
Total revenues	5,108,791,474	8,941,533,506	1,345,421,013
Less: business tax and related surcharges	(266,878,986)	(352,242,169)	(53,001,425)
Net revenues	4,841,912,488	8,589,291,337	1,292,419,588
Cost of revenues	(1,434,625,345)	(2,369,093,019)	(356,474,371)
Gross profit	3,407,287,143	6,220,198,318	935,945,217
Operating expenses:			
Product development	(1,604,950,422)	(4,120,679,144)	(620,033,275)
Sales and marketing	(1,401,224,481)	(2,883,508,181)	(433,877,756)
General and administrative	(520,496,306)	(1,439,299,626)	(216,569,559)
Total operating expenses	(3,526,671,209)	(8,443,486,951)	(1,270,480,590)
Loss from operations	(119,384,066)	(2,223,288,633)	(334,535,373)
Interest income	198,998,161	341,555,947	51,393,483
Interest expense	(111,919,426)	(321,072,589)	(48,311,378)
Other income (net)	(3,571,631)	287,772,833	43,300,807
Loss before income tax expense, equity in income of affiliates and non-controlling interests	(35,876,962)	(1,915,032,442)	(288,152,461)
Income tax expense	(37,612,189)	(146,515,789)	(22,046,042)
Equity in income/(loss) of affiliates	(11,087,757)	(207,567,857)	(31,232,468)
Net loss	(84,576,908)	(2,269,116,088)	(341,430,971)
Net loss attributable to non-controlling interests	101,368,649	169,179,463	25,456,216
Net income/(loss) attributable to Ctrip	16,791,741	(2,099,936,625)	(315,974,755)
Net loss	(84,576,908)	(2,269,116,088)	(341,430,971)
Other comprehensive income:			
Foreign currency translation	(22,017,134)	(209,971,846)	(31,594,193)
Unrealized securities holding gains /(losses) , net of tax	468,397,635	(36,276,214)	(5,458,435)
Total comprehensive income/(loss)	361,803,593	(2,515,364,148)	(378,483,599)
Comprehensive loss attributable to non-controlling interests	101,368,649	169,179,463	25,456,216
Comprehensive income/(loss) attributable to Ctrip	463,172,242	(2,346,184,685)	(353,027,383)
Earnings/(loss) per ordinary share			
—Basic	0.47	(36.74)	(5.53)
—Diluted	0.43	(36.74)	(5.53)
Earnings/(loss) per ADS			
—Basic	0.06	(4.59)	(0.69)
—Diluted	0.05	(4.59)	(0.69)
Weighted average ordinary shares outstanding			
—Basic shares	35,646,304	57,153,857	57,153,857
—Diluted shares	38,718,212	57,153,857	57,153,857
Share-based compensation included in Operating expense above is as follows:			
Product development	141,013,706	1,416,828,823	213,188,405
Sales and marketing	33,823,902	253,481,854	38,141,088
General and administrative	137,167,035	743,364,910	111,853,159

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

CTRIP.COM INTERNATIONAL, LTD.

Unaudited interim condensed consolidated balance sheets as of December 31, 2015 and June 30, 2016

	December 31, 2015	June 30, 2016	June 30, 2016
	RMB	RMB	US$
ASSETS			
Current assets:			
Cash and cash equivalents	19,215,674,674	10,116,920,988	1,522,280,051
Restricted cash	2,286,882,592	2,417,447,550	363,750,214
Short-term investment	8,235,785,516	5,443,944,270	819,143,272
Accounts receivable, net	3,150,768,364	3,658,078,229	550,426,312
Due from related parties	961,791,458	757,996,350	114,054,733
Prepayments and other current assets	6,749,965,827	6,751,382,429	1,015,871,805
Total current assets	40,600,868,431	29,145,769,816	4,385,526,387
Long-term deposits and prepayments	486,785,968	691,940,799	104,115,439
Long-term loan receivable	578,524,154	367,127,221	55,241,159
Long-term receivables due from related parties	543,911,586	566,089,873	85,178,813
Land use rights	102,328,181	100,936,477	15,187,781
Property, equipment and software	5,555,959,499	5,568,738,586	837,920,912
Investments	13,870,523,498	17,977,129,465	2,704,995,481
Goodwill	45,690,440,903	46,392,118,214	6,980,562,183
Intangible assets	11,007,915,171	10,919,161,286	1,642,992,113
Deferred tax assets, non-current	405,334,569	483,788,972	72,795,103
Total assets	118,842,591,960	112,212,800,709	16,884,515,371
LIABILITIES			
Current liabilities:			
Short-term debt	12,710,213,398	11,329,152,241	1,704,682,923
Accounts payable	5,944,501,681	7,654,067,391	1,151,697,647
Due to related parties	2,062,965,953	495,023,549	74,485,555
Salary and welfare payable	1,196,691,839	1,115,581,323	167,860,083
Taxes payable	1,641,379,425	934,733,132	140,648,089
Advances from customers	5,955,827,306	5,468,053,610	822,770,973
Accrued liability for customer reward program	593,346,816	633,476,833	95,318,442
Other payables and accruals	3,561,167,650	2,021,435,854	304,162,843
Total current liabilities	33,666,094,068	29,651,523,933	4,461,626,555
Deferred tax liabilities, non-current	3,045,259,390	3,040,657,474	457,523,808
Long-term Debt	18,354,608,260	19,737,568,172	2,969,886,422
Other long-term Liabilities	91,702,261	97,786,088	14,713,747
Total liabilities	55,157,663,979	52,527,535,667	7,903,750,532
Commitments and contingencies (Note 11)			
Shareholders' equity			
Share capital (US$0.01 par value; 175,000,000 shares authorized, 51,167,228 and 58,301,641 shares issued as of December 31, 2015 and June 30, 2016, respectively.)	4,121,245	4,608,787	693,478
Additional paid-in capital	37,991,678,952	51,920,013,979	7,812,337,528
Statutory reserves	168,940,969	168,940,969	25,420,330
Accumulated other comprehensive income	560,077,281	173,177,462	26,057,789
Retained earnings	8,198,838,659	6,098,902,034	917,693,922
Less: Treasury stock (3,577,357 and 3,373,355 shares as of December 31, 2015 and June 30, 2016, respectively.)	(2,372,927,372)	(2,287,415,685)	(344,184,487)
Total Ctrip's shareholders' equity	44,550,729,734	56,078,227,546	8,438,018,560
Non-controlling interests	19,134,198,247	3,607,037,496	542,746,279
Total shareholders' equity	63,684,927,981	59,685,265,042	8,980,764,839
Total liabilities and shareholders' equity	118,842,591,960	112,212,800,709	16,884,515,371

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

CTRIP.COM INTERNATIONAL, LTD.
Unaudited interim condensed consolidated statements of shareholder's equity
for the six-month periods ended June 30, 2015 and 2016

	Ordinary shares (US$0.01 par value)										
	Number of shares outstanding	Par value	Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income/(loss)	Retained earnings	Treasury stock—shares	Treasury stock	Total Ctrip's shareholders' equity	Non-controlling interests	Total shareholders' equity
		RMB	RMB	RMB	RMB	RMB		RMB	RMB	RMB	RMB
Balance as of December 31, 2014	35,146,982	3,085,272	4,828,021,816	134,098,747	443,579,376	5,726,024,997	3,323,262	(1,605,630,913)	9,529,179,295	848,548,293	10,377,727,588
Issuance of common stock pursuant to share incentive plan	595,386	36,983	149,960,249	—	—	—	—	—	149,997,232	—	149,997,232
Share-based compensation	—	—	312,004,643	—	—	—	—	—	312,004,643	—	312,004,643
Repurchasing common stock	(263,539)	—	—	—		—	263,539	(489,561,850)	(489,561,850)	—	(489,561,850)
Foreign currency translation adjustments	—	—	—	—	(22,017,134)	—	—	—	(22,017,134)	—	(22,017,134)
Unrealized securities holding gains	—	—	—	—	468,397,635	—	—	—	468,397,635	—	468,397,635
Purchasing of Purchased Call Option	—	—	(805,504,000)	—	—	—	—	—	(805,504,000)	—	(805,504,000)
Sale of Issued Warrants	—	—	523,404,000	—	—	—	—	—	523,404,000	—	523,404,000
Early Conversion of Convertible Notes	55,590	—	2,621,976	—	—	—	(55,590)	24,045,764	26,667,740	—	26,667,740
Net income / (loss)	—	—	—	—	—	16,791,741	—	—	16,791,741	(101,368,649)	(84,576,908)
Issuance of additional shares by subsidiaries	—	—	—	—	—	—	—	—	—	725,512,512	725,512,512
Business combinations	—	—	—	—	—	—	—	—		275,995,802	275,995,802
Acquisition of additional shares in subsidiaries	—	—	(10,078,392)	—	—	—	—	—	(10,078,392)	(36,158,510)	(46,236,902)
Balance as of June 30, 2015	35,534,419	3,122,255	5,000,430,292	134,098,747	889,959,877	5,742,816,738	3,531,211	(2,071,146,999)	9,699,280,910	1,712,529,448	11,411,810,358

CTRIP.COM INTERNATIONAL, LTD.
Unaudited interim condensed consolidated statements of shareholder's equity (Continued)
for the six-month periods ended June 30, 2015 and 2016

	Ordinary shares (US$0.01 par value) Number of shares outstanding	Par value	Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income/(loss)	Retained earnings	Treasury stock—shares	Treasury stock	Total Ctrip's shareholders' equity	Non-controlling interests	Total shareholders' equity
		RMB	RMB	RMB	RMB	RMB		RMB	RMB	RMB	RMB
Balance as of December 31, 2015	51,167,228	4,121,245	37,991,678,952	168,940,969	560,077,281	8,198,838,659	3,577,357	(2,372,927,372)	44,550,729,734	19,134,198,247	63,684,927,981
Issuance of common stock pursuant to share incentive plan	542,957	64,165	86,165,527	—	—	—	—	—	86,229,692	—	86,229,692
Share-based compensation	—	—	2,413,675,588	—	—	—	—	—	2,413,675,588	—	2,413,675,588
Foreign currency translation adjustments	—	—	—	—	(209,971,846)	—	—	—	(209,971,846)	—	(209,971,846)
Unrealized securities holding losses	—	—	—	—	(36,276,214)	—	—	—	(36,276,214)	—	(36,276,214)
Disposal of available-for-sale investment	—	—	—	—	(140,651,759)	—	—	—	(140,651,759)	—	(140,651,759)
Early Conversion of Convertible Notes	204,002	—	14,186,353	—	—	—	(204,002)	85,511,687	99,698,040	—	99,698,040
Share issuance for settlement of Convertible Notes	1,044,805	67,680	2,438,050,267	—	—	—	—	—	2,438,117,947	—	2,438,117,947
Net loss	—	—	—	—	—	(2,099,936,625)	—	—	(2,099,936,625)	(169,179,463)	(2,269,116,088)
Issuance of equity stake by a subsidiary	—	—	—	—	—	—	—	—	—	65,950,001	65,950,001
Acquisition of additional shares in subsidiaries	5,342,649	355,697	8,976,257,292	—	—	—	—	—	8,976,612,989	(15,501,696,332)	(6,525,083,343)
Business combinations	—	—	—	—	—	—	—	—		81,054,043	81,054,043
Disposal of shares of a subsidiary	—	—	—	—	—	—	—	—		(3,289,000)	(3,289,000)
Balance as of June 30, 2016	58,301,641	4,608,787	51,920,013,979	168,940,969	173,177,462	6,098,902,034	3,373,355	(2,287,415,685)	56,078,227,546	3,607,037,496	59,685,265,042

CTRIP.COM INTERNATIONAL, LTD.

Unaudited interim condensed consolidated statements of cash flows for the six-month periods ended June 30, 2015 and 2016

	Six-month period ended June 30, 2015 RMB	Six-month period ended June 30, 2016 RMB	Six-month period ended June 30, 2016 US$
Cash flows from operating activities:			
Net loss	(84,576,908)	(2,269,116,088)	(341,430,971)
Adjustments to reconcile net income to cash provided by operating activities:			
Share-based compensation	312,004,643	2,413,675,588	363,182,652
Equity in loss of affiliates	11,087,757	207,567,857	31,232,468
Gain on deconsolidation of a subsidiary	(1,873,977)	(3,289,000)	(494,892)
Gain on disposal of available-for-sale investment	—	(140,651,759)	(21,163,689)
Loss from disposal of property, equipment and software	3,244,810	3,505,718	527,501
Gain on disposal of cost method investment	—	(141,094,189)	(21,230,261)
Provision for doubtful accounts	16,917,120	8,394,680	1,263,137
Depreciation of property, equipment and software	109,065,253	222,942,734	33,545,906
Amortization of intangible assets and land use rights	31,932,348	124,037,494	18,663,762
Deferred income tax benefit	(84,826,416)	(108,320,437)	(16,298,837)
Changes in current assets and liabilities net of assets acquired and liabilities assumed/disposed of in business combinations/dispositions :			
Increase in accounts receivable	(884,877,709)	(514,959,974)	(77,485,363)
Increase in due from related parties	(344,702,078)	(469,436,573)	(70,635,516)
Increase in prepayments and other current assets	(588,915,515)	(8,148,856)	(1,226,148)
(Increase)/Decrease in long-term deposits	(1,929,715)	160,674,114	24,176,427
Increase in accounts payable	1,491,859,685	1,707,558,004	256,934,050
Increase in due to related parties	61,771,216	253,002,646	38,068,982
Increase/(Decrease) in salary and welfare payable	167,469,885	(81,008,548)	(12,189,252)
Increase/(Decrease) in taxes payable	76,691,956	(750,922,846)	(112,990,392)
Increase/(Decrease) in advances from end users	835,298,207	(487,530,977)	(73,358,157)
Increase in accrued liability for customer reward program	112,122,247	40,130,017	6,038,312
Increase/(Decrease) in other payables and accruals	204,542,544	(301,579,359)	(45,378,256)
Net cash generated by /(provided to) operating activities	1,442,305,353	(134,569,754)	(20,248,537)
Cash flows from investing activities:			
Purchase of property, equipment and software	(392,202,884)	(490,381,655)	(73,787,095)
Cash paid for long-term investments	(2,834,469,037)	(4,564,699,260)	(686,844,409)
Cash received from disposal of available-for-sale investment	61,980,000	382,387,499	57,537,353
Cash received from disposal of cost method investment	—	308,182,991	46,371,897
Cash paid for acquisition, net of cash acquired	(923,113,662)	(54,550,360)	(8,208,122)
Purchase of intangible assets	(20,000,000)	(3,195,219)	(480,780)
Increase in restricted cash	(333,948,958)	(136,884,012)	(20,596,761)
Decrease in short-term investment	35,028,719	2,786,093,906	419,219,956
Cash outflows from deconsolidation of subsidiaries, net of cash disposed	(4,096,083)	—	—
Net cash used in investing activities	(4,410,821,905)	(1,773,046,110)	(266,787,961)
Cash flows from financing activities:			
Proceeds from short-term bank loans	2,406,220,000	1,125,033,185	169,282,292
Proceeds from long-term bank loans	—	900,000,000	135,421,839
Repayment of loans due to related parties	—	(1,820,911,519)	(273,990,207)
Proceeds from repayment of loans due from related parties	—	651,053,394	97,963,164
Proceeds from exercise of share options	52,028,317	119,454,908	17,974,226
Repurchase of ordinary shares	(489,561,850)		
Cash paid to non-controlling investors	(46,091,470)	—	—
Cash paid for acquisition of additional stake in subsidiaries	—	(6,532,152,668)	(982,884,586)
Cash paid for settlement of convertible notes	—	(2,033,967,447)	(306,048,458)
Cash received from non-controlling investors in connection with the establishment of subsidiary	—	14,950,000	2,249,507
Proceeds from issuance convertible preferred shares by a subsidiary	725,512,513	—	—
Proceeds from issuance of senior convertible notes, net of issuance costs	8,258,400,000	—	—
Proceeds from sale of warrants	523,404,000	—	—
Purchase of Purchased Call Option	(805,504,000)	—	—
Net cash provided by/(used in) financing activities	10,624,407,510	(7,576,540,147)	(1,140,032,223)
Effect of foreign exchange rate changes on cash and cash equivalents	(33,111,963)	385,402,325	57,990,991
Net increase/(decrease) in cash and cash equivalents	7,622,778,995	(9,098,753,686)	(1,369,077,730)
Cash and cash equivalents, beginning of year	5,300,887,799	19,215,674,674	2,891,357,781
Cash and cash equivalents, end of year	12,923,666,794	10,116,920,988	1,522,280,051
Supplemental disclosure of cash flow information			
Cash paid during the year for income taxes	126,320,178	303,304,486	45,637,835
Cash paid for interest, net of amounts capitalized	88,298,209	251,110,889	37,784,332
Supplemental schedule of non-cash investing and financing activities			
Share issuance for acquisitions of additional shares in subsidiaries		(14,943,002,359)	(2,248,454,289)
Conversion of convertible senior notes	26,667,741	99,698,040	15,001,435
Accruals related to purchase of property, equipment and software	(117,518,362)	(13,985,072)	(2,104,316)
Unpaid cash consideration for business acquisitions and investments (Note 2)	(233,337,970)	(113,869,372)	(17,133,778)

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

1. ORGANIZATION AND NATURE OF OPERATIONS

The accompanying unaudited interim condensed consolidated financial statements include the financial statements of Ctrip.com International, Ltd. (the "Company"), its subsidiaries, VIEs and VIEs' subsidiaries. The Company, its subsidiaries, the consolidated VIEs and their subsidiaries are collectively referred to as the "Group".

The Group is principally engaged in the provision of travel related services including accommodation reservation, transportation ticketing, packaged-tour, corporate travel management services, as well as Internet-related advertising and other related services.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all normal recurring adjustments necessary for a fair statement of the Company's interim condensed consolidated financial statements as of June 30, 2016 and for the six months ended June 30 2015 and 2016. The year-end condensed balance sheet data as of December 31, 2015 was derived from audited financial statements, but does not include all disclosures required by US GAAP.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses during the reporting periods.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements included in the Company's Annual Report on Form 20-F for the year ended December 31, 2015, previously filed with the Securities and Exchange Commission ("SEC").

Consolidation

The unaudited interim condensed consolidated financial statements include the financial statements of the Company, its subsidiaries, VIEs and VIEs' subsidiaries. All significant transactions and balances between the Company, its subsidiaries, VIEs and VIEs' subsidiaries have been eliminated upon consolidation.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to appoint or remove the majority of the members of the board of directors; to cast a majority of votes at the meeting of the board of directors or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Company applies the guidance codified in Accounting Standard Codification 810, Consolidations ("ASC 810") on accounting for VIEs and their respective subsidiaries, which requires certain variable interest entities to be consolidated by the primary beneficiary of the entity in which it has a controlling financial interest. A VIE is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support; (b) as a group, the holders of the equity investment at risk lack the ability to make certain decisions, the obligation to absorb expected losses or the right to receive expected residual returns, or (c) an equity investor has voting rights that are disproportionate to its economic interest and substantially all of the entity's activities are on behalf of the investor. Accordingly, the financial statements of the following VIEs and VIEs' subsidiaries are consolidated into the Company's financial statements since July 1, 2003 or their respective date of establishment/acquisition, whichever is later:

The following is a summary of the Company's major VIEs and VIEs' subsidiaries:

Name of VIE and VIEs' subsidiaries	Date of establishment/acquisition
Shanghai Ctrip Commerce Co., Ltd. ("Shanghai Ctrip Commerce")	Established on July 18, 2000
Beijing Ctrip International Travel Agency Co., Ltd. ("Beijing Ctrip")	Acquired on January 15, 2002
Guangzhou Ctrip International Travel Agency Co., Ltd. ("Guangzhou Ctrip")	Established on April 28, 2003
Shanghai Ctrip International Travel Agency Co., Ltd. ("Shanghai Ctrip" formerly Shanghai Ctrip Charming International Travel Agency Co., Ltd.)	Acquired on September 23, 2003
Shenzhen Ctrip Travel Agency Co., Ltd. ("Shenzhen Ctrip")	Established on April 13, 2004
Ctrip Insurance Agency Co., Ltd. ("Ctrip Insurance")	Established on July 25, 2011
Shanghai Huacheng Southwest International Travel Agency Co., Ltd. ("Shanghai Huacheng" formerly Shanghai Huacheng Southwest Travel Agency Co., Ltd.)	Established on March 13, 2001
Chengdu Ctrip Travel Agency Co., Ltd. ("Chengdu Ctrip")	Established on January 8, 2007
Chengdu Ctrip International Travel Agency Co., Ltd. ("Chengdu Ctrip International")	Established on November 4, 2008
Qunar.com Beijing Information Technology Company Limited ("Qunar Beijing")	Established on March 17, 2006

For the six-month periods ended June 30, 2015 and 2016, the Company is considered the primary beneficiary of a VIE or VIEs' subsidiary and consolidated the VIE or VIEs' subsidiary if the Company had variable interests, that will absorb the entity's expected losses, receive the entity's expected residual returns, or both.

Major variable interest entities and their subsidiaries

As of June 30, 2016, the Company conducts a part of its operations through a series of agreements with certain VIEs and VIEs' subsidiaries as stated in above. These VIEs and VIEs' subsidiaries are used solely to facilitate the Group's participation in Internet content provision, advertising business,

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

travel agency and air-ticketing services in the People's Republic of China ("PRC") where foreign ownership is restricted.

Shanghai Ctrip Commerce is a domestic company incorporated in Shanghai, the PRC. Shanghai Ctrip Commerce holds a value-added telecommunications business license and is primarily engaged in the provision of advertising business on the Internet website. Two senior officers of the Company collectively hold 100% of the equity interest in Shanghai Ctrip Commerce. The registered capital of Shanghai Ctrip Commerce was RMB30,000,000 as of June 30, 2016.

Beijing Ctrip is a domestic company incorporated in Beijing, the PRC. Beijing Ctrip holds an air transport sales agency license, domestic and cross-border travel agency license and is mainly engaged in the provision of air-ticketing services and packaged tour services. A senior officer of the Company and Shanghai Ctrip Commerce collectively hold 100% of the equity interest in Beijing Ctrip. The registered capital of Beijing Ctrip was RMB40,000,000 as of June 30, 2016.

Guangzhou Ctrip is a domestic company incorporated in Guangzhou, the PRC. Guangzhou Ctrip holds air transport sales agency license, domestic and cross-border travel agency license and is mainly engaged in the provision of air-ticketing services and packaged tour services. Two senior officers of the Company collectively hold 100% of the equity interest in Guangzhou Ctrip. The registered capital of Guangzhou Ctrip was RMB3,000,000 as of June 30, 2016.

Shanghai Ctrip is a domestic company incorporated in Shanghai, the PRC. Shanghai Ctrip holds domestic and cross-border travel agency licenses, air transport sales agency license and mainly provides domestic and cross-border tour services. In September 2012, the Company purchased of the ownership interests from the unrelated minority shareholder and effected a simultaneous reduction of capital of Shanghai Ctrip. Upon completion of the above transactions, two senior officers of the Company hold 100% of the equity interest in Shanghai Ctrip. The registered capital of Shanghai Ctrip was RMB10,050,000 as of June 30, 2016.

Shenzhen Ctrip is a domestic company incorporated in Shenzhen, the PRC. Shenzhen Ctrip holds air transport sales agency license and domestic travel agency license and is engaged in the provision of air-ticketing service. Two senior officers of the Company collectively hold 100% of the equity interest in Shenzhen Ctrip. The registered capital of Shenzhen Ctrip was RMB2,500,000 as of June 30, 2016.

Ctrip Insurance is an insurance agency incorporated in Shanghai, the PRC. Ctrip Insurance was established in July 2011. Ctrip Insurance holds an insurance agency business license. Shanghai Ctrip Commerce and Ctrip Computer Technology (Shanghai) Co., Ltd. ("Ctrip Computer Technology") hold 100% of the equity interest in Ctrip Insurance. The registered capital of Ctrip Insurance was RMB50,000,000 as of June 30, 2016.

Shanghai Huacheng is a domestic company incorporated in Shanghai, the PRC. Shanghai Huacheng holds a domestic travel agency license and an air transport sales agency license and mainly provides domestic tour services and air-ticketing services. Shanghai Ctrip Commerce holds 100% of the equity interest in Shanghai Huacheng. The registered capital of Shanghai Huacheng was RMB100,000,000 as of June 30, 2016.

Chengdu Ctrip is a domestic company incorporated in Chengdu, the PRC. Chengdu Ctrip holds air transport sales agency license and domestic travel agency license and is engaged in the provision of

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

air-ticketing service. Two senior officers of the Company hold 100% of the equity interest in Chengdu Ctrip. The registered capital of Chengdu Ctrip was RMB20,000,000 as of June 30, 2016.

Chengdu Ctrip International is a domestic company incorporated in Chengdu, the PRC. Chengdu Ctrip International holds domestic and cross-border travel agency licenses, air transport sales agency license and mainly provides domestic and cross-border tour services. Shanghai Ctrip holds 100% of the equity interest in Chengdu Ctrip International. The registered capital of Chengdu Ctrip International was RMB2,000,000 as of June 30, 2016.

Qunar Beijing is a domestic company incorporated in Beijing, the PRC. Qunar Beijing holds various domestic and cross-border business licenses of Qunar. Two senior officers of the Company holds 100% of the equity interest in Qunar Beijing. The registered capital of Qunar Beijing was RMB1,000,000 as of June 30, 2016.

The capital injected by senior officers or senior officer's family member are funded by the Company and are recorded as long-term business loans to related parties. The Company does not have any ownership interest in these VIEs and VIEs' subsidiaries.

As of June 30, 2016, the Company has various agreements with its consolidated VIEs and VIEs' subsidiaries, including loan agreements, exclusive technical consulting and services agreements, share pledge agreements, exclusive option agreements and other operating agreements.

Details of certain key agreements with the VIEs are as follows:

Powers of Attorney: Each of the shareholders of our consolidated affiliated Chinese entities, except for Hui Cao and Hui Wang, signed an irrevocable power of attorney to appoint Ctrip Travel Network, Ctrip Travel Information or Wancheng, as attorney-in-fact to vote, by itself or any other person to be designated at its discretion, on all matters of the applicable consolidated affiliated Chinese entities. Each such power of attorney will remain effective as long as the applicable consolidated affiliated Chinese entity exists, and such shareholders of the applicable consolidated affiliated Chinese entities are not entitled to terminate or amend the terms of the power of attorneys without prior written consent from us.

As of the date of these interim condensed consolidated financial statements, each of the shareholders of Qunar Beijing, Hui Cao and Hui Wang, also signed an irrevocable power of attorney authorizing an appointee of Beijing Qunar Software Technology Company Limited, or Qunar Software, to exercise, in a manner approved by Qunar, on such shareholder's behalf the full shareholder rights pursuant to applicable laws and Qunar Beijing's articles of association, including without limitation full voting rights and the right to sell or transfer any or all of such shareholder's equity interest in Qunar Beijing. Each such power of attorney is effective until such time as such relevant shareholder ceases to hold any equity interest in Qunar Beijing. The terms of the power of attorney with respect to Qunar Beijing are otherwise substantially similar to the terms described in the foregoing paragraph.

Technical Consulting and Services Agreements: Ctrip Travel Information, Ctrip Travel Network and Wancheng, each a wholly owned PRC subsidiary of ours, provide our consolidated affiliated Chinese entities, except for Qunar Beijing, with technical consulting and related services and staff training and information services on an exclusive basis. We also maintain their network platforms. In consideration

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

for our services, our consolidated affiliated Chinese entities agree to pay us service fees as calculated in such manner as determined by us from time to time based on the nature of service, which may be adjusted periodically. For the six month period ended June 30, 2016, our consolidated affiliated Chinese entities paid Ctrip Computer Technology (before our restructuring of business lines and restatement of contractual arrangements in 2015) or Ctrip Travel Information (after our restructuring of business lines and restatement of contractual arrangements in 2015) and Ctrip Travel Network a quarterly fee based on the number of transportation tickets sold and the number of packaged-tour products sold in the quarter, at an average rate from RMB3 (US$0.5) to RMB205 (US$30.9) per ticket and from RMB22 (US$3.3) to RMB186 (US$28) per person per tour. Although the service fees are typically determined based on the number of transportation tickets sold and packaged tour products sold, given the fact that the nominee shareholders of such consolidated affiliated Chinese entities have irrevocably appointed the employees of our subsidiaries to vote on their behalf on all matters they are entitled to vote on, we have the right to determine the level of service fees paid and therefore receive substantially all of the economic benefits of our consolidated affiliated Chinese entities in the form of service fees. The services fees paid by all of such consolidated affiliated Chinese entities as a percentage of their total net income were 138.3% and 100.6% for the six month period ended June 30, 2015 and 2016. Ctrip Travel Information, Ctrip Travel Network or Wancheng, as appropriate, will exclusively own any intellectual property rights arising from the performance of this agreement. The initial term of these agreements is 10 years and may be renewed automatically in 10-year terms unless we disapprove the extension. We retain the exclusive right to terminate the agreements at any time by delivering a 30-day advance written notice to the applicable consolidated affiliate Chinese entity.

As of the date of these interim condensed consolidated financial statements, pursuant to the restated exclusive technical consulting and services agreement between Qunar Beijing and Qunar Software, Qunar Software provides Qunar Beijing with technical, marketing and management consulting services on an exclusive basis in exchange for service fee paid by Qunar Beijing based on a set formula defined in the agreement subject to adjustment by Qunar Software at its sole discretion. This agreement will remain in effect until terminated unilaterally by Qunar Software or mutually. The terms of this agreement are otherwise substantially similar to the terms described in the foregoing paragraph.

Share Pledge Agreements: The shareholders of our consolidated affiliated Chinese entities, except for Hui Cao and Hui Wang, have pledged their respective equity interests in the applicable consolidated affiliated Chinese entities as a guarantee for the performance of all the obligations under the other contractual arrangements, including payment by such consolidated affiliated Chinese entities of the technical and consulting services fees to us under the technical consulting and services agreements, repayment of the business loan under the loan agreements and performance of obligations under the exclusive option agreements, each agreement as described herein. In the event any of such consolidated affiliated Chinese entity breaches any of its obligations or any shareholder of such consolidated affiliated Chinese entities breaches his or her obligations, as the case may be, under these agreements, we are entitled to enforce the equity pledge right and sell or otherwise dispose of the pledged equity interests after the pledge is registered with the relevant local branch of SAIC, and retain the proceeds from such sale or require any of them to transfer his or her equity interest without consideration to the PRC citizen(s) designated by us. These share pledge agreements are effective until

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

two years after the pledgor and the applicable consolidated affiliated Chinese entities no longer undertake any obligations under the above-referenced agreements.

As of the date of these interim condensed consolidated financial statements, pursuant to the equity interest pledge agreement among Qunar Software, Hui Cao and Hui Wang, Hui Cao and Hui Wang have pledged their equity interests in Qunar Beijing along with all rights, titles and interests to Qunar Software as guarantee for the performance of all obligations under the relevant contractual arrangements mentioned herein. After the pledge is registered with the relevant local branch of SAIC, Qunar Software may enforce this pledge upon the occurrence of a settlement event or as required by the PRC law. The pledge, along with this agreement, will be effective upon registration with the local branch of the SAIC, and will expire when all obligations under the relevant contractual arrangements have been satisfied or when each of Hui Cao and Hui Wang completes a transfer of equity interest and ceases to hold any equity interest in Qunar Beijing. In enforcing the pledge, Qunar Software is entitled to dispose of the pledge and have priority in receiving payment from proceeds from the auction or sale of all or part of the pledge until the obligations are settled. The terms of this agreement are otherwise substantially similar to the terms described in the foregoing paragraph.

Loan Arrangements: Under the loan agreements we entered into with the shareholders of our consolidated affiliated Chinese entities, except for Hui Cao and Hui Wang, we extended long-term business loans to these shareholders of our consolidated affiliated Chinese entities with the sole purpose of providing funds necessary for the capitalization or acquisition of such consolidated affiliated Chinese entities. These business loan amounts were injected into the applicable consolidated affiliated Chinese entities as capital and cannot be accessed for any personal uses. The loan agreements shall remain effective until the parties have fully performed their respective obligations under the agreement, and the shareholders of such consolidated affiliated Chinese entities have no right to unilaterally terminate these agreements. In the event that the PRC government lifts its substantial restrictions on foreign ownership of the air-ticketing, travel agency, or value-added telecommunications business in China, as applicable, we will exercise our exclusive option to purchase all of the outstanding equity interests of our consolidated affiliated Chinese entities, as described in the following paragraph, and the loan agreements will be cancelled in connection with such purchase. However, it is uncertain when, if at all, the PRC government will lift any or all of these restrictions.

As of the date of this interim financial statements, pursuant to the loan agreement among Qunar Software, Hui Cao and Hui Wang, the loans extended by Qunar Software to each of Hui Cao and Hui Wang are only repayable by a transfer of such borrower's equity interest in Qunar Beijing to Qunar Software or its designated party, in proportion to the amount of the loan to be repaid. This loan agreement will continue in effect indefinitely until such time when (i) the borrowers receive a repayment notice from Qunar Software and fully repay the loans, or (ii) an event of default (as defined therein) occurs unless Qunar Software sends a notice indicating otherwise within 15 calendar days after it is aware of such event. The terms of this loan agreement is otherwise substantially similar to the terms described in the foregoing paragraphs.

Exclusive Option Agreements: As consideration for our entering into the loan agreements described above, each of the shareholders of our consolidated affiliated Chinese entities, except for Hui Cao and Hui Wang, has granted us an exclusive, irrevocable option to purchase, or designate one or more

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

person(s) at our discretion to purchase, all of their equity interests in the applicable consolidated affiliated Chinese entities at any time we desire, subject to compliance with the applicable PRC laws and regulations. We may exercise the option by issuing a written notice to the relevant consolidated affiliated Chinese entity. The purchase price shall be equal to the contribution actually made by the shareholder for the relevant equity interest. Therefore, if we exercise these options, we may choose to cancel the outstanding loans we extended to the shareholders of such consolidated affiliated Chinese entities pursuant to the loan agreements as the loans were used solely for equity contribution purposes. The initial term of these agreements is 10 years and may be renewed automatically in 10-year terms unless we disapprove the extension. We retain the exclusive right to terminate the agreements at any time by delivering a written notice to the applicable consolidated affiliate Chinese entity.

Each of Hui Cao and Hui Wang also entered into equity option agreements with Qunar, Qunar Software and Qunar Beijing. These equity option agreements contain arrangements that are similar to that as described in the foregoing paragraph. This agreement will remain effective with respect to each of Qunar Beijing's shareholders until all of the equity interest has been transferred or Qunar terminates the agreement unilaterally with 30 days' prior written notice.

Our consolidated affiliated Chinese entities and their shareholders agree not to enter into any transaction that would affect the assets, obligations, rights or operations of our consolidated affiliated Chinese entities without our prior written consent. They also agree to accept our guidance with respect to day-to-day operations, financial management systems and the appointment and dismissal of key employees.

In addition, we also enter into technical consulting and services agreements with our majority or wholly owned subsidiaries of some of the consolidated affiliated Chinese entities, such as Chengdu Ctrip International, and these subsidiaries pay us service fees based on the level of services provided. The existence of such technical consulting and services agreements provides us with the enhanced ability to transfer economic benefits of these majority or wholly owned subsidiaries of the consolidated affiliated Chinese entities to us in exchange for the services provided, and this is in addition to our existing ability to consolidate and extract the economic benefits of these majority or wholly owned subsidiaries of the consolidated affiliated Chinese entities. For instance, the consolidated affiliated Chinese entities may cause the economic benefits to be channeled to them in the form of dividends, which then may be further consolidated and absorbed by us through the contractual arrangements described above.

Risks in relation to contractual arrangements between the Company's PRC subsidiaries and its affiliated Chinese entities:

The Company has been advised by Commerce & Finance Law Offices, its PRC legal counsel, that its contractual arrangements with its consolidated VIEs as described in the Company's annual report are valid, binding and enforceable under the current laws and regulations of China. Based on such legal opinion and the management's knowledge and experience, the Company believes that its contractual arrangements with its consolidated VIEs are in compliance with current PRC laws and legally enforceable. However, there may be in the event that the affiliated Chinese entities and their respective shareholders fail to perform their contractual obligations, the Company may have to rely on the PRC legal system to enforce its rights. The PRC legal system is based on written statutes. Prior court

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system is still evolving, 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 remedies available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Due to the uncertainties with respect to the PRC legal system, the PRC government authorities may ultimately take a view contrary to the opinion of its PRC legal counsel with respect to the enforceability of the contractual arrangements.

There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Accordingly, the Company cannot be assured that the PRC government authorities will not ultimately take a view that is contrary to the Company's belief and the opinion of its PRC legal counsel. On January 19, 2015, the Ministry of Commerce of the PRC, or (the "MOFCOM") released for public comments a proposed PRC law (the "Draft FIE Law") which includes VIEs within the scope of entities that could be considered to be foreign invested enterprises (or "FIEs") and may be subject to restrictions under existing PRC law on foreign investment in certain categories of industries. Specifically, the Draft FIE Law introduces the concept of "actual control" for determining whether an entity is considered to be an FIE. In addition to control through direct or indirect ownership on equity, the Draft FIE Law includes control through contractual arrangements within the definition of "actual control." If the Draft FIE Law is passed by the People's Congress of the PRC and goes into effect in its current form, these provisions regarding control through contractual arrangements could be construed to reach the Company's VIE arrangements, and as a result the Company's VIEs could become explicitly subject to the current restrictions on foreign investment in certain categories of industry. The Draft FIE Law includes provisions that would exempt from the definition of FIEs where the ultimate controlling shareholders are either entities organized under PRC law or individuals who are PRC citizens. The Draft FIE Law is silent as to what type of enforcement action might be taken against existing VIEs that operate in restricted or prohibited industries and are not controlled by entities organized under PRC law or individuals who are PRC citizens. If the contractual arrangements establishing the Company's VIE structure are found to be in violation of any existing law and regulations or future PRC laws and regulations or under the Draft FIE Law if it becomes effective, the relevant PRC government authorities will have broad discretion in dealing with such violation, including, without limitation, levying fines, confiscating our income or the income of our affiliated Chinese entities, revoking our business licenses or the business licenses of our affiliated Chinese entities, requiring us and our affiliated Chinese entities to restructure our ownership structure or operations and requiring us or our affiliated Chinese entities to discontinue any portion or all of our value-added telecommunications, air-ticketing, travel agency or advertising businesses. Any of these actions could cause significant disruption to the Company's business operations, and have a severe adverse impact on the Company's cash flows, financial position and operating performance. If the imposing of these penalties cause the Company to lose its rights to direct the activities of and receive economic benefits from its VIEs, which in turn may restrict the Company's ability to consolidate and reflect in its financial statements the financial position and results of operations of its VIEs.

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Summary financial information of the Group's VIEs in the consolidated financial statements

Pursuant to the contractual arrangements with the VIEs, the Company has the power to direct activities of the VIEs, and can have assets transferred freely out of the VIEs without any restrictions. Therefore the Company considers that there is no asset of a consolidated VIE that can be used only to settle obligations of the VIE, except for registered capital and PRC statutory reserves of the VIEs amounting to a total of RMB549 million as of June 30, 2016. As all the consolidated VIEs are incorporated as limited liability companies under the PRC Company Law, creditors of the VIEs do not have recourse to the general credit of the Company for any of the liabilities of the consolidated VIEs.

Summary financial information of the VIEs, which represents aggregated financial information of the VIEs and their respective subsidiaries included in the accompanying consolidated financial statements, is as follows:

	As of December 31, 2015	As of June 30, 2016
	RMB	RMB
Total assets	22,188,424,951	25,527,952,939
Less: Inter-company receivables	(3,808,937,898)	(6,356,505,306)
Total assets excluding inter-company	18,379,487,053	19,171,447,633
Total liabilities	20,998,061,568	24,045,721,119
Less: Inter-company payables	(8,572,648,210)	(11,770,282,596)
Total liabilities excluding inter-company	12,425,413,358	12,275,438,523

As of December 31, 2015 and June 30, 2016, the VIEs' assets mainly consisted of cash and cash equivalent (December 31, 2015: RMB2.8 billion, June 30, 2016: RMB4.1 billion), prepayments and other current assets (December 31, 2015: RMB4.1 billion, June 30, 2016: RMB4.0 billion), accounts receivables (December 31, 2015: RMB2.7 billion, June 30, 2016: RMB3.8 billion), investments (non-current) (December 31, 2015: RMB2.4 billion, June 30, 2016: RMB2.5 billion) and short-term investment (December 31, 2015: RMB3.1 billion, June 30, 2016: RMB2.4 billion). The inter-company receivables of RMB3.8 billion and RM6.4 billion as of December 31, 2015 and June 30, 2016 mainly represented the cash paid by a VIE to one of the Company's WFOEs for treasury cash management purpose.

As of December 31, 2015 and June 30, 2016, the VIEs' liabilities mainly consisted of accounts payable (December 31, 2015: RMB4.0 billion, June 30, 2016: RMB4.9 billion), advance from end users (December 31, 2015: RMB5.1 billion, June 30, 2016: RMB4.8 billion), other payables and accruals (December 31, 2015: RMB2.1 billion, June 30, 2016: RMB1.0 billion), salary and welfare payable (December 31, 2015: RMB217 million, June 30, 2016: RMB121million) and taxes payable (December 31, 2015: RMB689 million, June 30, 2016: RMB106 million). The inter-company payables as of December 31, 2015 and June 30, 2016 were RMB8.6 billion and RMB11.8 billion, respectively, which primarily consisted of the payables due to Ctrip.com (Hong Kong) Limited ("Ctrip HK"), one of the Company's wholly-owned subsidiaries, for its payment of overseas air tickets and tour packages on behalf of a VIE and another VIEs' subsidiary and the service fees payable to the WFOEs under the

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

technical consulting and services agreements, which are operational in nature from the VIEs and their subsidiaries' perspectives.

	Six-month period ended June 30, 2015	Six-month period ended June 30, 2016
	RMB	RMB
Net revenues	2,996,244,090	3,801,338,504
Cost of revenues	993,524,538	1,213,952,528
Net loss	(152,633,420)	(53,675,461)

As aforementioned, the VIEs mainly conduct air-ticketing, travel agency, advertising and value-added telecommunication businesses. Revenues from VIEs accounted for around 62% and 44% of the Company's total revenues in six-month period ended June 30, 2015 and 2016. The air-ticketing and packaged-tour revenues continued to increase, primarily driven by the increase in the air-ticketing volume and leisure travel volume.

The VIEs' net income loss before the deduction of the inter-company consulting fee charges were RMB153 million and RMB54 million for the six-month period ended June 30, 2015 and 2016, respectively.

The amount of service fees paid by all the VIEs as a percentage of the VIEs' total net income were 138.3% and 100.6% for the six-month period ended June 30, 2015 and 2016, respectively.

The WFOEs are the sole and exclusive provider of technical consulting and related services and information services for the VIEs. Pursuant to the Exclusive Technical Consulting and Service Agreements, the VIEs pay service fees to the WFOEs based on the VIEs' actual operating results. The WFOEs are entitled to receive substantially all of the net income and transfer a majority of the economic benefits in the form of service fees from the VIEs and VIEs' subsidiaries to the WFOEs.

Currently there is no contractual arrangement that could require the Company to provide additional financial support to the consolidated VIEs. As the Company is conducting certain business in the PRC mainly through the VIEs, the Company may provide such support on a discretionary basis in the future, which could expose the Company to a loss.

Foreign currencies

The Group's reporting currency is RMB. The Company's functional currency is US$. The Company's operations are conducted through the subsidiaries and VIEs where the local currency is the functional currency and the financial statements of those subsidiaries are translated from their respective functional currencies into RMB.

Transactions denominated in currencies other than functional currencies are translated at the exchange rates quoted by the People's Bank of China (the "PBOC"), the Hong Kong Association of Banks (the "HKAB") or major Taiwan banks, prevailing or averaged at the dates of the transaction for PRC and Hong Kong subsidiaries and ezTravel, a Taiwan subsidiary respectively. Gains and losses resulting from foreign currency transactions are included in the consolidated statements of income and comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

using the applicable exchange rates quoted by the PBOC, HKAB or banks located in Taiwan at the balance sheet dates. All such exchange gains and losses are included in the statements of income.

Assets and liabilities of the group companies are translated from their respective functional currencies to the reporting currency at the exchange rates at the balance sheet dates, equity accounts are translated at historical exchange rates and revenues and expenses are translated at the average exchange rates in effect during the reporting period. The exchange differences for the translation of group companies with non-RMB functional currency into the RMB functional currency are included in foreign currency translation adjustments, which is a separate component of shareholders' equity on the consolidated financial statements.

Translations of amounts from RMB into US$ are solely for the convenience of the reader and were calculated at the rate of US$1.00 = RMB6.6459 on June 30, 2016, representing the certificated exchange rate published by the Federal Reserve Board. No representation is intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on June 30, 2016, or at any other rate.

Cash and cash equivalents

Cash includes currency on hand and deposits held by financial institutions that can be added to or withdrawn without limitation. Cash equivalents represent short-term, highly liquid investments that are readily convertible to known amounts of cash and with original maturities from the date of purchase of generally three months or less.

Restricted cash

Restricted cash represents cash that cannot be withdrawn without the permission of third parties. The Group's restricted cash is substantially cash balance on deposit required by its business partners and commercial banks.

Short-term investment

Short-term investments represent the investments issued by commercial banks or other financial institutions with a variable interest rate indexed to the performance of underlying assets within one year. The Company elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in the fair value are reflected in the consolidated statements of income and comprehensive income.

Long term loan receivable

Long-term loan receivables are recorded at cost and compounded accrued interests as we do not intend to sell the security, or it is more likely than not that the Company will not be required to sell the security before full recovery of our cost. The Company evaluates the qualitative criteria to determine whether we expect to recover our cost.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Land use rights

Land use rights represent the prepayments for usage of the parcels of land where the office buildings are located, are recorded at cost, and are amortized over their respective lease periods (usually over 40 to 50 years).

Property, equipment and software

Property, equipment and software are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives, taking into account any estimated residual value:

Building	20 - 40 years
Leasehold improvements	Lesser of the term of the lease or the estimated useful lives of the assets
Website-related equipment	5 years
Computer equipment	3 - 5 years
Furniture and fixtures	3 - 5 years
Software	3 - 5 years

Construction in progress is stated at cost. Construction in progress as of December 31, 2015 mainly refers to costs associated with the purchase of building in Shanghai Sky SOHO and construction of information and technology center in Chengdu before the buildings are put into service. All direct costs related to the new buildings are capitalized as construction in progress until it is substantially completed and available for use.

The Company recognized the disposal of Property, equipment and software in general and administrative expenses.

Investments

The Company investments include held to maturity investments, available-for-sale investments, equity method investments and cost method investments in certain publicly traded companies and privately-held companies.

The securities that the Company has positive intent and ability to hold to maturity are classified as held to maturity investments and stated at amortized cost. Cost method is used for investments over which the Company does not have the ability to exercise significant influence. Gain or losses are realized when such investments are sold or when dividends are declared or payments are received or when impaired. The Company applies equity method in accounting for its investments in entities in which the Company has the ability to exercise significant influence but does not own a majority equity interest or otherwise controls and the investments are either common stock or in-substance common stocks. Unrealized gains on transactions between the Company and the affiliated entity are eliminated to the extent of the Company's interest in the affiliated entity; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Company classifies its investments in debt and equity securities, that are not accounted for as cost or equity method investments, into one of three categories and accounts for these as follows: (i) debt securities

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

that the Company has the positive intent and the ability to hold to maturity are classified as "held to maturity" and reported at amortized cost; (ii) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as "trading securities" with unrealized holding gains and losses included in earnings; (iii) debt and equity securities not classified as held to maturity or as trading securities are classified as "available-for-sale" and reported at fair value through other comprehensive income. Realized gains or losses are charged to earnings during the period in which the gains or losses are realized.

The Company monitors its investments for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, the operating performance of the companies including current earnings trends and other company-specific information.

Fair value measurement of financial instruments

Financial assets and liabilities of the Group primarily comprise of cash and cash equivalents, restricted cash, time deposits, financial products, accounts receivable, due from related parties, available-for-sale investments, accounts payable, due to related parties, advances from end users, short-term bank borrowings, other short-term liabilities and long-term debts. As of December 31, 2015 and June 30, 2016, the Company does not hold any derivative instruments, and except for long-term debts and available-for-sale investments, carrying values of these financial instruments approximated their fair values because of their generally short maturities. The Company reports available-for-sale investments at fair value at each balance sheet date and changes in fair value are reflected in the statements of income and comprehensive income. The Company disclosed the fair value of its long-term debts based on Level 2 inputs in Note 8.

We measure our financial assets and liabilities using inputs from the following three levels of the fair value hierarchy. The three levels are as follows:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets that the management has the ability to access at the measurement date.

Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 includes unobservable inputs that reflect the management's assumptions about the assumptions that market participants would use in pricing the asset. The management develops these inputs based on the best information available, including the own data.

Business combination

U.S. GAAP requires that all business combinations not involving entities or businesses under common control be accounted for under the purchase method. The Group applies ASC 805, "Business combinations", the cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the (i) the total of cost of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of income and comprehensive income.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

Acquisitions

The Company completed several transactions to acquire controlling shares to enrich its products and to expand business. The Company makes estimates and judgments in determining the fair value of the acquired assets and liabilities, based in part on independent appraisal reports as well as its experience with purchasing similar assets and liabilities in similar industries. The amount excess of the purchase price over the fair value of the identifiable assets and liabilities acquired is recorded as goodwill. The major acquisitions during the periods presented are as follows:

Qunar Cayman Islands Limited ("Qunar")

In October 2015, the Company completed a share exchange transaction with Baidu, Inc. ("Baidu"), which was the principal shareholder of Qunar, upon completion of the exchange, the Company issued approximately 11.5 million ordinary shares, with the fair value of US$ 3.4 billion (RMB 21.7 billion) to Baidu in exchange for approximately 179 million Class A (There were 193 million outstanding Class A shares in Qunar) and 11 million Class B ordinary shares of Qunar. The Class A and Class B represents 3 votes and 1 vote per share respectively, and Class A ordinary shares were converted into Class B ordinary shares upon transfer. After the transaction, Ctrip owned ordinary share of Qunar representing approximately 45% of Qunar's aggregate voting interest and 48% economic interest.

In connection with the transaction with Baidu, on December 10, 2015, the Company issued approximately 4 million ordinary shares to certain special purpose vehicles in exchange for approximately 66 million Class B ordinary shares of Qunar issued as equity incentives to Qunar's employees.

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Below is the summary of the fair value of acquisition cost for these acquisition:

	RMB	US$
Fair value of previously held equity interest(1)	21,698,582,100	3,416,184,974
Consideration paid in December 2015	10,842,783,275	1,687,067,570
Total purchase cost	32,541,365,375	5,103,252,544

(1) Which represents fair value of purchase consideration for the initial 45% equity method investment in October 2015

Under US GAAP, as a result of the above transactions, the Company is deemed to be the beneficial owner of 256 million Class B ordinary shares of Qunar representing majority voting interest and therefore accounts for these transactions as step acquisitions of business combination. The previously held equity interest of Qunar from the exchange transaction with Baidu was accounted for using equity method until the Company's consolidation of Qunar upon completion of the transaction with the Qunar shareholders in December 2015. The financial statements of Qunar are consolidated by the Company from December 31, 2015 on since the financial results of Qunar during the period from December 10 through December 31, 2015 were not material.

The preliminary allocation of the purchase price of the assets acquired and liabilities assumed based on their fair values was as follows. The fair value of non-controlling interest was measured based

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

on the purchase price, taking into account a discount reflective of the non-controlling nature of the interest based on the market price of Qunar's publically traded shares.

	RMB
Cash and cash equivalents	5,169,733,816
Advance to suppliers	1,177,437,522
Prepayments and other current assets	3,075,154,225
Long-term investments	712,967,197
Fixed assets, net	232,085,350
Other non-current assets	127,412,235
Accounts payable	(1,584,668,322)
Taxes payable	(1,028,960,573)
Short-term debts	(3,301,856,678)
Accrued expenses and other current liabilities	(4,526,855,580)
Non-current liability	(93,019,969)
Non-controlling interests	(5,282,358)
Net assets of Qunar acquired	(45,853,135)
Identifiable intangible assets—trademark and domain	8,998,429,167
Identifiable intangible assets—technology and supplier network for new products*	948,347,023
Deferred tax liabilities	(2,489,866,400)
Non-controlling interests	(17,850,614,771)
Goodwill	42,980,923,491
Total purchase consideration	32,541,365,375

The newly identifiable intangible assets of Qunar primarily consist of trademark and domain, technology and supplier network for new products. The trademark and domain are indefinite-lived intangible assets. The estimated fair value of the amortizable intangible assets (technology and supplier network for new products) is expected to amortised on a straight-line basis over a weighted average period of 5.2 years.

In the first half year of 2016, the Company made certain investments, in the form of limited partnership capital contribution or other financing arrangements respectively, in several non-U.S. investment entities, with an aggregate fair value of approximately US$2.9 billion (RMB 19 billion), including US$1 billion (RMB 6.5 billion) cash and newly issued ordinary shares (the "Investment"). These investment entities have spent the Investment to acquire the majority of minority stake of Qunar through privately negotiated transactions. In accordance with ASC 810, the Company consolidates the financial statements of these investment entities and as such the investments are eliminated in consolidation. The Company accounts for the subsequent purchases of the Qunar non-controlling shares as equity transactions by adjusting the carrying amount of non-controlling interest of Qunar to reflect the decrease in the non-controlling interest's ownership in Qunar by RMB15.5 billion. The difference between the amount of the change in non-controlling interest and the consideration paid was

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

recognized in additional paid-in capital of the Company with amount of RMB3.7 billion against the US$ 1.9 billion (RMB 12.6 billion) of additional paid-in capital from the newly issued ordinary shares.

The following unaudited pro forma consolidated financial information reflects the results of operations for the period ended June 30, 2015, as if the Qunar business combination had occurred on January 1, 2015, and after giving effect to purchase accounting adjustments. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what operating results would have been had the acquisition actually took place on the beginning of the period presented, and may not be indicative of future operating results.

In thousands	Six-month period ended June 30, 2015 RMB
Pro-forma net revenues	6,272,985
Pro-forma net loss	(1,670,379)

For six-month period ended June 30, 2016, the consolidation of Qunar has contributed the net revenue and net loss of the Company with amount of RMB1.9 billion and RMB1.8 billion respectively.

Travelfusion Limited ("Travelfusion")

In January, 2015, the Company acquired 70% equity interest of Travelfusion. Travelfusion is a UK-based leading online Low Cost Carrier (LCC) travel content aggregator and innovator of Direct Connect global distribution solutions.

The purchase consideration is RMB721 million (GBP75.6 million). The results of Travelfusion have been included in the consolidated financial statements of the Company since the acquisition date. As of December 31, 2015, the total unpaid cash consideration was RMB 41 million and will be paid in 2016. On the acquisition date, the preliminary allocation of the purchase price of the assets acquired and liabilities assumed based on their fair values was as follows. The non-controlling interest represents the fair value of the 30% equity interest not held by the Company:

	RMB
Net assets	36,936,493
Identifiable intangible assets—trademark and domain	78,058,071
Identifiable intangible assets—Business relationship	261,146,660
Identifiable intangible assets—IT Platform	5,051,377
Deferred tax liabilities	(72,293,783)
Non-controlling interests	(275,995,802)
Goodwill	687,633,024
Total purchase consideration	720,536,040

The identifiable intangible assets primarily consist of trademark and domain, business relationship and IT Platform. The trademark and domain are indefinite-lived intangible assets. The fair values of

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

the business relationship and IT Platform are amortized on a straight-line basis over 10 years and 5 years, respectively.

Other than the acquisitions disclosed above, none of other acquisition incurred during the periods presented is material to our businesses or financial results.

Goodwill and other intangible assets

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of the Company's acquisitions of interests in its subsidiaries and consolidated VIEs.

Goodwill is not amortized but is reviewed at least annually for impairment or earlier, if an indication of impairment exists. Recoverability of goodwill is evaluated using a two-step process. In the first step, the fair value of a reporting unit is compared to its carrying value. If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is considered not impaired and no further testing is required. If the carrying value of the net assets assigned to a reporting unit exceeds the fair value of a reporting unit, the second step of the impairment test is performed in order to determine the implied fair value of a reporting unit's goodwill. Determining the implied fair value of goodwill requires valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference. The Company estimates total fair value of the reporting unit using discounted cash flow analysis, and makes assumptions regarding future revenue, gross margins, working capital levels, investments in new products, capital spending, tax, cash flows, and the terminal value of the reporting unit.

For the six-month period ended June 30, 2016, the increase of goodwill mainly includes one business acquisition in 2016, and measurement period adjustments as well as foreign currency differences. The Company paid RMB 54.6 million for the acquisition in 2016, and none of the acquisitions occurred during the periods presented was material. There was no impairment of goodwill during the periods ended June 30, 2015 and 2016. Each quarter the Company reviews the events and circumstances to determine if goodwill impairment may be indicated.

Separately identifiable intangible assets that have determinable lives continue to be amortized and consist primarily of non-compete agreements, customer list, supplier relationship, technology and business relationship as of December 31, 2015 and June 30, 2016. The Company amortizes intangible assets on a straight-line basis over their estimated useful lives, which is three to ten years. The estimated life of amortized intangibles is reassessed if circumstances occur that indicate the life has changed. Other intangible assets that have indefinite useful life primarily include trademark and domain names as of December 31, 2015 and June 30, 2016. The Company evaluates indefinite-lived intangible assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, the asset is tested for impairment. The Company estimates total fair value of the reporting unit using discounted cash flow analysis, and makes assumptions regarding

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

future revenue, gross margins, working capital levels, investments in new products, capital spending, tax, cash flows, and the terminal value of the reporting unit.

The Company reviews intangible assets with indefinite lives annually for impairment.

No impairment on other intangible assets was recognized for the six-month periods ended June 30, 2015 and 2016.

Impairment of long-lived assets

Long-lived assets (including intangible with definite lives) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Reviews are performed to determine whether the carrying value of asset group is impaired, based on comparison to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the Group recognizes impairment of long-lived assets to the extent the carrying amount of such assets exceeds the fair value.

Accrued liability for customer reward program

The Group's end users participate in a reward program, which provides travel awards and other gifts to members based on accumulated membership points that vary depending on the services rendered and fees paid. The estimated incremental costs to provide free travel and other gifts are recognized as sales and marketing expense in the statements of income and comprehensive income and accrued for as a current liability as members accumulate points. As members redeem awards or their entitlements expire, the accrued liability is reduced correspondingly. As of December 31, 2015, and June 30, 2016, the Group's accrued liability for its customer reward program amounted to RMB593 million and RMB633 million, respectively, based on the estimated liabilities under the customer reward program. Our expenses for the customer rewards program were approximately RMB225 million and RMB116 million for the six-month periods ended June 30, 2015 and 2016.

Deferred revenue

The Group has the coupon program, through which the Group provides coupons for end users who book selected hotels online through website. The end users who use the coupons receive credits in their virtual cash accounts upon check-out from the hotels and reviews for hotels submitted. The end users may redeem the amount of credits in their virtual cash account in cash, voucher, or mobile phone credit. The Group accounts for the estimated cost of future usage of coupons as contra-revenue or sales and marketing expenses in the consolidated statements.

Revenue recognition

The Group presents majority of its revenues on a net basis. Revenues are recognized at gross amounts where the Group undertakes the majority of the business risks by pre-purchasing inventories and acts as principal related to the services provided. The amount of revenues recognized at gross basis was immaterial during the six-month periods ended June 30, 2015 and 2016, respectively.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Effective August 1, 2013, pursuant to Circular Caishui [2013] No. 37 released by the Ministry of Finance of China, entities within transportation service and selected modern service industries will switch from a business tax payer to a VAT payer.

Accommodation reservation services

The Group receives commissions from travel suppliers for hotel room reservations through the Group's transaction and service platform. Commissions from hotel reservation services rendered are recognized after end users have completed their stay at the applicable hotel and upon confirmation of pending payment of the commissions by the hotel. Contracts with certain travel suppliers contain incentive commissions typically subject to achieving specific performance targets and such incentive commissions are recognized when it is reasonably assured that the Group is entitled to such incentive commissions. The Group generally receives incentive commissions from monthly arrangements with hotels based on the number of hotel room reservations where end users have completed their stay. The Group presents revenues from such transactions on a net basis in the statements of income and comprehensive income as the Group, generally, does not assume inventory risks and has no obligations for cancelled hotel reservations.

Transportation ticketing services

Transportation ticketing services revenues mainly represent revenues from tickets reservations and other related services. The Group receives commissions from travel suppliers for ticketing services through the Group's transaction and service platform under various services agreements. Commissions from ticketing services rendered are recognized after tickets are issued. The Group presents revenues from such transactions on a net basis in the statements of income as the Group, generally, does not assume inventory risks and has no obligations for cancelled airline ticket reservations. Loss due to obligations for cancelled ticket reservations is minimal in the past.

Packaged-tour

The Group receives referral fees from travel product providers for packaged-tour products and services through the Group's transaction and service platform. Referral fees are recognized as commissions on a net basis after the packaged-tour service are rendered and collections are reasonably assured.

Corporate travel

Corporate travel management revenues primarily include commissions from air ticket booking, hotel reservation and packaged-tour services rendered to corporate clients. The Group contracts with corporate clients based on service fee model. Travel reservations are made via on-line and off-line services for air tickets, hotel and package-tour. Revenue is recognized on a net basis after the services are rendered, e.g. air tickets are issued, hotel stays or packaged-tour are completed, and collections are reasonably assured.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Other businesses

Other businesses comprise primarily of online advertising services, the sale of Property Management System ("PMS"), and related maintenance service.

Shanghai Ctrip Commerce and Qunar receive advertising revenues, which principally represent the sale of banners or sponsorship on the website and mobile from end users. Advertising revenues are recognized ratably over the fixed term of the agreement as services are provided.

Jointwisdom, a subsidiary of the Company, conducts sale of PMS and related maintenance service. The sale of PMS is recognized upon customer acceptance. Maintenance service is recognized ratably over the term of the maintenance contract on a straight-line basis.

Cost of revenues

Cost of revenues consists primarily of payroll compensation of customer service center personnel, payments to travel suppliers, credit card service fee, telecommunication expenses, direct cost of principal travel tour services, depreciation, rentals and related expenses incurred by the Group's transaction and service platform which are directly attributable to the rendering of the Group's travel related services and other businesses.

Product development

Product development expenses include expenses incurred by the Group to develop the Group's travel supplier networks as well as to maintain, monitor and manage the Group's transaction and service platform. The Group recognizes website, software and mobile applications development costs in accordance with ASC 350-50 "Website development costs" and ASC 350-40 "Software—internal use software" respectively. The Group expenses all costs that are incurred in connection with the planning and implementation phases of development and costs that are associated with repair or maintenance of the existing websites and mobile applications or the development of software or mobile applications for internal use and websites content.

Sales and marketing

Sales and marketing expenses consist primarily of costs of payroll and related compensation for the Company's sales and marketing personnel, advertising expenses, and other related marketing and promotion expenses. Advertising expenses, amounting to approximately RMB769 million and RMB1.3 billion for the six-month periods ended June 30, 2015 and 2016 respectively, are charged to the statements of income as incurred.

Share-based compensation

Under ASC 718, the Company applied the Black-Scholes valuation model in determining the fair value of options granted. Risk-free interest rates are based on US Treasury yield for the terms consistent with the expected life of award at the time of grant. Expected life is based on historical exercise patterns, for options granted before 2008 which the Company has historical data of and believes are representative of future behavior. For options granted since 2008, the Company used

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

simplified method to estimate its expected life. Expected dividend yield is determined in view of the Company's historical dividend payout rate and future business plan. The Company estimates expected volatility at the date of grant based on historical volatilities. The Company recognizes compensation expense on all share-based awards on a straight-line basis over the requisite service period. Forfeiture rate is estimated based on historical forfeiture patterns and adjusted to reflect future change in circumstances and facts, if any. If actual forfeitures differ from those estimates, we may need to revise those estimates used in subsequent periods.

ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Share-based compensation expense was recorded net of estimated forfeitures such that expense was recorded only for those share-based awards that are expected to vest.

According to ASC 718, a change in any of the terms or conditions of stock options shall be accounted for as a modification of the plan. Therefore, the Company calculates incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, the Company would recognize incremental compensation cost in the period the modification occurs and for unvested options, the Company would recognize, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

According to ASC 718, the Company classifies options or similar instruments as liabilities if the entity can be required under any circumstances to settle the option or similar instrument by transferring cash or other assets and such cash settlement is probable. The percentage of the fair value that is accrued as compensation cost at the end of each period shall equal the percentage of the requisite service that has been rendered at that date. Changes in fair value of the liability classified award that occur during the requisite service period shall be recognized as compensation cost over that period. Changes in fair value that occur after the end of the requisite service period are compensation cost of the period in which the changes occur. Any difference between the amount for which a liability award is settled and its fair value at the settlement date as estimated is an adjustment of compensation cost in the period of settlement.

Share incentive plans of Ctrip

On November 5, 2004, the Company's board of directors adopted a 2005 Employee's Stock Option Plan ("2005 Option Plan"). The 2005 Option Plan was approved by the shareholders of the Company in October 2005. The Company has reserved 3,000,000 ordinary shares for future issuances of options under the 2005 Option Plan. The terms of the 2005 Option Plan are substantially similar to the Company's 2003 Option Plan. As of December 31, 2015 and June 30, 2016, 179,453 and 165,347 options were outstanding under the 2005 Option Plan respectively.

On October 17, 2007, the Company adopted a 2007 Share Incentive Plan ("2007 Incentive Plan"), which was approved by the shareholders of the Company on June 15, 2007. Under the 2007 Incentive Plan, the maximum aggregate number of shares, which may be issued pursuant to all share-based

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

awards (including Incentive Share Options and Restricted Share Units ("RSU")), is one million ordinary shares as of the first business day of 2007, plus an annual increase of one million shares to be added on the first business day of each calendar year beginning in 2008 to 2016. Under the 2007 Incentive Plan, the directors may, at their discretion, grant any employees, officers, directors and consultants of the Company and/or its subsidiaries such share-based awards. Shares options granted under 2007 Incentive Plan are vested over a period of 4 years. The Company granted 134,534 and 1,062,302 new shares options and RSUs to employees with 4 year requisite service period for the six-month period ended June 30, 2015 and 2016, respectively. As of December 31, 2015 and June 30, 2016, 4,826,009 and 4,759,890 options and 865,409 and 1,387,862 RSUs were outstanding under the 2007 Incentive Plan.

As of June 30, 2016, there was US$350 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share options and RSUs which are expected to be recognized. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures. Total cash received from the exercise of share options amounted to RMB52,028,317 and RMB119,454,908 for the six-month period ended June 30, 2015 and 2016, respectively.

Share incentive plans of Qunar

In November 2007, Qunar's shareholders approved the 2007 Share Incentive Plan (the "2007 Share Incentive Plan"), which is administered by Qunar's Board of Directors or any of its committees. Under the Plan, Qunar's Board of Directors may grant options to its employees, directors and consultants to purchase an aggregate of no more than 9,600,140 ordinary shares of the Company. On December 29, 2011, Qunar's Board of Directors approved the increase of the number of shares available for issuance under the 2007 Share Incentive Plan from 20,724,362 to 26,060,000 shares. On August 10, 2012, Qunar's Board of Directors approved that starting from January 1, 2013, the number of shares available for issuance under the 2007 Share Incentive Plan would increase annually by 1.5% of the total outstanding ordinary and redeemable ordinary shares as of January 1 of that respective calendar year. On September 22, 2013, the Board of Directors approved an increase in the number of shares available for issuance under the 2007 Share Incentive Plan by 6,066,896 shares. The options granted have a contractual term of ten years and generally vest over a four-year period, with 25% of the awards vesting one year after the date of grant and $^{1}/_{16}$ of the remaining grants vesting on a quarterly basis thereafter. In December 2015, Qunar modified the awards under the 2007 Share Incentive Plan to be convertible to Ctrip American depositary shares ("ADSs") at a ratio of 1 Qunar ADS to 0.725 Ctrip ADS. Unvested awards under the 2007 Share Incentive Plan became fully vested for certain employees and all cliff vesting conditions and performance-based vesting conditions were removed from all outstanding awards under the 2007 Share Incentive Plan. As of December 31, 2015 and June 30, 2016, 8,596,548 and 7,660,524 options were outstanding under the 2007 Qunar Option Plan respectively.

On November 18, 2015, Board of Directors of Qunar approved another share incentive plan (the "2015 Qunar Share Incentive Plan"), under which share options granted, when vested and exercised, will be entitled to be convertible to Ctrip ADSs at a ratio of 1 Qunar ADS to 0.725 Ctrip ADS. Certain options granted under the 2015 Qunar Share Incentive Plan vest immediately upon grant, while others vest on a quarterly basis on the same vesting schedule as those outstanding awards under the 2007 Share Incentive Plan. Under the 2015 Qunar Share Incentive Plan, Qunar may grant options to its

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

employees, directors and consultants to purchase an aggregate of no more than 28,476,795 ordinary shares of the Company. These options granted have a contractual term of ten years. As of December 31, 2015 and June 30, 2016, 10,162,890 and 7,789,191 options were outstanding under the 2015 Qunar Option Plan respectively.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received by the Group from the leasing company are charged to the statements of income on a straight-line basis over the lease periods.

Taxation

Deferred income taxes are provided using the balance sheet liability method. Under this method, deferred income taxes are recognized for the tax consequences of significant temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. The effect on deferred taxes of a change in tax rates is recognized in income in the period enacted. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered unlikely that some portion of, or all of, the deferred tax assets will not be realized.

The Company applies ASC 740, "Income Taxes". It clarifies the accounting for uncertainty in income taxes recognized in the Company's consolidated financial statements and prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures.

Other income (net)

Other income consists of gain on deconsolidation of subsidiaries, financial subsidies, investment income and foreign exchange gains/(losses). Financial subsidies from local PRC government authorities were recorded as other income in the consolidated statements of income. There are no defined rules and regulations to govern the criteria necessary for companies to enjoy such benefits and the amount of financial subsidy are determined at the discretion of the relevant government authorities. Financial

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

subsidies are recognized as other income when received. Components of other income for the six-month period ended June 30, 2015 and 2016 were as follows:

	Six-month period ended June 30, 2015 RMB	Six-month period ended June 30, 2016 RMB
Gain on disposal of cost method investment (Note 3)	—	141,094,189
Gain on disposal of available-for-sale investment (Note 3)	—	140,651,759
Subsidy income	17,803,446	66,136,662
Reimbursement from the depository	11,582,882	12,881,408
Gain on deconsolidation of subsidiaries	1,873,977	3,289,000
Foreign exchange losses	(10,054,336)	(60,575,556)
Bank charges	(37,907,809)	(50,624,064)
Others	13,130,209	34,919,435
Total	(3,571,631)	287,772,833

Statutory reserves

The Company's PRC subsidiaries and the VIEs are required to allocate at least 10% of their after-tax profit to the general reserve in accordance with the PRC accounting standards and regulations. The allocation to the general reserve will cease if such reserve has reached to 50% of the registered capital of each company. Appropriations to the enterprise expansion fund, staff welfare and bonus fund are at the discretion of the board of directors of Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network, Ctrip Information Technology and Jointwisdom, the subsidiaries of the Company. Appropriations to discretionary surplus reserve are at the discretion of the board of directors of the VIEs. These reserves can only be used for specific purposes and are not transferable to the Company in form of loans, advances, or cash dividends. Additionally, ezTravel, the Company's subsidiary incorporated in Taiwan, is also required to allocate 10% of its after-tax profit to the statutory reserve in accordance with the Taiwan regulations. There is no such regulation of providing statutory reserve in Hong Kong. During the 6-month period ended June 30, 2015 and 2016, no appropriations to statutory reserves has been made.

Dividends

Dividends are recognized when declared.

PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. The Company's PRC subsidiaries can only distribute dividends after they have met the PRC requirements for appropriation to statutory reserves. Additionally, as the Company does not have any direct ownership in the VIEs, the VIEs cannot directly distribute dividends to the Company. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. As substantially all of our revenues are in RMB, any restrictions on currency exchange may limit our ability to use revenue generated in RMB to

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

fund our business activities outside China or to make dividend payments in U.S. dollars. Restricted net assets of the Company's PRC subsidiaries and VIEs not distributable in the form of dividends to the parent as a result of the aforesaid PRC regulations and other restrictions were RMB2.8 billion as of June 30, 2016.

As a result of the aforementioned PRC regulation and the Company's organizational structure, accumulated profits of the subsidiaries in PRC distributable in the form of dividends to the parent as of December 31, 2015 and June 30, 2016 were RMB7.2 billion and RMB7.1 billion, respectively. The Company's PRC subsidiaries and VIEs are able to enter into royalty and trademark license agreements or certain other contractual arrangements at the sole discretion of the Company, for which the compensatory element of the arrangement is deducted from the accumulated profits.

Effective January 1, 2008, current CIT Law imposes a 10% withholding income tax for dividends distributed by foreign invested enterprises to their immediate holding companies outside mainland China. A lower withholding tax rate will be applied if there is a tax treaty arrangement between mainland China and the jurisdiction of the foreign holding company. Distributions to holding companies in Hong Kong that satisfy certain requirements specified by PRC tax authorities, for example, will be subject to a 5% withholding tax rate. Furthermore, pursuant to the applicable circular and interpretations of the current EIT Law, dividends from earnings created prior to 2008 but distributed after 2008 are not subject to withholding income tax.

Earnings per share

In accordance with *"Computation of Earnings Per Share"*, basic earnings per share is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing net income attributable to common shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the year. Dilutive ordinary equivalent shares consist of ordinary shares issuable upon the exercise of outstanding share options (using the treasury stock method).

If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse stock split, the computations of basic and diluted EPS shall be adjusted retroactively for all periods presented to reflect that change in capital structure. If changes in common stock resulting from stock dividends, stock splits, or reverse stock splits occur after the close of the period but before the financial statements are issued or are available to be issued, the per-share computations for those and any prior-period financial statements presented are based on the new number of shares.

Effective December 1, 2015, the Company effected a change of the ratio of its ADSs to ordinary shares from four (4) ADSs representing one (1) ordinary share to eight (8) ADSs representing one (1) ordinary share. The historical and present earnings/ (loss) per share for the periods presented herein has been retrospectively adjusted to reflect such effect.

Treasury stock

On July 30, 2008 and September 30, 2008 our board of directors and shareholders respectively approved a US$15 million share repurchase plan. On September 29, 2011, our board of directors

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

approved another US$100 million share repurchase plan. On June 13, 2012, our board of directors approved a US$300 million share repurchase plan. And on April 3, 2014, our board of directors approved a US$600 million share repurchase plan. The share-repurchase programs do not require the Company to acquire a specific number of shares and may be suspended or discontinued at any time.

Segment reporting

The Company operates and manages its business as a single segment. Resources are allocated and performance is assessed by the CEO, whom is determined to be the Chief Operating Decision Maker (CODM). Since the Company operates in one reportable segment, all financial segment and product information required by this statement can be found in the Consolidated Financial Statements.

The Company primarily generates its revenues from end users in Great China Area, and assets of the Company are also located in Great China Area. Accordingly, no geographical segments are presented.

Recent accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will require the Company to separate performance obligations within a contract, determine total transaction costs, and ultimately allocate the transaction costs across the established performance obligations. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers" (Topic 606): Deferral of the Effective Date, which delays the effective date of ASU 2014-09 by one year. As a result, ASU 2014-09 will become effective for the Company beginning in fiscal 2018 under either full or modified retrospective adoption, with early adoption permitted as of the original effective date of ASU 2014-09. The Company is currently assessing the potential effects of these changes on the Company's consolidated financial statements.

In January, 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. This accounting standard retains the current accounting for classifying and measuring investments in debt securities and loans, but requires equity investments to be measured at fair value with subsequent changes recognized in net income, except for those accounted for under the equity method or requiring consolidation. This guidance also changes the accounting for investments without a readily determinable fair value and that do not qualify for the practical expedient to estimate fair value. A policy election can be made for these investments whereby estimated fair value may be measured at cost and adjusted in subsequent periods for any impairment or changes in observable prices of identical or similar investments. This revised guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In February, 2016, the FASB issued ASU No. 2016-02, Leases. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet. This standard also requires additional disclosures by lessees and contains targeted changes to accounting by lessors. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

In March, 2016, the FASB issued ASU No. 2016-06, Contingent Put and Call Options in Debt Instruments. The amendments in this Update apply to all entities that are issuers of or investors in debt instruments (or hybrid financial instruments that are determined to have a debt host) with embedded call (put) options. The Amendments in this Update clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts, which is one of the criteria for bifurcating an embedded derivative. An entity performing the assessment under the amendments in this Update is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. Consequently, when a call (put) option is contingently exercisable, an entity does not have to assess whether the event that triggers the ability to exercise a call (put) option is related to interest rates or credit risks. The amendments are an improvement to GAAP because they eliminate diversity in practice in assessing embedded contingent call (put) options in debt instruments. For public companies, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. An entity should apply the amendments in this Update on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. The Company is in the process of evaluating the impact of the Update on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, Simplifying the Transition to the Equity Method of Accounting. The amendments in this Update eliminate the requirement that when an investment qualified for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previous held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments in this Update require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increase in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. The

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Company is in the process of evaluating the impact of the Update on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share—Based Payment Accounting, which outlines new provisions intended to simplify various aspects related to accounting for share—based payments and their presentation in the financial statements. The standard is effective for the Company from calendar 2017 and from the first interim period of calendar 2017. Early adoption is permitted. The Company is evaluating the impact of the adoption of this update and, based upon consideration of its share—based payment practices, does not expect that the adoption will have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Statements. This ASU requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The standard is effective for the Company from calendar 2020, with early adoption permitted for calendar 2019. The Company has yet to commence an evaluation of the impact of the adoption of this standard on its consolidated financial statements.

Certain risks and concentration

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investment, accounts receivable, amounts due from related parties, prepayments and other current assets. As of December 31, 2015 and June 30, 2016, substantially all of the Company's cash and cash equivalents, restricted cash and short-term investment were held in major financial institutions located in the PRC and in Hong Kong, which management considers to be of high credit quality based on their credit ratings. Accounts receivable are generally unsecured and denominated in RMB, and are derived from revenues earned from operations arising primarily in the PRC.

No individual customer accounted for more than 10% of net revenues for the six-month period ended June 30, 2015 and 2016. No individual customer accounted for more than 10% of accounts receivable as of December 31, 2015 and June 30, 2016.

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

3. INVESTMENTS

The Company's long-term investments are consisted of the follows:

	December 31 2015 RMB	June 30 2016 RMB
Held to maturity investment		
Long-term time deposit	1,020,425,292	1,039,972,092
Available-for-sale investments		
China Eastern Airline	—	3,079,192,544
Tujia	2,876,749,196	2,951,401,321
eLong	—	1,797,616,926
LY.com	1,745,309,616	1,745,309,616
Hanting	1,116,231,309	1,334,598,638
MakeMyTrip	—	1,196,262,000
eHi	793,869,127	654,034,420
Tuniu	430,659,093	233,083,048
Easy Go	527,301,676	217,284,352
Others	316,742,816	225,043,305
Equity method investments		
Homeinns	961,773,378	955,883,350
eLong	2,632,145,397	747,869,990
Others	461,048,432	938,829,229
Cost method investments	988,268,166	860,748,634
Total net book value	13,870,523,498	17,977,129,465

Held to maturity investment

In September 2015, the Company placed a three-year time deposit of RMB 1 billion to a domestic bank with fixed interest rate of 3.90% per annum.

Available-for-sale investments

China Eastern Airlines Limited ("China Eastern Airlines")

In April 2016, the Company purchased 466 million ordinary share of China Eastern Airlines with the total consideration of RMB 3 billion which represented around 3% equity interest of China Eastern Airlines. China Eastern Airlines is listed on the New York, Hong Kong and Shanghai stock exchange. The shares of China Eastern Airlines the Company purchased is traded at Shanghai Stock Exchange. The Company does not have the ability to exercise significant influence. The investment in China Eastern Airlines is therefore classified as available-for-sale investment. As of June 30 2016, the closing price of China Eastern Airlines A shares was RMB 6.61 per share. The Company remeasured the investment at a fair value of RMB 3.1 billion with RMB 79 million unrealized gain recorded in other comprehensive income.

3. INVESTMENTS (Continued)

Tujia

Tujia was a consolidated subsidiary of the Company. In July, 2015, after Series D+ financing of Tujia, the equity interest of the Company was diluted to 45% and the Company was no longer entitled to appoint the majority of the board of directors of Tujia. As a result, the Company lost the control in Tujia and the financial position and results of operations of Tujia was deconsolidated. As of June 30, 2016, the Company held 101,498,094 convertible and redeemable preferred shares of Tujia. The convertible and redeemable preferred shares that the Company subscribed from Tujia are not in substance common stocks and are classified as available-for-sale investment.

LY.com

In April, 2014, the Company purchased a minority stake of LY.com, a leading local attraction ticket service provider, with a cash consideration of approximately RMB1.4 billion. According to the purchase agreement and shareholders arrangement, the investment on LY.com is considered not in substance common stock and is classified as available-for-sale investments. As of June 30 2016, the Company remeasured the investment in LY.com at a fair value of RMB1.7 billion (approximately US$263 million), with RMB0.3 billion unrealized gain recorded in other comprehensive income.

Hanting

As a result of a series of investments on Hanting in 2010, the Company holds an aggregate of 22,049,446 shares of Hanting, representing approximately 9% of Hanting's total outstanding shares with the aggregated investment cost of US$67.5 million (approximately RMB0.5 billion). The Company does not have the ability to exercise significant influence and the investment in Hanting is classified as available-for-sale investment. As of June 30 2016, the closing price of Hanting was US$36.43 per ADS. The Company remeasured the investment in Hanting at a fair value of RMB1.3 billion (approximately US$201 million), with RMB0.9 billion unrealized gain recorded in other comprehensive income.

MakeMyTrip

In January, 2016, the Company made an investment of US$180 million in MakeMyTrip Limited ("MakeMyTrip"), an Indian online travel company to purchase its newly issued convertible bonds. Upon completion of the investment, the Company is entitled to appoint a director to MakeMyTrip's board of directors. Since the investment of convertible bonds in MakeMyTrip is not in substance common stock, it is classified as available-for-sale debt security. As of June 30 2016, the Company remeasured the investment in MakeMyTrip at a fair value of RMB1.2 billion (approximately US$180 million), with RMB13 million unrealized gain recorded in other comprehensive income.

eHi

As a result of a series of investments in eHi since 2013, the Company has held an aggregate equity interest of approximately 14% of eHi's total outstanding share and 19.6% of eHi's voting power as of December 31, 2015 and June 30, 2016 with the aggregated investment cost of US$107 million (approximately RMB0.7 billion). The Company does not have the ability to exercise significant influence and the investment in eHi is classified as available-for-sale investment. As of June 30 2016,

3. INVESTMENTS (Continued)

the closing price of eHi was US$10.11 per ADS. The Company remeasured the investment in eHi at a fair value of RMB654 million (approximately US$98 million), with RMB58 million unrealized loss recorded in other comprehensive income.

Easy Go

In December 2013 and August 2014, the Company subscribed Easy Go's Series B and Series C convertible preferred shares with a total consideration of US$53 million (approximately RMB 324 million). The convertible preferred shares that the Company subscribed from Easy Go are not in substance common stocks and are classified as available-for-sale investment. As of June 30 2016, the Company remeasured the investment in Easy Go at a fair value of RMB217 million (approximately US$33 million), with RMB41 million unrealized gain recorded in other comprehensive income.

In February 2016, the Company consummated a transaction to sell approximately 6 million Easy Go's convertible and redeemable preferred shares to a third party institution for a total consideration of US$49 million (approximately RMB317 million) which included a gain of US$23 million (approximately RMB135 million) recycled from the other comprehensive income and reported in "other income" (Note 2).

Tuniu

The Company held an aggregate equity interest of approximately 4% of Tuniu as of December 31, 2015 and June 30, 2016 with the aggregated investment cost of US$ 50 million (approximately RMB0.3 billion). The Company does not have the ability to exercise significant influence and the investment in Tuniu is classified as available-for-sale investment. As of June 30 2016, the closing price of Tuniu was US$8.43 per ADS. The Company remeasured the investment in Tuniu at a fair value of RMB233 million (approximately US$35 million), with RMB0.1 billion unrealized loss recorded in other comprehensive income.

Equity method investments

eLong

In May 2015, the Company entered into a share purchase agreement with certain selling shareholders, including Expedia, Inc. ("Expedia"), to acquire approximately 38% share capital of eLong, Inc. ("eLong") which included both ordinary shares and high-vote ordinary shares. The total consideration was approximately USD422 million. The Company has one out of eight board seats of eLong. The Company applies the equity method to account for the investment starting June 2015.

In May 2016, in connection with a consummated "going-private" transaction of eLong, eLong was reorganized and became the wholly owned subsidiary of E-dragon Holdings Limited ("E-dragon"). All the ordinary shares and high-vote ordinary shares of eLong previously held by the Company were transferred to the ordinary shares and preferred shares of E-dragon respectively. The Company disposed its previously held investment in eLong at its carrying value and recognized the ordinary shares and preferred shares of E-dragon it obtained at their respective fair value on the date of transfer. The Company determined that the fair value of the ordinary shares and preferred shares of E-dragon approximated to the carrying value of its investment in eLong.

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

3. INVESTMENTS (Continued)

After the transaction, the Company will apply equity accounting for its investment in E-dragon's ordinary shares, it acquired on the date of transfer, on one quarter lag basis since the financial statements of E-dragon were not available within a sufficient time period. The preferred shares of E-dragon that the Company holds are redeemable and convertible and hence not considered as in substance common stocks and are classified as available-for-sale debt security.

The carrying amount and unrealized securities holding profit for investment in eLong during the period was as follows:

	December 31 2015 RMB	June 30 2016 RMB
Investment cost	2,615,954,303	2,732,852,735
Foreign currency translation	116,898,432	70,917,989
Total investment cost	2,732,852,735	2,803,770,724
Value booked under equity method		
Share of cumulative loss	(98,560,550)	(255,175,524)
Amortization of outside difference, net of tax	(2,146,788)	(3,108,284)
Total booked value under equity method.	(100,707,338)	(258,283,808)
Net book value	2,632,145,397	2,545,486,916

In the six-months period of 2016, among the share of cumulative loss of eLong, the Company recognized the loss as a result of the equity dilution impact in eLong with amount of RMB 26 million in "Equity in income/(loss) of affiliates" of the Comprehensive income statement.

Homeinns

The Company holds an aggregate equity interest of approximately 15% of the outstanding shares of Homeinns (or 14,400,765 shares). Given the level of investment and the common directors on Board of both companies, the Company applied equity method of accounting to account for the investment in Homeinns.

The Company applied equity accounting for Homeinns investment on one quarter lag basis since the financial statements of Homeinns were not available within a sufficient time period.

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

3. INVESTMENTS (Continued)

The carrying amount and unrealized securities holding profit for investment in Homeinns during the period was as follows:

	December 31, 2015 RMB	June 30, 2016 RMB
Investment cost		
Balance at beginning of year	568,679,251	585,226,707
Foreign currency translation	16,547,456	—
Total investment cost	585,226,707	585,226,707
Value booked under equity method		
Share of cumulative profit	403,234,118	399,287,845
Amortization of outside difference, net of tax	(26,687,447)	(28,631,202)
Total booked value under equity method.	376,546,671	370,656,643
Net book value	961,773,378	955,883,350

In the six-months period of 2016, among the share of cumulative profit of Hominns, the Company recognized gain as a result of the equity dilution impact in Homeinns with amount of RMB 12 million in "Equity in income/(loss) of affiliates" of the Comprehensive income statement.

Cost method investments

Cost method is used for investments over which the Company does not have the ability to exercise significant influence. The carrying value of cost method investments was RMB 1 billion and RMB 0.9 billion as of December 31, 2015 and June 30, 2016 respectively. None of these investments individually is considered as material to the Group's financial position.

In February 2016, the Company consummated a transaction to sell all its held 4% equity interest of Keystone, which was accounted for under cost method with the carrying value of RMB 167 million, to a third party institution with the total consideration of US$47 million (approximately RMB 308 million) which included a gain of RMB 141 million as reported in "other income" (Note 2).

4. FAIR VALUE MEASUREMENT

In accordance with ASC 820-10, the Company measures financial products, time deposits and available-for-sale investments at fair value on a recurring basis. Available-for-sale investments classified within Level 1 are valued using quoted market prices that currently available on a securities exchange registered with the Securities and Exchange Commission (SEC) and Shanghai Stock Exchange (SSE). Financial products and time deposits classified within Level 2 are valued using directly or indirectly observable inputs in the market place. The available-for-sale investments classified within Level 3 are valued based on a model utilizing unobservable inputs which require significant management judgment and estimation.

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

4. FAIR VALUE MEASUREMENT (Continued)

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement at June 30, 2016 using				
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)	Fair Value at June 30, 2016	
	RMB	RMB	RMB	RMB	US$
Short-term investments					
Financial products	—	5,263,127,021	—	5,263,127,021	791,935,934
Time deposits	—	180,817,249	—	180,817,249	27,207,338
Available-for-sale investments					
China Eastern Airline	3,079,192,544	—	—	3,079,192,544	463,322,130
Tujia	—	—	2,951,401,321	2,951,401,321	444,093,550
eLong	—	—	1,797,616,926	1,797,616,926	270,485,100
LY.com	—	—	1,745,309,616	1,745,309,616	262,614,487
Hanting	1,334,598,638	—	—	1,334,598,638	200,815,335
Make My Trip	—	—	1,196,262,000	1,196,262,000	180,000,000
eHi	654,034,420	—	—	654,034,420	98,411,716
Tuniu	233,083,048	—	—	233,083,048	35,071,706
Easy Go	—	—	217,284,352	217,284,352	32,694,496
Others	—	—	225,043,305	225,043,305	33,861,976
Total	5,300,908,650	5,443,944,270	8,132,917,520	18,877,770,440	2,840,513,768

	Fair Value Measurement at December 31, 2015 Using				
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)	Fair Value at December 31, 2015	
	RMB	RMB	RMB	RMB	US$
Financial products	—	7,937,009,389	—	7,937,009,389	1,225,263,112
Time deposits	—	1,153,526,819	—	1,153,526,819	178,073,855
Available-for-sale investments					
Tujia	—	—	2,876,749,196	2,876,749,196	444,093,550
LY.com	—	—	1,745,309,616	1,745,309,616	269,429,377
Hanting	1,116,231,309	—	—	1,116,231,309	172,316,421
eHi	793,869,127	—	—	793,869,127	122,552,275
Easy Go	—	—	527,301,676	527,301,676	81,401,352
Tuniu	430,659,093	—	—	430,659,093	66,482,308
Others	—	—	316,742,816	316,742,816	48,896,665
Total	2,340,759,529	9,090,536,208	5,466,103,304	16,897,399,041	2,608,508,915

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

4. FAIR VALUE MEASUREMENT (Continued)

The roll forward of major Level 3 investments are as following:

	Tujia RMB	eLong RMB	LY.com RMB	Make My Trip	Easy Go RMB	Others RMB
Fair value as at December 31, 2014	—	—	1,547,844,523	—	627,905,501	207,514,062
Addition	2,784,302,479	—	—	—	—	94,928,814
Effect of exchange rate change	53,534,169	—	—	—	13,372,961	7,103,210
The change in fair value of the investment	38,912,548	—	197,465,093	—	(113,976,786)	7,196,730
Fair value as at December 31, 2015	2,876,749,196	—	1,745,309,616	—	527,301,676	316,742,816
Addition/(disposal)		1,797,616,926		1,183,054,000	(304,815,274)	(94,584,827)
Effect of exchange rate change	74,652,125	—	—	13,208,000	(5,202,050)	2,885,316
The change in fair value of the investment	—	—	—	—	—	—
Fair value as at June 30, 2016	2,951,401,321	1,797,616,926	1,745,309,616	1,196,262,000	217,284,352	225,043,305
Fair value as at June 30, 2016 (US$)	444,093,550	270,485,100	262,614,487	180,000,000	32,694,496	33,861,976

The Company determined the fair value of their investment by using an income approach concluding on the overall investee's equity value and allocating this value to the various classes of preferred and common shares by using an option-pricing method. The determination of the fair value was assisted by independent appraisals, based on estimates, judgments and information of other comparable public companies. The significant unobservable inputs used in the valuation are as following:

Unobservable Input	Tujia	eLong	LY.com	Easy Go	Others
Weighted average cost of capital	17%	15%	17%	28%	17 - 25%
Terminal growth rate	3%	3%	3%	3%	3%
Lack of marketability discount	30%	19%	35%	20%	9 - 30%
Time to liquidation	4 years	5 years	4 years	2 years	0.58 - 3.29 years
Risk-free rate	2.21%	1.46%	2.21%	1.65%	1.45 - 2.60%
Expected volatility	42.8%	50%	50.4%	38.75%	33.07 - 62.72%
Probability	Liquidation scenario: 10%	Liquidation scenario: 30%	Liquidation scenario: 70%	Liquidation scenario: 55%	Liquidation scenario: 40% - 50%
	Redemption scenario: 10%	Redemption scenario: 30%	IPO scenario: 30%	Redemption scenario: 45%	Redemption scenario: 40% - 50%
	IPO scenario: 80%	IPO scenario: 40%		Conversion scenario: 5%	Conversion scenario: 0% - 20%
Dividend yield	Nil		Nil	Nil	Nil

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

5. SHORT-TERM DEBT

	As of December 31, 2015 RMB	As of June 30, 2016 RMB
Short-term borrowings	4,544,819,828	5,784,079,117
2017 and 2018 Convertible Senior Notes (Note 8)	5,507,036,892	5,545,073,124
Qunar CB	2,658,356,678	—
Total	12,710,213,398	11,329,152,241

As of June 30, 2016, the Group obtained one borrowings of RMB374 million (US$56.26 million) in aggregate collateralized by a bank deposit of RMB380 million classified as restricted cash. The annual interest rate of borrowings is approximately 1.7%.

As of June 30, 2016, the Group obtained four borrowings of RMB1.4 billion (US$211.5 million) in aggregate collateralized by a bank deposit of RMB100 million as restricted cash and short-term investment of RMB1.1 billion. The annual interest rate of borrowings is approximately from 1.4% to 1.7%.

As of June 30, 2016, the Group obtained one borrowings of RMB599.2 million (US$90.2 million) in aggregate collateralized by bank deposits of RMB123.5 million as restricted cash. The annual interest rate of borrowings is approximately 1.1%.

As of June 30, 2016, the Group obtained three borrowings of RMB336.9 million (US$50.7 million) in aggregate collateralized by bank deposits of RMB69.5 million classified as restricted cash. The annual interest rate of borrowings is approximately 3%.

As of June 30, 2016, the Group obtained three borrowings of RMB830.7 million (US$125 million) in aggregate collateralized by a bank deposit of RMB60 million classified as restricted cash. The annual interest rate of borrowings is approximately from 1.6% to 2.0%.

As of June 30, 2016, the Group obtained six borrowings of RMB2.5 billion in aggregate. The annual interest rate of borrowings is approximately from 3.9% to 4.3%.

As of June 30, 2016, the Group obtained four borrowings of RMB27 million (EUR3.7 million) in aggregate. The annual interest rate of borrowings is approximately from 2.3% to 2.9%.

As of June 30, 2016, the Group obtained one borrowings of RMB643.5 million (US$99 million) in aggregate collateralized by a bank deposit of RMB650 million classified as restricted cash. The annual interest rate of borrowings is approximately 1.6%.

The short-term borrowing contain covenants including, among others, limitation on liens, consolidation, merger and sale of the Company's assets. The Company is in compliance with all of the loan covenants as of December 31, 2015 and June 30, 2016.

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

5. SHORT-TERM DEBT (Continued)

In June 2015, Qunar issued US$ 500 million, 2% interest rate convertible senior notes due 2021 (the "Qunar CB") to several institutional investors (the "CB Holders"). The Qunar CB included a Make-Whole provision, where the CB Holders were granted a right to convert the Qunar CB into Qunar's ADS at an increased conversion rate (the "Make-Whole Rate") or request redemption at an equivalent dollar amount in the event of certain fundamental changes of Qunar, including change in shareholding over 10%. In October 2015, Ctrip obtained 45% equity interest of Qunar from Baidu which triggered the Make-Whole provision. In December 2015, Ctrip entered into agreements with the CB Holders to settle all the outstanding Qunar CB at a consideration equal to the value of Qunar ADS as if were converted at the Make-Whole Rate. The total consideration included US$ 314 million (Rmb 2,033 million) in cash and 1,044,805 ordinary shares of Ctrip with the aggregated amount of RMB3.9 billion. Such liability of Qunar CB is considered as assumed liability by the Company for Qunar and was charged in pre-acquisition of Qunar. The settlement was paid in January 2016.

6. RELATED PARTY TRANSACTIONS

During the six-month ended June 30, 2015 and 2016, significant related party transactions were as follows:

	Six-month period end June 30, 2015 RMB	Six-month period end June 30, 2016 RMB
Commissions from eLong(a)	—	89,282,609
Commissions from Homeinns(a)	16,072,880	13,430,929
Commissions from Hanting(a)	5,883,823	4,320,501
Commissions from Tujia(a)	—	410,132
Repayment of entrusted loan and interest from Baidu(b)	—	652,299,803
Shareholders' loan interest to Skyseas(c)	7,402,544	8,452,564
Commissions to eLong(d)	—	33,121,087
Commissions to LY.com(d)	36,471,322	25,746,549
Online marketing service from Baidu(e)	—	116,837,177
Repayment of entrusted loan and interest to Baidu(f)	—	1,837,384,234
Purchase of tour package from Ananda Travel Service (Aust.) Pty Limited ("Ananda")(g)	6,485,496	8,427,970

(a) eLong, Homeinns, Hanting and Tujia have entered into agreements with the Company, respectively, to provide hotel rooms for our customers. The transactions above represent the commissions earned from these related parties. Please refer to Note 3 for details of the investments in these related parties.

(b) On October 27, 2015, Qunar granted a loan amounting to RMB650 million (US$100 million) to Baidu. The loan bore an interest at 1.00% with a repayment term of 12 months. Qunar received the repayment in March, 2016.

6. RELATED PARTY TRANSACTIONS (Continued)

(c) In 2014, the Company provided shareholder's loan of US$80 million to Skyseas. The interest rate is 3% per annum currently and shall be subject to annual review and adjustment with mutual consent. The loan is guaranteed by a vessel mortgage and shall be paid back by installments through 2020. The interest for the six-month period ended June 30, 2015 and 2016 is presented as above.

(d) The Company entered into agreements to provide hotel rooms to eLong and LY.com. The transactions above represent the commissions paid to these related parties.

(e) The Company and its online marketing service supplier, Baidu, which is also the major shareholder of the Company, have entered into marketing service agreements starting from November, 2015. Marketing service expense for the six-month period ended June 30, 2016 is presented as above.

(f) On March 12 and May 4, 2015, Qunar drew down RMB507 million and RMB627 million pursuant to the revolving credit facility agreement with Baidu. In March 2016, Qunar repaid these loans and the facility agreement was terminated. In addition, On October 26, 2015, Qunar was granted a loan amounting to RMB640 million (US$99 million) from Baidu Times. The loan bore an interest at 4.14% with a repayment term of 12 months. Qunar repaid the loan in March, 2016.

(g) The Company's tour package supplier, Ananda is an associate of Wing On Travel, a HK incorporated subsidiary of the Company. Tour package purchase from Ananda for the six-month periods ended June 30, 2015 and 2016 is presented as above.

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

6. RELATED PARTY TRANSACTIONS (Continued)

As of December 31, 2015 and June 30, 2016, significant balances with related parties were as follows:

	December 31, 2015	June 30, 2016
	RMB	RMB
Due from related parties, current:		
Due from Baidu(a)	788,860,421	429,291,931
Due from eLong	34,515,489	107,117,483
Due from Skyseas	56,727,885	93,934,813
Due from LY.com	33,051,263	55,270,305
Due from Hanting	8,825,089	6,514,153
Due from Homeinns	6,856,120	5,774,751
Due from Tujia	2,955,191	782,583
Due from others	30,000,000	59,310,331
	961,791,458	757,996,350
Due from related parties, non-current:		
Due from Skyseas	543,911,586	566,089,873
	543,911,586	566,089,873
Due to related parties, current:		
Due to eLong	165,436,171	411,873,004
Due to Baidu(a)	1,891,209,753	71,929,345
Due to LY.com	2,709,193	5,447,337
Due to Ananda	2,523,692	4,638,954
Due to Hanting	1,087,144	1,010,785
Due to Homeinns	—	124,124
	2,062,965,953	495,023,549

(a) On June 1, 2015, Qunar and Baidu entered into a business cooperation agreement, under which Baidu agreed to grant Qunar an exclusive right to integrate its hotel information and products into the personal computer and mobile versions of Baidu Maps. Qunar will display location-based hotel data through the Baidu Maps interface. Users can click on the displayed hotels to view hotels and to complete bookings. Qunar pays Baidu service commission at a certain percentage of gross revenue Qunar earns in exchange for the services provided by Baidu. This agreement expired in May 2016 subject to renewal negotiation between both parties. As of December 31, 2015 and June 30, 2016, the outstanding balance related to business cooperation agreement amounted to RMB 138 million and RMB 429 million respectively.

On February 27, 2014, Qunar obtained a revolving credit facility of US$300,000,000 from Baidu. The three-year credit facility bears no commitment fee. Any drawdown bears interest at a rate of 90% of the benchmark lending rate published by the People's Bank

6. RELATED PARTY TRANSACTIONS (Continued)

of China and shall be repaid within three years from the drawdown date. Qunar is allowed to repay its outstanding debt obligation at maturity either by cash or by issuance of Class B shares. The applicable share conversion price will be determined by the prevailing share price at the maturity date. On March 12 and May 4, 2015, Qunar drew down RMB507 million (US$78 million) and RMB627 million (US$97 million) respectively from the credit facility. In March 2016, Qunar repaid these loans and the facility agreement was terminated. The repayment was reported in "Repayment of loans due to related parties" in the statement of cash flow.

On October 27, 2015, Qunar granted a loan amounting to RMB650 million (US$100 million) to Baidu. The loan bore an interest at 1.00% with a repayment term of 12 months. As of December 31, 2015, the outstanding entrusted loan and interest to Baidu amounted to RMB 651 million. Qunar received the repayment in March, 2016. In connection with the loan granted to Baidu, Qunar was granted a loan amounting to RMB640 million (US$99 million) from Baidu Times. The loan bore an interest at 4.14% with a repayment term of 12 months. Qunar repaid the loan in March, 2016. The Company had evaluated both substance and form of these loans arrangements with Baidu. Given that the loan granted to Baidu is solely for the consideration the currency access to RMB and is also dependent on the receipt of the loan provided by Baidu, and also taking into account of the significant net cash in flow as a result of all the loans arrangements with Baidu during the periods, the Company believes these arrangements have the primary purpose and intent in common to finance Qunar and therefore are reported as financing activities in the statement of cash flow on a gross basis according to the forms of the arrangements.

7. TAXATION

Cayman Islands

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

The Company's subsidiaries incorporated in the Hong Kong are subject to Hong Kong Profits Tax on the taxable income as reported in their respective statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. The applicable tax rate is 16.5% in Hong Kong.

Taiwan

The Company's consolidated entities registered in the Taiwan are subject to Taiwan Enterprise Income Tax on the taxable income as reported in their respective statutory financial statements adjusted in accordance with relevant Taiwan income tax laws. The applicable tax rate is 17% in Taiwan.

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

7. TAXATION (Continued)

The PRC

The Company's subsidiaries and VIEs registered in the PRC are subject to PRC Corporate Income Tax ("CIT") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with relevant PRC income tax laws.

The PRC CIT laws apply a general enterprise income tax rate of 25% to both foreign-invested enterprises and domestic enterprises. Preferential tax treatments are granted to enterprises, which conduct business in certain encouraged sectors and to enterprises otherwise classified as a High and New Technology Enterprise ("HNTE"). Being qualified as HNTE, Ctrip Computer Technology, Ctrip Travel Information and Ctrip Travel Network are entitled to a preferential CIT rate of 15% from 2014 to 2016 and JointWisdom is entitled to a preferential CIT rate of 15% from 2015 to 2017.

In 2012, Chengdu Ctrip and Chengdu Ctrip International obtained approval from local tax authorities to apply the 15% preferential tax rate from 2012 to 2015 as qualified as Enterprises falling within the Catalog of Encouraged Industries in the Western Region ("Old Catalog"). In 2013, Chengdu Information Technology Co., Ltd. ("Chengdu Information") obtained approval from local tax authorities to apply the 15% tax rate from 2013 to 2016. In 2014, a new Catalog of Encouraged Industries in the Western Region ("New Catalog") has been released. Under the "New Catalog", these subsidiaries may apply the 15% rate for CIT filing upon agreement by the in-charge tax authorities.

Pursuant to the PRC CIT Law, all foreign invested enterprises in the PRC are subject to the withholding tax for their earnings generated after January 1, 2008. The Company expects to indefinitely reinvest undistributed earnings generated after January 1, 2008 in the onshore PRC entities. As a result, no deferred tax liability was provided on the outside basis difference from undistributed earnings after January 1, 2008.

Composition of income tax expense

The current and deferred portion of income tax expense included in the consolidated statements of income for the six-month period ended June 30, 2015 and 2016 were as follows:

	Six-month period ended June 30, 2015	Six-month period ended June 30, 2016
	RMB	RMB
Current income tax expense	122,438,605	254,836,226
Deferred tax benefit	(84,826,416)	(108,320,437)
Income tax expense	37,612,189	146,515,789

Income tax expense was RMB147 million in the six-month period ended June 30, 2016, increase from RMB 38 million in the same period in 2015. The effective income tax rate in six-month period ended June 30, 2016 and 2015 were –7.7% and –104.8% respectively, the flux was mainly attributable to the change of non-deductible share based compensation expenses as well as the valuation allowance provided in the respective periods.

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

7. TAXATION (Continued)

As of December 31, 2015 and June 30, 2016, valuation allowance of RMB31 million and RMB55 million was provided for operating loss carry forwards related to certain subsidiary based on then assessment where it is more likely than not that such deferred tax assets will not be realized. If events were to occur in the future that would allow us to realize more of our deferred tax assets than the presently recorded net amount, an adjustment would be made to the deferred tax assets that would increase income for the period when those events occurred.

As of June 30, 2016, the Group had net operating tax loss carry forwards amounted to RMB2.1 billion which will expire from 2016 to 2019 if not used.

The provisions for income taxes for the six-month period ended June 30, 2015 and 2016 differ from the amounts computed by applying the CIT primarily due to preferential tax rate enjoyed by certain of the Company's subsidiaries and VIEs in the PRC.

The following table sets forth the effect of preferential tax on China operations:

	Six-month period end June 30, 2015	Six-month period end June 30, 2016
	RMB	RMB
Tax holiday effect	46,395,517	28,535,766
Basic net income per ADS effect	0.16	0.06
Diluted net income per ADS effect	0.15	0.06

8. LONG-TERM DEBT

	As of December 31, 2015	As of June 30, 2016
	RMB	RMB
2020 1% Convertible Senior Notes	4,534,460,000	4,652,130,000
2025 1.99% Convertible Senior Notes	2,591,120,000	2,658,360,000
Priceline 1% Convertible 2019 Notes	3,238,900,000	3,322,950,000
Priceline 1% Convertible 2020 Notes	1,619,450,000	1,661,475,000
Priceline 2% Convertible 2025 Notes	3,238,900,000	3,322,950,000
Hillhouse 2% 2025 Convertible Notes	3,238,900,000	3,322,950,000
Long-term loan	—	900,000,000
Less: Debt issuance cost	(107,121,740)	(103,246,828)
Total	18,354,608,260	19,737,568,172

As of June 30, 2016, the fair value of the Company's long term debt, based on Level 2 inputs, was US$3 billion (RMB19.8 billion).

Description of 2017 Convertible Senior Notes

On September 24, 2012, the Company issued US$180 million in aggregate principle amount of 0.5% Convertible Senior Notes due September 15, 2017 (the "2017 Notes") at par. The 2017 Notes may be converted, under certain circumstances, based on an initial conversion rate of 51.7116 American

8. LONG-TERM DEBT (Continued)

depository shares ("ADS") per US$1,000 principal amount of the 2017 Notes (which represents an initial conversion price of US$19.34 per ADS).

The net proceeds to the Company from the issuance of the 2017 Notes were US$175 million. The Company pays cash interest at an annual rate of 0.5% on the 2017 Notes, payable semi-annually in arrears on March 15 and September 15 of each year, beginning March 15, 2013. Debt issuance costs were US$5.4 million and are being amortized to interest expense to the first put date of the 2017 Notes (September 15, 2015).

The 2017 Notes are general senior unsecured obligations and rank (1) senior in right of payment to any of the Company's future indebtedness that is expressly subordinated in right of payment to the 2017 Notes, (2) equal in right of payment to any of the Company's future indebtedness and other liabilities of the Company that are not so subordinated, (3) junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness and (4) structurally junior to all future indebtedness incurred by the Company's subsidiaries and their other liabilities (including trade payables).

Concurrently with the issuance of the 2017 Notes, the Company purchased a call option ("Purchased Call Option") and sold warrants ("Sold Warrants"). The separate Purchased Call Option and Sold Warrants are structured to reduce the potential future economic dilution associated with the conversion of the 2017 Notes and to increase the initial conversion price to US$26.37 per ADS. Each of these components is discussed separately below:

Purchase Call Option

Counterparty agreed to sell to the Company up to approximately 9.3 million shares of the Company's ADS, which is the number of ADS initially issuable upon conversion of the 2017 Notes in full, at a price of US$19.34 per ADS. The Purchased Call Option will be settled by the counterparty in ADSs and will terminate upon the maturity date of the 2017 Notes. Settlement of the Purchased Call Option in ADSs, based on the number of ADSs issued upon conversion of the 2017 Notes, on the expiration date would result in the Company receiving shares equivalent to the number of shares issuable by the Company upon conversion of the 2017 Notes. Should there be an early termination of the Purchased Call Option, the number of ADSs potentially received by the Company will depend upon 1) the then existing overall market conditions, 2) the Company's stock price, 3) the volatility of the Company's stock, and 4) the amount of time remaining before expiration of the convertible note hedge.

Sold Warrants

The Company received US$26.6 million from the same counterparty from the sale of warrants to purchase up to approximately 9.3 million shares of the Company's ADS at an exercise price of US$26.37 per ADS. The warrants had an expected life of 5 years and expire on September 15, 2017. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of June 30, 2016, the warrants had not been exercised and remained outstanding.

8. LONG-TERM DEBT (Continued)

Use of Proceeds

The Company used a portion of the net proceeds of the offering to pay the associated cost of the convertible note hedge transaction, after such cost is partially offset by the proceeds to the Company from the sale of the warrant transaction. The remainder of the net proceeds from this offering is planned to be used for other general corporate purposes, including working capital needs and potential acquisitions of complementary businesses, as well as potential ADS repurchases and note retirement from time to time.

Evaluation that transactions should be viewed as a single unit:

In accordance with ASC 815-10-15, the Company concluded that the offering of the 2017 Notes, Purchased Call Option and the Issued Warrants (1) do not entail the same risks as the 2017 Notes involve interest, credit and equity risks, whereas the Purchased Call Option and Issued Warrants transaction was intended to reduce the equity dilution risk for the Company and (2) have a valid business purpose and economic need for structuring the transactions separately as the Company wanted to mitigate future dilution upon conversion of the 2017 Notes, as such required that the purchased call option is an American style option which is physical settled whereas the warrant is a European style instrument that allows net share settlement or cash settlement at the choice of the Company. Therefore, the offering of the 2017 Notes, Purchased Call Option and Issued Warrants transactions should be accounted for as separate transactions.

The Company has accounted for the 2017 Notes in accordance with ASC 470, as a single instrument as a long-term debt. The value of the 2017 Notes is measured by the cash received. As of December 31, 2015, RMB325 million (US$50 million) is reclassified as short-term debt to present the 2017 Notes may be redeemed within one year (Note 12).

The key terms of the 2017 Notes are as follows:

Redemption

Contingent redemption option

The 2017 Notes are not redeemable prior to the maturity date of September 15, 2017, except as described below. The holders of the 2017 Notes (the "Holders") have a non-contingent option to require the Company to repurchase for cash all or any portion of their 2017 Notes on September 15, 2015. The repurchase price will equal 100% of the principal amount of the 2017 Notes to be repurchased plus accrued and unpaid interest, if any, to, but excluding, the repurchase date. If a fundamental change (as defined in the Indenture) occurs prior to the maturity date, the Holders may require the Company to purchase for cash all or any portion of the 2017 Notes at a purchase price equal to 100% of the principal amount of the 2017 Notes to be purchased plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date. The Holders have the option to require the Company to repurchase the 2017 Notes, in whole or in part, in the event of a fundamental change for an amount equal to the 100% of the principal amount and any accrued and unpaid interest in the event of fundamental changes. The Company believes that the likelihood of occurrence of events considered a fundamental change is remote.

8. LONG-TERM DEBT (Continued)

The contingent redemption option is assessed in accordance with ASC 815-15-25-42. The contingent redemption option is considered clearly and closely related to its debt host and does not meet the requirement for bifurcation as the 2017 Notes were issued at par and the repurchase feature requires the issuer to settle the option by delivering par plus accrued and unpaid interest, the 2017 Notes holder would recover all of their initial investment. Additionally, since the 2017 Notes holder can only recover its initial investment upon exercise of its option, there are no interest rate scenarios under which the embedded derivative would at least double the investor's initial rate of return.

Non-contingent redemption option

On or after September 15, 2015 (after year 3), the Holders have the right to require the issuer to redeem, at 100% of the loan's principal amount plus accrued and unpaid interest, in which circumstance the Holders would recover substantially all of their initial investment.

Since the Holders can only recover its initial investment upon exercise of its option, there are no interest rate scenarios under which the embedded derivative would at least double the investor's initial rate of return. Therefore, the embedded repurchase feature (put option) is considered clearly and closely related to the debt host pursuant to ASC 815-15-25-1 and does not meet the requirements for bifurcation.

Conversion

The Holders may convert their 2017 Notes in integral multiples of US$1,000 principle amount at an initial conversion rate of US$19.34 per ADS, at any time prior to the maturity date of September 15, 2017. Upon conversion of the 2017 Notes, the Company will deliver shares of the Company's ADS. The conversion rate is subject to adjustment in certain events, such as distribution of dividends and stock splits. In addition, upon a make-whole fundamental change (as defined in the Indenture), the Company will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert its 2017 Notes in connection with such make-whole fundamental change.

In accordance with ASC 815-10-15-83, the conversion option meets the definition of a derivative. However, bifurcation of conversion option from the 2017 Notes is not required as the scope exception prescribed in ASC 815-10-15-74 is met as the conversion option is considered indexed to the entity's own stock and classified in stockholders' equity.

Early conversion of 2017 Convertible Senior Notes

The Company offered the public tranche of the 2017 Notes holders to convert their 2017 Notes early, through an inducement. The inducement we offered included the original term's ratio for ADS conversion plus a cash incentive of 1.5%-2.0%. As a result of the inducement, for six-month period ended June 30, 2015 and 2016, US$4.3 million and US$15.8 million of the 2017 Notes was tendered, respectively, or 0.4 million ADS and 1 million ADS at the initial conversion rate of 51.7116 ADS per note, respectively. These conversions did not materially impact the current shares outstanding.

8. LONG-TERM DEBT (Continued)

Early termination of Call Option

The above early conversion of 2017 Convertible Senior Notes also resulted in an early termination of a call option we entered into during 2012, of which the Company has received US$ 11.6 million from this early termination.

Description of 2018 Convertible Senior Notes

On October 17, 2013, the Company issued US$800 million in aggregate principle amount of 1.25% Convertible Senior 2018 Notes due October 15, 2018 (the "2018 Notes") at par. The 2018 Notes may be converted, under certain circumstances, based on an initial conversion rate of 12.7568 American depository shares ("ADS") per US$1,000 principal amount of the 2018 Notes (which represents an initial conversion price of US$78.39 per ADS).

The net proceeds to the Company from the issuance of the 2018 Notes were US$780 million. The Company pays cash interest at an annual rate of 1.25% on the 2018 Notes, payable semi-annually in arrears on April 15 and October 15 of each year, beginning April 15, 2014. Debt issuance costs were US$19.6 million and are being amortized to interest expense to the maturity date of the 2018 Notes (October 15, 2018).

The 2018 Notes are general senior unsecured obligations and rank (1) senior in right of payment to any of the Company's future indebtedness that is expressly subordinated in right of payment to the 2018 Notes, (2) equal in right of payment to any of the Company's future indebtedness and other liabilities of the Company that are not so subordinated, (3) junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness and (4) structurally junior to all future indebtedness incurred by the Company's subsidiaries and their other liabilities (including trade payables).

Concurrently with the issuance of the 2018 Notes, the Company purchased a call option ("Purchased Call Option") and sold warrants ("Sold Warrants"). The separate Purchased Call Option and Sold Warrants are structured to reduce the potential future economic dilution associated with the conversion of the 2018 Notes and to increase the initial conversion price to US$96.27 per ADS. Each of these components is discussed separately below:

Purchase Call Option

Counterparty agreed to sell to the Company up to approximately 10.2 million shares of the Company's ADS, which is the number of ADS initially issuable upon conversion of the 2018 Notes in full, at a price of US$78.39 per ADS. The Purchased Call Option will be settled in ADSs and will terminate upon the maturity date of the 2018 Notes. Settlement of the Purchased Call Option in ADSs, based on the number of ADSs issued upon conversion of the 2018 Notes, on the expiration date would result in the Company receiving shares equivalent to the number of shares issuable by the Company upon conversion of the 2018 Notes. Should there be an early termination of the Purchased Call Option, the number of ADSs potentially received by the Company will depend upon 1) the then existing overall market conditions, 2) the Company's stock price, 3) the volatility of the Company's stock, and 4) the amount of time remaining before expiration of the convertible note hedge.

8. LONG-TERM DEBT (Continued)

Sold Warrants

The Company received US$77.2 million from the same counterparty from the sale of warrants to purchase up to approximately 10.2 million shares of the Company's ADS at an exercise price of US$96.27 per ADS. The warrants had an expected life of 5 years and expire on October 15, 2018. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of December 31, 2015, the warrants had not been exercised and remained outstanding.

Use of Proceeds

The Company used a portion of the net proceeds of the offering to pay the associated cost of the convertible note hedge transaction, after such cost is partially offset by the proceeds to the Company from the sale of the warrant transaction. The remainder of the net proceeds from this offering is planned to be used for other general corporate purposes, including working capital needs and potential acquisitions of complementary businesses, as well as potential ADS repurchases and note retirement from time to time.

Evaluation that transactions should be viewed as a single unit:

In accordance with ASC 815-10-15, the Company concluded that the offering of the 2018 Notes, Purchased Call Option and the Issued Warrants (1) do not entail the same risks as the 2018 Notes involve interest, credit and equity risks, whereas the Purchased Call Option and Issued Warrants transaction was intended to reduce the equity dilution risk for the Company and (2) have a valid business purpose and economic need for structuring the transactions separately as the Company wanted to mitigate future dilution upon conversion of the 2018 Notes, as such required that the purchased call option is an American style option which is physical settled whereas the warrant is a European style instrument that allows net share settlement or cash settlement at the choice of the Company. Therefore, the offering of the 2018 Notes, Purchased Call Option and Issued Warrants transactions should be accounted for as separate transactions.

The Company has accounted for the 2018 Notes in accordance with ASC 470, as a single instrument as a long-term debt. The value of the 2018 Notes is measured by the cash received. As of December 31, 2015, RMB5.2 billion (US$800 million) is reclassified as short-term debt to present the 2018 Notes may be redeemed within one year (Note 12)

The key terms of the 2018 Notes are as follows:

Redemption

Contingent redemption option

The 2018 Notes are not redeemable prior to the maturity date of October 15, 2018, except as described below. The holders of the 2018 Notes (the "Holders") have a non-contingent option to require the Company to repurchase for cash all or any portion of their 2018 Notes on October 15, 2016. The repurchase price will equal 100% of the principal amount of the 2018 Notes to be repurchased plus accrued and unpaid interest, if any, to, but excluding, the repurchase date. If a fundamental change (as defined in the Indenture) occurs prior to the maturity date, the Holders may

8. LONG-TERM DEBT (Continued)

require the Company to purchase for cash all or any portion of the 2018 Notes at a purchase price equal to 100% of the principal amount of the 2018 Notes to be purchased plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date. The Holders have the option to require the Company to repurchase the 2018 Notes, in whole or in part, in the event of a fundamental change for an amount equal to the 100% of the principal amount and any accrued and unpaid interest in the event of fundamental changes. The Company believes that the likelihood of occurrence of events considered a fundamental change is remote.

The contingent redemption option is assessed in accordance with ASC 815-15-25-42. The contingent redemption option is considered clearly and closely related to its debt host and does not meet the requirement for bifurcation as the 2018 Notes were issued at par and the repurchase feature requires the issuer to settle the option by delivering par plus accrued and unpaid interest, the 2018 Notes holder would recover all of their initial investment. Additionally, since the 2018 Notes holder can only recover its initial investment upon exercise of its option, there are no interest rate scenarios under which the embedded derivative would at least double the investor's initial rate of return.

Non-contingent redemption option

On or after October 15, 2016 (after year 3), the Holders have the right to require the issuer to redeem, at 100% of the loan's principal amount plus accrued and unpaid interest, in which circumstance the Holders would recover substantially all of their initial investment.

Since the Holders can only recover its initial investment upon exercise of its option, there are no interest rate scenarios under which the embedded derivative would at least double the investor's initial rate of return. Therefore, the embedded repurchase feature (put option) is considered clearly and closely related to the debt host pursuant to ASC 815-15-25-1 and does not meet the requirements for bifurcation.

Conversion

The Holders may convert their 2018 Notes in integral multiples of US$1,000 principle amount at an initial conversion rate of US$78.39 per ADS, at any time prior to the maturity date of October 15, 2018. Upon conversion of the 2018 Notes, the Company will deliver shares of the Company's ADS. The conversion rate is subject to adjustment in certain events, such as distribution of dividends and stock splits. In addition, upon a make-whole fundamental change (as defined in the Indenture), the Company will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert its 2018 Notes in connection with such make-whole fundamental change.

In accordance with ASC 815-10-15-83, the conversion option meets the definition of a derivative. However, bifurcation of conversion option from the 2018 Notes is not required as the scope exception prescribed in ASC 815-10-15-74 is met as the conversion option is considered indexed to the entity's own stock and classified in stockholders' equity.

8. LONG-TERM DEBT (Continued)

Assessment of Beneficial Conversion Feature and Contingent Beneficial Conversion Feature:

As the conversion options are not bifurcated, the Company has assessed the beneficial conversion feature ("BCF"), as of commitment date as defined in ASC 470-20. There was no BCF attribute to the 2018 Notes as the set conversion price for the 2018 Notes was greater than the fair value of the ordinary share price at date of issuance.

The Holders have the option to convert upon a fundamental change, if Holders decide to convert in connection with a fundamental change; the number of shares issuable upon conversion will be increased. The Company will have to assess for the contingent BCF using a measurement date upon issuance of the 2018 Notes, upon occurrence of such adjustment. The settlement of the conversion is based on a make-whole provision resulting from a fundamental change, this feature is consistent with ASC 815-40-55-46 (example 19), therefore the Company concludes that this feature is also considered indexed to its own stock.

Accounting for Debt Issuance Costs:

The debt issuance costs were recorded as reduction to the long term debt and are amortized as interest expense, using the effective interest method, over the term of the 2018 Notes.

Accounting for Purchased Call Option:

In accordance with ASC 815-10-15-83, the Purchased Call Option meets the definition of a derivative instrument. However, the scope exception in accordance with ASC 815-10-15-74 applies to the Purchased Call Option as it is indexed to its own stock, and the Purchased Call Option meets the requirements of ASC 815 and would be classified in stockholders' equity, therefore, the cost paid for Purchased Call Option was accounted for within stockholders' equity, and subsequent changes in fair value will not be recorded.

Accounting for Issued Warrants:

The Company assessed that the Issued Warrants are not liabilities within scope of ASC 480-10-25. The Issued Warrants are legally detachable from the 2018 Notes and Purchased Call Option and separately exercisable as such meets the definition of a freestanding derivative instrument pursuant to ASC 815. However, the scope exception in accordance with ASC 815-10-15-74 applies to Warrants and it meets the requirements of ASC 815 that would be classified in stockholders' equity. Therefore, the Warrants were initially accounted for within stockholders' equity, and subsequent changes in fair value will not be recorded.

Description of 2020 Convertible Senior Notes

On June 18, 2015, the Company issued US$700 million in aggregate principle amount of 1.00% Convertible Senior 2020 Notes due July 1, 2020 (the "2020 Notes") at par. The 2020 Notes may be converted, under certain circumstances, based on an initial conversion rate of 9.1942 American depository shares ("ADS") per US$1,000 principal amount of the 2020 Notes (which represents an initial conversion price of US$108.76 per ADS).

8. LONG-TERM DEBT (Continued)

The net proceeds to the Company from the issuance of the 2020 Notes were US$689 million. The Company pays cash interest at an annual rate of 1.00% on the 2020 Notes, payable semi-annually in arrears on January 1 and July 1 of each year, beginning January 1, 2016. Debt issuance costs were US$11.3 million and are being amortized to interest expense to the maturity date of the 2020 Notes (July 1, 2020).

The 2020 Notes are general senior unsecured obligations and rank (1) senior in right of payment to any of the Company's future indebtedness that is expressly subordinated in right of payment to the 2020 Notes, (2) equal in right of payment to any of the Company's future indebtedness and other liabilities of the Company that are not so subordinated, (3) junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness and (4) structurally junior to all future indebtedness incurred by the Company's subsidiaries and their other liabilities (including trade payables).

Concurrently with the issuance of the 2020 Notes, the Company purchased a call option ("Purchased Call Option") and sold warrants ("Sold Warrants"). The separate Purchased Call Option and Sold Warrants are structured to reduce the potential future economic dilution associated with the conversion of the 2020 Notes and to increase the initial conversion price to US$135.02 per ADS. Each of these components is discussed separately below:

Purchase Call Option

Counterparty agreed to sell to the Company up to approximately 6.4 million shares of the Company's ADS, which is the number of ADS initially issuable upon conversion of the 2020 Notes in full, at a price of US$108.76 per ADS. The Purchased Call Option will be settled in ADSs and will terminate upon the maturity date of the 2020 Notes. Settlement of the Purchased Call Option in ADSs, based on the number of ADSs issued upon conversion of the 2020 Notes, on the expiration date would result in the Company receiving shares equivalent to the number of shares issuable by the Company upon conversion of the 2020 Notes. Should there be an early termination of the Purchased Call Option, the number of ADSs potentially received by the Company will depend upon 1) the then existing overall market conditions, 2) the Company's stock price, 3) the volatility of the Company's stock, and 4) the amount of time remaining before expiration of the convertible note hedge.

Sold Warrants

The Company received US$84.4 million from the same counterparty from the sale of warrants to purchase up to approximately 6.4 million shares of the Company's ADS at an exercise price of US$135.02 per ADS. The warrants had an expected life of 5 years and expire on July 1, 2020. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of December 31, 2015, the warrants had not been exercised and remained outstanding.

Use of Proceeds

The Company used a portion of the net proceeds of the offering to pay the associated cost of the convertible note hedge transaction, after such cost is partially offset by the proceeds to the Company from the sale of the warrant transaction. The remainder of the net proceeds from this offering is

8. LONG-TERM DEBT (Continued)

planned to be used for other general corporate purposes, including working capital needs and potential acquisitions of complementary businesses, as well as potential ADS repurchases and note retirement from time to time.

Evaluation that transactions should be viewed as a single unit:

In accordance with ASC 815-10-15, the Company concluded that the offering of the 2020 Notes, Purchased Call Option and the Issued Warrants (1) do not entail the same risks as the 2020 Notes involve interest, credit and equity risks, whereas the Purchased Call Option and Issued Warrants transaction was intended to reduce the equity dilution risk for the Company and (2) have a valid business purpose and economic need for structuring the transactions separately as the Company wanted to mitigate future dilution upon conversion of the 2020 Notes, as such required that the purchased call option is an American style option which is physical settled whereas the warrant is a European style instrument that allows net share settlement or cash settlement at the choice of the Company. Therefore, the offering of the 2020 Notes, Purchased Call Option and Issued Warrants transactions should be accounted for as separate transactions.

The Company has accounted for the 2020 Notes in accordance with ASC 470, as a single instrument as a long-term debt. The value of the 2020 Notes is measured by the cash received. As of December 31, 2015, RMB4.5 billion (US$700 million) is accounted as the value of the 2020 Notes in long-term debt.

The key terms of the 2020 Notes are as follows:

Redemption

Contingent redemption option

The 2020 Notes are not redeemable prior to the maturity date of July 1, 2020, except as described below. The holders of the 2020 Notes (the "Holders") have a non-contingent option to require the Company to repurchase for cash all or any portion of their 2020 Notes on July 1, 2018. The repurchase price will equal 100% of the principal amount of the 2020 Notes to be repurchased plus accrued and unpaid interest, if any, to, but excluding, the repurchase date. If a fundamental change (as defined in the Indenture) occurs prior to the maturity date, the Holders may require the Company to purchase for cash all or any portion of the 2020 Notes at a purchase price equal to 100% of the principal amount of the 2020 Notes to be purchased plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date. The Holders have the option to require the Company to repurchase the 2020 Notes, in whole or in part, in the event of a fundamental change for an amount equal to the 100% of the principal amount and any accrued and unpaid interest in the event of fundamental changes. The Company believes that the likelihood of occurrence of events considered a fundamental change is remote.

The contingent redemption option is assessed in accordance with ASC 815-15-25-42. The contingent redemption option is considered clearly and closely related to its debt host and does not meet the requirement for bifurcation as the 2020 Notes were issued at par and the repurchase feature requires the issuer to settle the option by delivering par plus accrued and unpaid interest, the 2020 Notes holder would recover all of their initial investment. Additionally, since the 2020 Notes holder can

8. LONG-TERM DEBT (Continued)

only recover its initial investment upon exercise of its option, there are no interest rate scenarios under which the embedded derivative would at least double the investor's initial rate of return.

Non-contingent redemption option

On or after July 1, 2018 (after year 3), the Holders have the right to require the issuer to redeem, at 100% of the loan's principal amount plus accrued and unpaid interest, in which circumstance the Holders would recover substantially all of their initial investment.

Since the Holders can only recover its initial investment upon exercise of its option, there are no interest rate scenarios under which the embedded derivative would at least double the investor's initial rate of return. Therefore, the embedded repurchase feature (put option) is considered clearly and closely related to the debt host pursuant to ASC 815-15-25-1 and does not meet the requirements for bifurcation.

Conversion

The Holders may convert their 2020 Notes in integral multiples of US$1,000 principle amount at an initial conversion rate of US$108.76 per ADS, at any time prior to the maturity date of July 1, 2020. Upon conversion of the 2020 Notes, the Company will deliver shares of the Company's ADS. The conversion rate is subject to adjustment in certain events, such as distribution of dividends and stock splits. In addition, upon a make-whole fundamental change (as defined in the Indenture), the Company will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert its 2020 Notes in connection with such make-whole fundamental change.

In accordance with ASC 815-10-15-83, the conversion option meets the definition of a derivative. However, bifurcation of conversion option from the 2020 Notes is not required as the scope exception prescribed in ASC 815-10-15-74 is met as the conversion option is considered indexed to the entity's own stock and classified in stockholders' equity.

Assessment of Beneficial Conversion Feature and Contingent Beneficial Conversion Feature:

As the conversion options are not bifurcated, the Company has assessed the beneficial conversion feature ("BCF"), as of commitment date as defined in ASC 470-20. There was no BCF attribute to the 2020 Notes as the set conversion price for the 2020 Notes was greater than the fair value of the ordinary share price at date of issuance.

The Holders have the option to convert upon a fundamental change, if Holders decide to convert in connection with a fundamental change; the number of shares issuable upon conversion will be increased. The Company will have to assess for the contingent BCF using a measurement date upon issuance of the 2020 Notes, upon occurrence of such adjustment. The settlement of the conversion is based on a make-whole provision resulting from a fundamental change, this feature is consistent with ASC 815-40-55-46 (example 19), therefore the Company concludes that this feature is also considered indexed to its own stock.

8. LONG-TERM DEBT (Continued)

Accounting for Debt Issuance Costs:

The debt issuance costs were recorded as reduction to the long term debt and are amortized as interest expense, using the effective interest method, over the term of the 2020 Notes.

Accounting for Purchased Call Option:

In accordance with ASC 815-10-15-83, the Purchased Call Option meets the definition of a derivative instrument. However, the scope exception in accordance with ASC 815-10-15-74 applies to the Purchased Call Option as it is indexed to its own stock, and the Purchased Call Option meets the requirements of ASC 815 and would be classified in stockholders' equity, therefore, the cost paid for Purchased Call Option was accounted for within stockholders' equity, and subsequent changes in fair value will not be recorded.

Accounting for Issued Warrants:

The Company assessed that the Issued Warrants are not liabilities within scope of ASC 480-10-25. The Issued Warrants are legally detachable from the 2020 Notes and Purchased Call Option and separately exercisable as such meets the definition of a freestanding derivative instrument pursuant to ASC 815. However, the scope exception in accordance with ASC 815-10-15-74 applies to Warrants and it meets the requirements of ASC 815 that would be classified in stockholders' equity. Therefore, the Warrants were initially accounted for within stockholders' equity, and subsequent changes in fair value will not be recorded.

Description of 2025 Convertible Senior Notes

On June 18, 2015, the Company issued US$400 million in aggregate principle amount of 1.99% Convertible Senior Notes due July 1, 2025 (the "2025 Notes") at par. The 2025 Notes may be converted, under certain circumstances, based on an initial conversion rate of 9.3555 American depository shares ("ADS") per US$1,000 principal amount of the 2025 Notes (which represents an initial conversion price of US$106.89 per ADS).

The net proceeds to the Company from the issuance of the 2025 Notes were US$393 million. The Company pays cash interest at an annual rate of 1.99% on the 2025 Notes, payable semi-annually in arrears on January 1 and July 1 of each year, beginning January 1, 2016. Debt issuance costs were US$6.8 million and are being amortized to interest expense to the maturity date of the 2025 Notes (July 1, 2025).

The 2025 Notes are general senior unsecured obligations and rank (1) senior in right of payment to any of the Company's future indebtedness that is expressly subordinated in right of payment to the 2025 Notes, (2) equal in right of payment to any of the Company's future indebtedness and other liabilities of the Company that are not so subordinated, (3) junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness and (4) structurally junior to all future indebtedness incurred by the Company's subsidiaries and their other liabilities (including trade payables).

8. LONG-TERM DEBT (Continued)

Use of Proceeds

The Company used a portion of the net proceeds of the offering to pay the associated cost of the convertible note hedge transaction, after such cost is partially offset by the proceeds to the Company from the sale of the warrant transaction. The remainder of the net proceeds from this offering is planned to be used for other general corporate purposes, including working capital needs and potential acquisitions of complementary businesses, as well as potential ADS repurchases and note retirement from time to time.

Evaluation that transactions should be viewed as a single unit:

In accordance with ASC 815-10-15, the Company concluded that the offering of the 2025 Notes, Purchased Call Option and the Issued Warrants (1) do not entail the same risks as the 2025 Notes involve interest, credit and equity risks, whereas the Purchased Call Option and Issued Warrants transaction was intended to reduce the equity dilution risk for the Company and (2) have a valid business purpose and economic need for structuring the transactions separately as the Company wanted to mitigate future dilution upon conversion of the 2025 Notes, as such required that the purchased call option is an American style option which is physical settled whereas the warrant is a European style instrument that allows net share settlement or cash settlement at the choice of the Company. Therefore, the offering of the 2025 Notes, Purchased Call Option and Issued Warrants transactions should be accounted for as separate transactions.

The Company has accounted for the 2025 Notes in accordance with ASC 470, as a single instrument as a long-term debt. The value of the 2025 Notes is measured by the cash received. As of December 31, 2015, RMB2.6 billion (US$400 million) is accounted as the value of the 2025 Notes in long-term debt.

The key terms of the 2025 Notes are as follows:

Redemption

Contingent redemption option

The 2025 Notes are not redeemable prior to the maturity date of July 1, 2025, except as described below. The holders of the 2025 Notes (the "Holders") have a non-contingent option to require the Company to repurchase for cash all or any portion of their 2025 Notes on July 1, 2020. The repurchase price will equal 100% of the principal amount of the 2025 Notes to be repurchased plus accrued and unpaid interest, if any, to, but excluding, the repurchase date. If a fundamental change (as defined in the Indenture) occurs prior to the maturity date, the Holders may require the Company to purchase for cash all or any portion of the 2025 Notes at a purchase price equal to 100% of the principal amount of the 2025 Notes to be purchased plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date. The Holders have the option to require the Company to repurchase the 2025 Notes, in whole or in part, in the event of a fundamental change for an amount equal to the 100% of the principal amount and any accrued and unpaid interest in the event of fundamental changes. The Company believes that the likelihood of occurrence of events considered a fundamental change is remote.

8. LONG-TERM DEBT (Continued)

The contingent redemption option is assessed in accordance with ASC 815-15-25-42. The contingent redemption option is considered clearly and closely related to its debt host and does not meet the requirement for bifurcation as the 2025 Notes were issued at par and the repurchase feature requires the issuer to settle the option by delivering par plus accrued and unpaid interest, the 2025 Notes holder would recover all of their initial investment. Additionally, since the 2025 Notes holder can only recover its initial investment upon exercise of its option, there are no interest rate scenarios under which the embedded derivative would at least double the investor's initial rate of return.

Non-contingent redemption option

On or after July 1, 2020 (after year 5), the Holders have the right to require the issuer to redeem, at 100% of the loan's principal amount plus accrued and unpaid interest, in which circumstance the Holders would recover substantially all of their initial investment.

Since the Holders can only recover its initial investment upon exercise of its option, there are no interest rate scenarios under which the embedded derivative would at least double the investor's initial rate of return. Therefore, the embedded repurchase feature (put option) is considered clearly and closely related to the debt host pursuant to ASC 815-15-25-1 and does not meet the requirements for bifurcation.

Conversion

The Holders may convert their 2025 Notes in integral multiples of US$1,000 principle amount at an initial conversion rate of US$108.76 per ADS, at any time prior to the maturity date of July 1, 2025. Upon conversion of the 2025 Notes, the Company will deliver shares of the Company's ADS. The conversion rate is subject to adjustment in certain events, such as distribution of dividends and stock splits. In addition, upon a make-whole fundamental change (as defined in the Indenture), the Company will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert its 2025 Notes in connection with such make-whole fundamental change.

In accordance with ASC 815-10-15-83, the conversion option meets the definition of a derivative. However, bifurcation of conversion option from the 2025 Notes is not required as the scope exception prescribed in ASC 815-10-15-74 is met as the conversion option is considered indexed to the entity's own stock and classified in stockholders' equity.

Assessment of Beneficial Conversion Feature and Contingent Beneficial Conversion Feature:

As the conversion options are not bifurcated, the Company has assessed the beneficial conversion feature ("BCF"), as of commitment date as defined in ASC 470-20. There was no BCF attribute to the 2025 Notes as the set conversion price for the 2025 Notes was greater than the fair value of the ordinary share price at date of issuance.

The Holders have the option to convert upon a fundamental change, if Holders decide to convert in connection with a fundamental change; the number of shares issuable upon conversion will be increased. The Company will have to assess for the contingent BCF using a measurement date upon issuance of the 2025 Notes, upon occurrence of such adjustment. The settlement of the conversion is based on a make-whole provision resulting from a fundamental change, this feature is consistent with

8. LONG-TERM DEBT (Continued)

ASC 815-40-55-46 (example 19), therefore the Company concludes that this feature is also considered indexed to its own stock.

Accounting for Debt Issuance Costs:

The debt issuance costs were recorded as reduction to the long term debt and are amortized as interest expense, using the effective interest method, over the term of the 2025 Notes.

Description of Priceline and Hillhouse Notes

On August 7, 2014, the Company issued Convertible Senior Notes (the "Priceline 2019 Notes") at an aggregate principal amount of US$500 million to the Priceline Group. The Priceline 2019 Notes are due on August 7, 2019 and bear interest of 1% annually which will be paid semi-annually beginning on February 7, 2015. The Priceline 2019 Notes will be convertible into the Company's American Depositary Shares ("ADSs") with an initial conversion price of approximately US$81.36 per ADS.

On May 26, 2015, the Company issued Convertible Senior Priceline Notes (the "Priceline 2020 Notes") at an aggregate principal amount of US$250 million to the Priceline Group. The Priceline 2020 Notes are due on May 26, 2020 and bear interest of 1% annually which will be paid semi-annually beginning on November 29, 2015. The Priceline 2020 Notes will be convertible into the Company's American Depositary Shares ("ADSs") with an initial conversion price of approximately US$104.27 per ADS.

On December 10, 2015, the Company issued Convertible Senior Notes at an aggregate principal amount of US$1 billion to the Priceline Group and Hillhouse (the "Priceline and Hillhouse Notes"). The Priceline and Hillhouse Notes are due on December 11, 2025 and bear interest of 2% annually which will be paid semi-annually beginning on June 11, 2016. The Priceline and Hillhouse Notes will be convertible into the Company's American Depositary Shares ("ADSs") with an initial conversion price of approximately US$68.46 per ADS.

The Company has accounted for the Priceline and Hillhouse Notes in accordance with ASC 470, as a single instrument within the consolidated financial statements. The value of the Priceline and Hillhouse Notes is measured by the cash received. The Company recorded the interest expenses according to its annual interest rate.

The Company has assessed the beneficial conversion feature ("BCF") of the above Priceline and Hillhouse Notes, as of commitment date as defined in ASC 470-20. There was no BCF attribute to the above Priceline Notes as the set conversion price for the above Priceline Notes was greater than the fair value of the ordinary share price at date of issuance.

In addition, the Company has granted the Priceline Group permission to acquire the Company's shares in the open market over the next twelve months, so that combined with the shares convertible under the bond, the Priceline Group may hold up to 15% of the Company's outstanding shares. As the potential purchase will be conducted by the market price, there is no accounting implication.

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

9. NON-CONTROLLING INTERESTS

Non-controlling interests include the common shares in the consolidated subsidiaries or VIE subsidiaries and preferred shares issued by the Company's subsidiaries. The balance is summarized as follows:

	As of December 31, 2015 RMB	As of June 30, 2016 RMB
Qunar and subsidiaries	17,855,897,129	2,201,219,180
An offline travel agency	455,614,677	459,694,191
Travelfusion	289,875,458	299,237,266
An online trip package service provider	134,586,452	131,280,808
A technology company focusing on hotel customer reviews	262,762,132	254,344,728
ezTravel	23,707,599	24,159,071
Others	111,754,800	237,102,252
	19,134,198,247	3,607,037,496

10. EARNINGS PER SHARE

Basic earnings per share and diluted earnings per share were calculated as follows:

	Six-month period ended June 30, 2015 RMB	Six-month period ended June 30, 2016 RMB
Numerator:		
Net income/(loss) attributable to Ctrip's shareholders	16,791,741	(2,099,936,625)
Eliminate the dilutive effect of interest expense of convertible notes	—	—
Numerator for diluted earnings/(loss) per share	16,791,741	(2,099,936,625)
Denominator:		
Denominator for basic earnings per ordinary share—weighted average ordinary shares outstanding	35,646,304	57,153,857
Dilutive effect of share options	2,587,381	—
Dilutive effect of convertible bond sold warrants	484,527	—
Denominator for diluted earnings per ordinary share	38,718,212	57,153,857
Basic earnings/(losses) per ordinary share	0.47	(36.74)
Diluted earnings/(losses) per ordinary share	0.43	(36.74)
Basic earnings/(losses) per ADS	0.06	(4.59)
Diluted earnings/(losses) per ADS	0.05	(4.59)

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

10. EARNINGS PER SHARE (Continued)

Note *—On December 1, 2015, the Company changed the ratio of its American depositary shares ("ADSs") to ordinary shares from four (4) ADSs representing one (1) ordinary share to eight (8) ADSs representing one (1) ordinary share. The earning per share of the Company for the periods presented in this financial statement has been retrospectively adjusted to reflect such effect.

The 2017 convertible senior notes, 2018 convertible senior notes, 2020 convertible senior notes, 2025 convertible senior notes and the Priceline convertible notes were not included in the computation of diluted EPS in the six-month period ended June, 30, 2016 because the inclusion of such instrument would be anti-dilutive.

For the six-month period ended June 30, 2015 and 2016, the Company had securities which could potentially dilute basic earnings per share in the future, which were excluded from the computation of diluted earnings per share as their effects would have been anti-dilutive. Such weighted average numbers of ordinary shares outstanding are as following:

	Six-month period ended June 30, 2015	Six-month period ended June 30, 2016
2017 convertible senior notes	873,322	444,203
2018 convertible senior notes	2,551,360	2,551,360
2020 convertible senior notes	53,337	1,608,985
2025 convertible senior notes	31,013	935,550
Priceline convertible 2019 notes	1,536,338	1,536,338
Priceline convertible 2020 notes	105,971	599,400
Priceline convertible 2025 notes	—	912,919
A long-term equity investment firm notes	—	912,919
Outstanding weighted average stock options	92,914	3,645,893
Sold Warrants	—	307,202
	5,244,255	13,454,769

(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

11. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Company has entered into leasing arrangements relating to office premises that are classified as operating leases as of June 30, 2016. Future minimum lease payments for non-cancelable operating leases are as follows:

	Office Premises RMB
Less than 1 year	231,371,187
1 - 2 years	63,409,084
2 - 3 years	24,509,694
3 - 4 years	3,564,584
4 - 5 years	1,500,726
Thereafter	2,455,468
	326,810,743

Rental expense amounted to RMB94 million and RMB202 million for the six-month period ended June 30, 2015 and 2016, respectively. Rental expense is charged to the statements of income and comprehensive income when incurred.

Capital commitments

As of June 30, 2016, the Company had outstanding capital commitments totaling RMB86 million, which consisted of capital expenditures of property, equipment and software.

Guarantee

In connection with our air ticketing business, the Group is required by the Civil Aviation Administration of China, International Air Transport Association, and local airline companies to pay deposits in order to or to provide other guarantees obtain blank air tickets. As of June 30, 2016, the amount under these guarantee arrangements was approximately RMB892 million.

Based on historical experience and information currently available, we do not believe that it is probable that we will be required to pay any amount under these guarantee arrangements. Therefore, we have not recorded any liability beyond what is required in connection with these guarantee arrangements.

Contingencies

The Company is not currently a party to any pending material litigation or other legal proceeding or claims.

The Company is incorporated in Cayman Islands and is considered as a foreign entity under PRC laws. Due to the restrictions on foreign ownership of the air-ticketing, travel agency, advertising and internet content provision businesses, the Company conducts these businesses partly through various VIEs. These VIEs hold the licenses and approvals that are essential for the Company's business operations. In the opinion of the Company's PRC legal counsel, the current ownership structures and

11. COMMITMENTS AND CONTINGENCIES (Continued)

the contractual arrangements with these VIEs and their shareholders as well as the operations of these VIEs are in compliance with all existing PRC laws, rules and regulations. However, there may be changes and other developments in PRC laws and regulations. Accordingly, the Company cannot be assured that PRC government authorities will not take a view in the future contrary to the opinion of the Company's PRC legal counsel. If the current ownership structures of the Company and its contractual arrangements with VIEs were found to be in violation of any existing or future PRC laws or regulations, the Company may be required to restructure its ownership structure and operations in China to comply with changing and new Chinese laws and regulations.

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99.2

QUNAR CAYMAN ISLANDS LIMITED
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Qunar Cayman Islands Limited

We have audited the accompanying consolidated balance sheets of Qunar Cayman Islands Limited (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive loss, cash flows and shareholders' equity (deficit) for each of the three years in the period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Qunar Cayman Islands Limited at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Qunar Cayman Islands Limited's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 14, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young Hua Ming LLP
Shanghai, the People's Republic of China
April 14, 2016

QUNAR CAYMAN ISLANDS LIMITED

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"), except for number of shares and per share data)

	Notes	As of December 31,		
		2014	2015	
		RMB	RMB	US$
ASSETS				
Current assets:				
Cash and cash equivalents		812,972	4,115,650	635,347
Restricted cash		236,929	1,747,603	269,783
Accounts receivable, net	4	165,404	278,382	42,975
Funds receivable		413,084	715,365	110,433
Short-term investments		—	351,189	54,214
Due from related parties	13	39,951	813,123	125,525
Prepayments and other current assets	5	259,734	1,320,492	203,849
Deferred tax assets, current	12	22,859	80,513	12,429
Total current assets		**1,950,933**	**9,422,317**	**1,454,555**
Non-current assets:				
Property and equipment, net	6	149,307	232,085	35,828
Intangible assets, net	8	2,849	12,689	1,959
Goodwill	8	—	10,755	1,660
Long-term investments, net	7	103,175	712,967	110,063
Deferred tax assets, non-current	12	—	111	17
Other non-current assets	20	61,453	114,621	17,694
Total non-current assets		**316,784**	**1,083,228**	**167,221**
Total assets		**2,267,717**	**10,505,545**	**1,621,776**
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY				
Current liabilities (including current liabilities of the Affiliated PRC Entities without recourse to the Company amounting to RMB893,558 and RMB2,754,149 (US$425,168) as of December 31, 2014 and 2015, respectively):				
Customer advances and deposits		258,992	280,962	43,373
Due to related parties	13	6,305	1,961,500	302,803
Accounts payable		19,813	31,720	4,898
Salaries and welfare payable		201,433	418,431	64,595
Income tax payable		22,821	79,736	12,309
Accrued expenses and other current liabilities	10	1,155,547	3,134,951	483,953
Warrant liability	13	701,776	—	—
Short-term loan	9	—	643,500	99,339
Total current liabilities		**2,366,687**	**6,550,800**	**1,011,270**
Non-current liabilities (including non-current liabilities of the Affiliated PRC Entities without recourse to the Company amounting to RMB3,429 and RMB15,793 (US$2,438) as of December 31, 2014 and 2015, respectively):				
Deferred tax liability, non-current		—	1,318	203
Long-term debt	11	—	2,658,357	410,380
Non-current liabilities		71,616	91,702	14,156
Total non-current liabilities		**71,616**	**2,751,377**	**424,739**
Total liabilities		**2,438,303**	**9,302,177**	**1,436,009**
Commitments and contingencies	22			
Shareholders' (deficit) equity:				
Class A ordinary shares (par value of US$0.001 per share; 303,344,804 shares authorized as at December 31, 2014 and 2015, respectively; 224,299,179 and 13,517,672 shares issued and outstanding as at December 31, 2014 and 2015, respectively)	16	1,426	87	13
Class B ordinary shares (par value of US$0.001 per share; 496,655,196 shares authorized as at December 31, 2014 and 2015, respectively; 134,376,522 and 419,204,400 shares issued and outstanding as at December 31, 2014 and 2015, respectively)	16	831	2,638	407
Additional paid-in capital		2,069,313	10,647,579	1,643,703
Accumulated other comprehensive income	15	4,163	136,810	21,120
Statutory reserves		—	3,011	465
Accumulated deficit		(2,246,319)	(9,592,039)	(1,480,756)
Total Qunar Cayman Islands Limited's shareholders' (deficit) equity		**(170,586)**	**1,198,086**	**184,952**
Noncontrolling interests		—	5,282	815
Total shareholders' (deficit) equity		**(170,586)**	**1,203,368**	**185,767**
Total liabilities and shareholders' (deficit) equity		**2,267,717**	**10,505,545**	**1,621,776**

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

QUNAR CAYMAN ISLANDS LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"), except for number of shares and per share (or ADS) data)

	Notes	Years end December 31, 2013 RMB	2014 RMB	2015 RMB	2015 US$
Revenues					
Flight and flight related services		551,122	1,171,229	2,206,948	340,694
Accommodation reservation services		194,030	347,281	1,472,925	227,380
Display advertising services		63,503	87,894	117,945	18,208
Other services		42,267	150,351	373,394	57,642
Total revenues		**850,922**	**1,756,755**	**4,171,212**	**643,924**
Cost of revenues		(173,395)	(454,902)	(1,433,237)	(221,253)
Gross profit		**677,527**	**1,301,853**	**2,737,975**	**422,671**
Operating expenses:					
Product developments		(319,021)	(774,511)	(2,578,528)	(398,056)
Product sourcing		(67,271)	(316,903)	(785,385)	(121,243)
Sales and marketing		(315,506)	(890,861)	(2,671,637)	(412,430)
General and administrative		(129,209)	(399,914)	(3,388,467)	(523,089)
Online marketing expense for Baidu Zhixin Cooperation	13	—	(699,983)	(37,178)	(5,739)
Contract termination loss provision	22	—	(64,485)	—	—
Operating loss		**(153,480)**	**(1,844,804)**	**(6,723,220)**	**(1,037,886)**
Interest income (expenses), net		4,757	31,329	(110,233)	(17,017)
Foreign exchange gain (loss), net		1,469	(20,739)	(64,106)	(9,896)
Other income (loss), net		1,057	4,873	(25,161)	(3,884)
Fair value change in warrant liability	13	—	—	(397,987)	(61,439)
Loss before income taxes		**(146,197)**	**(1,829,341)**	**(7,320,707)**	**(1,130,122)**
Income tax expense	12	(41,092)	(17,560)	(22,784)	(3,517)
Equity in loss of affiliated companies, net of tax	7	—	—	(5,840)	(902)
Net loss		**(187,289)**	**(1,846,901)**	**(7,349,331)**	**(1,134,541)**
Net loss attributable to noncontrolling interests		—	—	(6,622)	(1,022)
Net loss attributable to Qunar Cayman Islands Limited's shareholders		**(187,289)**	**(1,846,901)**	**(7,342,709)**	**(1,133,519)**
Loss per share for ordinary shares					
Basic and diluted	17	(0.61)	(5.26)	(19.14)	(2.95)
Loss per ADS (each ADS represents three Class B ordinary shares)					
Basic and diluted	17	(1.83)	(15.78)	(57.42)	(8.85)
Weighted average number of ordinary shares used in computation:					
Class A ordinary shares:					
Basic	17	299,524,536	266,696,495	182,319,107	182,319,107
Diluted	17	299,524,536	266,696,495	182,319,107	182,319,107
Class B ordinary shares:					
Basic	17	6,403,973	84,713,813	201,373,547	201,373,547
Diluted	17	305,928,509	351,410,308	383,692,654	383,692,654
Other comprehensive (loss) income, net of tax of nil					
Foreign currency translation adjustments	15	(16,873)	32,639	132,647	20,477
Comprehensive loss		**(204,162)**	**(1,814,262)**	**(7,216,684)**	**(1,114,064)**
Comprehensive loss attributable to noncontrolling interests		—	—	(6,622)	(1,022)
Comprehensive loss attributable to Qunar Cayman Islands Limited's shareholders		**(204,162)**	**(1,814,262)**	**(7,210,062)**	**(1,113,042)**

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

QUNAR CAYMAN ISLANDS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"))

	Notes	Years ended December 31, 2013 RMB	2014 RMB	2015 RMB	2015 US$
Cash flows from operating activities:					
Net loss		(187,289)	(1,846,901)	(7,349,331)	(1,134,541)
Adjustments to reconcile net loss to net cash from operating activities:					
Depreciation expenses	6	22,735	52,048	110,915	17,122
Amortization of intangible assets	8	—	—	1,146	177
Allowance for doubtful accounts	4	7,038	2,199	5,849	903
Impairment of long-term investments	7	—	—	39,425	6,086
Share-based compensation		58,170	265,924	4,781, 334	738,111
Online marketing expenses for Baidu Zhixin Cooperation	13	—	699,983	37,178	5,739
Marketing services contributed by a related party	13	5,920	3,304	—	—
Imputed interest on loan due to a related party	13	2,050	—	—	—
Fair value change in warrant liability	13	—	—	397,987	61,439
Interest expense on long-term debt				49,127	7,584
Payment of Employee Consenting Equity Right Holder ("CERH") Fees		(9,982)	(2,980)	(583)	(90)
Equity in loss of affiliated companies		—	—	5,840	902
Changes in assets and liabilities					
Restricted cash		(114,459)	(73,423)	(860,674)	(132,865)
Accounts receivable		(61,299)	(67,711)	(117,046)	(18,069)
Funds receivable		(210,284)	(171,962)	(301,665)	(46,569)
Due from related parties	13	(2,400)	(29,951)	(123,292)	(19,033)
Prepayments and other current assets	5	(21,233)	(193,630)	(1,059,551)	(163,567)
Deferred tax assets	12	(8,436)	(14,423)	(57,765)	(8,917)
Other non-current assets		(20,310)	(28,972)	(43,711)	(6,748)
Customer advances and deposits		95,598	94,313	21,970	3,392
Accounts payable		2,925	11,318	7,645	1,180
Due to related parties	13	4,292	1,813	181,395	28,003
Salaries and welfare payable		42,308	115,456	395,055	60,986
Income tax payable		4,598	17,057	(121,697)	(18,787)
Accrued expenses and other current liabilities	10	289,870	717,061	1,935,658	298,814
Non-current deferred tax liabilities		—	—	1,318	203
Non-current liabilities		40,269	13,753	18,649	2,879
Net cash used for operating activities		**(59,919)**	**(435,724)**	**(2,044,824)**	**(315,666)**
Cash flows from investing activities:					
Acquisitions of property and equipment		(39,314)	(160,786)	(199,707)	(30,829)
Acquisition of intangible assets		—	(2,849)	(849)	(131)
Payments to purchase short-term investments		(671,165)	(242,901)	(599,441)	(92,538)
Proceeds from maturity of short-term investments		185,741	740,551	259,952	40,130
Payments for long-term investments		—	(103,175)	(646,039)	(99,731)
Acquisition of business, net of cash acquired		—	—	(11,510)	(1,777)
Net cash (used for) provided by investing activities		**(524,738)**	**230,840**	**(1,197,594)**	**(184,876)**
Cash flows from financing activities:					
Proceeds from issuance of ordinary shares	16	354,586	—	—	—
Proceeds from issuance of Class B ordinary shares		1,102,232	—	1,943, 104	299,963
Proceeds from issuance of ordinary shares previously subject to escrow		17,298	—	—	—
Proceeds from exercise of share options		1,474	15,001	210,872	32,553
Loans from related parties	13	150,000		1,773,800	273,828
Repayment of loans due to related parties	13	(200,000)	—	—	—
Loans to related parties	13	(68,886)	—	(649,880)	(100,324)
Proceeds from repayment of loans due from related parties	13	98,975	—	—	—
Distribution	16	(4,638)	—	—	—
Proceeds from noncontrolling interests		—	—	3,000	463
Proceeds from short-term loan	9	—	—	643,500	99,339
Restricted cash pledged for short-term loan	9	—	—	(650,000)	(100,343)
Proceeds from issuance of long-term debt	11	—	—	3,103,303	479,067
Payment for ordinary share issuance cost		(18,960)		(10,974)	(1,694)
Payment for debt issuance cost	11	—	—	(52,566)	(8,115)
Net cash provided by financing activities		**1,432,081**	**15,001**	**6,314,159**	**974,737**
Effect of exchange rate changes on cash and cash equivalents		**(15,806)**	**22,726**	**230,937**	**35,651**
Net increase (decrease) in cash and cash equivalents		**831,618**	**(167,157)**	**3,302,678**	**509,846**
Cash and cash equivalents at beginning of the year		148,511	980,129	812,972	125,501
Cash and cash equivalents at end of the year		980,129	812,972	4,115,650	635,347
Supplemental cash flow disclosures:					
Income taxes paid		8,852	4,319	4,010	619
Acquisitions of equipment included in accounts payable		122	3,408	1,407	217
Interests paid		—	—	35,013	5,405

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

QUNAR CAYMAN ISLANDS LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT) EQUITY
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"), except for number of shares)

	Ordinary shares		Class A Ordinary shares		Class B Ordinary shares		Additional paid-in capital	Accumulated other comprehensive (loss) income (note 13)	Statutory reserves	Accumulated deficit	Total Qunar Cayman Islands Limited's shareholders' (deficit) equity	Noncontrolling interests	Total shareholders' (deficit) equity
	Number of shares	RMB	Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance at December 31, 2012	181,402,116	1,172	—	—	—	—	(716,364)	(11,603)	—	(212,129)	(938,924)	—	(938,924)
Net loss	—	—	—	—	—	—	—	—	—	(187,289)	(187,289)	—	(187,289)
Other comprehensive loss	—	—	—	—	—	—	—	(16,873)	—	—	(16,873)	—	(16,873)
Issuance of ordinary shares (Note 14)	21,662,296	135	—	—	—	—	354,451	—	—	—	354,586	—	354,586
Re-designation of ordinary shares to Class A ordinary shares (Note 14)	(203,064,412)	(1,307)	203,064,412	1,307	—	—	—	—	—	—	—	—	—
Conversion of Class A ordinary shares to Class B ordinary shares by a shareholder (Note 14)	—	—	(494,550)	(3)	494,550	3	—	—	—	—	—	—	—
Issuance of Class B ordinary shares (Note 14)	—	—	—	—	38,838,400	237	1,182,878	—	—	—	1,183,115	—	1,183,115
Initial public offering costs	—	—	—	—	—	—	(101,146)	—	—	—	(101,146)	—	(101,146)
Proceeds from issuance of ordinary shares previously subject to escrow (Note 1)	—	—	—	—	—	—	17,298	—	—	—	17,298	—	17,298
Distribution and payment of CERH Fees	—	—	—	—	—	—	(14,620)	—	—	—	(14,620)	—	(14,620)
Reclassification of the redeemable ordinary shares from mezzanine equity to Class A ordinary shares in permanent equity (Note 14)	—	—	100,280,392	610	—	—	998,056	—	—	—	998,666	—	998,666
Online marketing services contributed by a related party (Note 11)	—	—	—	—	—	—	5,920	—	—	—	5,920	—	5,920
Imputed interest on loan due to related party (Note 11)							2,050		—		2,050	—	2,050
Exercise of stock options	—	—	—	—	—	—	1,474	—	—	—	1,474	—	1,474
Share-based compensation	—	—	—	—	—	—	58,170	—	—	—	58,170	—	58,170
Balance at December 31, 2013	—	—	302,850,254	1,914	39,332,950	240	1,788,167	(28,476)	—	(399,418)	1,362,427	—	1,362,427
Net loss	—	—	—	—	—	—	—	—	—	(1,846,901)	(1,846,901)	—	(1,846,901)
Other comprehensive income	—	—	—	—	—	—	—	32,639	—		32,639	—	32,639
Distribution and payment of CERH Fees	—	—	—	—	—	—	(2,980)	—	—	—	(2,980)	—	(2,980)
Online marketing services contributed by a related party (Note 11)	—	—	—	—	—	—	3,304	—	—	—	3,304	—	3,304
Exercise of stock options	—	—	—	—	16,492,497	103	14,898	—	—	—	15,001	—	15,001
Share-based compensation	—	—	—	—	—	—	265,924	—	—	—	265,924	—	265,924
Transfer of Class A ordinary shares to Class B ordinary shares	—	—	(78,551,075)	(488)	78,551,075	488	—	—	—	—	—	—	—
Balance at December 31, 2014	—	—	224,299,179	1,426	134,376,522	831	2,069,313	4,163	—	(2,246,319)	(170,586)	—	(170,586)
Net loss	—	—	—	—	—	—	—	—	3,011	(7,345,720)	(7,342,709)	(6,622)	(7,349,331)
Other comprehensive income	—	—	—	—	—	—	—	132,647	—	—	132,647	—	132,647

Distribution and payment of CERH Fees	—	—	—	—	—	—	(583)	—	—	—	(583)	—	(583)
Exercise of stock options	—	—	—	—	42,070,053	270	210,602	—	—	—	210,872	—	210,872
Share-based compensation	—	—	—	—	—	—	4,781,334	—	—	—	4,781,334	—	4,781,334
Acquisition of subsidiaries	—	—	—	—	—	—	(3,848)	—	—	—	(3,848)	11,904	8,056
Exercise of Zhixin warrants	—	—	—	—	11,450,000	71	1,099,183	—	—	—	1,099,254	—	1,099,254
Issuance of Class B ordinary shares(Note 16)	—	—	—	—	20,526,318	127	1,932,003	—	—	—	1,932,130	—	1,932,130
Issuance of long-term debt (Note11)	—	—	—	—	—	—	559,575	—	—	—	559,575	—	559,575
Transfer of Class A ordinary shares to Class B ordinary shares (Note 16)	—	—	(210,781,507)	(1,339)	210,781,507	1,339	—	—	—	—	—	—	—
Balance at December 31, 2015	—	—	13,517,672	87	419,204,400	2,638	10,647,579	136,810	3,011	(9,592,039)	1,198,086	5,282	1,203,368
Balance at December 31, 2015, in US$		—		13		407	1,643,703	21,120	465	(1,480,756)	184,952	815	185,767

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

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

1. ORGANIZATION

Qunar Cayman Islands Limited (the "Company" or "Qunar") is a limited company incorporated on July 31, 2006 and domiciled in the Cayman Islands. The Company is principally engaged in the operation of an online travel commerce platform with the provision of flight and flight related services, accommodation reservation services, display advertising services and other services in the People's Republic of China ("PRC").

The Company's principal subsidiaries and consolidated variable interest entities as of December 31, 2015 are as follows:

Company	Date of incorporation	Place of incorporation	Percentage of direct ownership by the Company
Principal subsidiaries of the Company:			
Queen's Road Travel Information Limited ("Queen's Road")	August 6, 2010	Hong Kong	100%
Beijing Qunar Software Technology Company Limited ("WFOE")	October 10, 2006	PRC	100%
Shanghai Qianlima Network Technology Co. Ltd., a wholly owned subsidiary of the WFOE	November 16, 2012	PRC	100%
Principal Affiliated PRC Entities			
Qunar.com Beijing Information Technology Company Limited ("Qunar.com", "VIE")	March 17, 2006	PRC	Nil
Beijing JiaXin HaoYuan Information Technology Company Ltd. ("Jiaxinhaoyuan"), a wholly owned subsidiary of the VIE	August 26, 2010	PRC	Nil
Beijing JinDuYuanYou Information Technology Company Ltd. ("Jinduyuanyou"), a wholly owned subsidiary of the VIE	December 12, 2011	PRC	Nil
Qingdao Yi Lu Tong Xing International Travel Agency Co., Ltd. ("Qingdao"), a wholly owned subsidiary of the VIE	April 12, 2012	PRC	Nil
Shenzhen Zhongchengtai Insurance Brokerage Co. Ltd. ("Zhongchengtai"), a wholly owned subsidiary of the VIE	September 9, 2013	PRC	Nil
Qunar.com (Tianjin) International travel Agency Co., Ltd. ("Tianjin Travel Agency"), a wholly owned subsidiary of the VIE	September 24, 2014	PRC	Nil

The VIE and its wholly-owned subsidiaries above are collectively known as the "principal Affiliated PRC Entities."

On July 20, 2011, Baidu Holdings Limited subscribed to 181,402,116 of the Company's ordinary shares, representing 62.01% of the equity interest of the Company (60% of the equity interest of the Company on a fully diluted basis) for a total consideration of US$ 306,000 (RMB1,976,515) (the "Baidu Transaction"). 85% of the total consideration or US$260,100 (RMB1,680,039) was remitted

1. ORGANIZATION (Continued)

upon closing of the Baidu Transaction. The rest of the consideration amounting to US$45,900 was remitted to an escrow account which was released in full at the end of the escrow period in January 2013 as all the conditions related to the escrow were fulfilled.

On November 1, 2013, the Company completed its initial public offering ("IPO") and a private placement concurrently with the IPO on the NASDAQ Global Market raising total gross proceeds of US$194,192, representing 12,612,800 American Depositary Shares ("ADSs") at the price of US$15.00 per ADS and 1,000,000 Class B ordinary shares at the price of US$5.00 per share. Each ADS represents three Class B ordinary shares. Upon the closing of the IPO, the total number of ordinary shares outstanding was 342,183,204, comprised of 302,850,254 Class A ordinary shares and 39,332,950 Class B ordinary shares; and Baidu remains the Company's controlling shareholder, holding 54.1% of the equity interest. Baidu, Inc., the parent company of Baidu, is the Company's ultimate holding company.

On October 26, 2015, the Company's largest shareholder, Baidu, Inc., exchanged 178,702,519 Class A ordinary shares and 11,450,000 Class B ordinary shares of its ownership interest in the Company for 11,488,381 ordinary shares of Ctrip.com International, Ltd. ("Ctrip"). The exchange ratio was 1 Qunar ADS to 0.725 Ctrip ADSs. Upon the completion of the transaction on October 26, 2015, Ctrip became the largest shareholder of the Company holding 190,152,519 Class B ordinary shares of Qunar. In December 2015, Ctrip issued approximately 4.0 million ordinary shares to certain special purpose vehicles for the benefit of Qunar employees in exchange for approximately 65.9 million of Qunar's Class B ordinary shares as part of an employee share exchange program. As a result of these transactions, under U.S. GAAP, Ctrip is deemed to be the beneficial owner of the ordinary shares of Qunar representing majority voting interest.

In order to comply with the PRC law and regulations which prohibit foreign control of companies involved in Internet content, the Company operates its website and conducts a portion of its display advertising businesses in the PRC through the principal Affiliated PRC Entities. The paid-in capital of the VIE was funded by the WFOE through loans extended to the VIE's shareholders (the "Nominee Shareholders"). The effective control of the VIE is held by the Company, through a series of contractual agreements (the "Contractual Agreements") entered into in October 2006, as amended. As a result of the Contractual Agreements, the Company maintains the ability to control the VIE, is entitled to substantially all of the economic benefits from the VIE, and is obligated to absorb all of the VIE's expected losses.

Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between the Company and the VIE through the irrevocable power of attorney agreement, whereby the Nominee Shareholders effectively assigned all of their voting rights underlying their equity interests in the VIE to the Company. In addition, through the Contractual Agreements, the Company demonstrates its ability and intention to continue to absorb substantially all of the expected losses and profits of the VIE.

With respect to the VIE, the Board of Directors of the Company approves the annual budget, financial statements and material contracts of the VIE after the review by senior management of the Company. Senior management of the Company is also generally responsible for the review and

1. ORGANIZATION (Continued)

approval of sales contracts, credit approval policies, pricing policies, the display of advertisements as well as the appointments and terminations of personnel. In addition, the WFOE is mainly responsible for acquiring significant bandwidth and traffic, marketing and product developments for the VIE. Therefore, the Company directs the activities of the VIE that most significantly impact their economic performance.

As a result of the above, the Company consolidates the VIE in accordance with SEC Regulation SX-3A-02 and Accounting Standards Codification ("ASC") 810, *Consolidation*.

The following is a summary of the Contractual Agreements:

(1) *Power of Attorney Agreement:* Pursuant to the power of attorney agreement signed between the Nominee Shareholders and the WFOE, the Nominee Shareholders gave the WFOE an irrevocable proxy to exercise all of their voting rights as shareholders of the VIE and sign and/or stamp on behalf of the Nominee Shareholders, all related legal documents pertinent to the exercise of their rights in their capacity as the shareholders of the VIE. The WFOE is also entitled to transfer or assign its voting rights to any other person or entity at its own discretion and without giving prior notice to the Nominee Shareholders or obtaining their consent. The Nominee Shareholders have also irrevocably and permanently waived their rights to terminate this proxy. The proxy will only end when the equity interests of the VIE have been transferred to the Company, the WFOE or their designee or upon the dissolution of the VIE, whichever is earlier.

(2) *Loan Agreement:* Pursuant to the loan agreement between the Nominee Shareholders and the WFOE, the WFOE granted interest free loans amounting to RMB 1,000 for the Nominee Shareholders' contributions to the VIE. The manner and timing of the repayment is at the sole discretion of the WFOE and at the Nominee Shareholders' option may be in the form of transferring the VIE's equity interest to the WFOE or its designees.

(3) *Equity Option Agreement:* Pursuant to the equity option agreement entered into between the Nominee Shareholders, the Company and the WFOE, the Nominee Shareholders granted to the Company/ WFOE or their designees an exclusive and irrevocable option to purchase all their equity interests in the VIE. The exercise consideration should be based on the loan amount as described above or the minimum consideration permitted by the PRC laws, whichever is higher. The Company/ WFOE or their designees may exercise such option at any time until it has acquired all equity interests of the VIE. This agreement terminates when all the equity interests have been transferred or when the obligations by the Nominee Shareholders have been fully performed, whichever is later.

(4) *Exclusive Technical Consulting and Services Agreement:* Pursuant to the exclusive technical consulting and services agreement entered into by the WFOE and the VIE, the VIE engaged the WFOE as their exclusive provider of technical, marketing and management consulting services for an initial term of 30 years, which will be automatically extended for another 10 years upon expiration. The VIE is required to pay to the WFOE service fees determined mutually by the parties. The WFOE will exclusively own any intellectual property arising from the performance of this agreement. The agreement can be terminated mutually by the parties.

1. ORGANIZATION (Continued)

(5) *Equity Interest Pledge Agreement:* Pursuant to the equity interest pledge agreement entered into between the Nominee Shareholders and the WFOE, the Nominee Shareholders pledged all of their equity interests in the VIE to the WFOE as collateral to secure their obligations under the above agreements. The Nominee Shareholders may not transfer or dispose of their equity interests in the VIE until all the obligations under the agreements above have been performed and the equity interests in the VIE have been transferred to the WFOE, the Company and/or their designees. The Nominee Shareholders also cannot create any pledge or encumbrance on the equity interests in the VIE without the WFOE's prior written consent. The WFOE is entitled to transfer or assign in full or in part the equity interests pledged. In the event of default, the WFOE as the pledgee will be entitled to dispose of the pledged equity interests at any time through transfer or assignment. The WFOE also has the right to collect dividends from the equity interests. The equity interest pledge agreement will terminate after all the obligations under these agreements have been satisfied in full and the pledged equity interests have been transferred to the WFOE, the Company and/or their designees. The equity interest pledge agreement may only be early terminated by the WFOE unilaterally. The equity pledge has also been registered with the local administration for industry and commerce and remains effective until all payments due under the exclusive technical consulting and services agreement have been fulfilled by the VIE.

In May 2012, the Contractual Agreements were supplemented by the following terms:

- Dividends and distributions are not permitted without the prior consent of the WFOE. To the extent there is a dividend or distribution, the Nominee Shareholders will remit the amounts in full to the WFOE immediately;

- The Nominee Shareholders agreed that the total consideration received from the transfer of any part of the equity interests or sale of assets of the VIE will first be applied to the outstanding balance under the loan and exclusive technical consulting and services agreements. After full repayment of the outstanding balance, any remaining consideration will be remitted in full to the WFOE as a nonreciprocal transfer;

- With respect to the loan agreement, the term of the loan shall continue indefinitely until all the obligations have been fulfilled. The WFOE may at its discretion determine the time and manner for the repayment and the Nominee Shareholders' option as to the form of repayment is superseded;

- With respect to the equity option agreement, the method of payment of the equity option shall be determined at the discretion of the WFOE. In the event of liquidation or dissolution of the VIE, all assets shall be sold to the WFOE at the lowest selling price permitted by the applicable PRC law, and any proceeds from the transfer and any residual interests in the VIE shall be remitted to the WFOE immediately. The Company also agrees to fund the WFOE if and when the VIE requires financial support from the WFOE, to the extent allowed by law, to the VIE for its operations and forego the right to seek repayment;

- The appointment of any individuals to exercise the powers and rights assigned pursuant to the power of attorney agreement requires the approval of the Company. All the activities in relation to such powers and rights assigned are directed and approved by the Company; and

1. ORGANIZATION (Continued)

- With respect to the exclusive technical consulting and services agreement, the service fees are determined based on a predetermined formula based on the financial performance of the VIE and can be adjusted by the WFOE unilaterally. The terms of the exclusive technical consulting and services agreement will continue to be in effect until it is terminated by the WFOE.

In October 2012, the power of attorney agreement, loan agreement, equity option agreement, and exclusive technical consulting and services agreement were also updated to reflect an additional capital contribution amounting to RMB10,000 to the VIE by the WFOE. The supplemental terms of the Contractual Agreements entered into in May 2012 remain effective.

As a result, the power of attorney has since been effectively reassigned to the Company which has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. The Company is also obligated to absorb the expected losses of the VIE through the financial support as described above. The Company and the WFOE, as a group of related parties, have held all of the variable interests of the VIE. The Company has been determined to be most closely associated with the VIE within the group of related parties and has replaced the WFOE as the primary beneficiary of the VIE since May 2012. As the VIE was subject to indirect control by the Company through the WFOE immediately before and direct control immediately after the Contractual Agreements were supplemented, the change of the primary beneficiary of the VIE was accounted for as a common control transaction based on the carrying amount of the net assets transferred.

The Company and other PRC entities and their respective nominee shareholders entered into a series of agreements substantially similar to the above Contractual Agreements. Through these agreements, the Company demonstrates its ability and intention to continue to absorb substantially all of the expected losses and profits of these other PRC entities and direct the activities of these other PRC entities that most significantly impact their economic performance. Therefore, the Company also consolidates these other PRC entities in accordance with SEC Regulation SX-3A-02 and Accounting Standards Codification ("ASC") 810, *Consolidation.*

The principal Affiliated PRC Entities and other PRC entities are collectively known as the "Affiliated PRC Entities."

Based on the Exclusive Technical Consulting and Services Agreement, WFOE would charge the principal Affiliated PRC Entities service fees based on a predetermined formula with reference to the financial performances of the principal Affiliated PRC Entities. The service fees can be adjusted by the WFOE unilaterally. No service fee was charged to the principal Affiliated PRC Entities by the WOFE for the years ended December 31, 2013, 2014 and 2015 as the principal Affiliated PRC Entities did not generate sufficient profits.

Revenue-producing assets held by the principal Affiliated PRC Entities mainly consist of office computer equipment, servers and network equipment and software. The unrecognized revenue-producing assets mainly consist of licenses, domain names and trademarks which did not meet the recognition criteria set in ASC 350-30-25.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

1. ORGANIZATION (Continued)

There was no pledge or collateralization of the principal Affiliated PRC Entities' assets and the Company has not provided any financial support that was not previously contractually required to the Affiliated PRC Entities.

The carrying amounts and classifications of the assets and liabilities of Affiliated PRC Entities before eliminating intercompany balances and transactions between the principal Affiliated PRC Entities and other entities within the Group are as follows:

	As of December 31,		
	2014	2015	
	RMB	RMB	US$
ASSETS			
Current assets:			
Cash and cash equivalents	122,682	768,605	118,652
Restricted cash	207,589	944,488	145,804
Funds receivable	387,705	691,563	106,759
Accounts receivable, net	187,607	391,712	60,470
Prepaid expenses and other current assets	77,642	545,449	84,203
Deferred tax assets	16,755	66,452	10,258
Amount due from related parties(1)	11,331	100,379	15,496
Total current assets	1,011,311	3,508,648	541,642
Non-current assets:			
Property and equipment, net	6,033	64,437	9,947
Long-term investments, net	58,375	485,445	74,940
Other non-current assets	11,502	59,082	9,121
Goodwill	—	10,755	1,660
Total non-current assets	75,910	619,719	95,668
Total assets	1,087,221	4,128,367	637,310
Current liabilities:			
Customer advances and deposits	5,887	23,815	3,677
Accounts payable	70,834	77,523	11,968
Salaries and welfare payable	15,524	13,941	2,152
Accrued expenses and other current liabilities	782,758	2,044,266	315,580
Income tax payable	18,555	66,665	10,291
Amounts due to related parties	—	527,939	81,500
Amounts due to inter-companies(2)	182,926	1,504,524	232,258
Total current liabilities	1,076,484	4,258,673	657,426
Non-current liabilities:			
Non-current liabilities	3,429	15,793	2,438
Total non-current liabilities	3,429	15,793	2,438
Total liabilities	1,079,913	4,274,466	659,864

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

1. ORGANIZATION (Continued)

The financial performance and cash flows of Affiliated PRC Entities are as follows:

	Years ended December, 31			
	2013	2014	2015	
	RMB	RMB	RMB	US$
Revenues	82,474	371,555	1,333,367	205,836
Cost of revenues	45,298	215,981	1,009,694	155,870
Net income (loss)	4,966	(10,990)	(158,328)	(24,442)
Net cash provided by operating activities	41,181	94,178	628,207	96,978
Net cash used in investing activities	(961)	(65,109)	(513,174)	(79,220)
Net cash (used in) provided by financing activities	(50,000)	7,000	530,939	81,963

(1) Information with respect to related parties is discussed in Note 13.

(2) Amounts due to inter-companies mainly consist of payables to WFOE and other group companies resulting from expenses paid on behalf of the principal Affiliated PRC Entities for daily operations.

2. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP").

Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the Affiliated PRC Entities of which the Company or a subsidiary of the Company is the primary beneficiary. All significant intercompany transactions and balances between the Company, its subsidiaries and the Affiliated PRC Entities are eliminated upon consolidation.

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, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Areas where management uses subjective judgment include, but are not limited to, estimating the provisions for accounts and funds receivable, loss on contracts, useful lives of long-lived assets and intangible assets, fair value of warrant liability and other derivatives embedded in long-term debt and the cancelation rate of air travel facilitating services sold; determining the purchase price allocation of business combination and share-based compensation expenses; assessing the impairment of long-term investments, long-lived assets and goodwill, realizability of deferred tax assets, unrecognized tax benefits, display advertising revenue rebates and contingencies. Management bases the estimates on historical experience and various other

2. Summary of significant accounting policies (Continued)

assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

Foreign currency translation and transactions

The functional currency of the Company and Queen's Road is the United States dollar ("US$"). The Company's PRC subsidiaries and the Affiliated PRC Entities determined their functional currency to be the Chinese Renminbi ("RMB"). The determination of the respective functional currency is based on the criteria of ASC 830, *Foreign Currency Matters*. The Company uses the RMB as its reporting currency. The Company uses the average exchange rate for the year and the exchange rate at the balance sheet date to translate the operating results and financial position, respectively. Translation differences are recorded in accumulated other comprehensive loss, a component of shareholders' equity (deficit).

Transactions denominated in foreign currencies are remeasured into the functional currency at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are remeasured at the exchange rates prevailing at the balance sheet date. Exchange gains and losses are included in the consolidated statements of comprehensive loss.

Convenience translation

Amounts in U.S. dollars are presented for the convenience of the reader and are translated at the noon buying rate of 6.4778 per US$1.00 on December 31, 2015 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

Reclassification of revenue amounts

The Company presented revenues in the categories of flight and flight related, accommodation reservation, display advertising services and other services beginning January 1, 2015. Therefore, comparative amounts for the years ended December 31, 2013 and 2014 were reclassified to conform to the current year presentation. Such reclassifications had no effect on net loss, total assets, total liabilities or total shareholders' (deficit) equity as previously reported.

Fair value of financial instruments

Financial assets and liabilities of the Company primarily comprise of cash and cash equivalents, restricted cash, accounts receivable, funds receivable, short-term investments, due from and due to related parties, employee housing loan receivables (Note 20), customer advances and deposits, accounts payable, warrant liability, short-term loan and long-term debt. As of December 31, 2014 and 2015, the carrying values of these financial instruments, except for employee housing loan receivables, short-term loan, long-term debt and warrant liability, approximated their fair values due to the short-term nature of these instruments.

2. Summary of significant accounting policies (Continued)

The fair value of the employee housing loan receivables, short-term loan and long-term debt have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The calculated fair value approximated the carrying amounts of the outstanding employee housing loan receivables, short-term loan and long-term debt.

The Baidu Warrants (Note 13) is measured at fair value at each reporting date until the final measurement date, which is the date of completion of services required to earn each relevant tranche. The Company determined the fair value of warrant liability with the assistance of an independent third-party valuation firm.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits, which are unrestricted as to withdrawal and use. All highly liquid investments with original stated maturity of three months or less are classified as cash equivalents.

Restricted cash

The Company acts as an intermediary between users and certain online travel agencies ("OTAs"), airline and hotel customers for the reservations originated through the Company's website or mobile platform. The use of the cash collected from users for such reservations is restricted. Such restricted cash cannot be used for the operations of the Company or any other purpose not designated by users and is subject to remittance to these customers in a short period of time.

Restricted cash also includes cash deposits held by the Company's banks for the issuance of guarantee letters to the Company's business partners and as guarantee for loans to subsidiaries.

Short-term investments

All highly liquid investments with original maturities of greater than three months, but less than twelve months, are classified as short-term investments. Short-term investments represented time deposits and financial products with original maturities exceeding three months but within twelve months held in various reputable financial institutions in the PRC.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recognized and carried at original invoiced amount less an allowance for any potential uncollectible amounts. An estimate for doubtful accounts is made when the collection of the full amount is no longer probable. Bad debts are written off as incurred.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the failure of customers to make payments on time. The Company reviews the accounts receivable on a periodic basis and makes allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, the customer's historical payment history, its current credit-worthiness and current economic trends.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

2. Summary of significant accounting policies (Continued)

Funds receivable

Funds receivable are cash due from third-party on-line payment service providers, net of service fees, for clearing transactions. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. Receivable balances are written off after all collection efforts have been exhausted. As of December 31, 2014 and 2015, no allowance for doubtful accounts was provided for the funds receivable.

Property and equipment, net

Property and equipment are stated at cost and are depreciated using the straight-line method over the shorter of the estimated useful lives of the asset or the term of the related lease, as follows:

	Estimated useful life
Office furniture and equipment	3 or 5 years
Office computer equipment	3 years
Servers and network equipment	3 years
Software	3 years
Digital locks*	3 years
Leasehold improvements	Over the shorter of the lease term or the estimated useful lives of the assets of up to 3 years

* The Company's apartment rental operations require the usage of digital locks to secure the apartments being rented out.

Repair and maintenance costs are charged to expenses as incurred, whereas the cost of renewals and betterment that extends the useful lives of property and equipment is capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the assets and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of comprehensive loss.

Intangible assets, net

Intangible assets with finite lives are carried at cost less accumulated amortization and are amortized using the straight-line method over the estimated economic lives. As of December 31, 2015, the finite intangible asset represented the software platform with the estimated economic life 8 years acquired in 2015 (Note 8).

Intangible assets with indefinite lives mainly comprised of an acquired domain name which is measured on initial recognition at cost. The domain name may be used indefinitely without significant costs of renewal. The expected cash flows generated from the domain name is for an indefinite period. As a result, the domain name has been assessed as having an indefinite useful life. The domain name is not amortized, but instead tested for impairment at least annually, or more frequently if certain circumstances indicate a possible impairment may exist in accordance with ASC subtopic 350-30 ("ASC 350-30"), *Intangibles-Goodwill and Other: General Intangibles Other than Goodwill*. The Company

2. Summary of significant accounting policies (Continued)

performs its annual impairment assessment for acquired indefinite-lived intangible assets in December of each year.

Goodwill

Goodwill represents the excess of the purchase price over the amounts assigned to the fair value of the assets acquired and the liabilities assumed of acquired businesses.

Goodwill is not amortized but is reviewed at least annually for impairment or earlier, if an indication of impairment exists. Recoverability of goodwill is evaluated using a two-step process. In the first step, the fair value of a reporting unit is compared to its carrying value. If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is considered not impaired and no further testing is required. If the carrying value of the net assets assigned to a reporting unit exceeds the fair value of a reporting unit, the second step of the impairment test is performed in order to determine the implied fair value of a reporting unit's goodwill. Determining the implied fair value of goodwill requires valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference. The Company estimates total fair value of the reporting unit using discounted cash flow analysis, and makes assumptions regarding future revenue, gross margins, working capital levels, investments in new products, capital spending, tax, cash flows, and the terminal value of the reporting unit. The Company determined that it had only one reporting unit as of December 31, 2015.

Long-term investments, net

The Company's long-term investments consist of cost method investments and equity method investments.

In accordance with ASC subtopic 325-20 ("ASC 325-20"), *Investments-Other: Cost Method Investments*, for investments in an investee over which the Company does not have significant influence and which do not have readily determinable fair value, the Company carries the investment at cost and only adjusts for other-than-temporary declines in fair value and distributions of earnings that exceed the Company's share of earnings since its investment. Management regularly evaluates the impairment of the cost method investments based on performance and financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in earnings equal to the excess of the investment's cost over its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment.

Cost method accounting is also applied to investments that are not considered as "in-substance" common stock investments, and do not have readily determinable fair values.

2. Summary of significant accounting policies (Continued)

Investments in entities in which the Company can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC topic 323 ("ASC 323"), Investments-Equity Method and Joint Ventures. Under the equity method, the Company initially records its investment at cost and the difference between the cost of the equity investee and the fair value of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill, which is included in the equity method investment on the consolidated balance sheets. The Company subsequently adjusts the carrying amount of the investment to recognize the Company's proportionate share of each equity investee's net income or loss into earnings after the date of investment. The Company will discontinue applying the equity method if an investment (and additional financial supports to the investee, if any) has been reduced to zero. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

Business combinations

The Company accounts for its business combinations using the acquisition method of accounting in accordance with ASC topic 805 ("ASC 805"): Business Combinations. The acquisition method of accounting requires all of the following steps: (i) identifying the acquirer, (ii) determining the acquisition date, (iii) recognizing and measuring the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree and (iv) recognizing and measuring goodwill or a gain from a bargain purchase. The consideration transferred in a business combination is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total of cost of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive loss as a gain.

The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and noncontrolling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Company determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets, forecasted life cycle and forecasted cash flows over that period.

2. Summary of significant accounting policies (Continued)

Impairment of long-lived assets

The Company evaluates its long-lived assets or asset group with finite lives 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 amount of its long-lived assets or asset group may not be fully recoverable. When these events occur, the Company evaluates the impairment by comparing the carrying amount of the assets to future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Company recognizes an impairment loss based on the excess of the carrying amount of the long lived assets or asset group over their fair value. Fair value is generally determined by discounting the cash flows expected to be generated by the assets or asset group when the market prices are not readily available for the long-lived assets or asset group. No impairment charge was recognized for any of the years presented.

Convertible debt instruments

ASC topic 815 ("ASC 815"), Derivatives and Hedging, requires all contracts which meet the definition of a derivative to be recognized on the balance sheet as either assets or liabilities and recorded at fair value. Changes in the fair value of derivative financial instruments are recognized periodically in earnings if it does not qualify for hedge accounting. The Company considers the Cash Conversion Subsections under ASC subtopic 470-20 ("ASC 470-20"), Debt with Conversion and Other Options, in accounting for its long-term debt that may be settled in cash or other assets upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative instrument under ASC 815. ASC470-20 requires a convertible debt instrument to be separated into its liability and equity components by allocating the issuance proceeds to each of those components. The debt component is initially measured at its fair value considering all terms except the conversion option. The equity component is classified in stockholders' equity (deficit) and measured as the residual amount. The resulting excess of the principal amount of the liability component over its carrying amount is amortized to interest cost using interest method. The equity component shall not be remeasured as long as it continues to meet the equity classification.

If a convertible debt instrument within the scope of the Cash Conversion Subsections contains embedded features other than the embedded conversion option, ASC 815 shall be applied to determine if any of those features must be separately accounted for as a derivative instrument. Transaction costs incurred with third parties other than the investors and that directly relate to the issuance of convertible debt instruments within the scope of the Cash Conversion Subsections are allocated to the liability and equity components in proportion to the allocation of proceeds and accounted for as debt and equity issuance costs, respectively.

If an instrument within the scope of the ASC 470-20 is derecognized, the Company allocates the consideration transferred and transaction costs incurred to the extinguishment of the liability component and the reacquisition of the equity component.

To account for the extinguishment of the instrument, an amount equal to the fair value of the liability component immediately prior to extinguishment is deducted from the fair value of the total

2. Summary of significant accounting policies (Continued)

settlement consideration transferred and allocated to the liability component. Any difference between the amount allocated to the liability and the net carrying amount of the liability component, including any unamortized debt issue costs, is recognized in earnings as a gain or loss on debt extinguishment. Any remaining consideration is allocated to the reacquisition of the equity component and recognized as a reduction of shareholders' equity.

Revenue recognition

The Company's revenue is primarily derived from flight and flight related services, accommodation reservation services, display advertising services and other services. Revenue is recognized when persuasive evidence of an arrangement exists, service has been performed, price is fixed or determinable and the collectability of the related fee is reasonably assured in accordance with ASC 605, *Revenue Recognition* ("ASC 605"). Specifically, contracts are signed to establish significant terms such as the price and specific services to be provided. The Company assesses the creditworthiness of its customers prior to signing the contracts to ensure collectability is reasonably assured. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as customer advances and deposits.

When flight and flight related services, display advertising services and other services arrangements with a customer involve multiple elements as defined in ASC 605-25, the total arrangement consideration is allocated to the separate deliverables on the basis of their relative selling price. Relative selling price is based on vendor specific objective evidence ("VSOE") if available, third-party evidence ("TPE") if VSOE is not available or management's best estimate of selling price ("BESP") if neither VSOE nor TPE are available. In determining its BESP for each deliverable, the Company considers its overall pricing model and objectives, as well as market or competitive conditions that may impact the price at which the Company would transact if the deliverables were sold regularly on a standalone basis. In addition, the consideration allocated to the delivered element is limited to the amount that is not contingent upon the delivery of additional deliverables or meeting other specified performance conditions. The Company monitors the conditions that affect its determination of selling price for each deliverable and reassesses such estimates periodically.

Flight and flight related services

Flight and flight related services revenues mainly represent commission revenues from reservations of air tickets and related services. The Company receives fees from OTAs and airlines for reservations and sales of flight related services, including the sales of insurance policies on the Company's website and mobile platform. Fees from flight and flight related services are recognized as revenue, net of estimated cancellations, upon the issuance of flight tickets by OTAs or airlines. Estimated cancellations were insignificant for the years ended December 31, 2013, 2014 and 2015. The Company considers the above arrangements in accordance with ASC 605 and has concluded that it acts as an agent, generally, does not assume inventory risks. Therefore, the Company presents revenues from such transactions on a net basis in the consolidated statements of comprehensive loss.

2. Summary of significant accounting policies (Continued)

In 2015, the Company pre-purchases air tickets from airlines to sell on its website and mobile platform. On such transactions, the Company acts as the principal and presents revenues on a gross basis. Revenues recognized on a gross basis represent the sales prices of the air tickets sold and the costs of the air tickets paid to the airlines are recorded as "cost of revenues" in the consolidated statements of comprehensive loss.

Accommodation reservation services

The Company receives commissions from hotels and OTAs for hotel room reservations through the Company's website and mobile platform. Fees from hotel reservation services are recognized upon the reservation of the hotel rooms or after confirmation with the hotel that the end user has completed his or her stay depending on the terms and conditions of the underlying contract. When the Company's contracts with the hotels state that the Company earns the fees regardless of whether the end users complete their stay at the hotels, fees are recognized upon the reservation of the hotel room. The Company presents revenues from such transactions on a net basis where the Company acts as an agent which does not assume inventory risk for hotel room nights.

In 2015, the Company pre-purchases hotel rooms from hotels to sell on its website and mobile platform. On such transactions, the Company acts as the principal and presents revenues on a gross basis. Revenues recognized on a gross basis represent the sales prices of the hotel rooms sold and the costs of the hotel rooms paid to the hotels are recorded as "cost of revenues" in the consolidated statements of comprehensive loss.

Display advertising services

The majority of the Company's display advertising service arrangements involves multiple deliverables such as banner advertisements, logos and other media insertions that are delivered over the same period or different periods of time. The Company, as an industry practice in the PRC, regularly provides display advertising services at a discount to its standard rates. These discounts are in the form of free advertising elements, of which the duration and other terms of services are specified as part of the revenue contract. The banner advertisements, logos, other media insertions and free elements are each considered to be a separate deliverable in the multiple element arrangements.

Revenue is recognized ratably when the deliverables are published over the stated display period.

Rebates provided to customers of display advertising services

The Company provides cash incentives in the form of rebates to certain advertising agencies based on the cumulative advertising volume during each fiscal year. Such rebates are recorded as a reduction of revenue in the period revenue is recognized. Rebates to advertising agencies amounted to RMB7,878, RMB11,925 and RMB19,155 (US$2,957) for the years ended December 31, 2013, 2014 and 2015, respectively.

2. Summary of significant accounting policies (Continued)

Other services

The other services primarily represent commissions received from OTAs and local tour agencies for the reservation of vacation packages on the Company's website, reservation of railway tickets and car tickets, third-party online payment platforms for payments originating from user online bookings through the Company's website or mobile platform. The commission is based on a contracted percentage of the total payments processed. Revenue is recognized, on a net basis, when the four revenue recognition criteria in accordance with ASC 605 as shown above have been met. When the Company acts as the principal in selling pre-purchased services such as vacation packages assuming inventory risk, the Company presents revenues on a gross basis in "Other services" in the consolidated statements of comprehensive loss.

Revenues from flight and flight related, accomodation reservation and other services booked on a gross basis were RMB604,519 (US$93,322) for the year ended December 31, 2015.

Coupon programs

In 2015, the Company launched various coupon programs through which the Company offers incentives to end users primarily under the services arrangements where the Company acts as an agent to its customers including OTA, airlines and hotels:

a. Red pocket coupons

The Company issues "red pocket coupons" to end users upon their completion of certain actions unrelated to the purchases of customer products on the Company's mobile platform, or from time to time, without any actions required from the end users. The red pocket coupons can be used primarily in future purchases of eligible customer products offered on the Company's mobile platform reducing purchase price. The red pocket coupons expire at the end of the quarter during which they are issued.

b. Consumption points program

The Company issued "consumption points" that the end users accumulate from purchases of all customer products offered on the Company's website and mobile platform. Consumption points are convertible into red pocket coupons that can be used to reduce the purchase price of eligible customer products offered on the Company's mobile platform in future purchases. The consumption points could convert to red pocket coupons which expire at the end of the quarter during which they are granted.

c. Product-specific coupons

Product-specific coupons for car service or movie tickets, issued with or without the end users completing current purchases on the Company's platforms, can be used against future purchases of the same products to reduce purchase price. The product-specific coupons generally expire within 3 months from issuance.

2. Summary of significant accounting policies (Continued)

As the end users are required to make future purchases of the customers' products on the Company's website or mobile platform to redeem the coupons, the Company recognizes the amounts of coupons redeemed by the end users as marketing expense when future purchases are made. Whereas the Company presents coupons issued to end users in connection with current sales to customers as reduction of revenue. When coupons are redeemed in sales under arrangements where the Company acts as the principal, the amount of coupons redeemed by customers are presented as reduction of revenue.

Cost of revenues

Cost of revenues consists primarily of sales taxes (including business tax and output value-added tax) and surcharges, cost of the air tickets and hotel rooms purchased from airlines and hotels, online payment processing fees, travel related data acquisition costs, bandwidth and server hosting costs, depreciation, payroll and related costs of operations.

The Company incurs sales taxes and surcharges in connection with the provision of flight and flight related services, accommodation reservation services, display advertising services and other services in the PRC. According to ASC 605, the Company includes such taxes incurred in cost of revenues which amounted to RMB83,641, RMB164,894 and RMB256,246 (US$39,558) for the years ended December 31, 2013, 2014 and 2015, respectively.

Advertising expenses

Advertising expenses, other than expense from Baidu Zhixin Cooperation (Note 13), which primarily includes online marketing expenses and brand marketing expenses through various other forms of media, are included in sales and marketing expenses in the consolidated statements of comprehensive loss. Online marketing expenses include search engine fees, link placement fees and contextual advertising placement fees for the acquisition of traffic to the Company's website or mobile platform when incurred. Online marketing expenses also include expenses incurred for the promotion of the Company's mobile applications. Advertising expenses for the years ended December 31, 2013, 2014 and 2015 were RMB208,230, RMB595,476 and RMB1,737,490 (US$268,222), respectively.

Product sourcing

Product sourcing expenses primarily consist of expenses incurred to develop and maintain the network of the Company's travel service providers.

Product developments

Product development expenses primarily consist of salaries and related compensations for product development personnel who are responsible for developing, improving as well as maintaining the Company's website and mobile platform. Product development expenses are recognized as incurred. The Company recognizes website and software development costs in accordance with ASC 350, *Intangibles-Goodwill and Other*. The Company expenses all costs that are incurred in connection with the planning and implementation phases of development and costs that are associated with repair or

2. Summary of significant accounting policies (Continued)

maintenance of the existing websites or the development of software for internal use and website contents. The Company capitalizes software development costs that fulfill the capitalization criteria. Website and software development costs subject to capitalization have been insignificant.

Leases

Leases are classified as either capital or operating leases at the inception date. Leases that transfer substantially all the benefits and risks incidental to the ownership of assets are accounted for as if there was an acquisition of an asset and incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases and such rental payments are expensed on a straight-line basis over the periods of their respective lease terms. The Company leases office space and server racks under operating lease agreements. Certain of the lease agreements contain rent holidays. Rent holidays are considered in determining the straight-line rent expense to be recorded over the lease term. The lease term begins on the date of initial possession of the lease property for purposes of recognizing lease expense on a straight-line basis over the term of the lease.

The Company had no capital leases as of December 31, 2014 and 2015.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Company records 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 tax expense in the period that includes the enactment date of the change in tax rate.

In accordance with the provisions of ASC 740, *Income taxes,* the Company recognizes in its 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 Company estimates its liability for unrecognized tax benefits which 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 Company's estimates. As each tax audit is concluded, adjustments, if any, are recorded in the Company's financial statements. Additionally, in future periods, changes in facts, circumstances and new information may require the Company 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. The Company has

2. Summary of significant accounting policies (Continued)

elected to classify interest and penalties related to unrecognized tax benefits in the consolidated statements of comprehensive loss as income tax expense.

Share-based compensation

Options granted to employees

The Company applies ASC 718, *Compensation—Stock Compensation* ("ASC 718") to account for its employee share-based compensation.

In accordance with ASC 718, the Company determines whether an award should be classified and accounted for as a liability award or equity award. All grants of share-based awards to employees classified as equity awards are recognized in the financial statements based on their grant date fair values. Specifically, the grant date fair value of share options are calculated using an option pricing model. The Company has elected to recognize compensation expense using the straight-line method for all employee equity awards granted with graded vesting based on service conditions provided that the amount of compensation cost recognized at any date is at least equal to the portion of the grant-date value of the options that are vested at that date.

For certain share options granted to corporate headquarter employees prior to December 9, 2015, there was a performance target that affects the exercisability of the award, which can be achieved after the requisite service period. That is, the employee was eligible to vest in the award regardless of whether the employee was rendering service on the date the performance target is achieved. The Company accounts for the performance target as a performance condition. As such, the performance target was not reflected in estimating the fair value of the award at the grant date. Compensation cost was recognized in the period in which it became probable that the performance target would be achieved. If the performance target became probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost was recognized prospectively over the remaining requisite service period.

The service inception date is the date at which the requisite service period begins. If it is determined that the service inception date precedes the grant date, recognition of compensation cost for the period between the service inception date and the grant date is based on the fair value of the award at the reporting dates that occur before the grant date. The service inception date precedes the grant date if an award is authorized, the recipient begins to provide services and either the award's terms do not include a substantive future requisite service condition that exists at the grant date or the award contains a market or performance condition that if not satisfied during the service period preceding the grant date and following the inception of the arrangement results in forfeiture of the award. An award is authorized when all approval requirements are completed, including action by the Board of Directors approving the award and the number of options or other equity instruments to be issued to individual employees.

2. Summary of significant accounting policies (Continued)

To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards are reversed. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in the subsequent period if actual forfeitures differ from initial estimates.

Forfeiture rates are estimated based on historical and future expectations of employee turnover rates and are adjusted to reflect future changes in circumstances and facts, if any. Share-based compensation expense is recorded net of estimated forfeitures such that expense is recorded only for those share-based awards that are expected to vest. To the extent the Company revises these estimates in the future, the share-based payments could be materially impacted in the period of revision, as well as in following periods. The Black-Scholes-Merton option pricing model was applied in determining the estimated fair value of the options granted to employees.

According to ASC 718, a change in any of the terms or conditions of stock options shall be accounted for as a modification of the plan. Therefore, the Company calculates incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, the Company would recognize incremental compensation cost in the period the modification occurs and for unvested options, the Company would recognize, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

Warrants issued to non-employees

The Company accounted for the warrants issued to non-employees following the measurement guidance in ASC505-50, *Equity, Equity-Based Payments to Non-Employees* and classified the warrants issued as a liability pursuant to the classification guidance in ASC 505-50-25-10 and ASC 718-10-25-11.

For the warrants issued to non-employees that was classified as liabilities, it was measured at fair value at each reporting date until the final measurement date, which was the date of completion of services required to earn the warrants. The cost associated with the warrants issued was recognized ratably over the period of service required to earn each tranche of warrants. Upon vesting, the warrants continue to be accounted for as a liability in accordance with ASC 480-10-25-8 and measured in accordance with ASC 480-10-35 at every reporting period until the warrants were settled. Changes in the fair value of the vested warrants were recognized in earnings in the accompanying consolidated statements of comprehensive loss.

Loss per share

Loss per share is calculated in accordance with ASC 260, *Earnings Per Share*. Basic loss per common share is computed by dividing net loss attributable to holders of common shares by the weighted average number of common shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between ordinary shares and participating securities based on dividends declared (or accumulated) and participating rights in undistributed

2. Summary of significant accounting policies (Continued)

earnings as if all the earnings for the reporting period had been distributed. For the years ended December 31, 2013, 2014 and 2015, the two-class method is applicable because the Company has two classes of ordinary shares outstanding, Class A and Class B ordinary shares, respectively (note 17). The participation rights (liquidation and dividend rights) of the holders of the Company's Class A and Class B ordinary shares are identical, except with respect to voting and conversion. As a result, and in accordance with ASC 260, *Earnings Per Share*, the undistributed income for each year is allocated based on the contractual participation rights of the Class A and Class B ordinary shares. As the liquidation and dividend rights are identical, the undistributed income is allocated on a proportionate basis.

Basic loss per ordinary share is computed by dividing loss attributable to holders of ordinary shares by the weighted-average number of ordinary shares outstanding during the period. Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of ordinary shares issuable upon the conversion of share options, long-term debt and Baidu Warrants, using the treasury stock method. Ordinary share equivalents are excluded from the computation of diluted loss per share if their effects would be anti-dilutive. Basic and diluted loss per ordinary share is presented in the Company's consolidated statements of comprehensive loss.

Comprehensive loss

Comprehensive loss is defined to include all changes in shareholders' equity (deficit) except those resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220-10, *Comprehensive Income: Overall* requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. For each of the periods presented, the Company's comprehensive loss includes foreign currency translation adjustments and is presented in the consolidated statement of comprehensive loss. There have been no reclassifications out of accumulated other comprehensive (loss) income to net loss for the periods presented.

Segment reporting

In accordance with ASC 280, *Segment Reporting*, the Company's chief operating decision maker, the Chief Executive Officer, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Company as a whole and hence, the Company has only one operating segment as its reportable segment. The Company does not distinguish between markets or segments for the purpose of internal reporting. The Company's long-lived assets are substantially all located in the PRC and substantially all the Company's revenues are derived from within the PRC. Therefore, no geographical segments are presented.

2. Summary of significant accounting policies (Continued)

Contingencies

When a loss contingency is at least reasonably possible, then the Company discloses an estimate of the loss or range of loss, if such estimate can be made and material, or states that such estimate is immaterial if it can be estimated but immaterial, or discloses that an estimate cannot be made. The assessment of whether a loss is probable or reasonably possible, and whether the loss or a range of loss is estimable, often involve complex judgments about future events. Management is often unable to estimate the loss or a range of loss, particularly where (i) the amounts including damages sought are indeterminate, (ii) the proceedings are in the early stages, or (iii) there is a lack of clear or consistent interpretation of laws specific to the matter among different jurisdictions. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including eventual loss, fine, penalty or business impact, if any.

Concentration of risks

Concentration of credit risk

Financial instruments that are potentially subject to credit risk consist of cash and cash equivalents, restricted cash, accounts and funds receivable, short-term investments, and employee housing loan receivables (Note 21). The carrying amounts of these financial instruments represent the maximum amount of loss due to credit risk. The deposits placed with financial institutions are not protected by statutory or commercial insurance. In the event of bankruptcy of one of these financial institutions, the Company may be unlikely to claim its deposits back in full. Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions.

Accounts receivable are typically unsecured and are derived from revenue earned from customers. The risk is mitigated by credit evaluations the Company performs on its customers' financial conditions and ongoing monitoring process of outstanding balances. Funds receivable represent amount due from third-party payment service providers. The Company carefully considers and monitors the credit worthiness of the third-party payment service providers to mitigate any risks associated with funds receivable. Employee housing loan receivables are typically unsecured. The risk is mitigated by the Company's ongoing monitoring of outstanding balances. The Company maintains reserves for estimated credit losses and these losses have generally been within expectations. No customer individually represented greater than 10% of the total accounts receivable as of December 31, 2014 and 2015.

Business, customer, political, social and economic risks

The Company participates in a dynamic high technology industry and believes that changes in any of the following areas could have a material adverse effect on the Company's future financial position, results of operations or cash flows: changes in the overall demand for services and products; competitive pressures due to new entrants; advances and new trends in new technologies and industry standards; changes in bandwidth suppliers; changes in certain strategic relationships or customer relationships; regulatory considerations; copyright regulations; and risks associated with the Company's ability to attract and retain employees necessary to support its growth.

2. Summary of significant accounting policies (Continued)

The Company's operations could be adversely affected by significant political, economic and social uncertainties in the PRC. Internet and advertising related businesses are subject to significant restrictions under current PRC laws and regulations. Specifically, foreign investors are not allowed to own more than a 50% equity interest in any Internet content provider business. In addition, PRC regulations generally require any foreign entities that invest in the advertising services industry to have at least a two-year track record with a principal business in the advertising industry outside of the PRC.

Currently, the Company conducts its operations in the PRC through Contractual Agreements entered between the Company, the WFOE and the Affiliated PRC Entities. Based on the opinion of TransAsia Lawyers, the Company's PRC legal counsel, the corporate structure and Contractual Agreements of the Affiliated PRC Entities and the PRC subsidiaries are in compliance with all existing PRC laws and regulations. Therefore, in the opinion of management, (i) the ownership structure of the Company and the Affiliated PRC Entities is in compliance with existing PRC laws and regulations; (ii) the Contractual Agreements with the VIE and its Nominee Shareholders are valid and binding, and will not result in any violation of PRC laws or regulations currently in effect; and (iii) the Company's business operations are in compliance with existing PRC law and regulations in all material respects. However, the legal system in PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit the Company's ability to enforce these Contractual Agreements. In addition, the relevant regulatory authorities may find the current Contractual Agreements and businesses to be in violation of any existing or future PRC laws or regulations. If the Company or any of its current or future Affiliated PRC Entities are found in violation of any existing or future laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including revoking the business licenses or operating licenses of the WFOE, and Affiliated PRC Entities, shutting down the Company's servers or blocking the Company's websites, discontinuing or placing restrictions or onerous conditions on the Company's operations.

The Affiliated PRC Entities contributed 9.2%, 7.8% and 32.0% of the Company's consolidated revenues for the years ended December 31, 2013, 2014 and 2015, respectively.

Currency convertibility risk

A majority of the Company's sales and expenses and a significant portion of the Company's assets and liabilities are denominated in RMB. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People's Bank of China (the "PBOC"). However, the unification of the exchange rates does not imply that the RMB may be readily convertible into United States dollars or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approvals of foreign currency payments by the PBOC or other institutions require submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

2. Summary of significant accounting policies (Continued)

Additionally, the value of the RMB is subject to changes in central government policies and international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market.

Foreign currency exchange rate risk

Since July 21, 2005, the RMB was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. There was appreciation of RMB against US$ of approximately 2.8% in the year ended December 31, 2013 and depreciation of 2.5% and 4.4% in the years ended December 31, 2014 and 2015, respectively. It is difficult to predict how market forces or PRC or US government policy may impact the exchange rate between the RMB and the US$ in the future. Any significant revaluation of RMB may materially and adversely affect the Company's cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, the ADS in US$.

Recently issued accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09 ("ASU 2014-09"), *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of the promised goods or services to customers in an amount that reflects the consideration to which entity expects to be entitled to in exchange for goods or services. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim period within that reporting period. Early adoption is not permitted. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers-Deferral of the effective date* ("ASU 2015-14"). The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 issued in May 2014. According to ASU 2015-14, the new revenue guidance ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is in the process of evaluating its contracts with customers under the new standard and cannot currently estimate the financial statement impact of adoption.

In April 2015, the FASB issued ASU No. 2015-03 ("ASU 2015-03"), *Interest—Imputation of Interest*. To simplify presentation of debt issuance costs, ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this Update. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company early adopted ASU 2015-03 in April 2015. The Company has determined and elected to early adopt the guidance.

In September 2015, the FASB issued ASU No. 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, which eliminates the requirement for acquirers in a business

2. Summary of significant accounting policies (Continued)

combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts that would have been recorded in previous periods if the accounting had been completed at the acquisition date. This update is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted. The Company is currently evaluating the impact on its consolidated financial statements of adopting this guidance.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740)*: *Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. All short-term deferred tax assets and liabilities will be reclassified to long-term assets and liabilities upon adoption of this update. The Company is currently evaluating the impact on its consolidated financial statements of adopting this guidance.

In February, 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet. This standard also requires additional disclosures by lessees and contains targeted changes to accounting by lessors. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. The Company is currently evaluating the impact on its consolidated financial statements of adopting this guidance.

In March 2016, the FASB issued ASU No. 2016-07, *Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*, which eliminates the requirement to retrospectively apply the equity method in previous periods. Instead, the investor must apply the equity method prospectively from the date the investment qualifies for the equity method. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with early adoption permitted. The Company is currently evaluating the impact on its consolidated financial statements of adopting this guidance.

3. Acquisitions

On January 31, 2015, the Company acquired 55% equity interest of a B2B flight ticket reservation company to enrich its products and achieve synergies with its existing operations for total consideration of RMB11,000 in cash. Goodwill recognized from the acquisition was RMB10,755 (US$1,660). On December 3, 2015, the Company further acquired remaining 45% equity interest from three noncontrolling shareholders with consideration of RMB6,300 (US$973) in cash. Concurrently, the Company provided RMB2,700 (US$417) in cash as compensation for key management future services. Such employee compensation expense is charged to the statements of comprehensive loss over future service period of one year on a straight line basis. The difference between the fair value of the

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

3. Acquisitions (Continued)

consideration and the carrying amount of the noncontrolling interest was recognized in additional paid-in-capital.

No purchase price allocation or pro forma results of operation of this acquisition have been presented because management considers the effect of the acquisition is immaterial to the Company's consolidated financial results.

The revenue and net loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive loss for the year ended December 31, 2015 were RMB2,893 (US$447) and RMB14,126 (US$2,181), respectively.

4. Accounts receivable, net

	As of December 31,		
	2014	2015	
	RMB	RMB	US$
Accounts receivable	176,273	294,253	45,425
Less: allowance for doubtful accounts	(10,869)	(15,871)	(2,450)
	165,404	278,382	42,975

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

	Years ended December 31,		
	2014	2015	
	RMB	RMB	US$
Balance at beginning of the year	8,758	10,869	1,678
Additions	2,199	5,849	903
Write-offs	(88)	(847)	(131)
Balance at end of the year	10,869	15,871	2,450

5. Prepayments and other current assets

	As of December 31,		
	2014	2015	
	RMB	RMB	US$
Prepaid travel related data acquisition costs	24,043	23,036	3,556
Deposits and advances to suppliers	91,148	550,159	84,930
Prepaid expenses	22,178	46,763	7,219
Receivable from employees	33,578	405,333	62,573
Receivable from broker for exercise of share options	26,308	11,114	1,716
Other receivables	62,479	284,087	43,855
Total	259,734	1,320,492	203,849

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

6. Property and equipment, net

	As of December 31,		
	2014	2015	
	RMB	RMB	US$
Office furniture and equipment	33,112	42,198	6,514
Office computer equipment	56,089	71,399	11,022
Servers and network equipment	84,219	145,296	22,431
Software	17,030	26,351	4,068
Digital locks	4,551	62,060	9,580
Leasehold improvements	55,811	73,621	11,365
Total	250,812	420,925	64,980
Accumulated depreciation	(101,505)	(188,840)	(29,152)
Property and equipment, net	149,307	232,085	35,828

Depreciation expenses for the years ended December 31, 2013, 2014 and 2015 were RMB22,735, RMB52,048 and RMB 110,915 (US$17,122), respectively.

7. Long-term investments, net

The Company's long-term investments consist of cost method investments and equity method investments.

The carrying amount of the Company's cost method investments was RMB103,175 and RMB630,602 (US$97,348) as of December 31, 2014 and 2015, respectively. The increase in balance from 2014 was primarily due to additional investment made in 2015.

The carrying amount of the Company's equity method investments was nil and RMB82,365 (US$12,715) as of December 31, 2014 and 2015, respectively. The Company shared loss of nil, nil and RMB5,840 (US$902) from its equity method investments during the years ended December 31, 2013, 2014 and 2015, respectively.

The Company recognized impairment charge of nil, nil and RMB39,425 (US$6,086) in 2013, 2014 and 2015, respectively, for certain cost method investees as their financial positions and performance are deteriorating and the Company does not expect them to generate any positive future cash flows.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

8. Goodwill and intangible assets

Goodwill

The changes in the carrying amount of goodwill were as follows:

	Years ended December 31,		
	2014	2015	
	RMB	RMB	US$
Balance at beginning of the year	—	—	—
Goodwill acquired (Note 3)	—	10,755	1,660
Foreign currency translation adjustment	—	—	—
Balance at end of the year	—	10,755	1,660

No impairment charge for goodwill was recorded for the years ended December 31, 2014 and 2015.

Intangible assets

Finite-lived intangible asset

The net carrying amount of intangible asset with finite live representing a software acquired in 2015 was RMB8,854 (US$1,367) as of December 31, 2015. Amortization expense of RMB1,146 (US$177) was recognized for the year ended December 31, 2015. The annual estimated amortization expense of the acquired intangible asset for each of the next five years is as follows:

Years ending December 31,	RMB	US$
2016	1,250	193
2017	1,250	193
2018	1,250	193
2019	1,250	193
2020	1,250	193

Indefinite-lived intangible assets

	As of December 31,		
	2014	2015	
	RMB	RMB	US$
Domain name	2,849	2,986	461
Trademark	—	849	131
Total	2,849	3,835	592

No impairment to the intangible assets occurred for the year ended December 31, 2013, 2014 and 2015.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

9. Short-term loan

On September 14, 2015, the Company obtained a RMB denominated loan with a principal amount of RMB643,500 (US$99,339) from Xiamen International Bank at an annual interest rate of 1.62%. The short-term bank loan matures in one year and is guaranteed by a deposit of RMB650,000 (US$100,343) by an overseas subsidiary. Interest expense of RMB3,156 (US$487) was recognized during the year ended December 31, 2015.

10. Accrued expenses and other current liabilities

	As of December 31,		
	2014	2015	
	RMB	RMB	US$
Payable to travel service providers ("TSP"s)	673,990	1,381,899	213,328
Payable to end users	65,708	203,083	31,351
Accrued operating expenses	260,332	545,557	84,220
Contract termination loss provision	64,485	—	—
Payable to employees from the exercise of share options	32,305	33,753	5,211
Other tax payable	43,899	949,224	146,535
Accrued sales rebates	14,828	21,435	3,308
Total	1,155,547	3,134,951	483,953

11. Long-term debt

On June 17, 2015, the Company issued US$500,000 senior unsecured convertible notes (the "Notes") to third-parties, SL Camel Holding Ltd. ("SL"), Gaoling Fund L.P and YHG Investment L.P. ("HH"). The Notes bear interest at a coupon rate of 2% per annum with a maturity date of June 17, 2021. The significant terms of the Notes are summarized below:

Conversion and settlement method

The Notes are convertible at any time, at the holders' option, into the Company's ADSs, at an initial conversion price of US$55.00 per ADS, subject to adjustments under the terms of the Notes. Upon conversion, the Company shall pay or deliver its ADSs or cash, or any combination of cash and ADSs at the Company's election.

Repurchase

If the Company undergoes a Fundamental Change as defined in the agreement of the Notes, holders of the Notes have the right to require the Company to repurchase all or part of the at the repurchase price of 100% of the principal amount plus accrued and unpaid interest.

11. Long-term debt (Continued)

Redemption

Upon the occurrence of any of the Events of Default as defined in the agreement of the Notes, the outstanding principal and accrued interest of the Notes will become due and payable in full.

Make-whole provision

In an event of Make-Whole Fundamental Change as defined in the agreement of the Notes, the conversion rate applicable to each Note that is surrendered for conversion shall be increased to an amount based on a predetermined formula.

The Company accounted for the Notes under the cash conversion guidance under ASC 470-20 given the conversion option of the Notes is not required to be bifurcated under ASC 815. At issuance, the Company separated the Notes into equity component of RMB569,090 (US$87,852) and debt component of RMB2,534,213 (US$391,215). The allocated issuance costs to the debt component of RMB42,926 (US$6,627) were presented as direct deduction from the principal amounts of the Notes on the consolidated balance sheets. The Company evaluated all the embedded derivative features and concluded that the make-whole provision feature of the Notes should be bifurcated from the debt host. As of the issuance date, the fair value of the make-whole provision feature was immaterial due to the triggering of a fundamental change was determined to being remote.

On October 26, 2015, Make-Whole Fundamental Change and the redemption provision were triggered by the share exchange between Baidu and Ctrip (Note 1). The make-whole provision feature was announced to be effective for the period from October 26, 2015 to December 21, 2015. On December 21, 2015, the make-whole provision feature expired unexercised.

For the year ended December 31, 2015, effective interest rate on the debt component of the Notes was 5.65% and the Company recognized interest expenses of RMB 83,428 (US$12,879).

12. Income taxes

Cayman Islands and Hong Kong

The Company is incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed. Queen's Road is incorporated in Hong Kong and is subject to Hong Kong profits tax rate of 16.5% for the years ended December 31, 2013, 2014 and 2015.

PRC

The Company's PRC subsidiaries and Affiliated PRC Entities are subject to the statutory rate of 25%, unless otherwise specified, in accordance with the Enterprise Income Tax law (the "EIT Law"), which was effective since January 1, 2008.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

12. Income taxes (Continued)

Both the WFOE and Qunar.com were recognized as qualified HNTEs in December 2009 and hence were eligible for a 15% preferential tax rate for 2010 and 2011. Both recognitions were renewed on October 2012 and July 21 2015, and hence the WFOE and our Qunar.com are eligible for a 15% preferential tax rate effective from 2012 to 2017.

Under the EIT Law, dividends paid by PRC enterprises out of profits earned post-2007 to non-PRC tax resident investors are subject to PRC withholding tax at 10%. A lower withholding tax rate may be applied based on applicable tax treaty with certain jurisdictions.

Loss before income taxes consists of:

	Years ended December 31,			
	2013	2014	2015	
	RMB	RMB	RMB	US$
Non-PRC	(54,602)	(954,438)	(5,190,211)	(801,230)
PRC	(91,595)	(874,903)	(2,130,496)	(328,892)
	(146,197)	(1,829,341)	(7,320,707)	(1,130,122)

The income tax expense is comprised of:

	Years ended December 31,			
	2013	2014	2015	
	RMB	RMB	RMB	US$
Current	49,528	32,742	80,669	12,453
Deferred	(8,436)	(15,182)	(57,885)	(8,936)
	41,092	17,560	22,784	3,517

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

12. Income taxes (Continued)

A reconciliation of the differences between the statutory tax rate and the effective tax rate for enterprise income tax is as follows:

	Notes	Years ended December 31,			
		2013	2014	2015	
		RMB	RMB	RMB	US$
Loss before income tax		(146,197)	(1,829,341)	(7,320,707)	(1,130,122)
Expected taxation at PRC EIT statutory rate of 25%		(36,549)	(457,335)	(1,830,177)	(282,531)
Effect of different tax rates in different jurisdictions		14,426	239,800	1,296,116	200,086
Research & development super-deduction		(22,767)	(33,391)	(43,049)	(6,646)
Effect of lower tax rate applicable to HNTE		(20,502)	49,341	200,158	30,899
Late payment interest		1,533	9,256	10,742	1,658
Adjustment of estimated income tax accruals		—	1,759	3,021	467
Deemed revenue	(i)	95,441	113,474	34,806	5,373
Non-deductible expenses		2,668	14,860	25,863	3,993
Changes in valuation allowance		7,446	81,496	326,569	50,413
Non-taxable income		(604)	(1,700)	(1,265)	(195)
Income tax expense		41,092	17,560	22,784	3,517

(i) The Company acts as an agent for its travel facilitating services including transportation insurance policies (the "Transportation Insurance Arrangements") in accordance with ASC 605 and therefore, the Company presents revenues from such transactions on a net basis in the consolidated statements of comprehensive loss. Under the current PRC tax laws and regulations, the Company's existing business arrangement more likely than not will subject the Company to income taxes on a gross basis for the Aviation Insurance Arrangements. The difference between the net revenue and the gross revenue is recognized as deemed revenue for additional income taxes. The associated income tax expense is calculated by applying the applicable tax rate to the deemed revenue amount and includes the late payment interest based on the applicable tax rules. The majority of the liabilities for unrecognized tax benefits represent tax positions taken with respect to deemed revenue. The unrecognized tax benefits are recorded in non-current liabilities in the consolidated balance sheets.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

12. Income taxes (Continued)

The significant components of deferred taxes are as follows:

	Years ended December 31		
	2014	2015	
	RMB	RMB	US$
Deferred tax assets, current portion:			
Advertising expenses	163	115,671	17,857
Bad debt expenses	1,878	3,299	509
Expense cut-off	—	—	—
Accrued expenses	77,753	170,603	26,336
Accrued salaries and welfare payable	30,549	7,839	1,210
Interest of borrowings	—	3,674	567
Less: valuation allowance	(87,484)	(220,573)	(34,050)
Current deferred tax assets	22,859	80,513	12,429
Deferred tax assets, non-current portion:			
Advertising expenses	6	—	—
Depreciation expenses	525	985	152
Tax loss carry forward	12,634	195,915	30,244
Impairment of long-term investments	—	9,856	1,522
Less: valuation allowance	(13,165)	(206,645)	(31,901)
Non-current deferred tax assets	—	111	17
Deferred tax liabilities, non-current portion:			
Intangible asset	—	(1,318)	(203)

Valuation allowances have been provided on the deferred tax assets where, based on all available evidence, it was considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. The Company recorded a full valuation allowance against deferred tax assets of the WFOE and certain Affiliated PRC Entities that were in a cumulative loss position, respectively, as of December 31, 2013, 2014 and 2015.

As of December 31, 2015, the Group had net operating tax loss carry forwards amounted toRMB1,255,770(US$193,857),which will expire from 2018 to 2021 if not used.

Unrecognized tax benefits

As of December 31, 2014 and 2015, the Company recorded RMB152,865 and RMB181,589 (US$28,033) of unrecognized tax benefits, which primarily represent the estimated income tax expenses the Company would pay should its income tax return have been prepared in accordance with the current PRC tax laws and regulations. It is possible that the amount accrued will change in the next 12 months; however, an estimate of the range of the possible change cannot be made at this time.

As of December 31, 2014 and 2015, unrecognized tax benefits of RMB58,818 and RMB70,117 (US$10,824), respectively, if ultimately recognized will impact the effective tax rate.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

12. Income taxes (Continued)

The unrecognized tax benefit is as follows:

	Years ended December 31,			
	2013	2014	2015	
	RMB	RMB	RMB	US$
Balance at January 1	32,782	83,677	152,865	23,599
Additions based on tax positions related to the current year	53,745	67,798	23,408	3,614
Additions based on tax positions related to the prior years	—	6,401	79,737	12,309
Reductions based on tax positions related to prior years	(2,850)	(5,011)	(74,421)	(11,489)
Balance at December 31	83,677	152,865	181,589	28,033

During the years ended December 31, 2013, 2014 and 2015, the Company recognized late payment interest expense of RMB1,533, RMB9,256 and RMB10,742 (US$1,658), and penalties of nil, nil and nil, respectively, as part of income tax expense. The Company had accrued approximately RMB11,597 and RMB22,339 (US$3,449) for the late payment of interest as of December 31, 2014 and 2015, respectively.

As of December 31, 2015, the tax years ended December 31, 2010 through 2015 for the Company's PRC subsidiaries and the Affiliated PRC Entities remain subject to examination by the PRC tax authorities.

13. Related party transactions

a) Related parties

Name of related parties	Relationship with the Company
Baidu, Inc.	Ultimate holding company prior to October 26, 2015
Baidu Holdings Limited. ("Baidu Holdings")	An entity controlled by Baidu, Inc.
Baidu Online Network Technology (Beijing) Co., Ltd. ("Baidu Online")	An entity controlled by Baidu, Inc.
Beijing Baidu Netcom Science Technology Co., Ltd. ("Baidu Netcom")	An entity controlled by Baidu, Inc.
FuJian Bo Rui Websoft Technology Co., Ltd. ("Bo Rui")	An entity controlled by Baidu, Inc.
FuJian Bo Dong Cultural Communication Co., Ltd. ("Bo Dong")	An entity controlled by Baidu, Inc.
Beijing Nuo Mi Network Information Technology Co., Ltd. ("Nuo Mi)	An entity controlled by Baidu, Inc.
Baidu.com Times Technology (Beijing) Co., Ltd. ("Baidu Times")	An entity controlled by Baidu, Inc.
Beijing BaiduPay Science and Technology Co., Ltd. ("BaiduPay")	An entity controlled by Baidu, Inc.
Shanghai Baidu Microcredit Co., Ltd.	An entity controlled by Baidu, Inc.
Ctrip.com International, Ltd. ("Ctip.com")	Largest shareholder of the Company effective October 26, 2015
Ctrip and its subsidiaries ("Ctrip")	Entities controlled by Ctrip
eLong, Inc. ("eLong")	An affiliate of Ctrip
Huazhu Hotel Management Co., Ltd. ("Huazhu")	An affiliate of Ctrip
Homeinns Hotel Management Co., Ltd. ("Homeinns")	An affiliate of Ctrip
Baituo Travel Websoft Technology Ltd. ("Baituo")	Equity method investee of the Company

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

13. Related party transactions (Continued)

b) The Company had the following related party transactions for the years ended December 31, 2013, 2014 and 2015:

		Years ended December 31,			
		2013	2014	2015	
	Notes	RMB	RMB	RMB	US$
Online marketing services from Baidu Netcom	(i)	91,533	165,058	93,725	14,469
Online marketing services from Bo Rui	(ii)	202	547	18,309	2,826
Online marketing services from Bo Dong		1,195	4,780	475	73
Online marketing services contributed by Baidu, Inc.	(iii)	5,920	3,304	—	—
Online marketing services from Baidu, Inc.		—	4,714	—	—
Online marketing services from Baidu Times	(iv)	—	7,670	15,148	2,338
Online marketing services from Baidu Online	(v)	—	—	93,909	14,497
Online marketing services from Nuo Mi		—	377	3,672	567
Online marketing services from Baidu Zhixin Cooperation	(vi)	—	699,983	37,178	5,739
Loan from Baidu Online	(vii)	150,000	—	1,134,000	175,059
Loan from Baidu Times	(viii)	—	—	639,800	98,768
Repayment of loan from Baidu Online	(vii)	150,000	—	—	—
Repayment of loan from Baidu Netcom	(ix)	50,000	—	—	—
Loan to Baidu Holdings	(x)	—	—	649,880	100,324
Loan to Baituo	(xi)	—	—	31,210	4,818
Loans to Baidu Holdings	(vii)	99,623	—	—	—
Repayment of loan to Baidu Holdings	(vii)	98,975	—	—	—
Compensation received from termination of Baidu Zhixin Cooperation	(vi)	—	—	207,000	31,955
Accommodation reservation commission earned from Homeinns		—	—	4,263	658
Accommodation reservation commission earned from Huazhu		—	—	3,082	477
Imputed interest	(vii),(ix)	2,050	—	—	—
Loan interest expense	(vii),(viii)	115	—	47,112	7,273
Loan interest income	(x)	—	—	1,173	181

(i) During the years ended December 31, 2013, 2014 and 2015, Baidu Netcom provided to the Company online marketing services amounting to RMB91,533, RMB165,058 and RMB93,725 (US$14,469), respectively. As one of the largest online marketing service providers in the PRC, Baidu Netcom typically requires upfront payments from its customers. As of December 31 2014 and 2015, such payments amounted to RMB10,000, RMB22,000 and RMB6,600 (US$1,019), respectively. The related services are expected to be delivered within the next 12 months.

13. Related party transactions (Continued)

(ii) During the years ended December 31, 2013, 2014 and 2015, Bo Rui provided to the Company online marketing services amounting to RMB202, RMB547 and RMB18,309 (US$2,826), respectively.

(iii) In connection with the Baidu Transaction, the Company and Baidu, Inc. entered into a business cooperation agreement, whereby Baidu, Inc. provides free online marketing services and directs user traffic to the Company's website. The Company recorded online marketing expenses based on the Company's estimate of the expenses that would have been incurred if the Company had operated as an unaffiliated entity with a corresponding credit to additional paid in capital. The term of the business cooperation agreement is for an initial term of three years (the "Initial Term"); provided, however that notwithstanding Baidu, Inc.'s Non-Competition Undertaking to the Company survive until the later of (i) the expiration of the Initial Term and (ii) the date on which Baidu, Inc. and its controlled affiliates hold less than 50% of the voting power attaching to the outstanding shares of the Company (on a fully-diluted basis). The business cooperation agreement expired in July, 2014. Upon its expiration, the Company started to pay other related parties of Baidu, Inc. for the aforementioned online marketing services provided.

(iv) During the years ended December 31, 2013, 2014 and 2015, Baidu Times provided to the Company online marketing services amounting to nil, RMB7,670 and RMB15,148 (US$2,338), respectively.

(v) On June 1, 2015, the Company and Baidu Online entered into a business cooperation agreement, under which Baidu Online agreed to grant the Company an exclusive right to integrate its hotel information and products into the personal computer and mobile versions of Baidu Maps. The Company will display location-based hotel data through the Baidu Maps interface. Users can click on the displayed hotels to view hotels and to complete bookings. The Company pays Baidu Online cash amount at a certain percentage of gross revenue the Company earns pursuant to this agreement in exchange for the services Baidu Online provides to the Company. This agreement will expire in May 2016 subject to renewal negotiation between both parties.

(vi) On October 1, 2013, in order to further enhance the cooperation between the Company and Baidu, Inc. in the online travel business through deepening integration, the Company and Baidu, Inc. entered into the Zhixin Cooperation Agreement, for an initial term starting from November 21, 2013 until December 31, 2016, subject to an automatic renewal for seven years unless agreed otherwise by both parties. Under the Zhixin Cooperation Agreement, Baidu, Inc. agreed to grant the Company the exclusive right to operate certain new search products on Baidu's website for travel-related search results (the "Cooperation Platform"), and the Company may offer links to various travel-related products, including links to the Company's website, such as airline tickets, hotels and certain commercial package tour products provided through the Cooperation Platform.

Pursuant to the Zhixin Cooperation Agreement, Baidu, Inc. agreed to guarantee certain minimum page views to be generated from users of the Cooperation Platform, which will be no less than 2,190 million page views per year in 2014 and 2015, respectively, and no less than 2,196 million page views for 2016 (the "Minimum Traffic Guarantee" or "MTG").

13. Related party transactions (Continued)

In exchange for the services to be performed under the Zhixin Cooperation Agreement, on November 21, 2013, the Company issued to Baidu, Inc. warrants for 45,800,000 of the Company's Class B Ordinary Shares (the "Baidu Warrants"), which is calculated by dividing US$229,000 by the public offering price of the Company's Class B ordinary shares, or US$5 per Class B ordinary share, subject to adjustments as discussed below. The Baidu Warrants have no exercise price; thus are more akin to nonvested redeemable restricted stock units. The Baidu Warrants are exercisable in independent tranches of 11,450,000 or 25% from January 15, 2015, 16,030,000 or 35% from January 15, 2016 and 18,320,000 or 40% from January 15, 2017 and will expire on December 31, 2019. As long as the pre-existing non-competition undertaking remains in effect, Baidu, Inc. has the option to redeem all or part of the Baidu Warrants for (i) Class B ordinary shares (the "Share Settlement"); or (ii) cash equal to US$5 per warrant. If Baidu, Inc. terminates its pre-existing non-competition undertaking, Baidu, Inc. can only choose to settle a portion of the Baidu Warrants by Share Settlement to enable it to hold up to 49.9% of the Company's voting rights and the remaining Baidu Warrants must be settled in cash at an amount that equals the higher of US$5 per Class B ordinary share or the average closing price of the Company's Class B ordinary share on NASDAQ Global Market for the ten days preceding the settlement.

For any year during the initial term, if the Company fails to meet the applicable benchmark revenue (the "Benchmark Revenue") as defined below, and Baidu, Inc. fails to fulfill 90% of the applicable MTG (the "Benchmark MTG"), the number of underlying Class B ordinary shares issuable upon exercise of the relevant tranche of Baidu Warrants with respect to that year would be adjusted downward in proportion to the deficit of the Benchmark MTG. Under the Zhixin Cooperation Agreement, the Company has agreed to make its best business efforts to achieve an agreed-upon Benchmark Revenue of RMB480,000, RMB630,000 and RMB800,000 for 2014, 2015 and 2016, respectively. In any year that the Company's revenues exceeds the Benchmark Revenue applicable to that year, Baidu, Inc. will also be entitled to cash payment equal to 76% of the excess revenue for that year.

The Company accounted for the Baidu Warrants following the measurement guidance in ASC505-50, *Equity, Equity-Based Payments to Non-Employees* and classified the entire Baidu Warrants as a liability pursuant to the classification guidance in ASC 505-50-25-10 and ASC 718-10-25-11.

13. Related party transactions (Continued)

The Baidu Warrants is measured at fair value at each reporting date until the final measurement date, which is the date of completion of services required to earn each relevant tranche. The cost associated with the warrants issued pursuant to the Zhixin Cooperation Agreement has been recognized ratably over the period of service required to earn each tranche of warrants based upon the number of the Baidu Warrants and taking into account the potential effect of the downward adjustment to the number of underlying shares in the event the contractual benchmarks are not achieved by Baidu. Upon vesting, the Baidu Warrants should continue to be accounted for as a liability in accordance with ASC 480-10-25-8 and measured in accordance with ASC 480-10-30 and ASC 480-10-35 at every reporting period until the Baidu Warrants are settled. Changes in the fair value of each vested tranche of the Baidu Warrants will be recognized in earnings in the accompanying consolidated statements of comprehensive loss.

For the period from October 1, 2013 through December 31, 2013, the Cooperation Platform was still in the testing phase and therefore, no meaningful traffic was generated. Based on the above, the Zhixin Cooperation Agreement with Baidu, Inc. did not have any material impact to the Company's consolidated financial statements for the year ended December 31, 2013. The Cooperation Platform was officially launched on January 1, 2014 and the services pursuant to the Zhixin Cooperation Agreement commenced on the same day.

On June 1, 2015, Baidu, Inc. and the Company mutually agreed to terminate the Zhixin Cooperation Agreement with immediate effect as permitted under the agreement. Both parties agreed that Baidu, Inc. would pay the Company a cash consideration of RMB207,000 (US$31,955) in connection with the termination. The consideration received from Baidu, Inc. as the Company's vendor was presumed to be a reduction of price of the services provided by Baidu per ASC 605-50-45-12. The online marketing expense for Baidu Zhixin Cooperation was RMB699,983 and RMB37,178 (US$5,739) for the years ended December 31, 2014 and 2015, respectively, and nil and RMB143,584 (US$22,166) of the cash consideration received were recognized as deduction to online marketing expense, respectively.

Concurrently with the termination of the Zhixin Cooperation Agreement, Baidu, Inc. fully exercised the first independent tranche of the Baidu Warrants for services provided to the Company in 2014 into 11,450,000 Class B ordinary shares. The Company recognized remeasurement loss of RMB397,987 (US$61,439) for the first 5 months of 2015 immediately before the warrants were exercised. The cash consideration received from Baidu, Inc. was recorded in "Accrued expenses and other current liabilities" on the Company's consolidated balance sheet to be recognized prospectively against future Baidu service payments pursuant to ASC 605-50-45-13 as consideration received from a vendor.

13. Related party transactions (Continued)

(vii) On April 22, 2013, the Company was granted an interest free loan amounting to RMB100,000 (US$15,437) from Baidu Online with a repayment term of three months to supplement the Company's RMB working capital needs and to provide RMB funding for establishing a new entity in the PRC. In order to secure such loan, on the same day, the Company also granted an interest free loan amounting to US$11,174 to Baidu Holdings with the same three month repayment term, and extended the repayment term of the November 1, 2012 interest free loan amounting to US$5,000 by three months. Both the loans granted by the Company to Baidu Holdings were to reciprocate the interest free loan from Baidu Online. On July 22, 2013, the Company repaid the RMB100,000 loan to Baidu Online in full. The Company recorded imputed interest expense amounting to RMB1,376 (US$212) relating to this loan based on the market interest rate of 5.6%. On August 6, 2013, Baidu Holdings also repaid both the US$11,174 and US$5,000 loan, respectively to the Company in full. On September 27, 2013, the Company was granted a loan amounting to RMB50,000 with an annual interest rate of 6% from Baidu Online with a repayment term of 15 days to supplement the Company's RMB working capital needs. On October 12, 2013, the Company repaid the RMB50,000 loan to Baidu Online in full. The Company recorded interest expense amounting to RMB115 (US$18) relating to this loan.

On February 27, 2014, the Company entered into a US$300,000 revolving credit facility agreement with Baidu, Inc.. The three-year credit facility bears no commitment fee. Any drawdown bears interest at a rate of 90% of the benchmark lending rate published by the People's Bank of China and shall be repaid within three years from the drawdown date. The Company is allowed to repay its outstanding debt obligation at maturity either by cash or by issuance of Class B ordinary shares. The applicable share conversion price will be determined by the prevailing share price at the maturity date. On March 12 and May 4, 2015, the Company drew down RMB507,000 (US$78,267) and RMB627,000 (US$96,792) respectively, pursuant to the revolving credit facility agreement. The Company recorded interest expense amounting to RMB42,182 (US$6,512) for the year ended December 31, 2015. The Company fully repaid these loans in March 2016.

(viii) On October 26, 2015, the Company was granted a loan amounting to RMB639,800 (US$98,768) from Baidu Times. The loan bore an interest at 4.14% with a repayment term of 12 months. The Company recorded interest expense amounting to RMB4,930 (US$761) for the year ended December 31, 2015. The Company fully repaid the loan in March 2016.

(ix) On December 28, 2012, the Company was granted an interest free loan amounting to RMB50,000 from Baidu Netcom with a repayment term of six months. The Company repaid the loan in full on March 27, 2013. The Company recorded imputed interest expense amounting to RMB674 for the year ended December 31, 2013 relating to this loan based on the market interest rate of 5.6%.

(x) On October 27, 2015, the Company granted a loan amounting to US$100,000 to Baidu Holdings. The loan bore an interest at 1.00% with a repayment term of 12 months. The Company recorded interest income amounting to RMB1,173 (US$181) for the year ended December 31, 2015.The Company fully collected the repayment in March 2016.

(xi) The Company granted a loan amounting to RMB31,210 (US$4,818) to Baituo to supplement its working capital needs in 2015. Baituo repaid RMB6,210 (US$959) in December 2015.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

13. Related party transactions (Continued)

c) The Company had the following related party balances outstanding as of December 31 2014, and 2015:

		As of December 31		
		2014	2015	
	Note	RMB	RMB	US$
Current assets				
Due from related parties:				
Baidu Holdings		—	651,053	100,505
Baidu Times		3,670	—	—
Baidu Netcom		25,210	6,976	1,077
Nuo Mi		11,071	72,910	11,256
Baidu Online		—	50,839	7,848
Baidu Microcredit		—	116	18
Ctrip.com		—	2,258	349
Huazhu		—	1,409	218
Homeinns		—	2,562	395
Baituo		—	25,000	3,859
Total due from related parties		39,951	813,123	125,525
Current liabilities				
Due to related parties:				
Baidu Online		—	1,234,301	190,543
Baidu Netcom		—	—	—
Baidu, Inc.		4,714	—	—
Nuo Mi		377	4,048	625
Baidu Times		768	645,926	99,714
Bo Rui		50	6,921	1,068
Ctrip.com		—	298	46
eLong	(i)	—	69,919	10,794
Huazhu		—	87	13
Bo Dong		396	—	—
Total due to related parties		6,305	1,961,500	302,803

(i) Amount mainly represented the payment for advertising service received in advance from eLong.

Except for the loans with related parties disclosed above, balances with related parties are unsecured, interest-free and repayable upon demand.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

14. Employee defined contribution plan

Full time employees of the Company 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 employees. Chinese labor regulations require that the PRC subsidiaries and Affiliated PRC Entities of the Company make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Company has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were RMB87,588, RMB222,755 and RMB367,732 (US$56,768) for the years ended December 31, 2013, 2014 and 2015, respectively.

15. Accumulated other comprehensive (loss) income

The movement of accumulated other comprehensive (loss) income is as follows:

	Foreign currency translation adjustments
Balance as of December 31, 2012	**(11,603)**
Other comprehensive loss	(16,873)
Balance as of December 31, 2013	**(28,476)**
Other comprehensive income	32,639
Balance as of December 31, 2014	**4,163**
Other comprehensive income	132,647
Balance as of December 31, 2015	**136,810**
Balance as of December 31, 2015 in US$	**21,120**

16. Ordinary shares

In June 2015, the Company issued 6,842,106 ADSs, equivalent to 20,526,318 Class B ordinary shares, as a result of a secondary public offering. In addition, the Company issued 11,450,000 shares of Class B ordinary shares as a result of the exercise of the 2014 Baidu Warrants (Note 21).

On October 26, 2015, the Company's largest shareholder, Baidu, Inc., exchanged 178,702,519 Class A ordinary shares and 11,450,000 Class B ordinary shares of its ownership interest in the Company with Ctrip. The exchange ratio was 1 Qunar ADS to 0.725 Ctrip ADSs. Upon the completion of the transaction, Ctrip owns 190,152,519 Class B ordinary shares of Qunar and became the largest shareholder of the Company.

For the year ended December 31, 2015, 210,781,507 shares of Class A ordinary shares were exchanged into Class B ordinary shares. 42,070,053 shares of Class B ordinary shares were issued from share options exercised.

As of December 31, 2015, there were 13,517,672 and 419,204,400 Class A and Class B ordinary shares outstanding, respectively.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

17. Loss per share

Basic and diluted loss per share for each of the years ended December 31, 2013, 2014 and 2015 presented are calculated as follows:

	Years ended December 31,							
	2013		2014		2015			
	Class A	Class B	Class A	Class B	Class A	Class A	Class B	Class B
	RMB	RMB	RMB	RMB	RMB	US$	RMB	US$
Basic loss per share:								
Numerator:								
Net loss	(183,368)	(3,921)	(1,401,672)	(445,229)	(3,492,180)	(539,100)	(3,857,151)	(595,441)
Net loss attributable to noncontrolling interests	—	—	—	—	3,147	486	3,475	536
Net loss attributable to ordinary shareholders for computing basic loss per share	(183,368)	(3,921)	(1,401,672)	(445,229)	(3,489,033)	(538,614)	(3,853,676)	(594,905)
Denominator:								
Weighted average ordinary shares outstanding	299,524,536	6,403,973	266,696,495	84,713,813	182,319,107	182,319,107	201,373,547	201,373,547
Basic loss per share:	(0.61)	(0.61)	(5.26)	(5.26)	(19.14)	(2.95)	(19.14)	(2.95)
Basic loss per ADS*:		(1.83)		(15.78)			(57.42)	(8.85)
Diluted loss per share:								
Numerator:								
Net loss	(183,368)	(3,921)	(1,401,672)	(445,229)	(3,492,180)	(539,100)	(3,857,151)	(595,441)
Net loss attributable to noncontrolling interests	—	—	—	—	3,147	486	3,475	536
Reallocation of net loss attributable to ordinary shareholders as a result of conversion of Class A to Class B ordinary shares (Note 16)	—	(183,368)	—	(1,401,672)	—	—	(3,489,033)	(538,614)
Net loss attributable to ordinary shareholders for computing diluted loss per share	(183,368)	(187,289)	(1,401,672)	(1,846,901)	(3,489,033)	(538,614)	(7,342,709)	(1,133,519)
Weighted average ordinary shares outstanding	299,524,536	6,403,973	266,696,495	84,713,813	182,319,107	182,319,107	201,373,547	201,373,547
Conversion of Class A to Class B ordinary shares (note 16)	—	299,524,536		266,696,495	—	—	182,319,107	182,319,107
Weighted-average number of shares outstanding- diluted	299,524,536	305,928,509	266,696,495	351,410,308	182,319,107	182,319,107	383,692,654	383,692,654
Diluted loss per share:	(0.61)	(0.61)	(5.26)	(5.26)	(19.14)	(2.95)	(19.14)	(2.95)
Diluted loss per ADS*:		(1.83)		(15.78)			(57.42)	(8.85)

* The Company was listed on November 1, 2013 with issuance of a total of 12,777,650 ADSs. Each ADS represents three Class B ordinary shares. The net loss per ADS for the year ended December 31, 2013 was calculated using the same conversion ratio assuming the ADSs had been in existence throughout this period.

The effects of all outstanding share options, long-term debt and Baidu Warrants were been excluded from the computation of diluted loss per share for the years ended December 31, 2013, 2014 and 2015 as their effects would be anti-dilutive.

18. Share-based compensation

2007 Share Incentive Plan

In November 2007, the Company's shareholders approved the 2007 Share Incentive Plan (the "2007 Share Incentive Plan"), which is administered by the Board of Directors or any of its committees. Under the Plan, the Board of Directors may grant options to its employees, directors and consultants to purchase an aggregate of no more than 9,600,140 ordinary shares of the Company. On December 29, 2011, the Board of Directors approved the increase of the number of shares available for issuance under the Plan from 20,724,362 to 26,060,000 shares. On August 10, 2012, the Board of Directors approved that starting from January 1, 2013, the number of shares available for issuance under the Plan would increase annually by 1.5% of the total outstanding ordinary and redeemable ordinary shares as of January 1 of that respective calendar year. On September 22, 2013, the Board of Directors approved an increase in the number of shares available for issuance under the 2007 Share Incentive Plan by 6,066,896 shares. The options granted have a contractual term of ten years and generally vest over a four-year period, with 25% of the awards vesting one year after the date of grant and $^{1}/_{16}$ of the remaining grants vesting on a quarterly basis thereafter.

The fair value of each award was estimated on the grant date using the Black-Scholes-Merton option-pricing model by the Company.

Under the 2007 Share Incentive Plan, the Company granted 10,988,106, 9,993,411 and 10,443,825 share options to employees during the years ended December 31, 2013, 2014 and 2015, respectively. Among the grants, 1,671,867, 7,929,555 and 2,641,314 shares options granted during the years ended December 31, 2013, 2014 and 2015, respectively, had performance condition on their exercisability.

Included in the grants above:

1) On January 25, 2013, the Board of Directors waived the performance conditions in relation to the performance based options granted on March 6, 2012 and approved that 450,000 options, representing 90% of the options previously granted would commence vesting based on the original vesting schedule. In accordance with ASC 718, the Company accounted for the waiver of the performance conditions as a modification. As the original vesting conditions were not satisfied, the grant-date fair value of the original award was ignored and the fair value of the award measured at the modification date is recognized starting from the modification date. The share-based compensation expense recognized for the modified award for the year ended December 31, 2013 was RMB1,697 (US$262).

2) On September 22, 2013, the Board of Directors approved to issue two option grants to Chenchao Zhuang, the former CEO and director of the Company. The first option grant consisted of 3,033,448 options with an exercise price of US$3.9559. The second option grant consisted of 3,033,448 options with an exercise price of US$6.5932. Both option grants have a contractual term of ten years and will vest over a period from grant date to December 31, 2016, with 25% of the awards vesting on December 31, 2013 and the remaining awards vesting $^{1}/_{16}$ on a quarterly basis thereafter. The fair value of the options granted was US$2.69 and US$2.19 for the first and second option grant, respectively.

18. Share-based compensation (Continued)

Business Unit Incentive Plan

On January 13, 2013, the Board of Directors approved a business unit incentive plan (the "Business Unit Incentive Plan"), which is governed under the aforementioned 2007 Share Incentive Plan. Under the Business Unit Incentive Plan, the Board of Directors may grant options to its employees of specific business units to purchase an aggregate of no more than 10,800,000 Class B ordinary shares of the Company. On November 25, 2014, the Company's Board of Directors approved an extension of the Business Unit Incentive Plan to cover employees of four new business units. The total number of Class B ordinary shares of the Company to be issued under the Business Unit Incentive Plan was increased to 18,000,000. The options will be granted at an exercise price of US$0.01 if the business units meet their respective certain long-term performance conditions. Upon grant, the options will have various vesting terms. The Business Unit Incentive Plan was terminated in November 2015.

Modification to the 2007 Share Incentive Plan

In December 2015, Qunar modified the awards under the 2007 Share Incentive Plan to be convertible to Ctrip ADSs at a ratio of 1 Qunar ADS to 0.725 Ctrip ADS. Unvested awards under the 2007 Share Incentive Plan became fully vested for certain employees and all cliff vesting conditions and performance-based vesting conditions were removed from all outstanding awards under the 2007 Share Incentive Plan. Furthermore, all business unit points granted under the Business Unit Incentive Plan converted into options based on the ratio of 3 points to 1 Qunar ADS.

The Company accounted for the modifications in accordance with ASC 718-20-35-3 with the amount of compensation cost to be recognized for a modified award being the grant-date fair value of the original award plus the incremental value resulting from the modification to the award.

The total incremental compensation cost resulting from the modifications was RMB1,575,369 (US$243,195) for the year ended December 31, 2015. Incremental value resulting from modifications to vested awards as well as any unrecognized grant-date fair value of the original awards plus the incremental value resulting from the accelerations of awards that became fully vested was recognized in earnings immediately. The incremental compensation cost from modifications on those options with vesting conditions is recognized on a straight-line basis over the vesting schedule of the modified options in addition to any unrecognized grant-date fair value of the original awards.

2015 Share Incentive Plan

On November 18, 2015, Board of Directors approved a new share incentive plan (the "2015 Share Incentive Plan"). Share options granted under the 2015 Share Incentive Plan, when vested and exercised, will be convertible to Ctrip ADSs at a ratio of 1 Qunar ADS to 0.725 Ctrip ADS. Certain options granted under the 2015 Share Incentive Plan vest immediately upon grant, while others vest on a quarterly basis on the same vesting schedule as those outstanding awards under the 2007 Share Incentive Plan. Under the 2015 Share Incentive Plan, the Board of Directors may grant options to its employees, directors and consultants to purchase an aggregate of no more than 28,476,795 ordinary shares of the Company. These options granted have a contractual term of ten years.

18. Share-based compensation (Continued)

The fair value of each award was estimated on the grant date using the Black-Scholes-Merton option-pricing model by the Company.

Under the 2015 Share Incentive Plan, the Company granted 27,470,970 share options to employees during the year ended December 31, 2015. Among the grants, 10,632,195 shares options granted have service condition on their exercisability.

The following table summarizes the option activities for the year ended December 31, 2015

	Number of shares	Weighted average exercise price (US$)	Weighted average remaining contractual life (Years)	Aggregate intrinsic value (US$ in thousands)
Share options				
Outstanding, December 31, 2014	25,163,443	1.30	7.89	201,417
Granted	37,914,795	0.01		
Exercised	(42,070,053)	0.78		
Forfeited/Cancelled	(2,248,747)	0.01		
Outstanding, December 31, 2015	18,759,438	0.01	9.36	329,603
Vested and expected to vest at December 31, 2015	15,383,914	0.01	9.37	270,295
Exercisable at December 31, 2015	2,482,338	0.01	9.35	43,615

The aggregate intrinsic value in the table above represents the difference between the fair value of Company's ordinary share as at the balance sheet date and the exercise price. Total intrinsic value of options exercised for the three years ended December 31, 2013, 2014 and 2015 was RMB88,920, RMB508,520 and RMB 4,578,311 (US$706,770) respectively. The total fair value of the options vested during the years ended December 31, 2013, 2014 and 2015 were RMB88,870, RMB220,800 and RMB7,784,881 (US$1,201,778), respectively.

The following table presents the assumptions used to estimate the fair values of the share options granted in the years presented:

	2013	2014	2015
Risk-free interest rate	1.91%~2.71%	1.91%~2.07%	0.71%~1.85%
Dividend yield	—	—	—
Expected volatility range	46.68%~47.66%	45.78%~46.58%	36.33%~42%
Expected life (in years)	10	6.11	0.98~6.11

As of December 31, 2015, there were RMB2,238,826 (US$345,615) of unrecognized share-based compensation costs, net of estimated forfeitures, related to option awards that are expected to be recognized over a weighted-average vesting period of 1.91years. Total unrecognized compensation costs may be adjusted for future changes in estimated forfeitures.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

18. Share-based compensation (Continued)

The fair value of each option award was estimated on the grant date using the Black-Scholes-Merton option-pricing model. The risk-free interest rate for periods within the contractual life of the share option is based on the U.S. Treasury yield curve in effect at the time of grant for a term consistent with the expected term of the awards. The expected term of stock options granted is developed giving consideration to the vesting period and contractual term. Qunar did not expect to declare any dividends on its ordinary shares on the respective grant dates. Expected volatility is estimated based on the historical volatility ordinary shares of several comparable companies in the same industry.

The total weighted average grant-date fair value of the option awards granted during the years ended December 31, 2013, 2014 and 2015 were RMB16.59, RMB58.59 and RMB 190.45 (US$29.40) per option, respectively.

The following table summarizes total compensation cost recognized:

	Years ended December 31,			
	2013	2014	2015	
	RMB	RMB	RMB	US$
Product developments	20,784	59,884	1,299,625	200,628
Product sourcing	2,117	2,958	151,864	23,444
Sales and marketing	5,417	12,565	310,604	47,949
General and administrative	35,389	190,963	3,020,480	466,281
	63,707	266,370	4,782,573	738,302

19. Restricted net assets

The Company's ability to pay dividends may depend on the Company receiving distributions of funds from its PRC subsidiaries and Affiliated PRC Entities. Relevant PRC statutory laws and regulations permit payments of dividends by the Company's PRC subsidiaries only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company's PRC subsidiaries and Affiliated PRC Entities.

In accordance with the PRC Regulations on Enterprises with Foreign Investment and its articles of association, a foreign invested enterprise established in the PRC is required to provide certain statutory reserves, namely general reserve fund the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the enterprise's PRC statutory accounts. A foreign invested enterprise is required to allocate at least 10% of its annual after-tax profit to the general reserve until such reserve has reached 50% of its respective registered capital based on the enterprise's PRC statutory accounts. Appropriation 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 reserves can only be used for specific purposes and are not distributable as cash

19. Restricted net assets (Continued)

dividends. The Company's PRC subsidiaries were established as foreign invested enterprises and therefore, is subject to the above mandated restrictions on distributable profits.

Additionally, in accordance with the company law of the PRC, a domestic enterprise is required to provide statutory reserves of at least 10% of its annual after-tax profit until such reserve has reached 50% of its respective registered capital based on the enterprise's PRC statutory accounts. A domestic enterprise is also required to provide discretionary surplus reserve, at the discretion of the Board of Directors, from the profits determined in accordance with the enterprise's PRC statutory accounts. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. The Affiliated PRC Entities were established as domestic invested enterprises and therefore are subject to the above mentioned restrictions on distributable profits.

During the years ended December 31, 2013, 2014 and 2015, appropriations to statutory reserves amounted to RMB1,136, nil and RMB3,011(US$465), respectively.

As a result of these PRC laws and regulations subject to the limit discussed above that require annual appropriations of 10% of after-tax income to be set aside, prior to payment of dividends as general reserve fund, the Company's PRC subsidiaries and the Affiliated PRC Entities are restricted in their ability to transfer a portion of their net assets to the Company.

Foreign exchange and other regulation in the PRC may further restrict the Company's PRC subsidiaries and the Affiliated PRC Entities from transferring funds to the Company in the form of dividends, loans and advances. As of December 31, 2014 and 2015, amounts restricted are the net assets of the Company's PRC subsidiaries and the Affiliated PRC Entities, which amounted to RMB171,009 and RMB226,235 (US$34,925), respectively.

20. Other non-current assets

On August 1, 2013, the Company launched an RMB20,000 employee interest-free housing loan program. In 2014, the Company expanded the housing loan pool to RMB40,000. Employees other than executive officers and senior management personnel who meet certain requirements may apply for such loans subject to approval by the Company. Each loan to each employee has a cap of RMB500 and is repayable within three to five years. The Company accounts for employee interest-free loans in accordance with ASC subtopic 835-30, *Imputation of Interest*, whereby the effective interest rate is applied and the difference between the present value of the loan receivables and the cash loaned to the employees is regarded as employee compensation. Over the term of the loans, the loans receivable are accreted to its face value with interest income recognized in the same amount. As of December 31, 2014 and 2015, the Company has granted loans amounting to RMB26,911 and RMB44,207 (US$6,824) with terms of five years, respectively, of which RMB15,288 and RMB22,520 (US$3,476) were non-current, respectively.

Management evaluated the collectability of the loans granted and concluded that the risk of default was remote. Therefore, no allowance was provided as of December 31, 2014 and 2015, respectively. The remaining balances included in other non-current assets are mainly comprised of long-term rental deposits of RMB29,034 and RMB57,325 (US$8,849) as of December 31, 2014 and 2015, respectively, and prepayments to purchase equipment with an amount of RMB11,595 and RMB8,963 (US$1,384) as of December 31, 2014 and 2015, respectively.

21. FAIR VALUE MEASUREMENT

Financial assets and liabilities of the Company primarily comprise of cash and cash equivalents, short-term investments, restricted cash, funds receivable, accounts receivable, due from and due to related parties, employee housing loan receivables, customer advances and deposits, accounts payable, short-term loan, other payables, the Notes and warrant liability. As of December 31, 2014 and 2015, the carrying values of these financial instruments, except for employee housing loan receivables, the Notes and warrant liability, approximated their fair values due to the short-term nature of these instruments.

The fair value of the employee housing loan receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The calculated fair value approximates the carrying amount of the outstanding employee housing loan receivables. The warrant liability was recorded at fair value on the issuance date and subsequently adjusted to the fair value at each reporting date. The liability component of the Notes was initially recorded at fair value net of issuance costs, with subsequent accretion to face value.

ASC topic 820 ("ASC 820"), Fair Value Measurements and Disclosures, establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

ASC 820 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.

In accordance with ASC 820, the Company measured the Baidu Warrants at fair value on a recurring basis. Baidu Warrants were classified as Level 2 by using the binomial-tree model with exogenous credit risk developed by Tsiveriotis and Fernandes (1998) based on inputs that are directly and indirectly observable in the market.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares)

21. FAIR VALUE MEASUREMENT (Continued)

Assets and liabilities measured at fair value as of December 31, 2014 are summarized as below:

	Fair Value Measurement or Disclosure at December 31, 2014 Using		
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)
	RMB	RMB	RMB
Recurring			
Warrant liability	—	701,776	—
Total liability measured at fair value	**—**	**701,776**	**—**

No asset or liability was measured at fair value as of December 31, 2015 as the Baidu Warrants were exercised (Note 13).

The Company had no assets or liabilities measured or disclosed at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2014 and 2015.

22. Commitments and contingencies

Operating lease commitments

The Company leases office facilities and server racks under non-cancelable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of their respective leases, and the terms of the leases do not contain rent escalation, contingent rent, renewal, or purchase options. There are no restrictions placed upon the Company by entering into these leases. Total expenses under these operating leases were RMB51,262, RMB163,067 and RMB248,087 (US$38,298) for the years ended December 31, 2013, 2014 and 2015, respectively.

Future minimum payments under non-cancelable operating leases consist of the following as of December 31, 2015:

Years ended December 31,	RMB	US$
2016	224,957	34,727
2017	58,821	9,080
2018 and thereafter	6,294	972
	290,072	44,779

Capital Commitments

The Company's capital commitments relate primarily to commitments in connection with the expansion and improvement of its network infrastructure and renovation of its offices. Total capital commitments contracted but not yet reflected in the consolidated financial statements amounted to RMB29,786 and RMB11,331 (US$1,749) as of December 31, 2014 and 2015. All of the commitments relating to the network infrastructure and renovation on the offices are to be fulfilled within the next year.

22. Commitments and contingencies (Continued)

In addition, as of December 31, 2015, the Company has contractual commitments to make additional investments contingent on the achievement of certain conditions by three existing investees with a total maximum amount of RMB20,045 (US$3,094).

Loss contingencies

With respect to display advertising services, the Company, as an industry practice in the PRC, regularly provides such services at a discount to its standard rates. These discounts are in the form of free advertising elements, of which the duration and other terms of services are specified as part of the revenue contract. The value-added tax pilot program replaced the business tax rules for advertising services in Beijing effective from September 1, 2012. There are uncertainties under the current value-added tax rules as to whether these free elements should constitute deemed services in addition to the chargeable elements rather than discounts to the overall revenue arrangements for tax purposes and thus be subject to value-added tax at the standard rates of services. The Company currently considers that such free elements do not give rise to deemed services for value-added tax purposes and the value-add tax for a revenue contract is calculated based on the total consideration for the overall arrangements. The rules related to the value-added tax pilot program are still evolving and the timing of the promulgation of the final tax rules or related interpretation is uncertain. The maximum estimated amount for this reasonably possible contingency up to December 31, 2015 was RMB7,197 (US$1,111).

Legal contingency

On September 6, 2013, the Company early terminated an agreement ("Distribution Agreement") with one of its travel service providers, eLong due to it's failure to make its international hotel inventories available on the Company's platform within the agreed time period. Subsequently, eLong filed a complaint with an intermediary court in Beijing for a civil suit against the Company alleging breach of contract by the Company and sought (i) a declaration that the notice to terminate the aforementioned agreement was null and void and (ii) damages in the amount of approximately RMB140,700 to compensate for alleged losses suffered by the TSP in connection with the Company's early termination of the aforementioned agreement.

On July 1, 2015, the Company received the final judgment (the "Final Judgment") from the Beijing High People's Court (the "Court") with respect to the contract dispute with eLong over the Distribution Agreement. In the Final Judgment, the Court upheld that the Company shall prospectively credit to eLong's advertisement account opened at the Company in the amount of RMB137,385(US$21,209) corresponding to the period up to June 30, 2016 and the Distribution Agreement shall continue to be performed by both parties. The credits are not redeemable for cash but to be utilized by eLong for prospective advertising services provided by the Company.

23. Subsequent events

On January 8, 2016, SL and HH irrevocably waived and relinquished their rights to convert the Notes held by them and transferred all of the Notes to Ctrip (the "Exchange"). The Exchange was accounted for as an extinguishment of debt.

In March 2016, the Company obtained a RMB denominated loan with a principal amount of RMB1,773,800 (US$273,828) from Ctrip. The loan is free of interest and has a term of three years. Ctrip obtained a US$ denominated loan with a principal amount of US$285,000 from the Company. The loan is free of interest and has a term of three years.

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Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Ctrip.com International, Ltd. ("Ctrip" or the "Company") owned ordinary shares of Qunar Cayman Islands Limited ("Qunar") representing approximately 45% of Qunar's aggregate voting interest, after completing the share exchange transaction with Baidu, Inc. as announced on October 26, 2015. After the Company's issue of Ctrip shares for the benefit of Qunar employees and its receipt of Qunar shares as consideration on December 10, 2015, Ctrip is deemed to be a beneficial owner of ordinary shares of Qunar representing majority voting interest for purposes of US GAAP, and Ctrip's acquisition of Qunar's shares have been treated as an acquisition to be accounted for as a business combination. The accompanying unaudited pro forma condensed combined statement of operations (the "Pro Forma Statement") gives effect to the acquisition of Qunar by Ctrip and accounts for it as a business combination. The unaudited pro forma statement of operations is based on the individual statement of operations of both the Company and Qunar incorporated by reference to this current report on Form 6-K, and combine the results of operations of the Company and Qunar for the year ended December 31, 2015, and include pro forma adjustments to give effect to the acquisition as if it had occurred on January 1, 2015. Since the financial statements of Qunar are consolidated by the Company from December 31, 2015, the pro forma balance sheet as of the most recent balance sheet and the interim pro forma statements of income are not presented. This Pro Forma Statement should be read in conjunction with the historical financial statements and notes thereto of the Company and Qunar incorporated by reference in this current report on Form 6-K. The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statement of operations.

This Pro Forma Statement is prepared using the acquisition method of accounting under US GAAP. Accordingly, the purchase consideration to be paid in the acquisition has been preliminarily allocated to the assets acquired and liabilities assumed of Qunar based upon their estimated fair values as of December 31, 2015 and those allocations serve as the basis for the related pro forma adjustments to the pro forma statement of operations.

The Pro Forma Statement does not reflect any future costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies, or any revenue, tax, or other synergies expected to result from the acquisition. The Pro Forma Statement is presented for illustrative purposes only and is not necessarily indicative of the results of operations of future periods or the results of operations that actually would have been realized, had the transaction taken effect prior to this period. The Pro Forma Statement is based upon currently available information and estimates and assumptions that Ctrip's management believes are reasonable as of the date of this current report on Form 6-K. Any of the factors underlying these estimates and assumptions may change or prove to be materially different, and the estimates and assumptions may not be representative of facts existing at the closing date of the acquisition.

Unaudited Pro Forma Condensed Combined Statements of Income

	For the year Ended December 31, 2015				
	Historical Ctrip (audited) RMB	Historical Qunar (audited) RMB	Pro Forma Adjustments (Unaudited) RMB	Pro Forma Combined (Unaudited) RMB	Pro Forma Combined (Unaudited) US$(1)
	(in thousands, except share and per share amounts)				
Net revenues	10,897,568	4,171,212	(258,854)(a)	14,809,925	2,335,508
Cost of revenues	(3,043,440)	(1,433,237)	182,834 (b)	(4,293,844)	(677,134)
Gross profit/ (loss)	7,854,128	2,737,975	(76,020)	10,516,081	1,658,374
Product development expenses	(3,296,693)	(2,578,528)	(895,746)(c)	(6,770,967)	(1,067,774)
Product sourcing expenses		(785,385)	785,385 (c)		
Sales and marketing expenses	(3,087,990)	(2,708,815)	3,719 (d)	(5,793,086)	(913,563)
General and administrative expenses	(1,088,402)	(3,388,467)		(4,476,869)	(705,997)
Income/(loss) from operations	381,043	(6,723,220)	(182,662)	(6,524,841)	(1,028,960)
Interest income	445,767	28,405		474,172	74,776
Interest expense	(302,426)	(138,638)		(441,064)	(69,555)
Others, net	2,480,980	(487,254)		1,993,726	314,408
Income/(loss) before income tax expense and equity in income	3,005,364	(7,320,707)	(182,662)	(4,498,007)	(709,331)
Income taxes	(470,188)	(22,784)	45,943 (e)	(447,029)	(70,496)
Equity in income of affiliates	(135,781)	(5,840)		(141,620)	(22,333)
Net income/(loss)	2,399,395	(7,349,331)	(136,719)	(5,086,656)	(802,160)
Net loss attributable to noncontrolling interests	108,261	6,622	2,999,679	3,114,562	491,163
Net income/(loss) attributable to shareholders	2,507,656	(7,342,709)	2,862,960	(1,972,094)	(310,997)
Earnings/(loss) per share					
—Basic	66.34	(19.14)		(37.02)	(5.84)
—Diluted	56.85	(19.14)		(31.38)	(4.95)
Weighted average ordinary shares					
—Basic	37,797,698	383,692,654	15,468,815	53,266,513	53,266,513
—Diluted	47,375,248	383,692,654	15,468,815	62,844,063	62,844,063

(1) The conversions from RMB to US$ in the above Pro Forma Statements of Income are made at a rate of RMB6.3412 to US$1.00, which is calculated using the average of the effective noon buying rate in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York on the last day of each month during the period. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

Notes To Unaudited Pro Forma Condensed Combined Financial Statements

Note 1. Description of The Transaction

In October 2015, the Company completed a share exchange transaction with Baidu, Inc. ("Baidu"), which was the principal shareholder of Qunar, upon completion of the exchange, the Company issued approximately 11.5 million ordinary shares, with the fair value of US$ 3.4 billion (RMB 21.7 billion) to Baidu in exchange for approximately 179 million Class A (There were 193 million outstanding Class A shares in Qunar) and 11 million Class B ordinary share of Qunar. The Class A and Class B represents 3 votes and 1 vote per share respectively, and Class A ordinary shares were converted into Class B ordinary shares upon transfer. After the transaction, Ctrip owned ordinary share of Qunar representing approximately 45% of Qunar's aggregate voting interest and 48% economic interest.

In connection with the transaction with Baidu, on December 10, 2015, the Company issued approximately 4 million ordinary shares to certain special purpose vehicles in exchange for approximately 66 million Class B ordinary shares of Qunar issued as equity incentives to Qunar's employees.

Under U.S GAAP, as a result of the above transactions, the Company is deemed to be the beneficial owner of 256 million Class B ordinary shares of Qunar representing majority voting interest and therefore accounts for these transactions as step acquisitions of business combination.

Note 2. Basis of Pro Forma Presentation

The Statements have been derived from the audited historical consolidated financial statements of Ctrip and Qunar. Additionally, based on Ctrip's review of Qunar's publicly disclosed summary of significant accounting policies and discussions with Qunar management, the nature and amount of any adjustments to the historical financial statements of Qunar to conform its accounting policies to those of Ctrip are not expected to be material.

The acquisition is reflected in the Pro Forma Statement as a business combination using the acquisition method of accounting in accordance with business combination accounting guidance under U.S. GAAP. Under these accounting standards, the total estimated purchase price was calculated as described in Note 3 to the Pro Forma Statements, and the assets acquired and the liabilities assumed were measured at estimated fair value. For the purpose of measuring the estimated fair value of the assets acquired and liabilities assumed, Ctrip has applied the accounting guidance under U.S. GAAP for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The fair value measurements utilize estimates based on key assumptions in connection with the acquisition, including historical and current market data.

Note 3. Estimate of Consideration Expected To Be Transferred

Based on the Ctrip ADS price of US$74.34, the closing price of the Ctrip ADSs on the NASDAQ on October 23, 2015, and the number of ordinary shares Ctrip newly-issued for the share exchange transaction with Baidu, and the Ctrip ADS price of US$105.96, the closing price of the Ctrip ADSs on the NASDAQ on December 8, 2015, and the number of ordinary shares Ctrip issued for the share exchange transaction with certain management and directors of Qunar, the total dollar value of the purchase consideration to be delivered to Qunar selling shareholders and ADS holders in the acquisition was RMB 33 billion (US$ 5 billion).

Note 3. Estimate of Consideration Expected To Be Transferred (Continued)

Below is the summary of the fair value of acquisition cost for these acquisitions:

	RMB	US$
	(In thousands)	
To Baidu*	21,698,582	3,416,185
To certain management and directors of Qunar**	10,842,783	1,687,068
Purchase consideration	32,541,365	5,103,253

* The estimated fair value of Ctrip shares issued to Baidu is based on the closing price of US$74.34 of Ctrip ADS on the NASDAQ on October 23, 2015.

** The estimated fair value of Ctrip shares issued for the benefit of Qunar employees is based on the closing price of US$105.96 of Ctrip ADS on the NASDAQ on December 8, 2015.

The allocation of the preliminary purchase price to the fair values of assets acquired and liabilities assumed in the acquisition includes preliminary purchase price allocations to reflect the estimated fair values of Qunar's assets and liabilities as of December 31, 2015. The fair value of the non-controlling interest is measured based on the purchase price of the equity interest acquired, taking into account of certain non-controlling interest discount. The allocation of the preliminary purchase price is as follows:

	RMB	US$
	(In thousands)	
Total tangible assets acquired	10,494,790	1,620,116
Intangible assets acquired	9,946,776	1,568,000
Goodwill	42,980,923	6,635,111
Total liabilities assumed	(10,540,643)	(1,579,945)
Deferred tax liabilities	(2,489,866)	(384,369)
Non-controlling interests	(17,850,615)	(2,755,660)
Total estimated purchase consideration	32,541,365	5,103,253

Note 4. Adjustments To Unaudited Pro Forma Condensed Combined Financial Statements

Adjustments to Unaudited Pro Forma Condensed Combined Statement of Income

(a) Net revenues

Adjustments to net revenues for the year ended December 31, 2015:

	RMB	US$
	(In thousands)	
To reclassify Qunar's sales tax and related surcharges from cost of revenues to corresponding financial statement line item to conform with the Company's presentation	(256,246)	(40,410)
To eliminated transaction between Ctrip and Qunar	(2,608)	(411)
	(258,854)	(40,821)

Note 4. Adjustments To Unaudited Pro Forma Condensed Combined Financial Statements (Continued)

(b) Cost of revenues

Adjustments to cost of revenues for the year ended December 31, 2015:

	RMB	US$
	(In thousands)	
Amortization expense for newly identified intangible assets	(73,412)	(11,577)
To reclassify Qunar's sales tax and related surcharges from cost of revenues to corresponding financial statement line item to conform with the Company's presentation	256,246	40,410
	182,834	28,833

(c) Product development and Product sourcing expenses

Qunar presents product sourcing expenses for the expenses incurred to develop and maintain the network of its travel service providers, and Qunar presents product developments expenses for the expenses incurred for developing, improving as well as maintaining its website and mobile platform. These two items have been condensed as "Product Development expenses" to conform to to product development expenses for the year ended December 31, 2015:

	RMB	US$
	(In thousands)	
Amortization expense for newly identified intangible assets	(110,361)	(17,403)
To corresponding financial statement line item included in the Company's historical presentation	(785,385)	(123,855)
	(895,746)	(141,258)

(d) Sales and marketing expense

Adjustments to sales and marketing expense for the year ended December 31, 2015::

	RMB	US$
	(In thousands)	
To reverse the amortization expense for pre-existing intangible assets of Qunar before the acquisition	1,111	175
To eliminated transaction between Ctrip and Qunar	2,608	411
	3,719	586

(e) Income tax expense

The unaudited pro forma adjustment reflects the change in income tax expense arising from amortization for the deferred tax liabilities in relation to the newly identified intangible assets from the acquisition. Deferred income taxes arising from the estimated fair value of the identifiable intangible assets have been calculated based on the Qunar's statutory tax rate of 25%.

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