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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 December 2015

Commission File Number: 001-33853

CTRIP.COM INTERNATIONAL, LTD.

99 Fu Quan 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 ____X____ Form 40-F ________

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) : ________________

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: December 9, 2015

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Exhibit 99.1

CTRIP.COM INTERNATIONAL, LTD.

Unaudited interim condensed consolidated statements of income and comprehensive income for the nine-month periods ended September 30, 2014 and 2015

	Nine-month period ended September 30, 2014 RMB	Nine-month period ended September 30, 2015 RMB	Nine-month period ended September 30, 2015 US$
Revenues:			
Accommodation reservation	2,359,527,084	3,429,431,656	539,592,117
Transportation ticketing	2,176,375,590	3,209,447,030	504,979,393
Packaged-tour	822,005,605	1,318,390,585	207,437,627
Corporate travel	265,257,406	337,472,425	53,098,437
Others	128,984,581	169,818,402	26,719,492
Total revenues	5,752,150,266	8,464,560,098	1,331,827,066
Less: business tax and related surcharges	(318,530,671)	(441,047,155)	(69,395,046)
Net revenues	5,433,619,595	8,023,512,943	1,262,432,020
Cost of revenues	(1,516,993,510)	(2,280,203,474)	(358,770,765)
Gross profit	3,916,626,085	5,743,309,469	903,661,255
Operating expenses:			
Product development	(1,532,161,154)	(2,436,251,190)	(383,323,556)
Sales and marketing	(1,507,008,354)	(2,239,315,933)	(352,337,456)
General and administrative	(627,347,241)	(781,892,086)	(123,024,118)
Total operating expenses	(3,666,516,749)	(5,457,459,209)	(858,685,130)
Income from operations	250,109,336	285,850,260	44,976,125
Interest income	247,424,398	320,845,061	50,482,261
Interest expense	(111,867,645)	(207,257,452)	(32,610,210)
Other income (net)	98,506,283	2,390,125,681	376,066,096
Income before income tax expense, equity in income of affiliates and non-controlling interests	484,172,372	2,789,563,550	438,914,272
Income tax expense	(144,200,240)	(398,705,739)	(62,732,982)
Equity in income/(loss) of affiliates	48,771,518	(41,210,788)	(6,484,170)
Net income	388,743,650	2,349,647,023	369,697,120
Net loss attributable to non-controlling interests	78,420,837	82,280,999	12,946,220
Net income attributable to Ctrip's shareholders	467,164,487	2,431,928,022	382,643,340
Net income	388,743,650	2,349,647,023	369,697,120
Other comprehensive income:			
Foreign currency translation	(53,592,067)	(301,567,389)	(47,449,083)
Unrealized securities holding gains , net of tax	222,706,701	639,659,744	100,645,060
Total comprehensive income	557,858,284	2,687,739,378	422,893,097
Comprehensive loss attributable to non-controlling interests	78,420,837	82,280,999	12,946,220
Comprehensive income attributable to Ctrip's shareholders	636,279,121	2,770,020,377	435,839,317
Earnings per ordinary share			
—Basic	13.72	68.58	10.79
—Diluted	11.99	57.11	8.99
Earnings per ADS			
—Basic	1.71	8.58	1.35
—Diluted	1.50	7.14	1.13
Weighted average ordinary shares outstanding			
—Basic shares	34,038,621	35,460,682	35,460,682
—Diluted shares	39,718,398	45,126,192	45,126,192
Share-based compensation included in			
Operating expense above is as follows:			
Product development	133,986,656	204,717,632	32,210,591
Sales and marketing	39,341,990	47,724,489	7,509,045
General and administrative	196,707,143	193,668,130	30,472,045

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, 2014 and September 30, 2015

	December 31, 2014 RMB	September 30, 2015 RMB	September 30, 2015 US$
ASSETS			
Current assets:			
Cash and cash equivalents	5,300,887,799	8,946,005,987	1,407,578,511
Restricted cash	836,394,951	1,076,345,583	169,353,890
Short-term investment	6,438,854,587	7,231,623,333	1,137,834,875
Accounts receivable, net	1,826,765,949	3,179,848,066	500,322,246
Due from related parties	10,568,937	283,261,598	44,568,821
Prepayments and other current assets	2,469,707,335	4,737,707,408	745,438,260
Deferred tax assets, current	193,503,366	295,665,926	46,520,537
Total current assets	17,076,682,924	25,750,457,901	4,051,617,140
Long-term deposits and prepayments	306,661,011	1,729,008,924	272,044,956
Long-term loan receivable	192,871,939	204,928,015	32,243,693
Long-term receivables due from related parties	510,039,284	531,794,572	83,673,386
Land use rights	104,568,868	103,024,034	16,209,962
Property, equipment and software	5,220,626,461	5,314,659,388	836,216,783
Investments	5,318,756,447	11,855,647,100	1,865,385,975
Goodwill	1,892,507,708	2,719,036,781	427,817,481
Intangible assets	668,202,371	1,042,417,811	164,015,641
Total assets	31,290,917,013	49,250,974,526	7,749,225,017
LIABILITIES			
Current liabilities:			
Short-term debt	3,560,488,641	5,819,378,028	915,630,000
Accounts payable	2,304,111,525	4,143,374,543	651,925,002
Due to related parties	17,049,103	160,636,765	25,274,839
Salary and welfare payable	525,157,105	769,616,802	121,092,706
Taxes payable	339,452,319	549,258,055	86,421,118
Advances from customers	3,937,477,522	5,360,571,301	843,440,635
Accrued liability for customer reward program	430,852,908	575,420,307	90,537,527
Other payables and accruals	1,600,113,658	1,495,522,939	235,307,907
Total current liabilities	12,714,702,781	18,873,778,740	2,969,629,734
Deferred tax liabilities, non-current	132,506,644	649,661,616	102,218,770
Long-term Debt	8,065,980,000	16,842,340,000	2,650,000,000
Total liabilities	20,913,189,425	36,365,780,356	5,721,848,504
Commitments and contingencies (Note 11)			
Shareholders' equity			
Share capital (US$0.01 par value; 100,000,000 shares authorized, 35,146,982 and 35,381,474 shares issued and outstanding as of December 31, 2014 and September 30, 2015, respectively.)	3,085,272	3,125,951	491,842
Additional paid-in capital	4,828,021,816	5,161,312,298	812,088,913
Statutory reserves	134,098,747	134,098,747	21,099,306
Accumulated other comprehensive income	443,579,376	781,671,731	122,989,447
Retained earnings	5,726,024,997	8,157,953,019	1,283,585,030
Less: Treasury stock (3,323,262 and 3,742,219 shares as of December 31, 2014 and September 30, 2015, respectively.)	(1,605,630,913)	(2,416,273,887)	(380,180,296)
Total Ctrip's shareholders' equity	9,529,179,295	11,821,887,859	1,860,074,242
Non-controlling interests	848,548,293	1,063,306,311	167,302,271
Total shareholders' equity	10,377,727,588	12,885,194,170	2,027,376,513
Total liabilities and shareholders' equity	31,290,917,013	49,250,974,526	7,749,225,017

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 nine-month periods ended September 30, 2014 and 2015

	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, 2013	33,828,251	3,033,490	4,088,484,766	118,449,230	372,634,580	5,498,934,733	3,777,087	(1,551,141,268)	8,530,395,531	199,690,428	8,730,085,959
Issuance of common stock pursuant to share incentive plan	773,149	47,659	203,948,557	—	—	—	—	—	203,996,216	—	203,996,216
Share-based compensation	—	—	370,035,789	—	—	—	—	—	370,035,789	—	370,035,789
Repurchasing common stock	(392,307)	—	—	—		—	392,307	(446,155,147)	(446,155,147)	—	(446,155,147)
Foreign currency translation adjustments	—	—	—	—	(53,592,067)	—	—	—	(53,592,067)	—	(53,592,067)
Unrealized securities holding gains	—	—	—	—	222,706,701	—	—	—	222,706,701	—	222,706,701
Early Conversion of Convertible Notes	233,400	—	(3,478,183)	—	—	—	(233,400)	114,293,637	110,815,454	—	110,815,454
Net income/(loss)	—	—	—	—	—	467,164,487	—	—	467,164,487	(78,420,837)	388,743,650
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(280,076)	(280,076)
Issuance of convertible preferred shares by a subsidiary	—	—	—	—	—	—	—	—	—	186,141,343	186,141,343
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	273,179,200	273,179,200
Acquisition of additional stake in a subsidiary	29,864	299	21,222,057	—	—	—	—	—	21,222,356	(44,268,537)	(23,046,181)
Balance as of September 30, 2014	34,472,357	3,081,448	4,680,212,986	118,449,230	541,749,214	5,966,099,220	3,935,994	(1,883,002,778)	9,426,589,320	536,041,521	9,962,630,841

Unaudited interim condensed consolidated statements of shareholder's equity for the nine-month periods ended September 30, 2014 and 2015 (Continued)

	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	653,449	40,679	160,912,514	—	—	—	—	—	160,953,193	—	160,953,193
Share-based compensation	—	—	446,110,251	—	—	—	—	—	446,110,251	—	446,110,251
Repurchasing common stock	(474,547)	—	—	—		—	474,547	(834,688,738)	(834,688,738)	—	(834,688,738)
Foreign currency translation adjustments	—	—	—	—	(301,567,389)	—	—	—	(301,567,389)	—	(301,567,389)
Unrealized securities holding gains	—	—	—	—	639,659,744	—	—	—	639,659,744	—	639,659,744
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)	—	—	—	—	—	2,431,928,022	—	—	2,431,928,022	(82,280,999)	2,349,647,023
Disposal of a stake of shares of subsidiaries	—	—	15,824,133	—	—	—	—	—	15,824,133	(757,619,709)	(741,795,576)
Issuance of convertible preferred shares by a former subsidiary	—	—	—	—	—	—	—	—	—	725,512,512	725,512,512
Acquisition of subsidiaries	—	—	—	—	—	—	—	—		365,304,723	365,304,723
Acquisition of additional stake in subsidiaries	—	—	(10,078,392)	—	—	—	—	—	(10,078,392)	(36,158,509)	(46,236,901)
Balance as of September 30, 2015	35,381,474	3,125,951	5,161,312,298	134,098,747	781,671,731	8,157,953,019	3,742,219	(2,416,273,887)	11,821,887,859	1,063,306,311	12,885,194,170

CTRIP.COM INTERNATIONAL, LTD.

Unaudited interim condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2014 and 2015

	Nine-month period ended September 30, 2014 RMB	Nine-month period ended September 30, 2015 RMB	Nine-month period ended September 30, 2015 US$
Cash flows from operating activities:			
Net income	388,743,650	2,349,647,023	369,697,120
Adjustments to reconcile net income to cash provided by operating activities:			
Share-based compensation	370,035,789	446,110,251	70,191,682
Equity in (income)/ loss of affiliates	(48,771,518)	41,210,788	6,484,170
Gain on deconsolidation of a subsidiary	—	(2,269,860,747)	(357,143,424)
Loss from disposal of property, equipment and software	1,537,063	5,306,803	834,981
Gain on disposal of cost method investment	(1,674,498)	—	—
Provision for doubtful accounts	2,474,801	23,902,615	3,760,875
Depreciation of property, equipment and software	106,978,919	199,533,379	31,394,892
Amortization of intangible assets and land use rights	4,867,950	48,530,449	7,635,856
Deferred income tax (benefit)/ expense	(41,163,681)	113,722,624	17,893,295
Changes in current assets and liabilities net of assets acquired and liabilities assumed/disposed of in business combinations/dispositions :			
Increase in accounts receivable	(502,426,755)	(1,375,625,290)	(216,443,025)
Increase in due from related parties	(296,782,839)	(145,270,048)	(22,857,016)
Increase in prepayments and other current assets	(1,423,860,135)	(2,315,022,247)	(364,249,205)
Increase in long-term deposits	(26,004,497)	(1,322,856,593)	(208,140,316)
Increase in accounts payable	517,601,030	1,875,822,447	295,144,825
(Decrease)/increase in due to related parties	(1,868,448)	143,751,985	22,618,161
Increase in salary and welfare payable	86,024,284	265,300,394	41,742,777
Increase in taxes payable	51,057,415	217,793,300	34,267,937
Increase in advances from customers	931,579,688	1,537,291,842	241,879,892
Increase in accrued liability for customer reward program	125,867,159	144,567,399	22,746,460
Increase in other payables and accruals	421,644,945	221,687,218	34,880,612
Net cash provided by operating activities	665,860,322	205,543,592	32,340,549
Cash flows from investing activities:			
Purchase of property, equipment and software	(2,957,868,848)	(493,927,525)	(77,715,326)
Cash paid for long-term investments	(1,901,680,807)	(2,862,547,662)	(450,397,707)
Cash received from disposal of available-for-sale investment	—	61,980,000	9,752,030
Cash paid for acquisition, net of cash acquired	(139,766,133)	(998,262,527)	(157,068,180)
Purchase of intangible assets	(9,000,000)	(20,000,000)	(3,146,831)
Increase in restricted cash	(81,415,667)	(239,564,471)	(37,693,447)
Decrease/ (Increase) in short-term investment	404,423,629	(791,064,727)	(124,467,356)
Cash outflows from deconsolidation of subsidiaries, net of cash disposed	—	(1,441,060,076)	(226,738,636)
Cash outflows from disposal of a subsidiary net of cash disposed	(4,315,324)	—	—
Net cash used in investing activities	(4,689,623,150)	(6,784,446,988)	(1,067,475,453)

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

CTRIP.COM INTERNATIONAL, LTD.

Unaudited interim condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2014 and 2015 (Continued)

	Nine-month period ended September 30, 2014 RMB	Nine-month period ended September 30, 2015 RMB	Nine-month period ended September 30, 2015 US$
Cash flows from financing activities:			
Proceeds from short-term bank loans	876,796,780	2,212,384,360	348,100,000
Proceeds from exercise of share options	152,960,799	159,701,667	25,127,709
Repurchase of common stock	(446,155,147)	(834,688,738)	(131,331,226)
Cash paid to non-controlling investors	—	(46,236,902)	(7,274,986)
Cash received from non-controlling investors in connection with the establishment of subsidiary	—	725,512,513	114,153,268
Proceeds from issuance convertible preferred shares by a subsidiary	164,565,161	—	—
Proceeds from issuance of senior convertible notes, net of issuance costs	3,069,000,000	8,258,400,000	1,299,389,515
Proceeds from sale of warrants	—	523,404,000	82,353,200
Purchase of Purchased Call Option	—	(805,504,000)	(126,739,254)
Net cash provided by financing activities	3,817,167,593	10,192,972,900	1,603,778,226
Effect of foreign exchange rate changes on cash and cash equivalents	38,206,670	31,048,684	4,885,249
Net (decrease)/increase in cash and cash equivalents	(168,388,565)	3,645,118,188	573,528,571
Cash and cash equivalents, beginning of year	7,138,344,814	5,300,887,799	834,049,940
Cash and cash equivalents, end of year	6,969,956,249	8,946,005,987	1,407,578,511
Supplemental disclosure of cash flow information			
Cash paid during the year for income taxes	187,727,553	173,710,640	27,331,903
Cash paid for interest, net of amounts capitalized	20,060,400	111,516,049	17,546,109
Supplemental schedule of non-cash investing and financing activities			
Conversion of convertible senior notes	110,815,452	26,667,740	4,195,944
Accruals related to purchase of property, equipment and software	(269,340,342)	(99,849,185)	(15,710,426)
Unpaid cash consideration for business acquisitions (Note 2)	(47,225,926)	(107,862,644)	(16,971,276)

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, to a much lesser extent, 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 generally accepted accounting principles 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 and for the nine months ended September 30 2014 and 2015. The year-end condensed balance sheet data as of December 31, 2014 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

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, 2014, 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 has adopted 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

For the nine-month periods ended September 30, 2014 and 2015, 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Major variable interest entities and their subsidiaries

As of September 30, 2015, 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, 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 September 30, 2015.

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 September 30, 2015.

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 September 30, 2015.

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, a senior officer of the Company control 100% of the equity interest in Shanghai Ctrip. The registered capital of Shanghai Ctrip was RMB10,000,000 as of September 30, 2015.

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 September 30, 2015.

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 September 30, 2015.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

equity interest in Shanghai Huacheng. The registered capital of Shanghai Huacheng was RMB100,000,000 as of September 30, 2015.

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 air-ticketing service. Shanghai Ctrip holds 100% of the equity interest in Chengdu Ctrip. The registered capital of Chengdu Ctrip was RMB20,000,000 as of September 30, 2015.

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 September 30, 2015.

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 September 30, 2015, 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 affiliated Chinese entities signed an irrevocable power of attorney to appoint Ctrip Computer Technology (Shanghai) Co., Ltd. or another wholly owned subsidiary of ours, as attorney-in-fact to vote, by itself or any other person to be designated at its discretion, on all matters of our affiliated Chinese entities. Each power of attorney will remain effective during the existence of the applicable affiliated Chinese entity. The Power of Attorney shall remain effective as long as the applicable affiliated Chinese entity exists, and the shareholders of our affiliated Chinese entities are not entitled to terminate or amend the terms of the Power of Attorneys without prior written consent from us.

Amended and Restated Technical Consulting and Services Agreement: Ctrip Computer Technology, Ctrip Travel Network and Ctrip Travel Information provide our affiliated Chinese entities with technical consulting and related services and staff training and information services. We also maintain their network platforms. In consideration for our services, our 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 nine-month period ended September 30, 2015, our affiliated Chinese entities paid Ctrip Computer Technology and Ctrip Travel Network a quarterly fee based on the number of air tickets sold and the number of packaged-tour products sold in the quarter, at an average rate of RMB7 (US$1.1) per ticket and from RMB82 (US$12.9) to RMB175 (US$27.5) per person per tour. Although the service fees are typically determined based on the number of air tickets sold and packaged tour products sold, given the fact that the nominee shareholders of our 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 affiliated Chinese

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

entities in the form of service fees. The services fees paid by all of our affiliated Chinese entities as a percentage of their total net income were 104.8% and 48.2% for the nine-month periods September 30, 2014 and 2015. 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 affiliate Chinese entity.

Amended and Restated Share Pledge Agreements: The shareholders of our affiliated Chinese entities have pledged their respective equity interests in our affiliated Chinese entities as a guarantee for the performance of all the obligations under the other contractual arrangements, including payment by our affiliated Chinese entities of the technical and consulting services fees to us under the amended and restated technical consulting and services agreements, repayment of the business loan under the amended and restated business loan agreements and performance of obligations under the amended and restated exclusive option agreements, each agreement as described herein. In the event any of our affiliated Chinese entity breaches any of its obligations or any shareholder of our affiliated Chinese entities breaches his/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, 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 amended and restated share pledge agreements came into effect on the day when the respective pledgors became shareholders of our affiliated Chinese entities, and shall expire two years after the pledgor and the affiliated Chinese entities no longer undertake any obligations under the above-referenced agreements.

Amended and Restated Business Loan Arrangements: Under the amended and restated business loan agreements we entered into with the shareholders of our affiliated Chinese entities, we extended long-term business loans to these shareholders of our affiliated Chinese entities with the sole purpose of providing funds necessary for the capitalization or acquisition of our affiliated Chinese entities. These loan amounts were injected into the affiliated Chinese entities as capitals and cannot be accessed for any personal uses. The amended and restated business loan agreements shall remain effective until the parties have fully performed their respective obligations under the agreement, and the shareholders of our 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 affiliated Chinese entities, as described in the following paragraph, and the amended and restated business 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.

Amended and Restated Exclusive Option Agreements: As consideration for our entering into the amended and restated business loan agreements described above, each of the shareholders of our affiliated Chinese entities has granted us an exclusive, irrevocable option to purchase, or designate one or more person(s) at our discretion to purchase, all of their equity interests in our 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 affiliated Chinese entity. The purchase price shall be equal to the contribution actually made by the shareholder for the relevant

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

equity interest. Therefore, if we exercise these options, we may choose to cancel the outstanding loans we extended to the shareholders of our affiliated Chinese entities pursuant to the amended and restated business 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 affiliate Chinese entity.

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

In addition, the Company also enters into amended and restated technical consulting and services agreements with its majority or wholly owned subsidiaries of the affiliated Chinese entities, such as Chengdu Ctrip and Chengdu Ctrip International, and these subsidiaries pay the Company service fees based on the level of services provided. The existence of such amended and restated technical consulting and services agreements provides the Company with the enhanced ability to transfer economic benefits of these majority or wholly owned subsidiaries of the affiliated Chinese entities to us in exchange for the services provided, and this is in addition to the Company's existing ability to consolidate and extract the economic benefits of these majority or wholly owned subsidiaries of the affiliated Chinese entities (for instance, the 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 the Company 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 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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 RMB118 million as of September 30, 2015. 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.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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, 2014 RMB	As of September 30, 2015 RMB
Total assets	13,495,852,174	16,673,014,679
Less: Inter-company receivables	(1,424,351,080)	(2,574,833,491)
Total assets excluding inter-company	12,071,501,094	14,098,181,188
Total liabilities	12,509,239,945	15,348,023,915
Less: Inter-company payables	(6,133,068,354)	(5,645,069,141)
Total liabilities excluding inter-company	6,376,171,591	9,702,954,774

As of December 31, 2014 and September 30, 2015, the VIEs' assets mainly consisted of short-term investment (December 31, 2014: RMB3.1 billion, September 30, 2015: RMB2.4 billion), cash and cash equivalent (December 31, 2014: RMB2.6 billion, September 30, 2015: RMB2.2 billion), prepayments and other current assets (December 31, 2014: RMB2.0 billion, September 30, 2015: RMB3.6 billion), investments (non-current) (December 31, 2014: RMB1.6 billion, September 30, 2015: RMB1.6 billion) and accounts receivables (December 31, 2014: RMB1.4 billion, September 30, 2015: RMB2.6 billion). The inter-company receivables of RMB1.4 billion and RM2.6 billion as of December 31, 2014 and September 30, 2015 mainly represented the cash paid by a VIE to one of the Company's WFOEs for treasury cash management purpose.

As of December 31, 2014 and September 30, 2015, the VIEs' liabilities mainly consisted of advance from customers (December 31, 2014: RMB3.5 billion, September 30, 2015: RMB4.8 billion), accounts payable (December 31, 2014: RMB1.8 billion, September 30, 2015: RMB3.6 billion), other payables and accruals (December 31, 2014: RMB588 million, September 30, 2015: RMB631 million), salary and welfare payable (December 31, 2014: RMB195 million, September 30, 2015: RMB171 million) and taxes payable (December 31, 2014: RMB45 million, September 30, 2015: RMB109 million). The inter-company payables as of December 31, 2014 and September 30, 2015 were RMB6.1 billion and RMB5.6 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 technical consulting and services agreements, which are operational in nature from the VIEs and their subsidiaries' perspectives.

	Nine-month period ended September 30, 2014 RMB	Nine-month period ended September 30, 2015 RMB
Net revenues	3,131,473,717	4,841,152,848
Cost of revenues	920,625,006	1,516,879,374
Net (loss) / income	(43,734,329)	714,987,373

As aforementioned, the VIEs mainly conduct air-ticketing, travel agency, advertising and value-added telecommunication businesses. Revenues from VIEs accounted for around 60% of the

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Company's total revenues in nine-month period ended September 30, 2015. 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 before the deduction of the inter-company consulting fee charges were RMB906 million and RMB1.4 billion for the nine-month period ended September 30, 2014 and 2015, respectively.

The amount of service fees paid by all the VIEs as a percentage of the VIEs' total net income were 104.8% and 48.2% for the nine-month period ended September 30, 2014 and 2015, 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. The WFOEs did not request service fee payments of RMB286 million from Chengdu Ctrip and Chengdu Ctrip International during the years ended December 31 2012, primarily for tax planning purpose. In 2013, Chengdu Ctrip and Chengdu Ctrip International started to pay service fee to WFOEs, and the retained earnings of 2013 and 2014 have been transferred to the WFOEs, respectively. For remaining undistributed retained earnings, tax planning strategies are in place to support their enterprise income tax free treatment.

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 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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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$1.00 = RMB6.3556 on September 30, 2015, representing the certificated exchange rate published by the Federal Reserve Board. No representation is intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on September 30, 2015, 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.

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).

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 - 30 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, 2014 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.

Investments

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

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. In October 2013, the Company contributed cash in return for 5% equity shares in Zhong An Online Property Insurance Co., Ltd. ("Zhong An Online"). In December 2013, the Company acquired approximately 4% equity shares in Keystone Lodging Holdings Limited ("Keystone"), which in 2013 merged with 7 Days Group Holdings Limited ("7 Days"), a leading economy hotel chain based in China. In 2014, dividends of RMB39 million are received from Keystone. Cost method of accounting was applied to both transactions due to lack of ability to exercise significant influence (Note 3).

The Company applies equity method in accounting for our 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. In 2008, the Company acquired equity interest in Homeinns Hotel Group ("Homeinns" formerly Home Inns & Hotels Management Inc.) and on May 21, 2009, the Company started to have the ability to exercise significant influence and meeting requirement to apply equity method of accounting. In 2014, through a series of transactions, the Company culminated 35% share capital of Skyseas Holding International Ltd. ("Skyseas") and provided a loan of US$80 million to Skyseas to finance its purchase of a cruise ship. The Company therefore has the ability to exercise significant influence on Skyseas and applied equity method to account for the investment (Note 3). In May 2015, the Company acquired approximately 38% share capital of eLong, Inc. ("eLong"). The Company therefore has the ability to exercise significant influence on eLong and applied equity method to account for the investment (Note 3).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 into one of three categories and accounts for these as follows: (i) debt securities 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. The Company has designated its investment in commons shares of China Lodging Group, Limited ("Hanting"), Tuniu Corporation ("Tuniu") and eHi Car Services Limited("eHi") as available-for-sale equity securities, investment in shares with liquidation preference right of Tongcheng Network Technology Share Co., Ltd. ("LY.com") and a travel agency focusing on teenager market as available-for-sale equity securities and its investments in convertible redeemable preferred shares ("Preferred Share") of Easy Go Inc.("Easy Go"), Dining Secretary China Limited ("Dining Secretary") , Happy City Holdings Limited("Happy City"), Tujia.com International Co., Ltd ("Tujia") and a big-data advertisement company as available-for-sale debt securities in accordance with Accounting Standard Codification ("ASC") 320-10, respectively (Note 3). Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported as accumulated other comprehensive income (loss), net of tax. 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 instruments of the Group primarily comprise of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, due from related parties, available-for-sale investments, accounts payable, due to related parties, advances from customers, short-term bank borrowings, other short-term liabilities and long-term debts. As of December 31, 2014 and September 30, 2015, carrying values of these financial instruments except for short-term investments and available-for-sale investments approximated their fair values because of their generally short maturities, and the carrying value of the long-term debts also approximates their fair value, as they bear interest at rates determined based on prevailing interest rates in the market. The Company reports short-term investments and 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 does not have any financial liabilities which must be measured at fair value on a recurring basis.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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. From January 1, 2009, the Group adopted ASC 805, "Business combinations". Following this adoption, 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 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.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Acquisitions

Travel agencies

The Company completed several transactions to acquire controlling shares of certain travel agencies 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.

In August, 2013, the Company completed the transaction to acquire controlling shares of a B2B hotel reservation company. The purchase consideration is approximately RMB47 million (US$8 million). The financial results of the acquired entity have been included in the Company's consolidated financial statements since the acquisition date. In February, 2014, Ctrip acquired the remaining share capital of this B2B hotel reservation company at a consideration of approximately RMB44 million (US$7 million). The purchase of the remaining non-controlling interests initiated by the Company was treated as an equity transaction. The difference between the book value of the remaining non-controlling interests and the cash consideration was recorded as additional paid in capital. Upon completion of this share purchase, Ctrip holds 100% of the share capital of the B2B hotel reservation company.

In January, 2014, the Company completed the transaction to acquire a 51% controlling interest of an online trip package service provider. The purchase consideration is RMB139 million (US$23 million). The results of the acquired entity's operations have been included in the consolidated financial statements of the Company since the acquisition date. 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 49% equity interest not held by the Company:

	RMB
Net assets	13,176,760
Identifiable intangible assets—trademark and domain	61,564,134
Deferred tax liabilities	(9,234,620)
Non-controlling interests	(134,009,200)
Goodwill	207,981,890
Total purchase consideration	139,478,964

In January, 2015, the Company completed an investment transaction in Travelfusion by purchasing a majority stake in the company. Travelfusion is a UK-based leading online Low Cost Carrier (LCC) travel content aggregator and innovator of Direct Connect global distribution solutions.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The purchase consideration is RMB721 million (GBP75.6 million). The results of the acquired entity's operations have been included in the consolidated financial statements of the Company since the acquisition date. 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	344,256,108
Deferred tax liabilities	(72,293,783)
Non-controlling interests	(275,995,802)
Goodwill	687,633,024
Total purchase consideration	720,536,040

Other acquisitions

From time to time, the Company selectively acquired or invested in businesses that complement our existing business, and will continue to do so in the future. Other than disclosed above, none of such acquisitions or investments 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 at the fourth quarter of each year 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.

As of December 31, 2014, the step one analysis performed indicated that the fair value of the Company's reporting units was substantially greater than the respective carrying value. There was no impairment of goodwill during the years ended December 31, 2012, 2013 and 2014. Each quarter the Company reviews the events and circumstances to determine if goodwill impairment may be indicated.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Separately identifiable intangible assets that have determinable lives continue to be amortized and consist primarily of non-compete agreements, customer list, supplier relationship, technology patent and a cross-border travel agency license as of December 31, 2013 and 2014. 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, 2013 and 2014. 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 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 at the fourth quarter of each year for impairment.

No impairment triggering events were identified on other intangible assets during the nine-month periods ended September 30, 2015. No impairment on the other intangible assets was recorded for the nine-month periods ended September 30, 2014 and September 30, 2015.

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.

No impairment of long-lived assets was recognized for the nine-month periods ended September 30, 2014 and 2015.

Accrued liability for customer reward program

The Group's customers 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, 2014, and September 30, 2015, the Group's accrued liability for its customer reward program amounted to RMB431 million and RMB575 million, respectively, based on the estimated liabilities under the customer reward program. Our expenses for the customer rewards program were approximately RMB274 million and RMB328 million for the nine-month periods ended September 30, 2014 and 2015.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Deferred revenue

In 2011, the Group launched a coupon program, through which the Group provides coupons for customers who book selected hotels online through website. Customers who use the coupons receive credits in their virtual cash accounts upon check-out from the hotels and reviews for hotels submitted. Customers may redeem the amount of credits in their virtual cash account in cash, voucher, or mobile phone credit. In accordance with ASC 605-50 "Revenue Recognition: Customer Payments and Incentives", 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 conducts its principal businesses in Great China Area primarily through Ctrip Computer Technology (Shanghai) Co., Ltd. ("Ctrip Computer Technology"), Ctrip Travel Information Technology (Shanghai) Co., Ltd. ("Ctrip Travel Information"), Ctrip Travel Network Technology (Shanghai) Co., Ltd. ("Ctrip Travel Network"), Ctrip Information Technology (Nantong) Co., Ltd. ("Ctrip Information Technology"), ezTravel and Wing On Travel. Some of the operations of Ctrip Computer Technology and Ctrip Travel Network are conducted through a series of services and other agreements with the VIEs and VIE subsidiaries.

Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network, Ctrip Information Technology and the VIEs are subject to business tax and related surcharges on the provision of taxable services in the PRC, which include hotel reservation and ticketing services provided to customers. In the statements of income and comprehensive income, business tax and related surcharges are deducted from revenues to arrive at net revenues.

The Group presents revenues on a net basis generally. Revenues are recognized at gross amounts received from customers in cases where the Group undertakes the majority of the business risks and acts as principal related to the services provided. The amount of revenues recognized at gross basis was immaterial during the nine-month periods ended September 30, 2014 and 2015, respectively.

In November 2011, the Ministry of Finance released Circular Caishui [2011] No. 111 mandating Shanghai to carry out a pilot program of tax reform. Effective January 1, 2012, selected entities within modern service industries will switch from a business tax payer to a value-added tax ("VAT") payer. In May 2013, the Ministry of Finance released Circular Caishui [2013] No. 37 to extend the tax reform nationwide. Effective August 1, 2013, 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 hotel customers 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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

arrangements with hotels based on the number of hotel room reservations where customers 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 reservations of air tickets, railway tickets 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 airline 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.

Shanghai Ctrip, Beijing Ctrip, Guangzhou Ctrip, Shenzhen Ctrip and Wing On Travel conduct domestic and cross-border travel tour services. Revenues, mainly referral fees, are recognized as commissions on a net basis after the services are rendered.

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.

Other businesses

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

Shanghai Ctrip Commerce receives advertising revenues, which principally represent the sale of banners or sponsorship on the website from customers. Advertising revenues are recognized ratably over the fixed term of the agreement as services are provided.

Software Hotel Information 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Cost of revenues

Cost of revenues consists primarily of payroll compensation of customer service center personnel, 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 RMB775 million and RMB1.3 billion for the nine-month periods ended September 30, 2014 and 2015 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 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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, 2014 and September 30, 2015, 386,310 and 188,420 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 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 803,189 and 625,006 new shares options to employees with 4 year requisite service period for the nine-month period ended September 30, 2014 and 2015, respectively. RSUs granted under 2007 Incentive Plan have a restricted period for 4 years. As of December 31, 2014 and September 30, 2015, 4,585,868 and 4,917,329 options and 1,058,608 and 919,864 RSUs were outstanding under the 2007 Incentive Plan. The Company calculated the estimated fair value of share options on the date of grant using the Black-

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Scholes pricing model with the same assumptions included in the Company's 2014 20-F, there has been no material change in those assumptions for the nine-month period ended September 30, 2015.

Option modification

In January 2012, the compensation committee passed a resolution to replace all options that previously granted under the 2007 incentive plan but with exercise price above $120.00 per ordinary share, with maximum of 518,017 restricted share units (RSU) of the Company based on the conversion ratio at 4:1 ("the Replacement"). The total options modified approximate 1.9 million and the Company incurred no incremental cost for such modification.

As of September 30, 2015, there was US$153 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share options which are expected to be recognized over a weighted average period of 2.7 year. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures. Total cash received from the exercise of share options amounted to RMB152,960,799 and RMB159,701,667 for the nine-month period ended September 30, 2014 and 2015, respectively.

A summary of RSUs activities under the share option plans

The Company granted 557,008 and 229,603 RSUs to employees with 4 year requisite service period for the nine-month period ended September 30, 2014 and 2015, respectively. In additional, pursuant to the Replacement mentioned above, another 475,343 RSUs replaced the 1,901,372 options initially granted under the 2007 incentive plan.

Total share-based compensation cost for the RSUs amounted to US$22 million and US$35 million for the nine-month period ended September 30, 2014 and 2015, respectively. As of September 30, 2015, there was US$147 million unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted shares. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures.

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

Effective January 1, 2007, the Company adopted 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.

As of both December 31, 2014 and September 30, 2015, the Company did not record any liability for uncertain tax positions. The Company's policy is to recognize, if any, tax related interest as interest expenses and penalties as general and administrative expenses. For the nine-month period ended September 30, 2014 and 2015, the Company did not have any interest and penalties associated with tax positions.

Other income (net)

Other income consists of financial subsidies, investment income and foreign exchange gains/(losses), and re-measurement gains. Financial subsidies from local PRC government authority 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 authority. Financial subsidies are recognized as other income when received. Components of other income for the nine-month period ended September 30, 2014 and 2015 were as follows:

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2015
	RMB	RMB
Gain on deconsolidation of a subsidiary	—	2,269,860,747
Financial subsidies	96,454,198	128,633,538
Reimbursement from the depository	—	11,582,882
Foreign exchange (losses)/ gains	(10,814,803)	3,994,310
Dividends from a cost method investment	39,036,138	—
Gain on disposal of cost method investment	1,674,498	—
Bank charges	(35,117,403)	(50,633,202)
Others	7,273,655	26,687,406
Total	98,506,283	2,390,125,681

Gain on deconsolidation of subsidiaries

Gain on deconsolidation of subsidiaries refers to the gain recognized from the deconsolidation of Tujia.com International Co., Ltd. ("Tujia") as a result of the loss of control of Tujia after its recent financing in the third quarter of 2015. In July, 2015, Tujia issued Series D+ redeemable convertible

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

preferred shares to a number of new investors. The Company did not participate the Series D+ financing and as a result, its equity interest, and fully converted voting rights was diluted from approximately 50% to 45%. After the Series D+ financing, The Company was entitled to appoint 6 out of 12 board of directors. The Company concluded that the changes in interest resulted in its loss of control in Tujia under ASC 810, thus the financial statement of Tujia shall be deconsolidated. A gain is recognized for the deconsolidation of Tujia as of the deconsolidation date and was recorded in the Other Income. The investment in Tujia was re-measured at its fair value at the date of the deconsolidation.

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 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 RMB1.8 billion as of September 30, 2015.

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, 2014 and September 30, 2015 were RMB5.0 billion and RMB5.9 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.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 be based on the new number of shares.

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 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.

Treasury stock consists of ADS repurchased by the Group under these three plans. In October 2013, US$45.5 million convertible senior notes issued in 2012 was early converted and 588,219 shares of repurchased treasury stock were delivered to bond holders. In 2014, US$65.5 million convertible senior notes issued in 2012 was converted and 846,131 shares of repurchased treasury stock were delivered to bond holders. In the nine-month period ended September, 30, 2015, US$4.3 million convertible senior notes issued in 2012 was converted and 55,590 shares of repurchased treasury stock were delivered to bond holders. As of September 30, 2015, the Company had 3,742,219 shares treasury stock at total cost of US$380 million. Treasury stock is accounted for under the cost method.

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 Statements.

The Company primarily generates its revenues from customers 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 April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". This update changed the threshold for reporting discontinued operations and added new disclosures for disposals. Under the updated guidance, a discontinued operation is defined as a component or group of components that is disposed of or is

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. This ASU is not reasonably expected in the future to have a material impact on the Company's consolidated financial statements, because the Company does not have discontinued operations or disposals of components of an Entity.

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 February 2015, the FASB issued the ASU 2015-02, "Amendments to the Consolidation Analysis". The objective of issuing the amendments in this Update is to change the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendments in this Update are an improvement to current US GAAP because they simplify the Codification and reduce the number of consolidation models through the elimination of the indefinite deferral of Statement 167 and because they place more emphasis on risk of loss when determining a controlling financial interest. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the amendments in this Update using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. A reporting entity also may apply the amendments retrospectively. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

In April 2015, the FASB issued the ASU 2015-05, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40) Customer's Accounting for Fees Paid in a Cloud Computing Arrangement". The Board issued the amendments in this Update as part of its Simplification Initiative. The objective of the Simplification Initiative is to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of the financial statements. Existing GAAP does not include explicit guidance about a customer's accounting for fees paid in a cloud computing arrangement. The amendments in this Update provide guidance to

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer's accounting for service contracts. In addition, the guidance in this Update supersedes paragraph 350-40-25-16. Consequently, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. For public business entities, the Board decided that the amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. For all other entities, the amendments will be effective for annual periods beginning after December 15, 2015, and interim periods in annual periods beginning after December 15, 2016. Early adoption is permitted for all entities. An entity can elect to adopt the amendments either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. For prospective transition, the only disclosure requirements at transition are the nature of and reason for the change in accounting principle, the transition method, and a qualitative description of the financial statement line items affected by the change. For retrospective transition, the disclosure requirements at transition include the requirements for prospective transition and quantitative information about the effects of the accounting change. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

In April 2015, the FASB issued the ASU No. 2015-03—Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"), which changes the presentation of debt issuance costs in financial statements. Under ASU 2015-03, an entity will present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. In August 2015, the FASB issued the ASU No. 2015-15—Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements ("ASU 2015-15"), which incorporates the SEC staff's announcement that clarifies the exclusion of line-of-credit arrangements from the scope of ASU 2015-03. The ASU clarifies that debt issuance costs related to line-of-credit arrangements can be deferred and presented as an asset that is subsequently amortized over the time of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-03 is effective retrospectively for interim and annual periods beginning after December 15, 2015. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

In September 2015, the FASB issued the ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, which eliminates the requirement for acquirers in a business 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 in the process of evaluating the impact of the standard on its consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In November 2015, the FASB issued the ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes, to simplify the presentation of deferred income taxes. The amendments in this Update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this Update. For public business entities, 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 amendments in this Update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. If an entity applies the guidance prospectively, the entity should disclose in the first interim and first annual period of change, the nature of and reason for the change in accounting principle and a statement that prior periods were not retrospectively adjusted. If an entity applies the guidance retrospectively, the entity should disclose in the first interim and first annual period of change the nature of and reason for the change in accounting principle and quantitative information about the effects of the accounting change on prior periods. The Company is in the process of evaluating the impact of the 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, 2014 and September 30, 2015, 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. 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 nine-month period ended September 30, 2014 and 2015. No individual customer accounted for more than 10% of accounts receivable as of December 31, 2014 and September 30, 2015.

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

3. INVESTMENTS

The Company's long-term investments consisting of cost method investments, equity method investments and available-for-sale securities as of December 31, 2014 and September 30, 2015 were as follows:

	December 31, 2014 RMB	September 30, 2015 RMB
Available-for-sale securities		
Tujia (available-for-sale)	—	2,784,302,479
LY.com (available-for-sale)	1,547,844,523	2,253,163,385
Hanting (available-for-sale)	898,828,511	852,386,094
Easy Go (available-for-sale)	627,905,501	643,186,701
eHi (available-for-sale)	535,024,052	717,027,215
Tuniu (available-for-sale)	216,690,294	313,860,446
A travel agency focusing on teenager market (available-for-sale)	81,000,000	81,000,000
A big-data advertisement company (available-for-sale)	62,046,000	63,556,000
Happy City (available-for-sale)	35,422,062	36,328,061
Dining Secretary (available-for-sale)	29,046,000	30,556,000
Equity method investments		
eLong (equity method)	—	2,610,521,829
Homeinns (equity method)	902,964,928	933,734,378
Skyseas (equity method)	161,828,826	140,002,007
Cost method investments		
Keystone (cost method)	158,217,350	162,067,851
A C2C carpooling platform (cost method)	—	127,112,000
Zhong An Online (cost method)	50,000,000	50,000,000
Others	11,938,400	56,842,654
Total net book value	5,318,756,447	11,855,647,100

Tujia

In October 2012, February 2013 and June 2014, the Company and other institutional investors entered into a series of agreements with Tujia.com International Co., Ltd ("Tujia") to issue 70,380,000 shares of Series A redeemable convertible preferred stocks ("Series A preferred shares") with total consideration of US$14.6 million, 33,333,333 shares of Series B redeemable convertible preferred stocks ("Series B preferred shares") with total consideration of US$36.7 million and 30,465,080 shares of Series C redeemable convertible preferred stocks ("Series C preferred shares") with total consideration of US$75 million, respectively.

The Company has held the majority voting power of Tujia and had consolidated Tujia since it was incorporated.

In July, 2015, Tujia issued Series D+ redeemable convertible preferred shares to a number of new investors. The Company did not participate the Series D+ financing and as a result, its equity interest,

3. INVESTMENTS (Continued)

and fully converted voting rights was diluted from approximately 50% to 45%. After the Series D+ financing, the Company was entitled to appoint 6 out of 12 board of directors. The Company concluded that the changes in interest resulted in its loss of control in Tujia under ASC 810, thus the financial statement of Tujia shall be deconsolidated. A gain is recognized for the deconsolidation of Tujia as of the deconsolidation date and was recorded in the Other Income (Note 2). The investment in Tujia was re-measured at its fair value at the date of the deconsolidation.

The Company recorded this investment as an available-for-sale debt since the preferred shares held by the Company are redeemable at the option of the Company and are not in substance of common stocks. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end. Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. For the period from the date of the deconsolidation to September 30, 2015, the Company did not identify and recognize any change of fair value for the investment in Tujia.

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 and shareholders agreement, the Company has the substantive liquidation preference right which allows the Company to receive a priority in liquidation assets allocation over the other shareholders under the liquidation events. With such liquidation preference, the investment is not considered to be in substance of LY.com's common stock. Therefore, the Company recorded this investment as an available-for-sale equity security and subsequently measured at its fair value.

Hanting

On March 31, 2010, the Company purchased newly issued 7,202,482 shares from Hanting in a private placement. On the same day, the Company purchased an aggregate of 11,646,964 shares of Hanting from the then shareholders. In addition, on March 31, 2010, the Company purchased 800,000 ADSs representing 3,200,000 shares of Hanting in its initial public offering ("IPO"). All transactions were made at a purchase price of US$12.25 per ADS, or US$3.0625 per share, which is the then IPO price. The total purchase cost is US$67.5 million (approximately RMB461 million). Upon the closing of the transactions described above, the Company holds an aggregate of 22,049,446 shares of Hanting (including 3,200,000 shares represented by ADSs), representing approximately 9% of Hanting's total outstanding shares as of March 31, 2010. The Company has one out of seven seats in Hanting.

Given the level of investment, the Company applies ASC-320-25 to account for its investment in Hanting. The Company classified the investment as "available for sale" as the Company does not have the ability to exercise significant influence and measured the fair value at every period end (Note 4). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized.

The closing price of Hanting as of September 30, 2015 is US$24.33 per ADS. As of September 30, 2015, the Company recorded the investment in Hanting at a fair value of RMB852 million

3. INVESTMENTS (Continued)

(approximately US$134 million), with RMB423 million increase in fair value of the investment credited to other comprehensive income.

Easy Go

In December 2013 and August 2014, the Company completed the transactions to acquire equity stake of Easy Go by subscribing its Series B and Series C convertible preferred shares with a total consideration of US$53 million.

The Company recorded this investment as an available-for-sale debt since the preferred shares purchased by the Company are redeemable at the option of the Company and are not in substance of common stocks. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 4). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. As of September 30, 2015, the Company recorded the investment in Easy Go at a fair value of RMB643 million (approximately US$101 million), with RMB298 million increase in fair value of the investment credited to other comprehensive income.

eHi

In December 2013 and April 2014, the Company completed the transactions to acquire equity stake of eHi, one of the largest car rental companies in China, by subscribing its Series E and Series E Plus convertible preferred shares with a total consideration of approximately US$107 million. In November 2014, with the consummation of eHi's initial public offering, the convertible preferred shares held by the Company were converted into common share of eHi. In November, 2014, the Company purchased US$10 million additional common shares at its IPO price. In May, 2015, the Company sold US$10 million common shares at the IPO price. Upon the closing of the transactions described above, the Company held an aggregate equity interest of approximately 14% of eHi's total outstanding share and 19.9% of eHi's voting power as of September 30, 2015. The Company has one out of seven seats in eHi.

The Company continued to record this investment as an available-for-sale debt security since the Company does not have the ability to exercise significant influence. The available-for-sale debt security is measured at fair value at every period end (Note 4). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized.

The closing price of eHi as of September 30, 2015 is US$11.59 per ADS. As of September 30, 2015, the Company recorded the investment in eHi at a fair value of RMB717 million (approximately US$113 million), with RMB37 million increase in fair value of the investment credited to other comprehensive income.

Tuniu

In May, 2014, the Company purchased 1,666,667 ADSs representing 5,000,000 shares of Tuniu upon its IPO. The transaction was made at a purchase price of US$9 per ADS, or US$3 per share, which is the then IPO price. The total purchase cost is US$15 million (RMB93 million). In addition, in December, 2014, the Company purchased 3,731,034 newly issued class A ordinary shares of Tuniu at a

3. INVESTMENTS (Continued)

purchase price of US$12 per ADS, or US$4 per share. Upon the closing of the transactions described above, the Company held an aggregate equity interest approximately 4.6% of Tuniu's total outstanding shares as of December 31, 2014. The Company has one out of nine seats in Tuniu

Given the level of investment, the Company applies ASC-320-25 to account for its investment in Tuniu. The Company classified the investment as "available for sale" and measured the fair value at every period end (Note 4). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized.

The closing price of Tuniu as of September 30, 2015 is US$11.87 per ADS. As of September 30, 2015, the Company recorded the investment in Tuniu at a fair value of RMB314 million (US$49 million), with RMB4 million decrease in fair value of the investment credited to other comprehensive income.

A travel agency focusing on teenager market

In August, 2014, the Company completed the transactions to acquire a minority stake of a travel agency focusing on teenager market, with a cash consideration of RMB81 million. According to the purchase and shareholders agreement, the Company has the substantive liquidation preference right which allows the Company to receive a priority in the liquidation assets allocation over the other shareholders under the liquidation events. With such liquidation preference, the investment is not considered to be in substance of the acquired entity's common stock. Therefore, the Company recorded this investment as an available-for-sale equity security and subsequently measured at its fair value. There is no significant change in fair value of the investment from the initial investment day to September 30, 2015.

A big-data advertisement company

In August 2014, the Company completed the transactions to acquire a minority stake of Seris B preferred shares of a big-data advertisement company with a total consideration of US$10 million.

The Company recorded this investment as an available-for-sale debt since the Company does not have the ability to exercise significant influence and the preferred shares purchased by the Company are redeemable at the option of the Company. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 4). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. There is no significant change in fair value of the investment from the initial investment day to September 30, 2015.

Happy City

In June 2013, the Company entered into agreements to acquire a minority stake of the Series A preferred shares in Happy City, a privately owned mobile application software company, with total consideration of US$6 million. Happy City is engaged in development and operation of a mobile application for hotel searching and booking.

3. INVESTMENTS (Continued)

The Company recorded this investment as an available-for-sale debt security since the preferred shares purchased by the Company are redeemable at the option of the Company and are not common stocks in substance. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 4). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. The decrease in fair value of the investment in Happy City of RMB2 million (US$0.3 million) was recorded to other comprehensive income as of September 30, 2015.

Dining Secretary

In November 2010, the Company completed the transactions to acquire a minority stake of Dining Secretary's Series B convertible preferred shares with total consideration of US$10 million. Dining Secretary is a provider of free online and offline restaurant reservations for diners.

The Company recorded this investment as an available-for-sale debt security. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 4). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. As of December 31 2014, the Company recorded an other than temporary investment impairment of RMB33 million in Dining Secretary based on the difference of its fair value and cost with the previously recognized unrealized loss in other comprehensive income with amount of RMB4 million reversed.

eLong

In May 2015, the Company entered into a share purchase agreement with certain selling shareholders, including Expedia, Inc. ("Expedia"), together with several other investors to acquire approximately 37.6% share capital of eLong, Inc. ("eLong"). The total consideration was approximately USD414 million. The Company has one out of eight board seats of eLong. The Company's investment of eLong is common stock in nature and due to the significant influence of eLong that the Company is entitled to, the Company applies the equity method to account for the investment starting June 2015.

The Company calculated equity in income or losses of investment in eLong on one quarter lag basis, as allowed, as the financial statements of eLong were not available within a sufficient time period.

Homeinns

The Company purchased ADSs of Homeinns from time to time through the open market and in a private placement transaction. As of December 31, 2014, the Company held an aggregate equity interest of approximately 15.1% 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 calculated the equity in income or losses of investment in Homeinns on one quarter lag basis, as allowed, as the financial statements of Homeinns were not available within a sufficient time period.

3. INVESTMENTS (Continued)

On October 1, 2011, Homeinns completed a transaction to acquire 100% equity interest in a business, pursuant to which Homeinns issued additional ordinary shares as part of the total consideration. As a result, the Company's equity interest in Homeinns effectively decreased from 17.5% to 15.1%. In accordance with ASC 323-10-40-1, the Company accounts for a share issuance by an investee as if the investor had sold a proportionate share of its investment. The issuance price per share of the newly issued capital by the investee is higher than the Company's average per share carrying amount, thus the Company recognized the non-cash gain of RMB39.3 million for the period ended December 31, 2012 as a result of the equity dilution impact. The Company picks up equity calculation of Homeinns on a quarter lag basis, as the Company is not able to timely obtain all necessary financial information from Homeinns to perform the equity investment reconciliations between the Company and Homeinns.

The carrying amount and unrealized securities holding profit for investment in Homeinns as of December 31, 2014 and September 30, 2015 were as follows:

	December 31, 2014 RMB	September 30, 2015 RMB
Investment cost		
Balance at beginning of year	554,626,285	568,679,251
Foreign currency translation	14,052,966	11,235,008
Total investment cost	568,679,251	579,914,259
Value booked under equity method		
Share of cumulative profit	357,085,613	379,535,689
Amortization of identifiable intangible assets, net of tax	(22,799,936)	(25,715,570)
Total booked value under equity method.	334,285,677	353,820,119
Net book value	902,964,928	933,734,378

In 2014, among the share of cumulative profit of Homeinns, the Company recognized gain as a result of the equity dilution impact in Homeinns with amount of RMB 12 million.

The financial information of Homeinns as of September 30, 2014 and June 30, 2015 is as follows:

	September 30, 2014 RMB ('000)	June 30, 2015 RMB ('000)
Current assets	1,230,755	1,394,546
Non-current assets	8,030,078	7,895,931
Current liabilities	1,751,016	2,579,453
Non-current liabilities	2,546,507	1,556,096
Retain earnings	1,568,795	1,638,737
Non-controlling interest	15,188	17,409
Total shareholders' equity	4,963,310	5,154,928

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

3. INVESTMENTS (Continued)

The financial information of Homeinns as of and for the nine-month period ended December 31, 2014 and June 30, 2015 is as follows:

Total revenues	4,780,743	4,773,053
Net Revenues	4,483,401	4,485,989
Income from operations	359,185	219,612
Net income	198,384	121,282
Net (loss) / income attributable to Homeinns Group's shareholders	195,884	119,062

The closing price of Homeinns as of September 30, 2015 is US$28.74 per ADS, the aggregate market value of the Company's investment in Homeinns is approximately RMB1.3 billion (US$207 million).

Skyseas

In September 2014, the Company made a US$ 52.5 million investment in a 70% equity stake of Skyeas, a cruise company, which targets to provide Chinese customers the world-class and tailor-made cruise products. The Company also provided a loan with amount of US$ 160 million to Skyseas at the interest rate of 3% per annum. Concurrently, Skyseas purchased a cruise ship from Royal Caribbean Cruises Ltd. ("RCL") with amount of US$ 220 million. Thus the Company obtained the control over Skyseas and its financial results were consolidated with the Company's consolidated financial statements on its incorporation.

In November 2014, the Company entered into a share transfer agreement with RCL to transfer 35% share capital of Skyseas to RCL for US$ 26.3 million, representing the Company's original cost for the investment. RCL also provided US$ 80 million loan to Skyseas from the US$ 160 million provided by the Company. After the transaction, the Company and RCL each owns 35% of Skyseas, with the remaining equity interest being owned by Skyseas management and a private equity fund and each provided a loan to Skyseas with amount of US$ 80 million. The Company has two out of five board seats of Skyseas and is entitled to appoint the senior management, including CEO. The Company lost the ability to control Skyseas after the share transfer. Therefore, the Company has applied equity method to account for the investment since December 2014 due to the Company continues to maintain the ability to exercise the significant influence. There was no gain or loss on the loss of control and deconsolidation though the Company deconsolidated cash of US$ 19 million in the transactions.

Keystone

In December, 2013, the Company acquired approximately 4% equity shares in Keystone Lodging Holdings Limited ("Keystone"), which in 2013, merged with 7 Days Group Holdings Limited ("7 Days"), a leading economy hotel chain based in China. The total consideration was RMB155 million (US$25.5 million). The Company applied cost method of accounting to account for the investment due to lack of ability to exercise significant influence.

3. INVESTMENTS (Continued)

Zhong An Online

In October 2013, the Company entered into agreements to contribute a 5% equity stake in Zhong An Online Property Insurance Co., Ltd, China's first online insurance company. The capital contribution is RMB50 million. The Company applied cost method of accounting to account for the investment due to lack of ability to exercise significant influence.

A C2C carpooling platform

In May, 2015, the Company acquired 5% equity shares in a C2C carpooling platform. The consideration was USD20 million. The Company applied cost method of accounting to account for the investment due to lack of ability to exercise significant influence.

Other investments included equity investments in certain privately-held companies.

As of December 31, 2014 and September 30, 2015, no impairments have been recorded for these investments. As of September 30, 2015, the equity-method investments, on an individual basis or on an aggregated basis by any combination are not significant for the Company.

4. FAIR VALUE MEASUREMENT

In accordance with ASC 820-10, the Company measures short-term investments 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). Short-term investments 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. The estimated fair value of long-term loans approximated the carrying amount as of December 31, 2014 and September 30, 2015, as the interest rates of the long-term loans are considered as approximate the current rate for comparable loans at the respective balance sheet dates.

(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 September 30, 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 September 30, 2015	
	RMB	RMB	RMB	RMB	US$
Short-term investments					
Financial products	—	7,096,870,156	—	7,096,870,156	1,116,632,600
Time deposits	—	134,753,177	—	134,753,177	21,202,275
Available-for-sale investments					
Tujia	—	—	2,784,302,479	2,784,302,479	438,086,487
LY.com	—	—	2,253,163,385	2,253,163,385	354,516,235
Hanting	852,386,094	—	—	852,386,094	134,115,755
Easy Go	—	—	643,186,701	643,186,701	101,199,997
eHi	717,027,215	—	—	717,027,215	112,818,178
Tuniu	313,860,446	—	—	313,860,446	49,383,291
A travel agency focusing on teenager market	—	—	81,000,000	81,000,000	12,744,666
A big-data advertisement company	—	—	63,556,000	63,556,000	10,000,000
Happy City	—	—	36,328,061	36,328,061	5,715,914
Dining Secretary	—	—	30,556,000	30,556,000	4,807,729
Total	1,883,273,755	7,231,623,333	5,892,092,626	15,006,989,714	2,361,223,127

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

4. FAIR VALUE MEASUREMENT (Continued)

	Fair Value Measurement at December 31, 2014 using			Fair Value at December 31, 2014	
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)		
	RMB	RMB	RMB	RMB	US$
Short-term investments					
Financial products	—	5,990,483,880	—	5,990,483,880	965,490,746
Time deposits	—	448,370,707	—	448,370,707	72,264,240
Available-for-sale investments					
LY.com	—	—	1,547,844,523	1,547,844,523	249,467,254
Hanting	898,828,511	—	—	898,828,511	144,864,860
Easy Go	—	—	627,905,501	627,905,501	101,199,997
eHi	535,024,052	—	—	535,024,052	86,230,225
Tuniu	216,690,294	—	—	216,690,294	34,924,136
A travel agency focusing on teenager market	—	—	81,000,000	81,000,000	13,054,830
A big-data advertisement company	—	—	62,046,000	62,046,000	10,000,000
Happy City	—	—	35,422,062	35,422,062	5,709,000
Dining Secretary	—	—	29,046,000	29,046,000	4,681,365
Total	1,650,542,857	6,438,854,587	2,383,264,086	10,472,661,530	1,687,886,653

The roll forward of Level 3 Tujia's investment is as following:

	Amount
	RMB
Fair value of available-for-sale(Level 3) investment as at December 31, 2014	—
Fair value of available-for-sale investment of Tujia	2,784,302,479
Fair value of available-for-sale (Level 3) investment as at September 30, 2015	2,784,302,479
Fair value of available-for-sale investment (Level 3) as at September 30, 2015 (US$)	438,086,487

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

4. FAIR VALUE MEASUREMENT (Continued)

The roll forward of Level 3 LY.com's investment is as following:

	Amount RMB
Fair value of available-for-sale(Level 3) investment as at December 31, 2013	—
Investment in common share of LY.com	1,414,285,714
Transfer in and/or out of Level 3	—
The change in fair value of the investment in LY.com	—
Fair value of available-for-sale (Level 3) investment as at September 30, 2014	1,414,285,714
Fair value of available-for-sale(Level 3) investment as at December 31, 2014	1,547,844,523
Investment in common share of LY.com	—
Transfer in and/or out of Level 3	—
The change in fair value of the investment in LY.com	705,318,862
Fair value of available-for-sale (Level 3) investment as at September 30, 2015	2,253,163,385
Fair value of available-for-sale investment (Level 3) as at September 30, 2015 (US$)	354,516,235

The significant unobservable inputs used in the valuation are as following:

Valuation Technique	Unobservable Input	Parameter value
Discounted cash flow	Weighted average cost of capital ("WACC")	19%
	Terminal growth rate	3%
	Lack of marketability discount ("LoMD")	28%
Option pricing model	Time to liquidation	3 years
	Risk-free rate	3.43%
	Expected volatility	50.89%
	Probability	Liquidation scenario: 20%
		IPO scenario: 80%
	Dividend yield	Nil

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

4. FAIR VALUE MEASUREMENT (Continued)

The roll forward of Level 3 Easy Go's investment is as following:

	Amount RMB
Fair value of available-for-sale(Level 3) investment as at December 31, 2013	143,904,165
Investment in Series C Preferred Shares of Easy Go	184,377,000
Transfer in and/or out of Level 3	—
Effect of exchange rate change	(799,480)
The change in fair value of the investment in Easy Go	293,683,897
Fair value of available-for-sale (Level 3) investment as at September 30, 2014	621,165,582
Fair value of available-for-sale(Level 3) investment as at December 31, 2014	627,905,501
Investment in Series C Preferred Shares of Easy Go	—
Transfer in and/or out of Level 3	—
Effect of exchange rate change	15,281,200
The change in fair value of the investment in Easy Go	—
Fair value of available-for-sale (Level 3) investment as at September 30, 2015	643,186,701
Fair value of available-for-sale investment (Level 3) as at September 30, 2015 (US$)	101,199,997

The fair value of the investment in Easy Go is determined by the investment in Series C Preferred Shares of Easy Go which was close to year end.

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

4. FAIR VALUE MEASUREMENT (Continued)

The roll forward of Level 3 travel agency focusing on teenager market's investment is as following:

	Amount RMB
Fair value of available-for-sale (Level 3) investment as at December 31, 2013	—
Investment in equity interest of a travel agency focusing on teenager market	81,000,000
Transfer in and/or out of Level 3	—
The change in fair value of the investment in a travel agency focusing on teenager market	—
Fair value of available-for-sale (Level 3) investment as at September 30, 2014	81,000,000
Fair value of available-for-sale (Level 3) investment as at December 31, 2014	81,000,000
Investment in equity interest of a travel agency focusing on teenager market	—
Transfer in and/or out of Level 3	—
The change in fair value of the investment in a travel agency focusing on teenager market	—
Fair value of available-for-sale (Level 3) investment as at September 30, 2015	81,000,000
Fair value of available-for-sale investment (Level 3) as at September 30, 2015 (US$)	12,744,666

The fair value of the investment in the travel agency focusing on teenager market's is determined by the investment in this travel agency focusing on teenager market's which was close to year end.

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

4. FAIR VALUE MEASUREMENT (Continued)

The roll forward of Level 3 big-data service company in digital advertising's investment is as following:

	Amount RMB
Fair value of available-for-sale (Level 3) investment as at December 31, 2013	—
Investment in Series B Preferred Shares of a big-data advertisement company	61,425,000
Transfer in and/or out of Level 3	—
Effect of exchange rate change	(45,000)
The change in fair value of the investment in a big-data advertisement company	—
Fair value of available-for-sale (Level 3) investment as at September 30, 2014	61,380,000
Fair value of available-for-sale (Level 3) investment as at December 31, 2014	62,046,000
Investment in Series B Preferred Shares of a big-data advertisement company	—
Transfer in and/or out of Level 3	—
Effect of exchange rate change	1,510,000
The change in fair value of the investment in a big-data advertisement company	—
Fair value of available-for-sale (Level 3) investment as at September 30, 2015	63,556,000
Fair value of available-for-sale investment (Level 3) as at September 30, 2015 (US$)	10,000,000

The fair value of the investment in the big-data service company is determined by the investment in this big-data service company which was close to year end.

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

4. FAIR VALUE MEASUREMENT (Continued)

The roll forward of Level 3 Happy City's investment is as following:

	Amount RMB
Fair value of available-for-sale(Level 3) investment as at December 31, 2013	37,358,327
Investment in Series A Preferred Shares of Happy City	—
Transfer in and/or out of Level 3	—
Effect of exchange rate change	112,200
The change in fair value of the investment in Happy City	—
Fair value of available-for-sale (Level 3) investment as at September 30, 2014	37,470,527
Fair value of available-for-sale (Level 3) investment as at December 31, 2014	35,422,061
Investment in Series A Preferred Shares of Happy City	—
Transfer in and/or out of Level 3	—
Effect of exchange rate change	906,000
The change in fair value of the investment in Happy City	—
Fair value of available-for-sale (Level 3) investment as at September 30, 2015	36,328,061
Fair value of available-for-sale investment (Level 3) as at September 30, 2015 (US$)	5,715,914

The significant unobservable inputs used in the valuation are as following:

Valuation Technique	Unobservable Input	Parameter value
Discounted cash flow	Weighted average cost of capital ("WACC")	27.67%
	Terminal growth rate	3%
	Lack of marketability discount ("LoMD")	25%
Option pricing model	Time to liquidation	2.67 years
	Risk-free rate	1.567%
	Expected volatility	45.4%
	Probability	Liquidation scenario: 50% Redemption scenario: 50%
	Dividend yield	Nil

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

4. FAIR VALUE MEASUREMENT (Continued)

The roll forward of Level 3 Dining Secretary's investment is as following:

	Amount RMB
Fair value of available-for-sale (Level 3) investment as at December 31, 2013	56,242,365
Investment in Series B Preferred Shares of Dining Secretary	—
Transfer in and/or out of Level 3	—
Effect of exchange rate change	843,000
The change in fair value of the investment in Dining Secretary	—
Fair value of available-for-sale (Level 3) investment as at September 30, 2014	57,085,365
Fair value of available-for-sale (Level 3) investment as at December 31, 2014	29,046,000
Investment in Series B Preferred Shares of Dining Secretary	—
Transfer in and/or out of Level 3	—
Effect of exchange rate change	1,510,000
The change in fair value of the investment in Dining Secretary	—
Fair value of available-for-sale (Level 3) investment as at September 30, 2015	30,556,000
Fair value of available-for-sale investment (Level 3) as at September 30, 2015(US$)	4,807,729

The significant unobservable inputs used in the valuation are as following:

Valuation Technique	Unobservable Input	Parameter value
Discounted cash flow	Weighted average cost of capital ("WACC")	27.94%
	Terminal growth rate	3%
	Lack of marketability discount ("LoMD")	25%
Option pricing model	Time to liquidation	3.01 years
	Risk-free rate	4.13%
	Expected volatility	41.4%
	Probability	Liquidation scenario: 45% Redemption scenario: 45% IPO scenario: 10%
	Dividend yield	Nil

Based on the review of various factors of Dining Secretary, including, but not limited to its current market condition, operating performance and current and expected earnings trend, the Company determined the decline in fair value of Dining Secretary to below its carrying value is other than temporary. Accordingly, an impairment with amount of RMB33 million based on the difference of its fair value and cost was provided in other income with a reversal of the previously recognized unrealized loss of RMB4 million recorded in other comprehensive income in 2014.

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

4. FAIR VALUE MEASUREMENT (Continued)

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 an independent appraisal, based on estimates, judgments and information of other comparable public companies.

5. SHORT-TERM DEBT

	As of December 31, 2014 RMB	As of September 30, 2015 RMB
Short-term borrowings	3,132,061,011	5,407,852,928
2017 Convertible Senior Notes(Note 8)	428,427,630	411,525,100
Total	3,560,488,641	5,819,378,028

As of September 30, 2015, the Group obtained six borrowings of RMB1.7 billion (US$266.3 million) in aggregate collateralized by a bank deposit of RMB120 million and RMB1.2 billion classified as restricted cash and short-term investment at one of the Company's wholly-owned subsidiaries. The annual interest rate of borrowings is approximately 1.5%. The Company is in compliance with the loan covenant at September 30, 2015.

As of September 30, 2015, the Group obtained three borrowings of RMB1.3 billion (US$197.9 million) in aggregate collateralized by bank deposits of RMB380 million and RMB2.1 billion classified as restricted cash and short-term investment provided by one of the Company's wholly-owned subsidiaries. The annual interest rate of borrowings is approximately from 1.3% to 2.3%. The Company is in compliance with the loan covenant at September 30, 2015.

As of September 30, 2015, the Group obtained one borrowings of RMB373.7 million (US$58.8 million) in aggregate collateralized by bank deposits of RMB75 million classified as short-term investment provided by one of the Company's wholly-owned subsidiaries. The annual interest rate of borrowings is approximately from 2.0%. The Company is in compliance with the loan covenant at September 30, 2015.

As of September 30, 2015, the Group obtained three borrowings of RMB998.5 million (US$157.1 million) in aggregate collateralized by bank deposits of RMB442 million classified as short-term investment provided by one of the Company's wholly-owned subsidiaries. The annual interest rate of borrowings is approximately 1.6%. The Company is in compliance with the loan covenant at September 30, 2015.

As of September 30, 2015, the Group obtained three borrowings of RMB794.5 million (US$125 million) in aggregate collateralized by bank deposits of RMB57.7 million classified as restricted cash provided by one of the Company's wholly-owned subsidiaries. The annual interest rate of borrowings is approximately from 1.9% to 2.0%. The Company is in compliance with the loan covenant at September 30, 2015.

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

5. SHORT-TERM DEBT (Continued)

As of September 30, 2015, the Group obtained one borrowings of RMB291.1 million (US$45.8 million) in aggregate collateralized by bank deposits of RMB680 million classified as short-term investment provided by one of the Company's wholly-owned subsidiaries. The annual interest rate of borrowings is approximately 1.1%. The Company is in compliance with the loan covenant at September 30, 2015.

6. RELATED PARTY TRANSACTIONS

During the nine-month ended September 30, 2014 and 2015, significant related party transactions were as follows:

	Nine-month period end September 30, 2014	Nine-month period end September 30, 2015
	RMB	RMB
Commissions from Homeinns(a)	23,627,724	25,835,347
Commissions from Hanting(a)	14,922,688	10,156,186
Commissions from Tujia(a)	—	3,517,066
Shareholders' loan and interest to Skyseas(c)	—	11,347,199
Entrusted loan and interest to Tujia(b)	—	73,482,082
Entrusted loan and interest to a technology company focusing on hotel customer reviews(b)	694,577	—
Commissions to Skyseas(d)	—	151,768,047
Commissions to LY.com(d)	—	53,560,593
Commissions to Tujia(d)	—	8,447,943
Purchase of tour package from Ananda Travel Service (Aust.) Pty Limited ("Ananda")(e)	23,695,089	9,143,324

(a) The Company's hotel supplier, Homeinns has two directors in common with the Company. Homeinns closed the acquisition of Motel 168 International Holdings Limited ("Motel 168") on September 30, 2011 and consolidated its financial results thereafter. Commissions from Homeinns presented above include the commissions from Motel 168 starting from October 1, 2011 to December 31, 2014. Another hotel supplier, Hanting, has a director in common with the Company and a director who is a family member of one of our officers. In May 2012, the Company sold 51% equity interest of Starway Hong Kong to Hanting with a total consideration of RMB17.1 million and deconsolidated Starway Hong Kong upon the closing of the deal. On November 30, 2013, Hanting further acquired 49% equity interest of Starway Hong Kong from the Company with a total consideration of RMB16.5 million. The remaining purchase price of RMB12.25 million will be paid in a 3-year installment plan. From then on, the Company does not directly hold any equity interest of Starway Hong Kong. Commissions from Hanting presented above include the commissions from Starway Hong Kong starting from December 1, 2013 to December 31, 2013. Homeinns, Hanting and Tujia have entered into agreements with us, respectively, to provide hotel rooms for our customers. Commissions

6. RELATED PARTY TRANSACTIONS (Continued)

from Homeinns, Hanting and Tujia for the nine-month periods ended September 30, 2014 and 2015 are presented as above.

(b) In September 2013, the Company entered into agreements with a technology company focusing on hotel customer reviews to provide entrusted loan of RMB13 million. The entrusted loan has a one-year maturity period. In March 2015, the Company entered into agreements with Tujia to provide entrusted loan of RMB72 million. The entrusted loan has a one-year maturity period. The balance of entrusted loan together with the interest to the technology company focusing on hotel customer reviews, eHi and Tujia for the year ended September 30, 2015 is presented as above.

(c) As of September 30, 2015, 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 balance of the loan together with the interest for the year ended September 30, 2015 is presented as above.

(d) In April, 2014, the Company purchased a minority stake of LY.com. The Company has entered into agreements to provide hotel rooms to LY.com and Tujia. Commissions to LY.com starting from April, 2014 to September 30, 2015, commissions to Tujia from August, 2015 to September 30, 2015 and commissions to Skyseas for the nine-month periods ended September 30, 2015 are presented as above.

(e) The Company's tour package supplier, Ananda is an associate of Wing On Travel. Tour package purchase from Ananda for the nine-month periods ended September 30, 2014 and 2015 is presented as above.

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

6. RELATED PARTY TRANSACTIONS (Continued)

As of December 31, 2014 and September 30, 2015, significant balances with related parties were as follows:

	December 31, 2014 RMB	September 30, 2015 RMB
Due from related parties, current:		
Due from Tujia	—	155,134,023
Due from Skyseas	—	78,525,741
Due from HK Skysea Investment	—	31,675,000
Due from Hanting	6,402,931	8,898,351
Due from Homeinns	4,166,006	6,028,483
Due from others	—	3,000,000
	10,568,937	283,261,598
Due from related parties, non-current:		
Due from Skyseas	505,955,950	529,752,905
Due from Hanting	4,083,334	2,041,667
	510,039,284	531,794,572
Due to related parties, current:		
Due to HK Skysea	—	152,105,737
Due to LY.com	10,250,334	5,034,669
Due to Ananda	5,798,769	2,496,359
Due to Hanting	1,000,000	1,000,000
	17,049,103	160,636,765

The amounts due from and due to related parties as of December 31, 2014 and September 30, 2015 primarily resulted from the transactions disclosed above and revenue received and expenses paid on behalf of each other. They are not collateralized and have normal business payment terms.

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 registered in the Hong Kong are subject to Hong Kong Profits Tax ("CIT") 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.

7. TAXATION (Continued)

Taiwan

The Company's consolidated entities registered in the Taiwan are subject to Taiwan Enterprise Income Tax ("CIT") 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.

China

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.

In 2007, the National People's Congress passed new PRC CIT Law and Detailed Implementation Rules of China CIT Law. The CIT laws were effective on January 1, 2008. The CIT laws apply a general enterprise income tax rate of 25% to both foreign-invested enterprises and domestic enterprises. Preferential tax treatments will continue to be granted to enterprises, which conduct business in certain encouraged sectors and to enterprises otherwise classified as a high and new technology enterprise. In December 2008, the Company's subsidiaries, Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and Software Hotel Information obtained approval for the High New Tech Enterprises status. The applicable tax rate for High New Tech Enterprise is 15%, which was effective retroactively as of January 1, 2008. The High New Tech Enterprises qualification has a three-year effective period which expired on December 31, 2010. These four entities reapplied for the qualification in 2011 and 2014, and obtained approval from government authority. The High New Tech Enterprises qualification will expire on December 31, 2016.

In 2002, China's State Administration of Taxation passed an implementation for the preferential tax treatment in China's Western Region. Enterprises falling within the Catalog of Encouraged Industries in the Western Region ("Old Catalog") enjoyed a preferential income tax rate of 15% from 2001 to 2010. In 2011, Chengdu Ctrip and Chengdu Ctrip International obtained approval to use the 15% tax rate for 2010 income tax. The qualification has an effective period which expired on December 31, 2010. The Company applied 25% rate for CIT filling in 2011. In 2012, China's State Administration of Taxation extended the period to 2020. In 2012, Chengdu Ctrip and Chengdu Ctrip International obtained approval from local tax authorities to apply the 15% tax rate for 2011 tax filing with an effective period from 2012 to 2015. In 2013, Chengdu Information Technology Co., Ltd. ("Chengdu Information") obtained approval from local tax authorities to apply the 15% tax rate for 2012 tax filing with an effective period 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", the Company may apply the 15% rate for CIT filing upon agreement by the in-charge tax authorities.

In 2013, in accordance with CIT Law, the applicable CIT rates are 25%, except for aforementioned four subsidiaries qualified for High New Tech Enterprises, Chengdu Ctrip, Chengdu Ctrip International and Chengdu Information.

Pursuant to the CIT Law and Circular Caishui [2008]No.1 issued by Ministry of Finance of China on February 22, 2008, the dividends declared out of the profits earned after January 1, 2008 by a foreign invested enterprise("FIE") to its immediate holding company outside mainland China would be subject to withholding taxes. A favorable withholding tax rate will be applied if there is a tax treaty

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

7. TAXATION (Continued)

arrangement between Mainland China and the jurisdiction of the foreign holding company and other supplementary guidance/requirements stipulated by State Administration of Taxation ("SAT") and tax treaty are met and proper procedures have been gone through. The Company's subsidiaries, Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network, and Ctrip Information Technology are considered FIEs and are directly held by our subsidiaries in Hong Kong. According to double tax arrangement between Mainland and Hong Kong Special Administrative Region, dividends payable by an FIE in mainland China to the company in Hong Kong will be subject to 5% withholding tax, subject to approval of the tax authority. All of these foreign invested enterprises will be 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.

On June 13, 2012, the board of the Company has approved dividend distribution of US$300 million from its PRC subsidiaries to fund a new share repurchase program whereby Ctrip may purchase its own American depositary shares ("ADSs"). The dividends paid by the Company's PRC subsidiaries to the Company through its Hong Kong subsidiary is subject to a 5% PRC withholding tax, of which RMB95 million (US$15 million) is accrued as of December 31, 2012.

The dividend distribution on June 13, 2012 aforesaid was a one-time event out of the Company's normal business course, and withholding tax is recorded only for such transaction accordingly. The Company expects to indefinitely reinvest the remaining undistributed earnings generated after January 1, 2008 in the onshore PRC entities. As a result, no additional deferred tax liability was provided on the outside basis difference for the remaining undistributed earnings of RMB4.6 billion 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 nine-month period ended September 30, 2014 and 2015 were as follows:

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2015
	RMB	RMB
Current income tax expense	185,363,921	284,983,115
Deferred tax (benefit)/expense	(41,163,681)	113,722,624
Income tax expense	144,200,240	398,705,739

Income tax expense was RMB399 million (US$63 million) in the nine-month period ended September 30, 2015, increase from RMB144 million in the same period in 2014. The effective income tax rate in nine-month period ended September 30, 2015 was 14%, as compared to 30% in the same period in 2014, mainly due to an the company recognized a gain from the deconsolidation of Tujia.com International Co., Ltd. ("Tujia") as a result of the loss of control of Tujia after its recent financing in 2015. The gain is primarily recognized for the difference between the fair value and carrying value of

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

7. TAXATION (Continued)

the investment in Tujia as of the deconsolidation date, and the company accrued 10% withholding deferred tax liability accordingly. The tax rate of the withholding tax is lower than common income tax rate.

As of December 31, 2014 and September 30, 2015, valuation allowance of RMB183 million and RMB44 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 September 30, 2015, the Group had net operating tax loss carry forwards amounted to RMB337 million which will expire from 2016 to 2019 if not used.

The provisions for income taxes for the nine-month period ended September 30, 2014 and 2015 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:

	Nine-month period end September 30, 2014	Nine-month period end September 30, 2015
	RMB	RMB
Tax holiday effect	90,423,895	108,300,800
Basic net income per ADS effect	0.33	0.38
Diluted net income per ADS effect	0.28	0.30

8. LONG-TERM DEBT

	As of December 31, 2014	As of September 30, 2015
	RMB	RMB
2018 Convertible Senior Notes	4,963,680,000	5,084,480,000
2020 Convertible Senior Notes	—	4,448,920,000
Priceline Convertible Notes I	3,102,300,000	3,177,800,000
2025 Convertible Senior Notes	—	2,542,240,000
Priceline Convertible Notes II	—	1,588,900,000
Total	8,065,980,000	16,842,340,000

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 "Notes") at par. The 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 Notes (which represents an initial conversion price of US$19.34 per ADS).

The net proceeds to the Company from the issuance of the Notes were US$175 million. The Company pays cash interest at an annual rate of 0.5% on the 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 Notes (September 15, 2015).

The 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 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 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 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 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 Notes. Settlement of the Purchased Call Option in ADSs, based on the number of ADSs issued upon conversion of the 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 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 September 30, 2015, the warrants had not been exercised and remained outstanding.

8. LONG-TERM DEBT (Continued)

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 Notes, Purchased Call Option and the Issued Warrants (1) do not entail the same risks as the 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 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 Notes, Purchased Call Option and Issued Warrants transactions should be accounted for as separate transactions.

The Company has accounted for the Notes in accordance with ASC 470, as a single instrument as a long-term debt. The value of the Notes is measured by the cash received. As of September 30, 2015, RMB412 million (US$65 million) is reclassified as short-term debt to present the Notes may be redeemed within one year (Note 5).

The key terms of the Notes are as follows:

Redemption

Contingent redemption option

The Notes are not redeemable prior to the maturity date of September 15, 2017, except as described below. The holders of the Notes (the "Holders") have a non-contingent option to require the Company to repurchase for cash all or any portion of their Notes on September 15, 2015. The repurchase price will equal 100% of the principal amount of the 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 Notes at a purchase price equal to 100% of the principal amount of the 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 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 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 Notes holder would recover all of their initial investment. Additionally, since the 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.

8. LONG-TERM DEBT (Continued)

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 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 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 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 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 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 the nine-month period ended September 30, 2014 and 2015, US$18 million and US$4.3 million of the notes was tendered, respectively, or 0.9 million ADS and 0.2 million ADS at the initial conversion rate of 51.7116 ADS per note, respectively. These conversions did not materially impact the current shares outstanding.

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 Notes due October 15, 2018 (the "Notes") at par. The Notes may be converted, under certain circumstances, based on an initial conversion rate of 12.7568 American depository shares

8. LONG-TERM DEBT (Continued)

("ADS") per US$1,000 principal amount of the Notes (which represents an initial conversion price of US$78.39 per ADS).

The net proceeds to the Company from the issuance of the Notes were US$780 million. The Company pays cash interest at an annual rate of 1.25% on the 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 Notes (October 15, 2018).

The 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 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 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 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 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 Notes. Settlement of the Purchased Call Option in ADSs, based on the number of ADSs issued upon conversion of the 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 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$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 September 30, 2015, 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 Notes, Purchased Call Option and the Issued Warrants (1) do not entail the same risks as the 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 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 Notes, Purchased Call Option and Issued Warrants transactions should be accounted for as separate transactions.

The Company has accounted for the Notes in accordance with ASC 470, as a single instrument as a long-term debt. The value of the Notes is measured by the cash received. As of September 30, 2015, RMB5.1 billion (US$800 million) is accounted as the value of the Notes in long-term debt.

The key terms of the Notes are as follows:

Redemption

Contingent redemption option

The Notes are not redeemable prior to the maturity date of October 15, 2018, except as described below. The holders of the Notes (the "Holders") have a non-contingent option to require the Company to repurchase for cash all or any portion of their Notes on October 15, 2016. The repurchase price will equal 100% of the principal amount of the 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 Notes at a purchase price equal to 100% of the principal amount of the 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 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 Notes were issued at par and the repurchase feature

8. LONG-TERM DEBT (Continued)

requires the issuer to settle the option by delivering par plus accrued and unpaid interest, the Notes holder would recover all of their initial investment. Additionally, since the 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 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 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 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 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 Notes as the set conversion price for the 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 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 deferred issuance costs and are amortized as interest expense, using the effective interest method, over the term of the Notes pursuant to ASC 835-30-35-2.

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 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 24, 2015, the Company issued US$700 million in aggregate principle amount of 1.00% Convertible Senior Notes due June 24, 2020 (the "Notes") at par. The 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 Notes (which represents an initial conversion price of US$108.76 per ADS).

The net proceeds to the Company from the issuance of the Notes were US$689 million. The Company pays cash interest at an annual rate of 1.00% on the 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 Notes (June 24, 2020).

The 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 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)

Concurrently with the issuance of the 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 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 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 Notes. Settlement of the Purchased Call Option in ADSs, based on the number of ADSs issued upon conversion of the 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 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 June 24, 2020. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of September 30, 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 Notes, Purchased Call Option and the Issued Warrants (1) do not entail the same risks as the 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 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

8. LONG-TERM DEBT (Continued)

the Notes, Purchased Call Option and Issued Warrants transactions should be accounted for as separate transactions.

The Company has accounted for the Notes in accordance with ASC 470, as a single instrument as a long-term debt. The value of the Notes is measured by the cash received. As of September 30, 2015, RMB4.4 billion (US$700 million) is accounted as the value of the Notes in long-term debt.

The key terms of the Notes are as follows:

Redemption

Contingent redemption option

The Notes are not redeemable prior to the maturity date of June 24, 2020, except as described below. The holders of the Notes (the "Holders") have a non-contingent option to require the Company to repurchase for cash all or any portion of their Notes on June 24, 2018. The repurchase price will equal 100% of the principal amount of the 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 Notes at a purchase price equal to 100% of the principal amount of the 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 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 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 Notes holder would recover all of their initial investment. Additionally, since the 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 June 24, 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.

8. LONG-TERM DEBT (Continued)

Conversion

The Holders may convert their 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 June 24, 2020. Upon conversion of the 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 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 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 Notes as the set conversion price for the 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 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 deferred issuance costs and are amortized as interest expense, using the effective interest method, over the term of the Notes pursuant to ASC 835-30-35-2.

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.

8. LONG-TERM DEBT (Continued)

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 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 24, 2015, the Company issued US$400 million in aggregate principle amount of 1.99% Convertible Senior Notes due June 24, 2025 (the "Notes") at par. The 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 Notes (which represents an initial conversion price of US$106.89 per ADS).

The net proceeds to the Company from the issuance of the Notes were US$393 million. The Company pays cash interest at an annual rate of 1.99% on the 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 Notes (June 24, 2025).

The 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 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).

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 Notes, Purchased Call Option and the Issued Warrants (1) do not entail the same risks as the 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

8. LONG-TERM DEBT (Continued)

and economic need for structuring the transactions separately as the Company wanted to mitigate future dilution upon conversion of the 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 Notes, Purchased Call Option and Issued Warrants transactions should be accounted for as separate transactions.

The Company has accounted for the Notes in accordance with ASC 470, as a single instrument as a long-term debt. The value of the Notes is measured by the cash received. As of September 30, 2015, RMB2.5 billion (US$400 million) is accounted as the value of the Notes in long-term debt.

The key terms of the Notes are as follows:

Redemption

Contingent redemption option

The Notes are not redeemable prior to the maturity date of June 24, 2025, except as described below. The holders of the Notes (the "Holders") have a non-contingent option to require the Company to repurchase for cash all or any portion of their Notes on June 24, 2020. The repurchase price will equal 100% of the principal amount of the 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 Notes at a purchase price equal to 100% of the principal amount of the 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 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 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 Notes holder would recover all of their initial investment. Additionally, since the 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 June 24, 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

8. LONG-TERM DEBT (Continued)

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 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 June 24, 2025. Upon conversion of the 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 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 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 Notes as the set conversion price for the 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 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 deferred issuance costs and are amortized as interest expense, using the effective interest method, over the term of the Notes pursuant to ASC 835-30-35-2.

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.

8. LONG-TERM DEBT (Continued)

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 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 Priceline Convertible Notes

On August 7, 2014, the Company issued Convertible Senior Notes (the "Notes") at an aggregate principal amount of US$500 million to the Priceline Group. The Notes are due on August 7, 2019 and bear interest of 1% annually which will be paid semi-annually beginning on August 7, 2014. The 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 Notes (the "Notes") at an aggregate principal amount of US$250 million to the Priceline Group. The Notes are due on May 26, 2020 and bear interest of 1% annually which will be paid semi-annually beginning on May 26, 2015. The Notes will be convertible into the Company's American Depositary Shares ("ADSs") with an initial conversion price of approximately US$104.27 per ADS.

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

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.

9. NON-CONTROLLING INTERESTS

As of September 30, 2015, the Company's majority-owned subsidiaries and VIEs which are consolidated in the consolidated financial statements but with non-controlling interests recognized mainly include an offline travel agency, a technology company focusing on hotel customer reviews, an online trip package service provider and ezTravel.

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

9. NON-CONTROLLING INTERESTS (Continued)

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, 2014 RMB	As of September 30, 2015 RMB
An offline travel agency (Note 2)	367,705,496	399,070,509
Travelfusion (Note 2)	—	284,770,666
An online trip package service provider (Note 2)	136,890,011	136,457,183
A technology company focusing on hotel customer reviews (Note 2)	125,442,240	122,904,216
ezTravel	22,769,589	23,603,314
Tujia	130,343,575	—
Others	65,397,382	96,500,423
	848,548,293	1,063,306,311

In October 2012, February 2013 and June 2014, the Company and other institutional investors entered into a series of agreements with Tujia.com International Co., Ltd ("Tujia") to issue 70,380,000 shares of Series A redeemable convertible preferred stocks ("Series A preferred shares") with total consideration of US$14.6 million, 33,333,333 shares of Series B redeemable convertible preferred stocks ("Series B preferred shares") with total consideration of US$36.7 million and 30,465,080 shares of Series C redeemable convertible preferred stocks ("Series C preferred shares") with total consideration of US$75 million, respectively.

The Company held majority voting power of Tujia and has consolidated Tujia since it was incorporated.

In July, 2015, Tujia issued Series D+ redeemable convertible preferred shares to a number of new investors. The Company did not participate the Series D+ financing and as a result, its equity interest, and fully converted voting rights was diluted from approximately 50% to 45%. After the Series D+ financing, the Company was entitled to appoint 6 out of 12 board of directors. According to the Article of Associates of Tujia, the resolution of the board of directors shall be made by a simple majority of the directors and in the case of an equality of votes, the Chairman shall have a second vote. The Chairman of Tujia is Mr. Luo Jun, its founder and CEO, who is not a director appointed by Ctrip. Therefore, the Company concluded its loss of control in Tujia under ASC 810 and the financial statement of Tujia was deconsolidated from August 2015. The investment in Tujia was re-measured at its fair value at the date of the deconsolidation.

In December, 2014, the Company completed the transaction to acquire the equity stake and held majority voting power of an offline travel agency (Note 2).

In January, 2015, the Company completed an investment transaction in Travelfusion by purchasing a majority stake in the company (Note 2).

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

9. NON-CONTROLLING INTERESTS (Continued)

In January, 2014, the Company completed the transaction to acquire controlling shares of an online trip package service provider (Note 2).

In November, 2014, the Company completed the transaction to acquire controlling shares of a technology company focusing on hotel customer reviews (Note 2).

The shares of the above mentioned companies held by investors other than Ctrip are recorded as non-controlling interests.

10. EARNINGS PER SHARE

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

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2015
	RMB	RMB
Numerator:		
Net income attributable to Ctrip's shareholders	467,164,487	2,431,928,022
Eliminate the dilutive effect of interest expense of convertible bond	9,190,333	145,195,565
Numerator for diluted earnings per share	476,354,820	2,577,123,587
Denominator:		
Denominator for basic earnings per ordinary share—weighted average ordinary shares outstanding	34,038,621	35,460,682
Dilutive effect of share options	3,059,411	3,033,214
Dilutive effect of convertible bond	1,727,690	6,134,484
Dilutive effect of convertible bond sold warrants	892,676	497,812
Denominator for diluted earnings per ordinary share	39,718,398	45,126,192
Basic earnings per ordinary share	13.72	68.58
Diluted earnings per ordinary share	11.99	57.11
Basic earnings per ADS	1.72	8.58
Diluted earnings per ADS	1.50	7.14

Note *—On November 18, the Company also announced that it will change 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, effective December 1, 2015. The earning per share of the Company for the periods presented in this financial statement has been retrospectively adjusted to reflect such effect.

The 2018 convertible senior notes and the Priceline convertible notes were not included in the computation of diluted EPS in the nine-month period ended September, 30, 2014 because the inclusion of such instrument would be anti-dilutive.

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

10. EARNINGS PER SHARE (Continued)

For the nine-month period ended September 30, 2014 and 2015, 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:

	Nine-month period ended September 30, 2014	Nine-month period ended September 30, 2015
	RMB	RMB
2018 convertible senior notes	2,551,346	—
Priceline convertible notes	303,891	—
Outstanding weighted average stock options	72,302	430,029
Sold Warrants	1,950,251	2,048,305
	4,877,790	2,478,334

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 September 30, 2015. Future minimum lease payments for non-cancelable operating leases are as follows:

	Office Premises
	RMB
Less than 1 year	131,410,180
1 - 2 years	87,341,490
2 - 3 years	34,467,768
3 - 4 years	9,942,854
4 - 5 years	4,496,042
Thereafter	2,621,203
	270,279,537

Rental expense amounted to RMB99 million and RMB147 million for the nine-month period ended September 30, 2014 and 2015, respectively. Rental expense is charged to the statements of income and comprehensive income when incurred.

Capital commitments

As of September 30, 2015, the Company had outstanding capital commitments totaling RMB15 million, which consisted of capital expenditures of property, equipment and software.

11. COMMITMENTS AND CONTINGENCIES (Continued)

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 September 30, 2015, the amount under these guarantee arrangements was approximately RMB885 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 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.

12. SUBSEQUENT EVENTS

In October, 2015, the Company has completed a share exchange transaction with Baidu, Inc. ("Baidu"), pursuant to which Baidu has exchanged 178,702,519 Class A ordinary shares and 11,450,000 Class B ordinary shares of Qunar Cayman Islands Limited ("Qunar") beneficially owned by Baidu prior to the consummation of the transaction in exchange for 11,488,381 newly-issued ordinary shares of the company. As a result of the transaction, Baidu will own ordinary shares of the Company representing approximately 25% of the Company's aggregate voting interest, and the Company will own ordinary shares of Qunar representing approximately 45% of Qunar's aggregate voting interest.

In connection with the recent transaction with Baidu, the Company has agreed to issue a total of approximately 5 million ordinary shares to certain special purpose vehicles holding these shares solely for the benefit of Qunar employees. The issuance of such Ctrip shares to Qunar employees shall be conditional upon the surrender or forfeiture by such employees of any Qunar securities held by or granted to them. Such exchange includes issuing 4,205,436 ordinary shares of the Company in exchange for 69,607,223 Class B ordinary shares of Qunar beneficially owned by certain management and

12. SUBSEQUENT EVENTS (Continued)

directors prior to such issuance. As a result of the aforementioned transactions, the Company shall be deemed to be a beneficial owner of ordinary shares of Qunar representing approximately 56% voting interest and will account for the transactions as business combination under U.S GAAP.

On November 18, the Company also announced that it will change 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, effective December 1, 2015. The earning per share of the Company for the periods presented in this financial statement has been retrospectively adjusted to reflect such effect.

QuickLinks

Exhibit 99.2

DISCUSSION OF UNAUDITED FINANCIAL RESULTS OF NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014 — Ctrip.com International, Ltd.

Revenues

Revenue Composition and Sources of Revenue Growth. In the first nine months of 2015, we generated total revenues of RMB8.5 billion (US$1.3 billion).

We generate our revenues primarily from the accommodation reservation and transportation ticketing businesses. The table below sets forth the revenues from our principal lines of business for the periods indicated, both in absolute amounts and as percentages of our total revenues.

(in thousands, except percentages)	2012		For the year ended December 31, 2013		2014			For the nine months ended September 30, 2014		2015		
	RMB	%	RMB	%	RMB	US$	%	RMB	%	RMB	US$	%
Revenues:												
Accommodation reservation(1)	1,702,501	39	2,214,171	39	3,201,427	515,976	41	2,359,527	41	3,429,432	539,592	41
Transportation Ticketing(2)	1,690,286	38	2,161,784	38	2,950,072	475,465	38	2,176,376	38	3,209,447	504,979	38
Packaged-tour	689,661	16	935,685	16	1,055,369	170,095	14	822,006	14	1,318,391	207,438	15
Corporate travel	199,756	4	266,989	5	373,407	60,182	5	265,257	5	337,472	53,098	4
Others	126,988	3	138,389	2	192,282	30,991	2	128,984	2	169,818	26,720	2
Total revenues	4,409,192	100	5,717,018	100	7,772,557	1,252,709	100	5,752,150	100	8,464,560	1,331,827	100

(1) Accommodation reservation revenues mainly represent revenues from reservations of hotels, hostels, vacation rentals and other accommodation-related services.

(2) Transportation ticketing services revenues mainly represent revenues from reservations of air tickets, railway tickets and other transportation related services.

As we generally do not take ownership of the products and services being sold and act as an agent in substantially all of our transactions, our risk of loss due to obligations for cancelled hotel and airline ticket reservations is minimal. Accordingly, we recognize revenues primarily based on commissions earned rather than transaction value.

Since current PRC laws and regulations impose substantial restrictions on foreign ownership of air-ticketing, travel agency, advertising and value-added telecommunications businesses in China, we conduct part of our air-ticketing and packaged-tour businesses in China through our affiliated Chinese entities. Historically, we generated a portion of our revenues from fees charged to these entities.

Accommodation reservation. Revenues from our accommodation reservation business have been our primary source of revenues since our inception. Revenues from our accommodation reservation business have increased from RMB2.4 billion in the first nine months of 2014 to RMB3.4 billion (US$539.6 million) in the first nine months of 2015, representing 41% of our total revenues for each period.

We primarily generate our accommodation reservation revenues through commissions from hotels. We recognize revenues when we receive confirmation from a hotel that a customer who booked the hotel through us has completed the stay at the applicable hotel and upon confirmation of the commissions amount by the hotel. While we generally agree in advance on fixed commissions with a particular hotel, we also enter into a commission arrangement with many of our hotel suppliers that we refer to as the ‘‘ratchet system.’’ Under the ratchet system, our commission per room night for a given hotel increases for the month if we sell in excess of a pre-agreed number of room nights with such hotel within the month.

Transportation ticketing. Transportation ticketing revenues mainly represent revenues from reservations of air tickets, railway tickets and other related services. Revenues from our transportation ticketing business have increased from RMB2.2 billion in the first nine months of 2014 to RMB3.2 billion (US$505 million) in the first nine months of 2015, representing 38% of our total revenues for each period.

We conduct our transportation ticketing business through our consolidated affiliated Chinese entities, as well as a network of independent transportation ticketing service companies. Commissions from ticketing services rendered are recognized after tickets are issued.

Packaged-tour. Revenues from our packaged-tour business have increased from RMB822 million in the first nine months of 2014 to RMB1.3 billion (US$207.4 million) in the first nine months of 2015, representing 14% and 15% of our total revenues in the respective periods. We conduct our packaged-tour business mainly through our consolidated affiliated Chinese entities, which bundle the packaged tour products and receive referral fees from different travel suppliers for different components and services of the packaged-tours sold through our transaction and service platform. Referral fees are recognized as revenues after the packaged-tour services are rendered.

Corporate travel. Corporate travel revenues primarily include commissions from transportation ticket booking, accommodation reservation and packaged-tour services rendered to corporate clients. Revenues from our corporate travel services have increased from RMB265.3 million in the first nine months of 2014 to RMB337.5 million (US$53.1 million) in the first nine months of 2015, representing 5% and 4% of our total revenues for each period. Commissions from transportation ticketing services rendered are recognized after transportation tickets are issued. Commissions from accommodation reservation services rendered are recognized after hotel customers have completed their stay at the applicable hotel and upon confirmation of commissions amount by the hotel. Commissions from tour package services rendered are recognized after the packaged-tour services are rendered and collections are reasonably assured.

Other products and services. Other products and services comprise primarily of online advertising services, the sale of Property Management System (‘‘PMS’’) and related maintenance service. We place our customers’ advertisements on our websites and in our introductory brochures. We conduct the advertising business through Ctrip Commerce, and we recognize revenues when Ctrip Commerce renders advertising services. We conduct PMS sale and maintenance business through Beijing JointWisdom Information Technology Co., Ltd. (formerly China Software Hotel Information System Co., Ltd.). The sale of PMS is recognized upon customer’s acceptance. Maintenance service revenue is recognized ratably over the term of the maintenance contract on a straight-line basis.

Cost of revenues

Cost of revenues are costs directly attributable to rendering our revenues, which consists primarily of payroll compensation of customer service center personnel, credit card service fee, telecommunication expenses, and other direct expenses incurred in connection with our transaction and service platform.

Cost of revenues accounted for 28% of our net revenues for the nine-month period ended September 30, 2014 and the nine-month period ended September 30, 2015. We believe our relatively low ratio of cost of revenues to revenues is primarily due to the high efficiency of our customer service system and reasonable labor costs in China. Our cost efficiency was further enhanced by our mobile and website operations, which require fewer service staff to operate and maintain.

Operating expenses

Operating expenses consist primarily of product development expenses, sales and marketing expenses, and general and administrative expenses, all of which include share-based compensation expense. In the first nine months of 2014 and 2015, we recorded RMB370 million and RMB446 million (US$70 million) of share-based compensation expense, respectively. Share-based compensation expense is included in the same income statement category as the cash compensation paid to the recipient of the share-based award.

Product development expenses primarily include expenses we incur to develop our travel suppliers network and expenses we incur to develop, maintain, monitor and manage our transaction and service platform. Product development expenses accounted for 28% and 30% of our net revenues in the first nine months of 2014 and 2015, respectively. The product development expenses as a percentage of net revenues in the first nine months of 2015 increased compared to that in the same period in 2014 primarily due to an increase in product development personnel related expenses, including the increases in the number of product development personnel and the average payroll. In the first nine months of 2015, we continued to increase expenditure on product development in response

to more intense industry competition in order to capture more business opportunities in new products and services as well as in new markets.

Sales and marketing expenses primarily comprise payroll compensation and benefits for our sales and marketing personnel, advertising expenses, and other related marketing and promotion expenses. Our sales and marketing expenses accounted for 28% of our net revenues in the first nine months of both 2014 and 2015.

General and administrative expenses consist primarily of payroll compensation, benefits and travel expenses for our administrative staff, professional service fees, as well as administrative office expenses. Our general and administrative expenses accounted for 12% and 10% of our net revenues in the first nine months of 2014 and 2015, respectively. The decrease of general and administrative expenses as a percentage of net revenues in the first nine months of 2015 was primarily due to an increase in our revenues and operating leverage.

Results of operations

The following table sets forth a summary of our consolidated statements of operations for the periods indicated, both in absolute amounts and as percentages of our net revenues:

	For the year ended December 31,							For the nine months ended September 30,				
(in thousands, except share, per	**2012**		**2013**		**2014**			**2014**		**2015**		
share and per ADS data)	**RMB**	**%**	**RMB**	**%**	**RMB**	**US$(2)**	**%**	**RMB**	**%**	**RMB**	**US$(2)**	**%**
Consolidated statement of operation data												
Net revenues:	4,158,791	100	5,386,746	100	7,346,918	1,184,108	100	5,433,620	100	8,023,513	1,262,432	100
Cost of revenues	(1,037,791)	(25)	(1,386,767)	(26)	(2,100,606)	(338,556)	(29)	(1,516,994)	(28)	(2,280,204)	(358,771)	(28)
Gross profit	3,121,000	75	3,999,979	74	5,246,312	845,552	71	3,916,626	72	5,743,309	903,661	72
Operating expenses												
Product development(1)	(911,905)	(22)	(1,245,719)	(23)	(2,321,349)	(374,134)	(32)	(1,532,161)	(28)	(2,436,251)	(383,324)	(30)
Sales and marketing(1)	(984,002)	(24)	(1,269,413)	(24)	(2,214,210)	(356,866)	(30)	(1,507,008)	(28)	(2,239,316)	(352,337)	(28)
General and administrative(1)	(570,487)	(14)	(646,405)	(12)	(861,551)	(138,856)	(12)	(627,348)	(12)	(781,892)	(123,024)	(10)
Total operating expenses:	(2,466,394)	(59)	(3,161,537)	(59)	(5,397,110)	(869,856)	(73)	(3,666,517)	(67)	(5,457,459)	(858,685)	(68)
Income/(loss) from operations	654,606	16	838,442	16	(150,798)	(24,304)	(2)	250,109	5	285,850	44,976	4
Net interest income and other income/(loss)	296,088	7	306,147	6	286,235	46,133	4	234,063	4	2,503,714	393,938	31
Income before income tax expense equity in income/(loss) of affiliates and noncontrolling interest	950,694	23	1,144,589	21	135,437	21,829	2	484,172	9	2,789,564	438,914	35
Income tax expense	(294,526)	(7)	(293,740)	(5)	(130,821)	(21,085)	(2)	(144,200)	(3)	(398,706)	(62,733)	(5)
Equity in income/(loss) of affiliates	34,343	1	55,554	1	87,006	14,023	1	48,772	1	(41,211)	(6,484)	(1)
Net income	690,511	17	906,403	17	91,622	14,767	1	388,744	7	2,349,647	369,697	29
Less: Net loss attributable to noncontrolling interests	23,895	1	91,917	2	151,117	24,356	2	78,420	1	82,281	12,946	1
Net income attributable to Ctrip's shareholders	714,406	17	998,320	19	242,739	39,123	3	467,164	9	2,431,928	382,643	30
Earnings per ordinary share data:												
Net income attributable to Ctrip's shareholders	714,406		998,320		242,739	39,123		467,164		2,431,928	382,643	
Earnings per ordinary share, basic	20.87		30.34		7.08	1.14		13.72		68.58	10.79	
Earnings per ordinary share, diluted	19.92		26.63		6.35	1.02		11.99		57.11	8.99	
Earnings per ADS(3), basic	2.61		3.79		0.89	0.14		1.71		8.58	1.35	
Earnings per ADS(3), diluted	2.49		3.33		0.79	0.13		1.50		7.14	1.13	

(1) Share-based compensation expenses are included in the consolidated statement of operations data as follows:

	For the year ended December 31,							For the nine months ended September 30,				
	2012		**2013**		**2014**			**2014**		**2015**		
(in thousands)	**RMB**	**%**	**RMB**	**%**	**RMB**	**US$(2)**	**%**	**RMB**	**%**	**RMB**	**US$(2)**	**%**
Product development:	132,583	3	138,668	3	184,665	29,763	3	133,987	2	204,718	32,211	3
Sales and marketing	55,892	1	49,105	1	54,392	8,766	1	39,342	1	47,724	7,509	1
General and administrative	243,246	6	250,157	5	257,587	41,516	4	196,707	4	193,668	30,472	2

(2) Translation from RMB amounts into U.S. dollars was made at a rate of RMB6.3556 to US$1.00 as of September 30, 2015, and a rate of RMB6.2046 to US$1.00 as of December 31, 2014. See ''Exchange rate information.''

(3) Effective December 1, 2015, each ADS represents 0.125 of an ordinary share (changed from the previous ratio of each ADS representing 0.25 of an ordinary share), and each ADS holder of record as of the close of business on November 30, 2015 received one (1) additional ADS for every one ADS held on that date. The per ADS information herein has been retroactively adjusted to reflect such adjustment in ADS-to-ordinary share ratio.

Results of operations for the nine months ended September 30, 2014 and 2015

Revenues. Total revenues were RMB8.5 billion (US$1.3 billion) in the nine months ended September 30, 2015, representing a 47% increase from RMB5.8 billion in the same period in 2014.

Accommodation reservation. Revenues from our accommodation reservation business were RMB3.4 billion (US$540 million) for the nine months ended September 30, 2015, representing a 45% increase from RMB2.4 billion in the same period in 2014, primarily driven by a 54% increase in accommodation reservation volume and partially offset by the decline of effective commission rate.

Transportation ticking. Revenues from our transportation ticketing business were RMB3.2 billion (US$505 million) for the nine months ended September 30, 2015, representing a 47% increase over RMB2.2 billion in the same period in 2014, primarily driven by an 125% increase in ticketing volume and partially offset by the decline of effective commission rate and change in ticket mix.

Packaged-tour. Revenues from packaged-tours were RMB1.3 billion (US$207 million) in the nine months ended September 30, 2015, representing a 60% increase over RMB822 million in the same period in 2014, primarily driven by an increase in volume growth of organized tours and self-guided tours.

Corporate travel. Revenues from corporate travel were RMB337 million (US$53 million) in the nine months ended September 30, 2015, representing a 27% increase over RMB265 million in the same period in 2014. The increase was primarily driven by the increased corporate travel demand from business activities.

Other businesses. Revenues from other businesses were RMB170 million (US$27 million) in the nine months ended September 30, 2015, representing a 32% increase over RMB129 million in the same period in 2014. The increase was primarily due to increased revenues from advertising services.

Business tax and related surcharges. Our business tax and related surcharges were RMB441 million (USS$69 million) for the nine months ended September 30, 2015, representing a 38% increase from RMB319 million in the nine months ended September 30, 2014, as a result of the increases in revenues in all of our business lines.

Cost of revenues. Cost of revenues were RMB2.3 billion (US$359 million) in the nine months ended September 30, 2015, representing a 50% increase from RMB1.5 billion in the nine months ended September 30, 2014, primarily due to increased cost associated with the expansion of our accommodation reservation business and the rapid growth of our packaged-tour and ticketing businesses.

Operating expenses. Operating expenses include product development expenses, sales and marketing expenses and general and administrative expenses.

Product development. Product development expenses for the nine months ended September 30, 2015 were RMB2.4 billion (US$383 million), representing a 59% increase from RMB1.5 billion in the nine months ended September 30, 2014, primarily due to an increase in product development personnel related expenses, which is in turn due to an increase in the number of product development personnel as we expanded all of our lines of businesses, as well as an increase in the average payroll and share-based compensation to our product development personnel.

Sales and marketing. Sales and marketing expenses for the nine months ended September 30, 2015 were RMB2.2 billion (US$352 million), representing a 49% increase from RMB1.5 billion in the nine months ended September 30, 2014, primarily due to an increase in advertising expenses and marketing and promotion expenses, including our continued intensified efforts to promote our mobile app across different channels, such as through promotions on popular Android app stores and pre-installation arrangements with makers of high-end smartphones.

General and administrative. General and administrative expenses for the nine months ended September 30, 2015 were RMB782 million (US$123 million), representing a 25% increase from RMB627 million in the nine months ended September 30, 2014, primarily due to an increase in amortization expenses for intangible assets of newly acquired entities.

Equity in income/(loss) of affiliates. Equity in loss of affiliates was RMB41 million (US$6.5 million) in the nine months ended September 30, 2015, representing a decrease of 184% compared with RMB49 million income in the same period in 2014, primarily due to decreased equity pick-up of Homeinns' results of operations and pick-up of

the loss of Skysea Cruise, a joint venture with Royal Carribbean Cruises Ltd. designed to serve the Chinese cruise market.

Interest income. Interest income increased by 30% to RMB321 million (US$50 million) in the nine months ended September 30, 2015 from RMB247 million in the same period in 2014, primarily due to the increase of the yield rates of our financial management products.

Interest expense. Interest expense increased by 85% to RMB207 million (US$33 million) in the nine months ended September 30, 2015 from RMB112 million in the same period in 2014 primarily due to an increase in short-term loan facilities and the issuance of the 2019 Priceline notes, the 2020 Priceline notes, the 2020 notes and the 2025 notes.

Other income. Other expense amounted to RMB2.4 billion (US$376 million) in the nine months ended September 30, 2015, compared with RMB99 million in the same period in 2014, primarily due to the gain recognized from the deconsolidation of Tujia.com International Co., Ltd. ("Tujia") as a result of the loss of control of Tujia after its recent financing in this quarter. The gain is primarily recognized for the difference between the fair value and carrying value of the investment in Tujia as of the deconsolidation date.

Income tax expense. Income tax expense in nine months ended September 30, 2015 was RMB399 million (US$63 million), representing a 176% increase compared from income tax expense of RMB144 million in the same period of 2014, mainly as a result of non-deductible share-based compensation expenses. The effective income tax rate in the nine months ended September 30, 2015 was 14%, as compared to 30% in the same period in 2014.

Liquidity and capital resources

The following table presents a summary of our consolidated balance sheet data as of December 31, 2012, 2013 and 2014, and September 30, 2015:

	For the year ended December 31,	As of September 30,

(in thousands)	2012 RMB	2013 RMB	2014 RMB	2014 US$	2015 RMB	2015 US$
Consolidated balance sheet data						
Cash and cash equivalents	3,421,533	7,138,345	5,300,888	854,348	8,946,006	1,407,579
Restricted cash	768,229	739,544	836,395	134,802	1,076,346	169,354
Short-term investments	1,408,664	3,635,091	6,438,855	1,037,755	7,231,623	1,137,835
Accounts receivable, net	983,804	1,518,230	1,826,766	294,422	3,179,848	500,322
Prepayments and other current assets	1,060,989	1,334,510	2,673,780	430,935	5,316,635	836,527
Non-current assets	4,026,531	6,452,753	14,214,234	2,290,918	23,500,517	3,697,608
Total assets	11,669,751	20,818,474	31,290,917	5,043,180	49,250,975	7,749,225
Short-term borrowings	453,479	774,599	3,560,489	573,847	5,819,378	915,630
Other current liabilities	3,456,655	5,593,409	9,154,214	1,475,391	13,054,401	2,054,000
Other non-current liabilities	1,174,727	5,720,380	8,198,487	1,321,356	17,492,002	2,752,219
Total Ctrip's shareholders' equity	6,489,632	8,530,396	9,529,179	1,535,825	11,821,888	1,860,074
Noncontrolling interests	95,248	199,690	848,548	136,761	1,063,306	167,303
Total shareholder's equity	6,584,880	8,730,086	10,377,727	1,672,586	12,885,194	2,027,377

As of September 30, 2015, our primary source of liquidity was RMB16.2 billion (US$2.5 billion) of cash and cash equivalents, and short-term investment, cash generated from operating activities, short-term borrowings from third-party lenders, as well as the proceeds we received from our public offerings of ordinary shares and our offerings of convertible senior notes. Our cash and cash equivalents consist of cash on hand and liquid investments which are unrestricted as to withdrawal or use. Except as disclosed in this offering memorandum, we have no outstanding bank loans or financial guarantees or similar commitments to guarantee the payment obligations of third parties. We believe that our cash and cash equivalents, our anticipated cash flow from operations, our credit facilities and proceeds from our financing activities will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, need additional cash resources in the future if we experience changes in business conditions or other developments. We may also need additional cash resources in the future if we decide to pursue additional opportunities for investments or acquisitions.

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

	For the year ended December 31,				For the nine months ended September 30,		
	2012	2013	2014		2014	2015	
(in thousands)	RMB	RMB	RMB	US$	RMB	RMB	US$
Net cash provided by operating activities	1,654,368	2,452,827	1,958,604	315,670	665,860	205,544	32,341
Net cash (used in)/provided by investing activities	(1,239,904)	(4,086,144)	(9,366,411)	(1,509,591)	(4,689,623)	(6,784,447)	(1,067,475)
Net cash (used in)/provided by financing activities	(515,564)	5,315,975	5,422,195	873,899	3,817,168	10,192,973	1,603,778
Effect of foreign exchange rate changes on cash and cash equivalents	19,205	34,154	148,155	23,878	38,206	31,048	4,885
Net increase (decrease) in cash and cash equivalents	(81,895)	3,716,812	(1,837,457)	(296,144)	(168,389)	3,645,118	573,529
Cash and cash equivalents at beginning of period	3,503,428	3,421,533	7,138,345	1,150,492	7,138,345	5,300,888	834,050
Cash and cash equivalents at end of the period	3,421,533	7,138,345	5,300,888	854,348	6,969,956	8,946,006	1,407,579

Operating activities

Net cash provided by operating activities amounted to RMB206 million (US$32 million) in the first nine months of 2015, which was primarily attributable to (i) our net income of RMB2.35 billion (US$370 million) in the first nine months of 2015; (ii) an add-back of RMB765 million (US$120 million) in non-cash items, primarily relating to share-based compensation expenses, provision for doubtful accounts and depreciation and amortization expenses; (iii) an increase in accounts payable of RMB1.88 billion (US$295 million), primarily due to the increased volume of accommodation reservation and air ticketing services, as we are generally entitled to certain credit terms from our suppliers; (iv) a decrease in advances from customers of RMB1.54 billion (US$242 million) and (v) an increase in accrued liability for our customer reward program of RMB145 million (US$23 million). These increases were partially offset by (i) a decrease in prepayments and other current assets of RMB2.32 billion (US$364 million); (ii) gain from deconsolidation of Tujia of RMB2.27 billion (US$357 million); (iii) an increase in long-term deposits of RMB1.3 billion (US$160 million); and (iv) an increase in accounts receivable of RMB1.38 billion (US$216 million), primarily due to increased credit card payments from our individual customers for air-ticket booking as well as an increased receivable from our insurance business.

Investing activities

Net cash used in investing activities amounted to RMB6.8 billion (US$1.1 million) in the first nine months of 2015, which was primarily attributable to an increase in investments and acquisitions, short-term investments in bank deposits with original maturity of more than three months.

Financing activities

Net cash provided by financing activities amounted to RMB10.2 billion (US$1.6 billion) in the first nine months of 2015, which was primarily attributable to the issuance of the 2020 Priceline notes, the 2020 notes and 2025 notes, and an increase in short-term bank loans.

Capital expenditures

As of September 30, 2015, our primary capital commitment was RMB15 million (US$2.4 million) in connection with capital expenditures of property, equipment and software.

The following sets forth our contractual obligations as of September 30, 2015:

	Payments due by period				
(in RMB thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Convertible senior notes with principal and interest	18,163,915	209,502	826,188	17,128,225	—
Term Loans with principal and interest	5,436,909	5,436,909	—	—	—
Operating lease obligations	270,280	131,410	121,809	14,439	2,621
Purchase obligations	115,276	114,952	324	—	

Our 2017 notes will mature in September 2017, unless earlier repurchased or converted into our ADSs based on an initial conversion rate of 51.7116 of our ADSs per US$1,000 principal amount of notes; this conversion rate, after giving effect to the change in the ratio of our ADSs to ordinary shares from four (4) ADSs representing one ordinary share to eight (8) ADSs representing one ordinary share on December 1, 2015, is now at 103.4232 of our ADSs per US$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The 2017 notes bear interest at a rate of 0.5% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2013.

Our 2018 notes will mature in October 2018, unless earlier repurchased or converted into our ADSs based on an initial conversion rate of 12.7568 of our ADSs per US$1,000 principal amount of notes; this conversion rate, after giving effect to the change in the ratio of our ADSs on December 1, 2015, is now at 25.5136 of our ADSs per US$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The 2018 notes bear interest at a rate of 1.25% per year, payable semiannually in arrears on April 15 and October 15 of each year, beginning on April 15, 2014.

The 2019 Priceline notes will mature in August 2019, unless earlier repurchased or converted into our ADSs based on an initial conversion rate of 12.2911 of our ADSs per US$1,000 principal amount of notes; this conversion rate, after giving effect to the change in the ratio of our ADSs on December 1, 2015, is now at 24.5822 of our ADSs per US$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The notes have an interest rate of 1.00% per year that accrues semi-annually from August 7, 2014.

The 2020 Priceline notes will mature in May 2020, unless earlier repurchased or converted into our ADSs based on an initial conversion rate of 9.5904 of our ADSs per US$1,000 principal amount of notes; this conversion rate, after giving effect to the change in the ratio of our ADSs on December 1, 2015, is now at 19.1808 of our ADSs per US$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The notes have an interest rate of 1.00% per year that accrues semi-annually from May 26, 2015.

The 2020 notes will mature in July 2020, unless earlier repurchased or converted into our ADSs based on an initial conversion rate of 9.1942 ADSs per US$1,000 principal amount of notes; this conversion rate, after giving effect to the change in the ratio of our ADSs on December 1, 2015, is now at 18.3884 of our ADSs per US$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The notes have an interest rate of 1.00% per year payable semiannually in arrears on January 1 and July 1 of each year, beginning on January 1, 2016.

The 2025 notes will mature in in July 2025, unless earlier repurchased or converted into our ADSs based on an initial conversion rate of 9.3555 ADSs per US$1,000 principal amount of notes; this conversion rate, after giving effect to the change in the ratio of our ADSs on December 1, 2015, is now at 18.7110 of our ADSs per US$1,000 principal amount of notes. The conversion rate is subject to adjustment upon occurrence of certain events. The notes have an interest rate of 1.99% per year payable semiannually in arrears on January 1 and July 1 of each year, beginning on January 1, 2016.

As of September 30, 2015, we obtained six borrowings of RMB1.7 billion (US$266.3 million) in aggregate collateralized by a bank deposit of RMB120 million and RMB1.2 billion classified as restricted cash and short-term investment at one of our wholly-owned subsidiaries. The annual interest rate of borrowings is approximately 1.5%. We are in compliance with the relevant loan covenants as of September 30, 2015.

As of September 30, 2015, we obtained three borrowings of RMB1.3 billion (US$197.9 million) in aggregate collateralized by bank deposits of RMB380 million and RMB2.1 billion classified as restricted cash and short-term investment provided by one of our wholly-owned subsidiaries. The annual interest rate of borrowings is approximately from 1.3% to 2.3%. We are in compliance with the relevant loan covenants as of September 30, 2015.

As of September 30, 2015, we obtained one borrowings of RMB373.7 million (US$58.8 million) in aggregate collateralized by bank deposits of RMB75 million classified as short-term investment provided by one of our wholly-owned subsidiaries. The annual interest rate of borrowings is approximately from 2.0%. We are in compliance with the relevant loan covenants as of September 30, 2015.

As of September 30, 2015, we obtained three borrowings of RMB998.5 million (US$157.1 million) in aggregate collateralized by bank deposits of RMB442 million classified as short-term investment provided by one of our wholly-owned subsidiaries. The annual interest rate of borrowings is approximately 1.6%. We are in compliance with the relevant loan covenants as of September 30, 2015.

As of September 30, 2015, we obtained three borrowings of RMB794.5 million (US$125 million) in aggregate collateralized by bank deposits of RMB57.7 million classified as restricted cash provided by one of our wholly-owned subsidiaries. The annual interest rate of borrowings is approximately from 1.9% to 2.0%. We are in compliance with the relevant loan covenants as of September 30, 2015.

As of September 30, 2015, we obtained one borrowing of RMB291.1 million (US$45.8 million) in aggregate collateralized by bank deposits of RMB680 million classified as short-term investment provided by one of our wholly-owned subsidiaries. The annual interest rate of borrowings is approximately 1.1%. We are in compliance with the relevant loan covenants as of September 30, 2015.

Operating lease obligations for the years 2015, 2016, 2017, 2018, 2019 and 2020 are RMB131.4 million, RMB87.3 million, RMB34.5 million, RMB9.9 million, RMB4.5 million and RMB2.6 million, respectively. Rental expenses amounted to approximately RMB94 million, RMB118 million and RMB144 million (US$23 million) for the years ended December 31, 2012, 2013 and 2014, respectively. Rental expense is charged to the statements of income when incurred.

While the table above indicates our contractual obligations as of September 30, 2015, the actual amounts we are eventually required to pay may be different in the event that any agreements are renegotiated, cancelled or terminated.

CTRIP.COM INTERNATIONAL, LTD.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Ctrip.com International, Ltd.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, of shareholder's equity and of cash flows present fairly, in all material respects, the financial position of Ctrip.com International, Ltd. (the "Company") and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Report of Management on Internal Control over Financial Reporting appearing in Item 15 of the Company's Annual Report on Form 20-F for the year ended December 31, 2014, not included herein. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China

April 27, 2015, except for the effect of the change in the ratio of American depositary shares to ordinary shares as described in Note 22 to the consolidated financial statements, as to which the date is December 1, 2015

CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

	2012 RMB	2013 RMB	2014 RMB	2014 US$
Revenues:				
Accommodation reservation	1,702,500,571	2,214,170,887	3,201,426,933	515,976,362
Transportation ticketing	1,690,285,903	2,161,784,259	2,950,072,484	475,465,378
Packaged-tour	689,660,631	935,684,729	1,055,369,205	170,094,640
Corporate travel	199,756,068	266,988,534	373,407,012	60,182,286
Others	126,989,085	138,388,653	192,281,473	30,990,148
Total revenues	4,409,192,258	5,717,017,062	7,772,557,107	1,252,708,814
Less: business tax and related surcharges	(250,401,009)	(330,271,520)	(425,638,738)	(68,600,512)

Net revenues	4,158,791,249	5,386,745,542	7,346,918,369	1,184,108,302
Cost of revenues	(1,037,791,093)	(1,386,767,067)	(2,100,606,413)	(338,556,299)
Gross profit	3,121,000,156	3,999,978,475	5,246,311,956	845,552,003
Operating expenses:				
Product development	(911,904,722)	(1,245,719,192)	(2,321,348,753)	(374,133,506)
Sales and marketing	(984,002,165)	(1,269,412,720)	(2,214,209,719)	(356,865,828)
General and administrative	(570,487,457)	(646,404,879)	(861,550,628)	(138,856,756)
Total operating expenses	(2,466,394,344)	(3,161,536,791)	(5,397,109,100)	(869,856,090)
Income/(loss) from operations	654,605,812	838,441,684	(150,797,144)	(24,304,087)
Interest income	177,144,144	200,068,533	304,583,544	49,089,956
Interest expense	(11,344,180)	(57,043,756)	(162,354,675)	(26,166,824)
Other income (net)	130,287,943	163,122,374	144,006,435	23,209,624
Income before income tax expense, equity in income of affiliates and non-controlling interests	950,693,719	1,144,588,835	135,438,160	21,828,669
Income tax expense	(294,525,956)	(293,740,322)	(130,821,156)	(21,084,543)
Equity in income of affiliates	34,343,000	55,554,072	87,005,341	14,022,716
Net income	690,510,763	906,402,585	91,622,345	14,766,842
Net loss attributable to non-controlling interests	23,895,101	91,917,099	151,117,436	24,355,710
Net income attributable to Ctrip's shareholders	714,405,864	998,319,684	242,739,781	39,122,552
Net income	690,510,763	906,402,585	91,622,345	14,766,842
Other comprehensive income:				
Foreign currency translation	21,039,744	(14,167,524)	(66,759,799)	(10,759,727)
Unrealized securities holding gains , net of tax	92,647,858	445,580,779	137,704,595	22,193,952
Total comprehensive income	804,198,365	1,337,815,840	162,567,141	26,201,067
Comprehensive loss attributable to non-controlling interests	23,895,101	91,917,099	151,117,436	24,355,710
Comprehensive income attributable to Ctrip's shareholders	828,093,466	1,429,732,939	313,684,577	50,556,777
Earnings per ordinary share				
— Basic	20.87	30.34	7.08	1.14
— Diluted	19.92	26.63	6.35	1.02
Earnings per ADS				
— Basic	2.61	3.79	0.89	0.15
— Diluted	2.49	3.33	0.80	0.13
Weighted average ordinary shares outstanding				
— Basic shares	34,236,761	32,905,601	34,289,170	34,289,170
— Diluted shares	36,090,785	38,069,841	38,207,858	38,207,858
Share-based compensation included in Operating expense above is as follows:				
Product development	132,583,177	138,668,196	184,664,576	29,762,527
Sales and marketing	55,892,394	49,104,528	54,391,508	8,766,320
General and administrative	243,245,751	250,156,753	257,587,405	41,515,554

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

CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND 2014

	2013 RMB	2014 RMB	2014 US$
ASSETS			
Current assets:			
Cash and cash equivalents	7,138,344,814	5,300,887,799	854,348,032
Restricted cash	739,543,614	836,394,951	134,802,397
Short-term investment	3,635,090,955	6,438,854,587	1,037,754,986
Accounts receivable, net	1,518,230,029	1,826,765,949	294,421,228
Due from related parties	21,774,669	10,568,937	1,703,404

Prepayments and other current assets	1,215,756,287	2,469,707,335	398,044,569
Deferred tax assets, current	96,979,500	193,503,366	31,187,082
Total current assets	14,365,719,868	17,076,682,924	2,752,261,698
Long-term deposits and prepayments	559,185,652	306,661,011	49,424,783
Long-term loan receivable	178,584,102	192,871,939	31,085,314
Long-term receivables due from related parties	8,166,667	510,039,284	82,203,411
Land use rights	107,476,794	104,568,868	16,853,442
Property, equipment and software	1,412,943,693	5,220,626,461	841,412,252
Investments	2,857,213,480	5,318,756,447	857,227,935
Goodwill	972,531,184	1,892,507,708	305,016,876
Intangible assets	356,653,022	668,202,371	107,694,673
Total assets	20,818,474,462	31,290,917,013	5,043,180,384
LIABILITIES			
Current liabilities:			
Short-term debt	774,599,341	3,560,488,641	573,846,604
Accounts payable	1,637,545,824	2,304,111,525	371,355,369
Due to related parties	11,216,780	17,049,103	2,747,817
Salary and welfare payable	257,641,763	525,157,105	84,639,961
Taxes payable	315,299,656	339,452,319	54,709,783
Advances from customers	2,451,931,450	3,937,477,522	634,606,183
Accrued liability for customer reward program	284,668,935	430,852,908	69,440,884
Other payables and accruals	635,104,949	1,600,113,658	257,891,508
Total current liabilities	6,368,008,698	12,714,702,781	2,049,238,109
Deferred tax liabilities, non-current	63,197,155	132,506,644	21,356,194
Long-term Debt	5,657,182,650	8,065,980,000	1,300,000,000
Total liabilities	12,088,388,503	20,913,189,425	3,370,594,303
Commitments and contingencies (Note 21)			
Shareholders' equity			
Share capital (US$0.01 par value; 100,000,000 shares authorized, 33,828,251 and 35,146,982 shares issued and outstanding as of December 31, 2013 and 2014, respectively.)	3,033,490	3,085,272	497,256
Additional paid-in capital	4,088,484,766	4,828,021,816	778,135,870
Statutory reserves	118,449,230	134,098,747	21,612,795
Accumulated other comprehensive income	372,634,580	443,579,376	71,492,018
Retained earnings	5,498,934,733	5,726,024,997	922,867,711
Less: Treasury stock (3,777,087 and 3,323,262 shares as of December 31, 2013 and 2014, respectively.)	(1,551,141,268)	(1,605,630,913)	(258,780,729)
Total Ctrip's shareholders' equity	8,530,395,531	9,529,179,295	1,535,824,921
Non-controlling interests	199,690,428	848,548,293	136,761,160
Total shareholders' equity	8,730,085,959	10,377,727,588	1,672,586,081
Total liabilities and shareholders' equity	20,818,474,462	31,290,917,013	5,043,180,384

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

CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

	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, 2011	35,849,473	2,939,527	3,465,924,424	98,049,668	(172,466,277)	3,806,608,747	242,832	(158,761,225)	7,042,294,864	102,770,969	7,145,065,833
Issuance of common stock pursuant to share incentive plan	627,635	39,617	93,215,551	—	—	—	—	—	93,255,168	—	93,255,168
Share-based compensation	—	—	429,165,035	—	—	—	—	—	429,165,035	—	429,165,035
Appropriations to statutory reserves	—	—	—	5,172,844	—	(5,172,844)	—	—	—	—	—
Repurchasing common stock	(4,122,474)	—	—	—	—	—	4,122,474	(1,733,127,675)	(1,733,127,675)	—	(1,733,127,675)
Foreign currency translation	—	—	—	—	21,039,744	—	—	—	21,039,744	—	21,039,744

	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
adjustments											
Unrealized securities holding gains	—	—	—	—	92,647,858	—	—	—	92,647,858	—	92,647,858
Purchasing of Purchased Call Option	—	—	(346,009,222)	—	—	—	—	—	(346,009,222)	—	(346,009,222)
Sale of Issued Warrants	—	—	167,503,950	—	—	—	—	—	167,503,950	—	167,503,950
Purchasing and settlement Capped Call Option	—	—	4,809,282	—	—	—	—	—	4,809,282	—	4,809,282
Net income/(loss)	—	—	—	—	—	714,405,864	—	—	714,405,864	(23,895,101)	690,510,763
Disposal of a stake of shares of a subsidiary	—	—	17,577,884	—	—	—	—	—	17,577,884	2,674,521	20,252,405
Issuance of convertible preferred shares by a subsidiary	—	—	—	—	—	—	—	—	—	67,243,193	67,243,193
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	12,000,000	12,000,000
Acquisition of additional stake in a subsidiary	—	—	(13,930,677)	—	—	—	—	—	(13,930,677)	(65,546,044)	(79,476,721)
Balance as of December 31, 2012	32,354,634	2,979,144	3,818,256,227	103,222,512	(58,778,675)	4,515,841,767	4,365,306	(1,891,888,900)	6,489,632,075	95,247,538	6,584,879,613

CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

	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
Issuance of common stock pursuant to share incentive plan	885,398	54,346	194,142,177	—	—	—	—	—	194,196,523	—	194,196,523
Share-based compensation	—	—	440,992,258	—	—	—	—	—	440,992,258	—	440,992,258
Appropriations to statutory reserves	—	—	—	15,226,718	—	(15,226,718)	—	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	(14,167,524)	—	—	—	(14,167,524)	—	(14,167,524)
Unrealized securities holding gains	—	—	—	—	445,580,779	—	—	—	445,580,779	—	445,580,779
Purchasing of Purchased Call Option	—	—	(842,694,944)	—	—	—	—	—	(842,694,944)	—	(842,694,944)
Sale of Issued Warrants	—	—	470,838,904	—	—	—	—	—	470,838,904	—	470,838,904
Early Termination of Call Option	—	—	70,270,919	—	—	—	—	—	70,270,919	—	70,270,919
Early Conversion of Convertible Notes	588,219	—	(63,288,632)	—	—	—	(588,219)	340,747,632	277,459,000	—	277,459,000
Net income / (loss)	—	—	—	—	—	998,319,684	—	—	998,319,684	(91,917,099)	906,402,585
Issuance of convertible preferred shares by a subsidiary	—	—	—	—	—	—	—	—	—	132,709,989	132,709,989
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	63,700,000	63,700,000
Acquisition of additional stake in subsidiaries	—	—	(32,143)	—	—	—	—	—	(32,143)	(50,000)	(82,143)
Balance as of December 31, 2013	33,828,251	3,033,490	4,088,484,766	118,449,230	372,634,580	5,498,934,733	3,777,087	(1,551,141,268)	8,530,395,531	199,690,428	8,730,085,959

	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
Issuance of common stock pursuant to share incentive plan	835,042	51,483	221,534,465	—	—	—	—	—	221,585,948	—	221,585,948
Share-based compensation	—	—	496,643,489	—	—	—	—	—	496,643,489	—	496,643,489
Appropriations to statutory reserves	—	—	—	15,649,517	—	(15,649,517)	—	—	—	—	—
Repurchasing common stock	(392,306)	—	—	—	—	—	392,306	(446,155,147)	(446,155,147)	—	(446,155,147)
Foreign currency translation adjustments	—	—	—	—	(66,759,799)	—	—	—	(66,759,799)	—	(66,759,799)
Unrealized securities holding gains	—	—	—	—	137,704,595	—	—	—	137,704,595	—	137,704,595
Early Conversion of Convertible Notes	846,131	—	8,945,339	—	—	—	(846,131)	391,665,502	400,610,841	—	400,610,841
Net income / (loss)	—	—	—	—	—	242,739,781	—	—	242,739,781	(151,117,436)	91,622,345
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(280,075)	(280,075)

Issuance of convertible preferred shares by a subsidiary	—	—	—	—	—	—	—	—	—	186,057,768	186,057,768
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	658,466,145	658,466,145
Acquisition of additional stake in subsidiaries	29,864	299	12,413,757	—	—	—	—	—	12,414,056	(44,268,537)	(31,854,481)
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

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

CTRIP.COM INTERNATIONAL, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

	2012 RMB	2013 RMB	2014 RMB	2014 US$
Cash flows from operating activities:				
Net income	690,510,763	906,402,585	91,622,345	14,766,842
Adjustments to reconcile net income to cash provided by operating activities:				
Share-based compensation	431,721,322	437,929,477	496,643,489	80,044,401
Equity in income of affiliates	(34,343,000)	(55,554,072)	(87,005,341)	(14,022,716)
Gain on deconsolidation of subsidiaries	(44,432,052)	—	(789,193)	(127,195)
Loss from disposal of property, equipment and software	653,191	11,946,443	3,751,452	604,624
Gain on disposal of cost method investment	—	(4,014,829)	—	—
Gain on disposal of equity investment	—	(592,742)	—	—
Loss from disposal of a subsidiary	—	—	1,529,046	246,437
Gain from the re-measurement of the previously held equity interest to the fair value in the business acquisition	—	—	(100,185,800)	(16,147,020)
Loss from impairment of long-term investment	—	—	33,000,000	5,318,635
Provision for doubtful accounts	376,164	2,842,681	11,737,580	1,891,755
Depreciation of property, equipment and software	88,462,807	110,494,928	173,786,973	28,009,376
Amortization of intangible assets and land use rights	10,538,382	10,545,854	8,334,028	1,343,202
Deferred income tax benefit	(22,757,864)	(35,871,972)	(97,573,997)	(15,726,073)
Changes in current assets and liabilities net of assets acquired and liabilities assumed/disposed of in business combinations/dispositions :				
Increase in accounts receivable	(193,874,838)	(487,446,257)	(261,973,182)	(42,222,413)
(Increase)/Decrease in due from related parties	(333,610)	(12,363,165)	2,352,014	379,076
Increase in prepayments and other current assets	(118,239,096)	(398,015,862)	(1,218,273,146)	(196,349,990)
(Increase) /Decrease in long-term deposits	(7,479,664)	19,406,141	(27,406,657)	(4,417,151)
Increase in accounts payable	255,160,851	537,669,487	585,953,759	94,438,603
Increase in due to related parties	1,677,658	583,234	6,057,681	976,321
Increase in salary and welfare payable	85,511,674	25,720,555	259,440,083	41,814,151
Increase/(Decrease) in taxes payable	(3,054,768)	98,025,837	23,797,376	3,835,441
Increase in advances from customers	310,497,590	1,001,717,032	1,469,414,155	236,826,573
Increase in accrued liability for customer reward program	55,805,114	67,120,782	146,183,973	23,560,580
Increase in other payables and accruals	147,967,182	216,281,215	438,207,218	70,626,182
Net cash provided by operating activities	1,654,367,806	2,452,827,352	1,958,603,856	315,669,641
Cash flows from investing activities:				
Purchase of property, equipment and software	(543,123,309)	(651,765,217)	(4,788,676,371)	(771,794,535)
Cash paid for long-term investments	—	(965,421,399)	(2,078,378,807)	(334,973,858)
Cash paid for acquisition, net of cash acquired	(29,018,885)	(119,739,607)	(130,124,251)	(20,972,223)
Purchase of intangible assets	—	—	(9,000,000)	(1,450,537)
(Increase) /Decrease in restricted cash	(558,620,548)	31,954,414	(94,988,241)	(15,309,326)
Decrease/ (Increase) in short-term investment	(123,698,692)	(2,219,940,665)	(2,799,807,028)	(451,246,983)
Increase in long-term loan receivable	—	(178,584,102)	—	—
Decrease in long-term receivables due from related parties	—	—	496,368,000	80,000,000
Cash received from disposal of equity investment	—	4,209,926	—	—
Cash received from disposal of cost method investment	—	13,142,920	—	—
Cash received from deconsolidation of a subsidiary, net of cash disposed	—	—	45,569,216	7,344,424
Cash received from disposal of a subsidiary net of cash disposed	14,556,966	—	(7,373,416)	(1,188,379)
Net cash used in investing activities	(1,239,904,468)	(4,086,143,730)	(9,366,410,898)	(1,509,591,417)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

	2012 RMB	2013 RMB	2014 RMB	2014 US$
Cash flows from financing activities:				
Proceeds from short-term bank loans	453,478,628	321,120,713	2,325,694,972	374,833,990
Proceeds from exercise of share options	81,911,154	180,261,090	184,579,173	29,748,763
Repurchase of common stock	(1,733,127,675)	—	(446,155,147)	(71,907,157)
Cash paid to non-controlling investors	(40,289,731)	(82,143)	(36,792,354)	(5,929,851)
Cash received from non-controlling investors in connection with the establishment of subsidiary	—	—	139,393,178	22,466,102
Proceeds from issuance convertible preferred shares by a subsidiary	63,709,828	132,709,989	186,475,640	30,054,418
Proceeds from issuance of senior convertible notes, net of issuance costs	1,097,195,400	4,723,511,720	3,069,000,000	494,633,014
Proceeds from sale of warrants	167,503,950	470,838,904	—	—
Purchase of Purchased Call Option	(346,009,222)	(842,694,944)	—	—
Cash inflow (outflow) for Capped equity	(259,935,853)	264,745,135	—	—
Early Termination of Call Option	—	70,270,919	—	—
Convertible Notes early conversion	—	(4,706,419)	—	—
Net cash (used in) provided by financing activities	(515,563,521)	5,315,974,964	5,422,195,462	873,899,279
Effect of foreign exchange rate changes on cash and cash equivalents	19,204,727	34,153,266	148,154,565	23,878,182
Net increase (decrease) in cash and cash equivalents	(81,895,456)	3,716,811,852	(1,837,457,015)	(296,144,315)
Cash and cash equivalents, beginning of year	3,503,428,418	3,421,532,962	7,138,344,814	1,150,492,347
Cash and cash equivalents, end of year	3,421,532,962	7,138,344,814	5,300,887,799	854,348,032
Supplemental disclosure of cash flow information				
Cash paid during the year for income taxes	350,444,946	271,482,184	261,734,551	42,183,952
Cash paid for interest, net of amounts capitalized	3,364,678	19,276,294	31,144,846	5,019,638
Supplemental schedule of non-cash investing and financing activities				
Receivables incurred for disposal of investment	—	12,250,000	—	—
Conversion of convertible senior notes	—	—	400,610,842	64,566,748
Non-cash consideration paid for business acquisitions and investments	—	—	(169,784,697)	(27,364,326)
Accruals related to purchase of property, equipment and software	(34,450,253)	(37,038,698)	(258,632,797)	(41,684,040)
Unpaid cash consideration for business acquisitions (Note 2)	(19,742,776)	(23,773,221)	(306,966,884)	(49,474,081)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in RENMINBI (RMB) unless otherwise stated)

1. ORGANIZATION AND NATURE OF OPERATIONS

The accompanying 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, to a much lesser extent, Internet-related advertising and other related services.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("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. Actual results could materially differ from those estimates.

Consolidation

The 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.

The Company has adopted 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

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

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 December 31, 2014.

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 December 31, 2014.

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, a senior officer of the Company control 100% of the equity interest in Shanghai Ctrip. The registered capital of Shanghai Ctrip was RMB10,000,000 as of December 31, 2014.

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 December 31, 2014.

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 December 31, 2014.

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 December 31, 2014.

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 air-ticketing service. Shanghai Ctrip holds 100% of the equity interest in Chengdu Ctrip. The registered capital of Chengdu Ctrip was RMB11,500,000 as of December 31, 2014.

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 December 31, 2014.

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 December 31, 2014, 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 affiliated Chinese entities signed an irrevocable power of attorney to appoint Ctrip Computer Technology (Shanghai) Co., Ltd. or another wholly owned subsidiary of ours, as attorney-in-fact to vote, by itself or any other person to be designated at its discretion, on all matters of our affiliated Chinese entities. Each power of attorney will remain effective during the existence of the applicable affiliated Chinese entity. The Power of Attorney shall remain effective as long as the applicable affiliated Chinese entity exists, and the shareholders of our affiliated Chinese entities are not entitled to terminate or amend the terms of the Power of Attorneys without prior written consent from us.

Amended and Restated Technical Consulting and Services Agreement: Ctrip Computer Technology, Ctrip Travel Network and Ctrip Travel Information provide our affiliated Chinese entities with technical consulting and related services and staff training and information services. We also maintain their network platforms. In consideration for our services, our 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 2014, our affiliated Chinese entities paid Ctrip Computer Technology and Ctrip Travel Network a quarterly fee based on the number of air tickets sold and the number of packaged-tour products sold in the quarter, at an average rate from RMB2 (US$0.3) to RMB19 (US$3) per ticket and from RMB8 (US$1) to RMB58 (US$9) per person per tour. Although the service fees are typically determined based on the number of air tickets sold and packaged tour products sold, given the fact that the nominee shareholders of our 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 affiliated Chinese entities in the form of service fees. The services fees paid by all of our affiliated Chinese entities as a percentage of their total net income were 82.7%, 105.9% and 109.4% for the years ended December 31, 2012, 2013 and 2014. 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 affiliate Chinese entity.

Amended and Restated Share Pledge Agreements: The shareholders of our affiliated Chinese entities have pledged their respective equity interests in our affiliated Chinese entities as a guarantee for the performance of all the obligations under the other contractual arrangements, including payment by our affiliated Chinese entities of the technical and consulting services fees to us under the amended and restated technical consulting and services agreements, repayment of the business loan under the amended and restated business loan agreements and performance of obligations under the amended and restated exclusive option agreements, each agreement as described herein. In the event any of our affiliated Chinese entity breaches any of its obligations or any shareholder of our affiliated Chinese entities breaches his/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, 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 amended and restated share pledge agreements came into effect on the day when the respective pledgors became shareholders of our affiliated Chinese entities, and shall expire two years after the pledgor and the affiliated Chinese entities no longer undertake any obligations under the above-referenced agreements.

Amended and Restated Business Loan Arrangements: Under the amended and restated business loan agreements we entered into with the shareholders of our affiliated Chinese entities, we extended long-term business loans to these shareholders of our affiliated Chinese entities with the sole purpose of providing funds necessary for the capitalization or acquisition of our affiliated Chinese entities. These loan amounts were injected into the affiliated Chinese entities as capitals and cannot be accessed for any personal uses. The amended and restated business loan agreements shall remain effective until the parties have fully performed their respective obligations under the agreement, and the shareholders of our 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 affiliated Chinese entities, as described in the following paragraph, and the amended and restated business 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.

Amended and Restated Exclusive Option Agreements: As consideration for our entering into the amended and restated business loan agreements described above, each of the shareholders of our affiliated Chinese entities has granted us an exclusive, irrevocable option to purchase, or designate one or more person(s) at our discretion to purchase, all of their equity interests in our 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 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 our affiliated Chinese entities pursuant to the amended and restated business 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 affiliate Chinese entity.

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

In addition, the Company also enters into amended and restated technical consulting and services agreements with its majority or wholly owned subsidiaries of the affiliated Chinese entities, such as Chengdu Ctrip and Chengdu Ctrip International, and these subsidiaries pay the Company service fees based on the level of services provided. The existence of such amended and restated technical consulting and services agreements provides the Company with the enhanced ability to transfer economic benefits of these majority or wholly owned subsidiaries of the affiliated Chinese entities to us in exchange for the services provided, and this is in addition to the Company's existing ability to consolidate and extract the economic benefits of these majority or wholly owned subsidiaries of the affiliated Chinese entities (for instance, the 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 the Company 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 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.

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 RMB514 million as of December 31, 2014. 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,	
	2013	2014
	RMB	RMB
Total assets	5,982,258,881	13,495,852,174
Less: Inter-company receivables	(373,041,663)	(1,424,351,080)
Total assets excluding inter-company	5,609,217,218	12,071,501,094
Total liabilities	5,287,287,035	12,509,239,945
Less: Inter-company payables	(1,442,636,737)	(6,133,068,354)
Total liabilities excluding inter-company	3,844,650,298	6,376,171,591

As of December 31, 2013 and 2014, the VIEs' assets mainly consisted of short-term investment (December 31, 2013: RMB1.6 billion, December 31, 2014: RMB 3.1 billion), cash and cash equivalent (December 31, 2013: RMB1.5 billion, December 31, 2014: RMB 2.6 billion), prepayments and other current assets (December 31, 2013: RMB912 million, December 31, 2014: RMB2.0 billion), investments (non-current) (December 31, 2013: RMB73 million, December 31, 2014: RMB1.6 billion) and accounts receivables (December 31, 2013: RMB1.1 billion, December 31, 2014: RMB1.4 billion). The inter-company receivables of RMB373 million and RMB RMB1.4 billion as of December 31, 2013 and 2014 mainly represented the cash paid by a VIE to one of the Company's WFOEs for treasury cash management purpose.

As of December 31, 2013 and 2014, the VIEs' liabilities mainly consisted of advance from customers (December 31, 2013: RMB2.1 billion , December 31, 2014: RMB3.5 billion), accounts payable (December 31, 2013: RMB1.3 billion, December 31, 2014: RMB1.8 billion), other payables and accruals (December 31, 2013: RMB181 million, December 31, 2014: RMB588 million), salary and welfare payable (December 31, 2013: RMB119 million, December 31, 2014: RMB195 million) and taxes payable (December 31, 2013: RMB46 million, December 31, 2014: RMB45 million). The inter-company payables as of December 31, 2013 and 2014 were RMB1.4 billion and RMB6.1 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 technical consulting and services agreements, which are operational in nature from the VIEs and their subsidiaries' perspectives.

	For the year ended December 31,		
	2012	2013	2014
	RMB	RMB	RMB
Net revenues	2,465,286,325	3,137,211,893	4,138,380,618
Cost of revenues	644,886,101	904,328,902	1,252,538,920
Net income / (loss)	198,929,052	(74,463,933)	(87,193,139)

As aforementioned, the VIEs mainly conduct air-ticketing, travel agency, advertising and value-added telecommunication businesses. Revenues from VIEs accounted for around 56% of the Company's total revenues in 2014. The air-ticketing and packaged-tour revenues continued to increase in 2014, primarily driven by the increase in the air-ticketing volume and leisure travel volume.

The VIEs' net income before the deduction of the inter-company consulting fee charges were RMB1.1 billion, RMB1.3 billion and RMB1.1 billion for the years ended December 31, 2012, 2013 and 2014, respectively.

The amount of service fees paid by all the VIEs as a percentage of the VIEs' total net income were 82.7%, 105.9%and 109.4% for the years ended December 31, 2012, 2013 and 2014, 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. The WFOEs did not request service fee payments of RMB286 million from Chengdu Ctrip and Chengdu Ctrip International during the years ended December 31 2012, primarily for tax planning purpose. In 2013, Chengdu Ctrip and Chengdu Ctrip International started to pay service fee to WFOEs, and the retained earnings of 2013 and 2014 have been transferred to the WFOEs, respectively. For remaining undistributed retained earnings, tax planning strategies are in place to support their enterprise income tax free treatment.

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 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$1.00 = RMB6.2046 on December 31, 2014, representing the certificated exchange rate published by the Federal Reserve Board. No representation is intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on December 31, 2014, 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.

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	20-30 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 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.

Investments

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

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. In October 2013, the Company contributed cash in return for 5% equity shares in Zhong An Online Property Insurance Co., Ltd. ("Zhong An Online"). In December 2013, the Company acquired approximately 4% equity shares in Keystone Lodging Holdings Limited ("Keystone"), which in 2013 merged with 7 Days Group Holdings Limited ("7 Days"), a leading economy hotel chain based in China. In 2014, dividends of RMB39 million are received from Keystone. Cost method of accounting was applied to both transactions due to lack of ability to exercise significant influence (Note 8). No new cost method investment transactions have occurred in 2014.

The Company applies equity method in accounting for our 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. In 2008, the Company acquired equity interest in Homeinns Hotel Group ("Homeinns" formerly Home Inns & Hotels Management Inc.) and on May 21, 2009, the Company started to have the ability to exercise significant influence and meeting requirement to apply equity method of accounting. In 2014, through a series of transactions, the Company culminated 35% share capital of Skyseas Holding International Ltd. ("Skyseas") and provided a loan of US$80 million to Skyseas to finance its purchase of a cruise ship. The Company therefore has the ability to exercise significant influence on Skyseas and applied equity method to account for the investment (Note 8). 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 into one of three categories and accounts for these as follows: (i) debt securities 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. The Company has designated its investment in commons shares of China Lodging Group, Limited ("Hanting"), Tuniu Corporation ("Tuniu") and eHi Car Services Limited("eHi") as available-for-sale equity securities, investment in shares with liquidation preference right of Tongcheng Network Technology Share Co., Ltd. ("LY.com") and a travel agency focusing on teenager market as available-for-sale equity securities and its investments in convertible redeemable preferred shares ("Preferred Share") of Easy Go Inc.("Easy Go"), Dining Secretary China Limited ("Dining Secretary") , Happy City Holdings Limited("Happy City") and a big-data advertisement company as available-for-sale debt securities in accordance with Accounting Standard Codification ("ASC") 320-10, respectively (Note 8). Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported as accumulated other comprehensive income (loss), net of tax. 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 instruments of the Group primarily comprise of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, due from related parties, available-for-sale investments, accounts payable, due to related parties, advances from customers, short-term bank borrowings, other short-term liabilities and long-term debts. As of December 31, 2013 and 2014, carrying values of these financial instruments except for short-term investments and available-for-sale investments approximated their fair values because of their generally short maturities, and the carrying value of the long-term debts also approximates their fair value, as they bear interest at rates determined based on prevailing interest rates in the market. The Company reports short-term investments and 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 does not have any financial liabilities which must be measured at fair value on a recurring basis.

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. From January 1, 2009, the Group adopted ASC 805, "Business combinations". Following this adoption, 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 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

Wing On Travel

In May 2010, to develop and expand our overseas business, our wholly-owned subsidiary C-Travel, a Cayman Island company, successfully completed the transaction to acquire 90% of the issued share capital of Wing On Travel's travel service segment, a Hong Kong based travel service provider that offers packaged-tours as well as air tickets and hotel reservation services. We obtained control over Wing On Travel and have consolidated its financial statements since then. The total purchase price for the transaction is approximately RMB598 million (US$88 million). The cash payment is approximately RMB454 million (approximately US$68 million) after the Company assumed net current liability of Wing On Travel as of acquisition date. In February, 2012, Ctrip acquired the remaining 10% of the issued share capital of Wing On Travel's travel service segment as operated through HKWOT (BVI) Limited, at a consideration of approximately RMB60 million (US$9.4 million). The purchase of the remaining 10% non-controlling interests was initiated by the Company is treated as an equity transaction. The difference between the book value of the 10% non-controlling interests and the cash consideration of Rmb21.7 million was recorded as additional paid in capital. Upon completion of this share purchase, Ctrip holds 100% of the share capital of Wing On Travel. Based on the Company's assessment, financial results of Wing On Travel were not considered material to the Group for the years ended December 31, 2012, 2013 and 2014.

Travel agencies

The Company completed several transactions to acquire controlling shares of certain travel agencies 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.

In August, 2013, the Company completed the transaction to acquire controlling shares of a B2B hotel reservation company. The purchase consideration is approximately RMB47 million (US$8 million). The financial results of the acquired entity have been included in the Company's consolidated financial statements since the acquisition date. In February, 2014, Ctrip acquired the remaining share capital of this B2B hotel reservation company at a consideration of approximately RMB44 million (US$7 million). The purchase of the remaining non-controlling interests initiated by the Company was treated as an equity transaction. The difference between the book value of the remaining non-controlling interests and the cash consideration was recorded as additional paid in capital. Upon completion of this share purchase, Ctrip holds 100% of the share capital of the B2B hotel reservation company.

In August, 2013, the Company completed the transaction to acquire 100% of the share capital of a wholesaler operated hotel reservation and air ticketing services. The purchase consideration is HK$125 million (US$16 million).

In January, 2014, the Company completed the transaction to acquire a 51% controlling interest of an online trip package service provider. The purchase consideration is RMB139 million (US$23 million). The results of the acquired entity's operations have been included in the consolidated financial statements of the Company since the acquisition date. On the acquisition date, the 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 49% equity interest not held by the Company:

	RMB
Net assets	13,176,760
Identifiable intangible assets — trademark and domain	61,564,134
Deferred tax liabilities	(9,234,620)
Non-controlling interests	(134,009,200)
Goodwill	207,981,890
Total purchase consideration	139,478,964

In December, 2014, the Company completed the transaction to acquire approximately 43% equity stake and obtained majority voting power of an offline travel agency. The purchase consideration is approximately RMB308 million (US$50 million). As of December 31, 2014, the total unpaid consideration was amounted to RMB 196 million and will be paid in 2015. The financial results of the acquired entity have been included in the Company's consolidated financial statements since the acquisition date. On the acquisition date, the allocation of the purchase price of the assets acquired and liabilities assumed based on their fair values was as follows:

	RMB
Net assets (including the cash acquired of RMB142 million)	164,411,042
Identifiable intangible assets – customer list	69,700,000
Identifiable intangible assets – trademark	174,800,000
Deferred tax liabilities	(61,125,000)
Non-controlling interests	(370,656,000)
Goodwill	330,669,958
Total purchase consideration	307,800,000

A technology company focusing on hotel customer reviews

In November 2013, the Company completed the transaction to acquire 35% equity shares in a technology company focusing on hotel customer reviews. The Company applied equity method to account for the investment. The total investment cost is RMB 29 million.

In October, 2014, the Company acquired the remaining 65% equity shares and obtained control with total purchase consideration of approximately RMB240 million which includes the cash consideration of RMB 115 million and the swapped non-controlling interest of one of the Company's subsidiaries with the fair value of RMB 125 million. The Company also recognized a gain from the re-measurement of its previously held 35% equity interest to the fair value with amount of RMB100 million. As of December 31, 2014, the total unpaid cash consideration was RMB 97 million and will be paid in 2015. The financial results of the acquired company have been included in the Company's consolidated financial statements since the date the Company obtained control and were not significant to the Company for the year ended December 31, 2014. On the acquisition date, the allocation of the purchase price of the assets acquired and liabilities assumed based on their fair values was as follows:

	RMB
Net assets	2,134,170
Goodwill	366,884,722
Previously held equity interest	(129,360,000)
Total purchase consideration	239,658,892

Based on the Company's assessment, financial results of the above mentioned acquired companies were not considered material to the Group for the years ended December 31, 2013 and 2014.

Other acquisitions

From time to time, the Company selectively acquired or invested in businesses that complement our existing business, and will continue to do so in the future. Other than disclosed above, none of such acquisitions or investments 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.

As of December 31, 2014, the step one analysis performed indicated that the fair value of the Company's reporting units was substantially greater than the respective carrying value. There was no impairment of goodwill during the years ended December 31, 2012, 2013 and 2014. 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 patent and a cross-border travel agency license as of December 31, 2013 and 2014. 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, 2013 and 2014. 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 reviews intangible assets with indefinite lives annually for impairment.

No impairment on other intangible assets was recognized for the years ended December 31, 2012, 2013 and 2014.

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.

No impairment of long-lived assets was recognized for the years ended December 31, 2012, 2013, and 2014.

Accrued liability for customer reward program

The Group's customers 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, 2013, and 2014, the Group's accrued liability for its customer reward program amounted to RMB285 million and RMB431 million, respectively, based on the estimated liabilities under the customer reward program. Our expenses for the customer rewards program were approximately RMB157million, RMB203 million and RMB355 million for the years ended December 31, 2012, 2013 and 2014.

Deferred revenue

In 2011, the Group launched a coupon program, through which the Group provides coupons for customers who book selected hotels online through website. Customers who use the coupons receive credits in their virtual cash accounts upon check-out from the hotels and reviews for hotels submitted. Customers may redeem the amount of credits in their virtual cash account in cash, voucher, or mobile phone credit. In accordance with ASC 605-50 "Revenue Recognition: Customer Payments and Incentives", 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 conducts its principal businesses in Great China Area primarily through Ctrip Computer Technology (Shanghai) Co., Ltd. ("Ctrip Computer Technology"), Ctrip Travel Information Technology (Shanghai) Co., Ltd. ("Ctrip Travel Information"), Ctrip Travel Network Technology (Shanghai) Co., Ltd. ("Ctrip Travel Network"), Ctrip Information Technology (Nantong) Co., Ltd. ("Ctrip Information Technology"), ezTravel and Wing On Travel. Some of the operations of Ctrip Computer Technology and Ctrip Travel Network are conducted through a series of services and other agreements with the VIEs and VIE subsidiaries.

Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network, Ctrip Information Technology and the VIEs are subject to business tax and related surcharges on the provision of taxable services in the PRC, which include hotel reservation and ticketing services provided to customers. In the statements of income and comprehensive income, business tax and related surcharges are deducted from revenues to arrive at net revenues.

The Group presents revenues on a net basis generally. Revenues are recognized at gross amounts received from customers in cases where the Group undertakes the majority of the business risks and acts as principal related to the services provided. The amount of revenues recognized at gross basis was immaterial during the years ended December 31, 2012, 2013 and 2014, respectively.

In November 2011, the Ministry of Finance released Circular Caishui [2011] No. 111 mandating Shanghai to carry out a pilot program of tax reform. Effective January 1, 2012, selected entities within modern service industries will switch from a business tax payer to a value-added tax (''VAT'') payer. In May 2013, the Ministry of Finance released Circular Caishui [2013] No. 37 to extend the tax reform nationwide. Effective August 1, 2013, 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 hotel customers 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 customers 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 reservations of air tickets, railway tickets 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 airline 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.

Shanghai Ctrip, Beijing Ctrip, Guangzhou Ctrip, Shenzhen Ctrip and Wing On Travel conduct domestic and cross-border travel tour services. Revenues, mainly referral fees, are recognized as commissions on a net basis after the services are rendered.

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.

Other businesses

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

Shanghai Ctrip Commerce receives advertising revenues, which principally represent the sale of banners or sponsorship on the website from customers. Advertising revenues are recognized ratably over the fixed term of the agreement as services are provided.

Software Hotel Information 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.

Allowance for doubtful accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company reviews on a periodic basis for doubtful accounts for the outstanding trade receivable balances based on historical experience and information available. Additionally, we make specific bad debt provisions based on (i) our specific assessment of the collectability of all significant accounts; and (ii) any specific knowledge we have acquired that might indicate that an account is uncollectible. The facts and circumstances of each account may require us to use substantial judgment in assessing its collectability. The following table summarized the details of the Company's allowance for doubtful accounts:

	2012	2013	2014
	RMB	RMB	RMB
Balance at beginning of year	4,974,138	4,351,963	5,896,903
Provision for doubtful accounts	376,164	2,842,681	11,737,580
Write-offs	(998,339)	(1,297,741)	(2,927,299)
Balance at end of period	4,351,963	5,896,903	14,707,184

Cost of revenues

Cost of revenues consists primarily of payroll compensation of customer service center personnel, 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 RMB276 million, RMB538 million and RMB1.2 billion for the years ended December 31, 2012, 2013 and 2014 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 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

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, 2013 and 2014, 587,596 and 386,310 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 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. RSUs granted under 2007 Incentive Plan have a restricted period for 4 years. As of December 31, 2013 and 2014, 3,543,136 and 4,585,868 options and 623,424 and 1,058,608 RSUs were outstanding under the 2007 Incentive Plan.

Option modification

In January 2012, the compensation committee passed a resolution to replace all options that previously granted under the 2007 incentive plan but with exercise price above $120.00 per ordinary share, with maximum of 518,017 restricted share units (RSU) of the Company based on the conversion ratio at 4:1 ("the Replacement"). The total options modified approximate 1.9 million and the Company incurred no incremental cost for such modification.

A summary of option activity under the share option plans

The following table summarized the Company's share option activity under all the option plans (in US$, except shares):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2011	5,433,541	85.02	5.59	144,827,231

Granted	961,980	79.55		
Exercised	(502,991)	29.39		
Forfeited	(71,623)	136.67		
Converted to RSU in January 2012	(1,901,372)	91.8		
Outstanding at December 31, 2012	3,919,535	64.81	5.14	57,772,345
Granted	945,106	79.70		
Exercised	(660,459)	48.05		
Forfeited	(73,450)	91.75		
Outstanding at December 31, 2013	4,130,732	70.42	4.99	528,988,489
Granted	1,472,449	172.56		
Exercised	(573,351)	62.52		
Forfeited	(57,652)	117.63		
Outstanding at December 31, 2014	4,972,178	101.03	5.17	405,399,251
Vested and expect to vest at December 31, 2014	4,755,245	99.67	5.10	394,059,498
Exercisable at December 31, 2014	2,260,520	65.37	3.36	263,652,339

The Company’s current practice is to issue new shares to satisfy share option exercises.

The expected-to-vest options are the result of applying the pre-vesting forfeiture rate assumptions of 8% to total unvested options.

The aggregate intrinsic value in the table above represents the total intrinsic value (the aggregate difference between the Company’s closing stock price of US$182 as of December 31, 2014 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2014.

The total intrinsic value of options exercised during the years ended December 31, 2012, 2013 and 2014 were US$34million US$99 million and US$148 million, respectively.

The following table summarizes information related to outstanding and exercisable options as of December 31, 2014 (in US$, except shares):

	Outstanding			**Exercisable**		
Range of Exercise Prices	**Number of shares**	**Weighted-Average Exercise Price**	**Weighted-average Remaining Contractual Life (Years)**	**Number of shares**	**Weighted-Average Exercise Price**	**Weighted-average Remaining Contractual Life (Years)**
35.00-44.99	1,092,164	38.03	2.10	1,092,164	38.03	2.10
45.00-58.99	41,007	58.39	0.12	41,007	58.39	0.12
59.00-77.99	1,281,421	76.87	5.99	376,408	75.33	5.89
78.00-96.99	640,510	91.20	4.29	405,003	93.08	3.73
97.00-129.99	427,259	105.57	4.66	324,269	106.44	4.59
130.00-249.99	1,489,817	172.09	7.37	21,669	150.58	4.09
	4,972,178			2,260,520		

The weighted average fair value of options granted during the years ended December 31, 2012, 2013 and 2014 was US$38.01, US$38.40 and US$78.10 per share, respectively.

As of December 31, 2014, there was US$129 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share options which are expected to be recognized over a weighted average period of 2.7 year. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures. Total cash received from the exercise of share options amounted to RMB81,911,154, RMB180,261,090 and RMB184,579,173 for the year ended December 31, 2012, 2013 and 2014, respectively.

The Company calculated the estimated fair value of share options on the date of grant using the Black-Scholes pricing model with the following assumptions for the years ended December 31, 2012, 2013 and 2014:

	2012	**2013**	**2014**
Risk-free interest rate	0.71%-1.05%	0.69%-0.87%	1.66%-1.75%
Expected life (years)	5.0	5.0	5.0
Expected dividend yield	0%	0%	0%
Volatility	56%	56%	49%-52%
Fair value of options at grant date per share	from US$33.44 to US$42.18	from US$37.96 to US$39.69	from US$74.98 to US$109.57

A summary of RSUs activities under the share option plans

The Company granted 164,976, 259,365 and 761,514 RSUs to employees with 4 year requisite service period for the years ended December 31, 2012, 2013 and 2014, respectively. In additional, pursuant to the Replacement mentioned above, another 475,343 RSUs replaced the 1,901,372 options initially granted under the 2007 incentive plan.

The following table summarized the Company’s RSUs activities under all option plans (in US$, except shares):

	Number of Shares	Weighted average grant date fair value(US$)
Restricted shares		
Outstanding at December 31, 2011	190,916	130.29
Granted	164,976	82.34
Converted from option in January 2012	475,343	—
Exercised	(124,644)	129.84
Forfeited	(60,290)	128.27
Unvested at December 31, 2012	646,301	101.30*
Granted	259,365	79.23
Exercised	(224,939)	118.54
Forfeited	(57,303)	85.40
Unvested at December 31, 2013	623,424	83.60*
Granted	761,514	185.40
Exercised	(261,692)	86.82
Forfeited	(64,638)	148.02
Unvested at December 31, 2014	1,058,608	158.55

* It does not include the impact of restricted shares converted from option.

Total share-based compensation cost for the RSUs amounted to US$12.5million, US$13.2 million and US$32.3 million for the years ended December 31, 2012, 2013 and 2014, respectively. As of December 31, 2014, there was US$129 million unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted shares, which are to be recognized over a weighted average vesting period of 2.8 years. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures.

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.

Effective January 1, 2007, the Company adopted 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.

As of both December 31, 2013 and 2014, the Company did not record any liability for uncertain tax positions. The Company’s policy is to recognize, if any, tax related interest as interest expenses and penalties as general and administrative expenses. For 2014 and 2013, the Company did not have any interest and penalties associated with tax positions.

Other income (net)

Other income primarily consists of financial subsidies, investment income and foreign exchange gains/(losses). Financial subsidies from local PRC government authority 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 authority. Financial subsidies are recognized as other income when received. Components of other income for the years ended December 31, 2012, 2013 and 2014 were as follows:

	2012 RMB	2013 RMB	2014 RMB
Financial subsidies	90,280,139	119,697,248	132,094,928
Dividends from a cost method investment	—	—	39,036,138
Bank charges	(10,628,266)	(18,940,474)	(49,713,255)
Foreign exchange gains/(losses)	(9,781,057)	32,523,857	(55,930,392)
Reimbursement from the depository	7,914,706	17,507,842	—
Loss from disposal of property, equipment and software	(653,191)	(11,946,443)	—
Gain from the re-measurement of the previously held equity interest to the fair value in the business acquisition (Note 2)	—	—	100,185,800
Loss from impairment of long-term investment (Note 9)	—	—	(33,000,000)
Gain/(loss) on disposal of cost method investment	—	4,014,829	(1,529,046)
Gain on disposal of equity investment	—	592,742	—

Gain on deconsolidation of subsidiaries	44,432,052	—	789,193
Others	8,723,560	19,672,773	12,073,069
Total	130,287,943	163,122,374	144,006,435

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 can be stopped if such reserve has reached 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 Software Hotel Information, 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. During the years ended December 31, 2012, 2013, and 2014, appropriations to statutory reserves have been made of approximately RMB3.4 million, RMB13.5 million, and RMB15.6 million, respectively. The Company's subsidiary in Taiwan, ezTravel, is required to allocate 10% of its after-tax profit to the statutory reserve in accordance with the Taiwan regulations. During the years ended December 31, 2012 and 2013, appropriations to statutory reserves equivalent to approximately RMB1.8 million and RMB 1.7 million have been made, respectively. There is no such regulation of providing statutory reserve in Hong Kong.

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 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 RMB1.9 billion as of December 31, 2014.

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, 2012, 2013 and 2014 were RMB3.6 billion, RMB4.6 billion and RMB5.0 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.

On June 13, 2012, the Company announced that the board of the Company has approved dividend distribution of US$300 million from its PRC subsidiaries to fund a new share repurchase program whereby Ctrip may purchase its own American depositary shares ("ADSs"). This dividend distribution was a one-time event out of the Company's normal business course, and withholding tax is recorded only for such transaction accordingly. The PRC withholding tax amounted US$15 million was recorded in the Company's 2012 financial results (Note 15).

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).

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 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.

Treasury stock consists of ADS repurchased by the Group under these three plans. In October 2013, US$45.5 million convertible senior notes issued in 2012 was early converted and 588,219 shares of repurchased treasury stock were delivered to bond holders. In 2014, US$61.6 million convertible senior notes issued in 2012 was converted and 846,131 shares of repurchased treasury stock were delivered to bond holders. As of December 31, 2014, the Company had 3,323,262 shares treasury stock at total cost of US$259 million. Treasury stock is accounted for under the cost method.

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 Statements.

The Company primarily generates its revenues from customers 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 March of 2013, the FASB issued ASU 2013-05, "Foreign Currency Matters (Topic 830), Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." The amendments clarify the applicable guidance for the release of the cumulative translation adjustment when 1. an entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity; 2. there is a loss of a controlling financial interest in a foreign entity or a step acquisition involving an equity method investment that is a foreign entity; and 3. sales or transfers of a controlling financial interest within a foreign entity is the same irrespective of whether the sale or transfer is of a subsidiary or a group of assets (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) that is a nonprofit activity or business. The amendments are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The Company adopted ASU 2013-05 effective January 1, 2014. Such adoption did not have a material effect on the Company's financial position or results of operations.

In March of 2013, the FASB issued ASU 2013-11, "Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists". The amendment clarifies that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company adopted ASU 2013-11 effective January 1, 2014. Such adoption did not have a material effect on the Company's financial position or results of operations.

In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". This update changed the threshold for reporting discontinued operations and added new disclosures for disposals. Under the updated guidance, a discontinued operation is defined as a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. This ASU is not reasonably expected in the future to have a material impact on the Company's consolidated financial statements, because the Company does not have discontinued operations or disposals of components of an Entity.

In May 2014, the FASB and IASB issued their converged standard on revenue recognition. The objective of the revenue standard ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. For public companies, the revenue standard is effective for the first interim period within annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

In February 2015, the FASB issued the ASU 2015-02, "Amendments to the Consolidation Analysis". The objective of issuing the amendments in this Update is to change the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendments in this Update are an improvement to current US GAAP because they simplify the Codification and reduce the number of consolidation models through the elimination of the indefinite deferral of Statement 167 and because they place more emphasis on risk of loss when determining a controlling financial interest. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the amendments in this Update using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. A reporting entity also may apply the amendments retrospectively. The Company is in the process of evaluating the impact of the 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, 2012, 2013 and 2014, 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. 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 years ended December 31, 2012, 2013 and 2014. No individual customer accounted for more than 10% of accounts receivable as of December 31, 2013 and 2014.

3. PREPAYMENTS AND OTHER CURRENT ASSETS

Components of prepayments and other current assets as of December 31, 2013 and 2014 were as follows:

	2013	2014
	RMB	RMB
Prepayments and deposits to vendors	1,083,771,955	2,277,055,303
Receivables from financial institution	28,303,638	65,310,413
Interest receivable	55,861,029	39,436,993

Employee advances	10,476,537	24,041,438
Prepayments for property and equipment	4,575,720	5,047,856
Others	32,767,408	58,815,332
Total	1,215,756,287	2,469,707,335

4. LONG-TERM DEPOSITS AND PREPAYMENTS

The Group's subsidiaries and VIEs are required to pay certain amounts of deposit to airline companies to obtain blank air tickets for sales to customers. The subsidiaries and VIEs are also required to pay deposit to local travel bureau as pledge for insurance of traveler's safety.

Components of long-term deposit and prepayments as of December 31, 2013 and 2014 were as follows:

	2013 RMB	2014 RMB
Deposits paid to airline suppliers	127,011,881	128,845,051
Unamortized debt issuance cost	127,815,384	81,391,948
Deposits paid to hotel suppliers	13,009,271	42,495,335
Deposits paid to lessor	15,161,665	16,165,551
Deposits paid to travel bureau	2,051,195	1,387,812
Prepayments for fixed assets	263,626,283	—
Others	10,509,973	36,375,314
Total	559,185,652	306,661,011

5. LONG-TERM LOAN RECEIVABLE

In December, 2013, in connection with the investment on Keystone (Note 8), the Company entered into a loan agreement with Felicity Investment Holdings Limited ("Felicity") for a total amount of approximately US$29.5 million with a 5% compounded annual interest rate. The balance of the loan and the compounded accrued interests will be received at the end of the 5 year term of the loan. The loan receivable is fully collateralized with shares of Keystone held by Felicity. As of December 31, 2014, the balance of the loan and the compounded accrued interests was approximately US$31 million.

6. LAND USE RIGHTS

The Company's land use rights are related to the payment to acquire three land use rights, the first one is at total cost of approximately RMB68 million for approximately 17,000 square meters of land in Shanghai, on which the Group has built an information and technology center. The second one was acquired at RMB49 million for approximately 19,500 square meters of land in Nantong, which was put into use in May, 2010. The third one was RMB10 million for approximately 9,000 square meters of land in Chengdu, on which the Group has built an information and technology center of West China. According to land use right policy in the PRC, the Company has a 50-year use right over the land in Shanghai, a 40-year use right over the land in Nantong, and a 50-year use right over the land in Chengdu, which are used as the basis for amortization, respectively. Amortization expense for the years ended December 31, 2012, 2013 and 2014 was approximately RMB2.8 million, RMB3.2 million and RMB2.9 million, respectively. As of December 31, 2013 and 2014, the net book value was RMB107,476,794 and RMB 104,568,868, respectively.

7. PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software and its related accumulated depreciation and amortization as of December 31, 2013 and 2014 were as follows:

	2013 RMB	2014 RMB
Buildings	1,050,102,815	1,928,090,705
Computer equipment	256,542,169	350,022,706
Website-related equipment	135,116,574	246,791,832
Furniture and fixtures	60,468,480	86,013,103
Software	52,640,160	76,484,726
Leasehold improvements	44,835,912	51,638,809
Construction in progress	199,363,516	3,014,154,910
Less: accumulated depreciation and amortization	(386,125,933)	(532,570,330)
Total net book value	1,412,943,693	5,220,626,461

In 2014, the Company entered into an agreement to acquire building in Shanghai Sky SOHO. All direct costs of the building in Sky SOHO were originally capitalized as construction in progress.

Depreciation expense for the years ended December 31, 2012, 2013 and 2014 was RMB88,462,807, RMB110,494,928 and RMB 173,786,973, respectively.

8. INVESTMENTS

The Company's long-term investments consisting of cost method investments, equity method investments and available-for-sale securities as of December 31, 2013 and 2014 were as follows:

	2013 RMB	2014 RMB
Available-for-sale securities		
LY.com (available-for-sale)	—	1,547,844,523
Hanting (available-for-sale)	1,016,455,767	898,828,511
Easy Go (available-for-sale)	143,904,165	627,905,501
eHi (available-for-sale)	570,977,550	535,024,052
Tuniu (available-for-sale)	—	216,690,294
A travel agency focusing on teenager market (available-for-sale)	—	81,000,000
A big-data advertisement company (available-for-sale)	—	62,046,000
Happy City (available-for-sale)	37,358,327	35,422,062
Dining Secretary (available-for-sale)	56,242,365	29,046,000
Equity method investments		
Homeinns (equity method)	801,550,868	902,964,928
Skyseas (equity method)	—	161,828,826
A technology company focusing on hotel customer reviews (formerly equity method)	21,665,182	—
Cost method investments		
Keystone (cost method)	155,330,749	158,217,350
Zhong An Online (cost method)	50,000,000	50,000,000
Others	3,728,507	11,938,400
Total net book value	2,857,213,480	5,318,756,447

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 and shareholders agreement, the Company has the substantive liquidation preference right which allows the Company to receive a priority in liquidation assets allocation over the other shareholders under the liquidation events. With such liquidation preference, the investment is not considered to be in substance of LY.com's common stock. Therefore, the Company recorded this investment as an available-for-sale equity security and subsequently measured at its fair value.

Hanting

On March 31, 2010, the Company purchased newly issued 7,202,482 shares from Hanting in a private placement. On the same day, the Company purchased an aggregate of 11,646,964 shares of Hanting from the then shareholders. In addition, on March 31, 2010, the Company purchased 800,000 ADSs representing 3,200,000 shares of Hanting in its initial public offering ("IPO"). All transactions were made at a purchase price of US$12.25 per ADS, or US$3.0625 per share, which is the then IPO price. The total purchase cost is US$67.5 million (approximately RMB461 million). Upon the closing of the transactions described above, the Company holds an aggregate of 22,049,446 shares of Hanting (including 3,200,000 shares represented by ADSs), representing approximately 9% of Hanting's total outstanding shares as of March 31, 2010. The Company has one out of seven seats in Hanting.

Given the level of investment, the Company applies ASC-320-25 to account for its investment in Hanting. The Company classified the investment as "available for sale" as the Company does not have the ability to exercise significant influence and measured the fair value at every period end (Note 9). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized.

The closing price of Hanting as of December 31, 2014 is US$26.28 per ADS. As of December 31 2014, the Company recorded the investment in Hanting at a fair value of RMB899 million (approximately US$145 million), with RMB480 million increase in fair value of the investment credited to other comprehensive income.

Easy Go

In December 2013 and August 2014, the Company completed the transactions to acquire equity stake of Easy Go by subscribing its Series B and Series C convertible preferred shares with a total consideration of US$53 million.

The Company recorded this investment as an available-for-sale debt since the preferred shares purchased by the Company are redeemable at the option of the Company and are not in substance of common stocks. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 9). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. As of December 31 2014, the Company recorded the investment in Easy Go at a fair value of RMB628 million (approximately US$101 million), with RMB299 million increase in fair value of the investment credited to other comprehensive income.

eHi

In December 2013 and April 2014, the Company completed the transactions to acquire equity stake of eHi, one of the largest car rental companies in China, by subscribing its Series E and Series E Plus convertible preferred shares with a total consideration of approximately US$107 million. In November 2014, with the consummation of eHi's initial public offering, the convertible preferred shares held by the Company were converted into common share of eHi. In November, 2014, the Company purchased US$10 million additional common shares at its IPO price. Upon the closing of the transactions described above, the Company held an aggregate equity interest of approximately 18.5% of eHi's total outstanding share as of December 31, 2014. The Company has one out of seven seats in eHi.

The Company continued to record this investment as an available-for-sale debt security since the Company does not have the ability to exercise significant influence. The available-for-sale debt security is measured at fair value at every period end (Note 9). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized.

The closing price of eHi as of December 31, 2014 is US$8.16 per ADS. As of December 31 2014, the Company recorded the investment in eHi at a fair value of RMB535 million (approximately US$86 million), with RMB191 million decrease in fair value of the investment credited to other comprehensive income.

Tuniu

In May, 2014, the Company purchased 1,666,667 ADSs representing 5,000,000 shares of Tuniu upon its IPO. The transaction was made at a purchase price of US$9 per ADS, or US$3 per share, which is the then IPO price. The total purchase cost is US$15 million (RMB93 million). In addition, in December, 2014, the Company purchased 3,731,034 newly issued class A ordinary shares of Tuniu at a purchase price of US$12 per ADS, or US$4 per share. Upon the closing of the transactions described above, the Company held an aggregate equity interest approximately 4.6% of Tuniu's total outstanding shares as of December 31, 2014. The Company has one out of nine seats in Tuniu

Given the level of investment, the Company applies ASC-320-25 to account for its investment in Tuniu. The Company classified the investment as "available for sale" and measured the fair value at every period end (Note 9). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized.

The closing price of Tuniu as of December 31, 2014 is US$12 per ADS. As of December 31 2014, the Company recorded the investment in Tuniu at a fair value of RMB217 million (US$35 million), with RMB31 million increase in fair value of the investment credited to other comprehensive income.

A travel agency focusing on teenager market

In August, 2014, the Company completed the transactions to acquire a minority stake of a travel agency focusing on teenager market, with a cash consideration of RMB81 million. According to the purchase and shareholders agreement, the Company has the substantive liquidation preference right which allows the Company to receive a priority in the liquidation assets allocation over the other shareholders under the liquidation events. With such liquidation preference, the investment is not considered to be in substance of the acquired entity's common stock. Therefore, the Company recorded this investment as an available-for-sale equity security and subsequently measured at its fair value. There is no significant change in fair value of the investment from the initial investment day to December 31, 2014.

A big-data advertisement company

In August 2014, the Company completed the transactions to acquire a minority stake of Seris B preferred shares of a big-data advertisement company with a total consideration of US$10 million.

The Company recorded this investment as an available-for-sale debt since the Company does not have the ability to exercise significant influence and the preferred shares purchased by the Company are redeemable at the option of the Company. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 9). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. There is no significant change in fair value of the investment from the initial investment day to December 31, 2014.

Happy City

In June 2013, the Company entered into agreements to acquire a minority stake of the Series A preferred shares in Happy City, a privately owned mobile application software company, with total consideration of US$6 million. Happy City is engaged in development and operation of a mobile application for hotel searching and booking.

The Company recorded this investment as an available-for-sale debt security since the preferred shares purchased by the Company are redeemable at the option of the Company and are not common stocks in substance. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 9). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. The decrease in fair value of the investment in Happy City of RMB2 million (US$0.3 million) was recorded to other comprehensive income as of December 31, 2014.

Dining Secretary

In November 2010, the Company completed the transactions to acquire a minority stake of Dining Secretary's Series B convertible preferred shares with total consideration of US$10 million. Dining Secretary is a provider of free online and offline restaurant reservations for diners.

The Company recorded this investment as an available-for-sale debt security. Subsequent to initial recognition, the available-for-sale debt security is measured at fair value at every period end (Note 9). Unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. As of December 31 2014, the Company recorded an other than temporary investment impairment of RMB33 million in Dining Secretary based on the difference of its fair value and cost with the previously recognized unrealized loss in other comprehensive income with amount of RMB4 million reversed. The decrease in fair value of the investment in Dining Secretary of RMB33 million (US$5 million) was recorded to other income as of December 31, 2014.

Homeinns

The Company purchased ADSs of Homeinns from time to time through the open market and in a private placement transaction. As of December 31, 2014, the Company held an aggregate equity interest of approximately 15.1% 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 calculated equity in income or losses of investment in Homeinns on one quarter lag basis, as allowed, as the financial statements of Homeinns were not available within a sufficient time period.

On October 1, 2011, Homeinns completed a transaction to acquire 100% equity interest in a business, pursuant to which Homeinns issued additional ordinary shares as part of the total consideration. As a result, the Company's equity interest in Homeinns effectively decreased from 17.5% to 15.1%. In accordance with ASC 323-10-40-1, the Company accounts for a share issuance by an investee as if the investor had sold a proportionate share of its investment. The issuance price per share of the newly issued capital by the investee is higher than the Company's average per share carrying amount, thus the Company recognized the non-cash gain of RMB39.3 million for the period ended December 31, 2012 as a result of the equity dilution impact. The Company picks up equity calculation of Homeinns on a quarter lag basis, as the Company is not able to timely obtain all necessary financial information from Homeinns to perform the equity investment reconciliations between the Company and Homeinns.

The carrying amount and unrealized securities holding profit for investment in Homeinns as of December 31, 2013 and 2014 were as follows:

	2013 RMB	2014 RMB
Investment cost		
Balance at beginning of year	570,709,828	554,626,285
Foreign currency translation	(16,083,543)	14,052,966
Total investment cost	554,626,285	568,679,251
Value booked under equity method		
Share of cumulative profit	265,745,783	357,085,613
Amortization of identifiable intangible assets, net of tax	(18,821,200)	(22,799,936)
Total booked value under equity method.	246,924,583	334,285,677
Net book value	801,550,868	902,964,928

In 2014, 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.

The financial information of Homeinns as of and for the twelve months ended September 30, 2013 and 2014 is as follows:

	2013 RMB ('000)	2014 RMB ('000)
Current assets	1,621,982	1,230,755
Non-current assets	7,755,635	8,030,078
Current liabilities	1,776,838	1,751,016
Non-current liabilities	3,292,033	2,546,507
Retain earnings	1,175,874	1,568,795
Non-controlling interest	19,429	15,188
Total shareholders' equity	4,308,746	4,963,310
Total revenues	6,208,970	6,657,128
Net Revenues	5,825,490	6,247,843
Income from operations	455,294	643,675
Net income	191,009	446,490
Net (loss) / income attributable to Homeinns Group's shareholders	189,650	441,396

The closing price of Homeinns as of December 31, 2014 is US$30.02 per ADS, the aggregate market value of the Company's investment in Homeinns is approximately RMB1.3 billion (US$216 million).

Skyseas

In September 2014, the Company made a US$ 52.5 million investment in a 70% equity stake of Skyeas, a cruise company, which targets to provide Chinese customers the world-class and tailor-made cruise products. The Company also provided a loan with amount of US$ 160 million to Skyseas at the interest rate of 3% per annum. Concurrently, Skyseas purchased a cruise ship from Royal Caribbean Cruises Ltd. ("RCL") with amount of US$ 220 million. Thus the Company obtained the control over Skyseas and its financial results were consolidated with the Company's consolidated financial statements on its incorporation.

In November 2014, the Company entered into a share transfer agreement with RCL to transfer 35% share capital of Skyseas to RCL for US$ 26.3 million, representing the Company's original cost for the investment. RCL also provided US$ 80 million loan to Skyseas from the US$ 160 million provided by the Company. After the transaction, the Company and RCL each owns 35% of Skyseas, with the remaining equity interest being owned by Skyseas management and a private equity fund and each provided a loan to Skyseas with amount of US$ 80 million. The Company has two out of five board seats of Skyseas and is entitled to appoint the senior management, including CEO. The Company lost the ability to control Skyseas after the share transfer. Therefore, the Company has applied equity method to account for the investment since December 2014 due to the Company continues to maintain the ability to exercise the significant influence. There was no gain or loss on the loss of control and deconsolidation though the Company deconsolidated cash of US$ 19 million in the transactions.

Starway Hotels (Hong Kong) Limited ("Starway Hong Kong")

In May 2012, the Company sold 51% equity interest of Starway Hong Kong to Hanting. Pursuant to the agreement, Hanting was granted the right to purchase the remaining 49% equity interest of Starway Hong Kong, at its sole discretion at any time following April 15, 2012 until and including the first anniversary of the transaction closing date. The deal was consummated on May 1, 2012. In November 2013, the Company further sold the remaining 49% equity interest of Starway Hong Kong to Hanting.

Keystone

On December 3, 2013, the Company acquired approximately 4% equity shares in Keystone Lodging Holdings Limited ("Keystone"), which in 2013, merged with 7 Days Group Holdings Limited ("7 Days"), a leading economy hotel chain based in China. The total consideration given was RMB155 million (US$25.5 million). The Company applied cost method of accounting to account for the investment due to lack of ability to exercise significant influence.

Zhong An Online

In October 2013, the Company entered into agreements to contribute a 5% equity stake in Zhong An Online Property Insurance Co., Ltd, China's first online insurance company. The capital contribution is RMB50 million. The Company applied cost method of accounting to account for the investment due to lack of ability to exercise significant influence.

Other investments included equity investments in certain privately-held companies.

As of December 31, 2012, 2013 and 2014, no impairments have been recorded for these investments. As of December 31, 2014, the equity-method investments, on an individual basis or on an aggregated basis by any combination are not significant for the Company.

9. FAIR VALUE MEASUREMENT

In accordance with ASC 820-10, the Company measures short-term investments 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). Short-term investments 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. The estimated fair value of long-term loans approximated the carrying amount as of December 31, 2013 and 2014, as the interest rates of the long-term loans are considered as approximate the current rate for comparable loans at the respective balance sheet dates.

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

	Fair Value Measurement at December 31, 2014 Using			Fair Value at December 31, 2014	
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)		
	RMB	RMB	RMB	RMB	US$
Short-term investments					
Financial products	—	5,990,483,880	—	5,990,483,880	965,490,746
Time deposits	—	448,370,707	—	448,370,707	72,264,240
Available-for-sale investments					
LY.com	—	—	1,547,844,523	1,547,844,523	249,467,254
Hanting	898,828,511	—	—	898,828,511	144,864,860
Easy Go	—	—	627,905,501	627,905,501	101,199,997
eHi	535,024,052	—	—	535,024,052	86,230,225
Tuniu	216,690,294	—	—	216,690,294	34,924,136
A travel agency focusing on teenager market	—	—	81,000,000	81,000,000	13,054,830
A big-data advertisement company	—	—	62,046,000	62,046,000	10,000,000
Happy City	—	—	35,422,062	35,422,062	5,709,000
Dining Secretary	—	—	29,046,000	29,046,000	4,681,365
Total	1,650,542,857	6,438,854,587	2,383,264,086	10,472,661,530	1,687,886,653

	Fair Value Measurement at December 31, 2013 Using			Fair Value at December 31, 2013	
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)		
	RMB	RMB	RMB	RMB	US$
Short-term investments					
Financial products	—	3,375,477,351	—	3,375,477,351	557,589,136
Time deposits	—	259,613,604	—	259,613,604	42,885,112
Available-for-sale investments					
Hanting	1,016,455,767	—	—	1,016,455,767	167,906,530
eHi	—	—	570,977,550	570,977,550	94,318,772
Easy Go	—	—	143,904,165	143,904,165	23,771,275
Dining Secretary	—	—	56,242,365	56,242,365	9,290,577
Happy City	—	—	37,358,327	37,358,327	6,171,156
Total	1,016,455,767	3,635,090,955	808,482,407	5,460,029,129	901,932,558

The roll forward of Level 3 LY.com's investment is as following:

	Amount RMB
Fair value of available-for-sale(Level 3) investment as at December 31, 2013	—
Investment in common share of LY.com	1,414,285,714
Transfer in and/or out of Level 3	—
The change in fair value of the investment in LY.com	133,558,809
Fair value of available-for-sale (Level 3) investment as at December 31, 2014	1,547,844,523
Fair value of available-for-sale investment (Level 3) as at December 31, 2014 (US$)	249,467,254

The significant unobservable inputs used in the valuation are as following:

Valuation Technique	Unobservable Input	Parameter value
Discounted cash flow	Weighted average cost of capital ("WACC")	19%
	Terminal growth rate	3%
	Lack of marketability discount ("LoMD")	28%
Option pricing model	Time to liquidation	3 years
	Risk-free rate	3.43%
	Expected volatility	50.89 %
	Probability	Liquidation scenario: 20% IPO scenario: 80%
	Dividend yield	Nil

The roll forward of Level 3 Easy Go's investment is as following:

	Amount RMB
Fair value of available-for-sale(Level 3) investment as at December 31, 2012	—
Investment in Series B Preferred Shares of Easy Go	139,633,000
Transfer in and/or out of Level 3	—
The change in fair value of the investment in Easy Go	4,271,165
Fair value of available-for-sale (Level 3) investment as at December 31, 2013	143,904,165
Investment in Series C Preferred Shares of Easy Go	184,377,000
Transfer in and/or out of Level 3	—
Effect of exchange rate change	4,833,800
The change in fair value of the investment in Easy Go	294,790,536
Fair value of available-for-sale (Level 3) investment as at December 31, 2014	627,905,501
Fair value of available-for-sale investment (Level 3) as at December 31, 2014 (US$)	101,199,997

The fair value of the investment in Easy Go is determined by the investment in Series C Preferred Shares of Easy Go which was close to year end.

The roll forward of Level 3 travel agency focusing on teenager market's investment is as following:

	Amount RMB
Fair value of available-for-sale (Level 3) investment as at December 31, 2013	—
Investment in equity interest of a travel agency focusing on teenager market	81,000,000
Transfer in and/or out of Level 3	—
The change in fair value of the investment in a travel agency focusing on teenager market	—
Fair value of available-for-sale (Level 3) investment as at December 31, 2014	81, 000,000
Fair value of available-for-sale investment (Level 3) as at December 31, 2014 (US$)	13,054,830

The fair value of the investment in the travel agency focusing on teenager market's is determined by the investment in this travel agency focusing on teenager market's which was close to year end.

The roll forward of Level 3 big-data service company in digital advertising's investment is as following:

	Amount RMB
Fair value of available-for-sale (Level 3) investment as at December 31, 2013	—
Investment in Series B Preferred Shares of a big-data advertisement company	61,425,000
Transfer in and/or out of Level 3	—
Effect of exchange rate change	621,000
The change in fair value of the investment in a big-data advertisement company	—
Fair value of available-for-sale (Level 3) investment as at December 31, 2014	62,046,000
Fair value of available-for-sale investment (Level 3) as at December 31, 2014 (US$)	10,000,000

The fair value of the investment in the big-data service company is determined by the investment in this big-data service company which was close to year end.

The roll forward of Level 3 Happy City's investment is as following:

	Amount RMB
Fair value of available-for-sale(Level 3) investment as at December 31, 2012	—
Investment in Series A Preferred Shares of Happy City	36,715,800
Transfer in and/or out of Level 3	—
The change in fair value of the investment in Happy City	642,527
Fair value of available-for-sale (Level 3) investment as at December 31, 2013	37,358,327
Investment in Series A Preferred Shares of Happy City	—
Transfer in and/or out of Level 3	—
Effect of exchange rate change	511,800
The change in fair value of the investment in Happy City	(2,448,066)
Fair value of available-for-sale (Level 3) investment as at December 31, 2014	35,422,061
Fair value of available-for-sale investment (Level 3) as at December 31, 2014 (US$)	5,709,000

The significant unobservable inputs used in the valuation are as following:

Valuation Technique	Unobservable Input	Parameter value
Discounted cash flow	Weighted average cost of capital ("WACC")	27.67%
	Terminal growth rate	3%
	Lack of marketability discount ("LoMD")	25%
Option pricing model	Time to liquidation	2.67 years
	Risk-free rate	1.567%
	Expected volatility	45.4%
	Probability	Liquidation scenario: 50%
		Redemption scenario: 50%
	Dividend yield	Nil

The roll forward of Level 3 Dining Secretary's investment is as following:

	Amount RMB
Fair value of available-for-sale (Level 3) investment as at December 31, 2012	60,234,118
Investment in Series B Preferred Shares of Dining Secretary	—
Transfer in and/or out of Level 3	—
Effect of exchange rate change	(1,764,000)
The change in fair value of the investment in Dining Secretary	(2,227,753)
Fair value of available-for-sale (Level 3) investment as at December 31, 2013	56,242,365
Investment in Series B Preferred Shares of Dining Secretary	—
Transfer in and/or out of Level 3	—
Effect of exchange rate change	1,509,000
The change in fair value of the investment in Dining Secretary	(28,705,365)
Fair value of available-for-sale (Level 3) investment as at December 31, 2014	29,046,000
Fair value of available-for-sale investment (Level 3) as at December 31, 2014 (US$)	4,681,365

The significant unobservable inputs used in the valuation are as following:

Valuation Technique	Unobservable Input	Parameter value
Discounted cash flow	Weighted average cost of capital ("WACC")	27.94%
	Terminal growth rate	3%
	Lack of marketability discount ("LoMD")	25%
Option pricing model	Time to liquidation	3.01 years
	Risk-free rate	4.13%
	Expected volatility	41.4%
	Probability	Liquidation scenario: 45%
		Redemption scenario: 45%
		IPO scenario: 10%
	Dividend yield	Nil

Based on the review of various factors of Dining Secretary, including, but not limited to its current market condition, operating performance and current and expected earnings trend, the Company determined the decline in fair value of Dining Secretary to below its carrying value is other than temporary. Accordingly, an impairment with amount of RMB33 million based on the difference of its fair value and cost was provided in other income with a reversal of the previously recognized unrealized loss of RMB4 million recorded in other comprehensive income.

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 an independent appraisal, based on estimates, judgments and information of other comparable public companies.

10. GOODWILL

The changes in the carrying amount of goodwill for the years ended December 31, 2013 and 2014 were as follows:

	2013 RMB	2014 RMB
Balance at beginning of year	822,585,341	972,531,184
Acquisition of a technology company focusing on hotel customer reviews (Note 2)	—	366,884,722
Acquisition of an offline travel agency (Note 2)	—	330,669,958
Acquisition of an online trip package service provider (Note 2)	—	207,981,890
Acquisition of a B2B hotel reservation company (Note 2)	72,406,431	1,400,000
Acquisition of a wholesaler operated hotel reservation and air ticketing services (Note 2)	43,993,740	3,656,496
Others	33,545,672	9,383,458
Balance at end of period	972,531,184	1,892,507,708

In November, 2014, the Company completed the transaction to acquire controlling shares of a technology company focusing on hotel customer reviews. Goodwill of RMB367 million was recognized from this acquisition. In December, 2014, the Company completed the transaction to acquire controlling voting interests of an offline travel agency. Goodwill of RMB331 million was recognized from this acquisition. In January, 2014, the Company completed the transaction to acquire controlling shares of an online trip package service provider. Goodwill of RMB208 million was recognized from this acquisition (Note 2). In 2013, the Company purchased controlling shares of a B2B hotel reservation company. Goodwill of RMB72 million was recognized from this acquisition. In August 2013, the Company purchased 100% equity interest of a wholesaler operated hotel reservation and air ticketing services. Goodwill of RMB44 million was recognized from this acquisition.

From time to time, the Company selectively acquired or invested in businesses that complement our existing business. In 2012, the Company invested in a high-end travel agency and a railway ticket agency. In 2013, other than the acquisitions above, the Company further invested in a company engaged in operating a mobile application for online interactive travel forums. In 2014, other than the acquisitions above, the Company invested in an online travel information and experience sharing platform operator. The excess of the total 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 the fair value of the identifiable net assets of the acquiree are recorded as goodwill.

Goodwill arose from the business combination completed in the years ended December 31, 2014 has been allocated to the single reporting unit of the Group. Goodwill represents the synergy effects of the business combination.

11. INTANGIBLE ASSETS

Intangible assets as of December 31, 2013 and 2014 were as follows:

	2013 RMB	2014 RMB
Intangible assets		
Intangible assets to be amortized		
Non-compete agreements	11,479,610	11,479,610
Customer list	15,942,578	85,642,578
Supplier Relationship	27,780,000	27,780,000
Technology patent	9,240,000	9,240,000
Cross-border travel agency license	1,117,277	1,117,277
Others	790,000	790,000
Intangible assets not subject to amortization		
Trade mark	314,329,235	551,381,191
Golf membership certificate	4,200,000	4,200,000
Others	8,785,287	17,783,205
	393,663,987	709,413,861
Less: accumulated amortization		
Intangible assets to be amortized		
Non-compete agreements	(11,479,610)	(11,479,610)
Customer list	(11,982,578)	(13,247,103)
Supplier Relationship	(3,178,333)	(5,956,333)
Technology patent	(9,240,000)	(9,240,000)
Cross-border travel agency license	(1,117,277)	(1,117,277)
Others	(13,167)	(171,167)
	(37,010,965)	(41,211,490)
Net book value		
Intangible assets to be amortized		
Non-compete agreements	—	—
Customer list	3,960,000	72,395,475
Supplier Relationship	24,601,667	21,823,667
Technology patent	—	—
Cross-border travel agency license	—	—
Others	776,833	618,833
Intangible assets not subject to amortization		
Trade mark	314,329,235	551,381,191

Golf membership certificate	4,200,000	4,200,000
Others	8,785,287	17,783,205
	356,653,022	668,202,371

Finite-lived intangible assets are tested for impairment if impairment indicators arise. The Company amortizes its finite-lived intangible assets using the straight-line method:

Customer list	3-10 years
Supplier Relationship	10 years
Technology patent	5 years
Cross-border travel agency license	8 years

Amortization expense for the years ended December 31, 2012, 2013 and 2014 was approximately RMB7,736,767, RMB7,363,364 and RMB5,426,102 respectively.

The annual estimated amortization expense for intangible assets subject to amortization for the five succeeding years is as follows:

	Amortization RMB
2015	13,373,143
2016	13,373,143
2017	13,373,143
2018	13,359,976
2019	13,215,143
	66,694,548

12. SHORT-TERM DEBT

	2013 RMB	2014 RMB
Short-term borrowings	774,599,341	3,132,061,011
2017 Convertible Senior Notes(Note 17)	—	428,427,630
Total	774,599,341	3,560,488,641

As of December 31, 2014, the Group obtained nine borrowings of RMB1.6 billion (US$264.9 million) in aggregate collateralized by a bank deposit of RMB1.0 billion classified as short-term investment at one of the Company's wholly-owned subsidiaries. The annual interest rate of borrowings is approximately from 2.3% to 2.4%. The Company is in compliance with the loan covenant at December 31, 2014.

As of December 31, 2014, the Group obtained six borrowings of RMB1.5 billion (US$237.9 million) in aggregate collateralized by bank deposits of RMB380 million and RMB480 million classified as restricted cash and short-term investment provided by one of the Company's wholly-owned subsidiaries. The annual interest rate of borrowings is approximately from 2.2% to 3.0%. The Company is in compliance with the loan covenant at December 31, 2014.

13. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2012, 2013 and 2014 significant related party transactions were as follows:

	2012 RMB	2013 RMB	2014 RMB
Commissions from Homeinns (a)	35,932,452	38,709,984	38,139,325
Commissions from Hanting (a)	10,988,806	17,127,847	19,234,632
Consideration for disposal of majority equity share of Starway Hong Kong to Hanting	17,131,759	16,459,926	—
Shareholders' loan and interest to Skyseas (c)	—	—	505,955,950
Entrusted loan and interest to a technology company focusing on hotel customer reviews (b)	—	13,374,109	694,577
Commissions from Starway Hong Kong (d)	7,118,150	6,146,474	—
Commissions to LY.com (e)	—	—	76,093,733
Purchase of tour package from Ananda Travel Service (Aust.) Pty Limited ("Ananda") (f)	32,989,774	32,738,333	27,197,283
Printing expenses to Joyu Tourism Operating Group ("Joyu") (g)	2,160,000	—	—

(a) The Company's hotel supplier, Homeinns has two directors in common with the Company. Homeinns closed the acquisition of Motel 168 International Holdings Limited ("Motel 168") on September 30, 2011 and consolidated its financial results thereafter. Commissions from Homeinns presented above include the commissions from Motel 168 starting from October 1, 2011 to December 31, 2014. Another hotel supplier, Hanting, has a director in common with the Company and a director who is a family member of one of our officers. In May 2012, the Company sold 51% equity interest of Starway Hong Kong to Hanting with a total consideration of RMB17.1 million and deconsolidated Starway Hong Kong upon the closing of the deal. On November 30, 2013, Hanting further acquired 49% equity interest of Starway Hong Kong from the Company with a total consideration of RMB16.5 million. The remaining purchase price of RMB12.25 million will be paid in a 3-year installment plan. From then on, the Company does not directly hold any equity interest of Starway Hong Kong. Commissions from Hanting presented above include the commissions from Starway Hong Kong starting from December 1, 2013 to December 31, 2013. Homeinns and Hanting have entered into agreements with us, respectively, to provide hotel rooms for our customers. Commissions from Homeinns and Hanting for the years ended December 31, 2012, 2013 and 2014 are presented as above.

(b) In September 2013, the Company entered into agreements with a technology company focusing on hotel customer reviews to provide entrusted loan of RMB13 million. The entrusted loan has a one-year maturity period. The balance of entrusted loan together with the interest for the year ended December 31, 2013 is presented as above.

(c) As of December 31, 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 balance of the loan together with the interest for the year ended December 31, 2014 is presented as above.

(d) Starway Hong Kong entered into agreements with the Company to provide hotel rooms for our customers. Commissions from Starway Hong Kong started from the deconsolidation date to the year ended December 31, 2012 and started from January 1, 2013 to November 30, 2013 is presented as above.

(e) In April, 2014, the Company purchased a minority stake of LY.com. The Company has entered into agreements to provide hotel rooms to LY.com. Commissions to LY.com starting from April, 2014 to December 31, 2014 are presented as above.

(f) The Company's tour package supplier, Ananda is an associate of Wing On Travel. Tour package purchase from Ananda for the years ended December 31, 2012, 2013 and 2014 is presented as above.

(g) The Company entered into printing agreements with TripTX Travel Media Group, one of the subsidiaries of Joyu Tourism Operating Group. Joyu Tourism Operating Group has a director in common with the Company. Total printing expense to Joyu Tourism Operating Group for the years ended December 31, 2012 are presented as above.

As of December 31, 2013 and 2014, significant balances with related parties were as follows:

	2013 RMB	2014 RMB
Due from related parties, current:		
Due from Hanting	5,592,854	6,402,931
Due from Homeinns	3,029,166	4,166,006
Due from a company operates hotel public sentiment information management system	13,152,649	—
	21,774,669	10,568,937
Due from related parties, non-current:		
Due from Skyseas	—	505,955,950
Due from Hanting	8,166,667	4,083,334
	8,166,667	510,039,284
Due to related parties, current:		
Due to LY.com	—	10,250,334
Due to Ananda	10,216,780	5,798,769
Due to Hanting	1,000,000	1,000,000
	11,216,780	17,049,103

The amounts due from and due to related parties as of December 31, 2013 and 2014 primarily resulted from the transactions disclosed above and revenue received and expenses paid on behalf of each other. They are not collateralized and have normal business payment terms.

14. EMPLOYEE BENEFITS

The Group's employee benefit primarily related to the full-time employees of the PRC subsidiaries and the VIEs, including medical care, welfare subsidies, unemployment insurance and pension benefits. The full-time employees in the PRC subsidiaries and the VIEs are required to accrue for these benefits based on certain percentages of the employees' salaries in accordance with the relevant PRC regulations and make contributions to the state-sponsored pension and medical plans out of the amounts accrued for medical and pension benefits. The PRC government is responsible for the medical benefits and ultimate pension liability to these employees. The total expenses recorded for such employee benefits amounted to RMB334,150,368, RMB440,884,906 and RMB724,852,573 for the years ended December 31, 2012, 2013 and 2014 respectively.

15. 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 registered in the Hong Kong are subject to Hong Kong Profits Tax ("CIT") 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 ("CIT") 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.

China

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.

In 2007, the National People's Congress passed new PRC CIT Law and Detailed Implementation Rules of China CIT Law. The CIT laws were effective on January 1, 2008. The CIT laws apply a general enterprise income tax rate of 25% to both foreign-invested enterprises and domestic enterprises. Preferential tax treatments will continue to be granted to enterprises, which conduct business in certain encouraged sectors and to enterprises otherwise classified as a high and new technology enterprise. In December 2008, the Company's subsidiaries, Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network and Software Hotel Information obtained approval for the High New Tech Enterprises status. The applicable tax rate for High New Tech Enterprise is 15%, which was effective retroactively as of January 1, 2008. The High New Tech Enterprises qualification has a three-year effective period which expired on December 31, 2010. These four entities reapplied for the qualification in 2011 and 2014, and obtained approval from government authority. The High New Tech Enterprises qualification will expired on December 31, 2016.

In 2002, China's State Administration of Taxation passed an implementation for the preferential tax treatment in China's Western Region. Enterprises falling within the Catalog of Encouraged Industries in the Western Region ("Old Catalog") enjoyed a preferential income tax rate of 15% from 2001 to 2010. In 2011, Chengdu Ctrip and Chengdu Ctrip International obtained approval to use the 15% tax rate for 2010 income tax. The qualification has an effective period which expired on December 31, 2010. The Company applied 25% rate for CIT filling in 2011. In 2012, China's State Administration of Taxation extended the period to 2020. In 2012, Chengdu Ctrip and Chengdu Ctrip International obtained approval from local tax authorities to apply the 15% tax rate for 2011 tax filing with an effective period from 2012 to 2015. In 2013, Chengdu Information Technology Co., Ltd. ("Chengdu Information") obtained approval from local tax authorities to apply the 15% tax rate for 2012 tax filing with an effective period 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", the Company may apply the 15% rate for CIT filing upon agreement by the in-charge tax authorities.

In 2013, in accordance with CIT Law, the applicable CIT rates are 25%, except for aforementioned four subsidiaries qualified for High New Tech Enterprises, Chengdu Ctrip, Chengdu Ctrip International and Chengdu Information.

Pursuant to the CIT Law and Circular Caishui [2008]No.1 issued by Ministry of Finance of China on February 22, 2008, the dividends declared out of the profits earned after January 1, 2008 by a foreign invested enterprise("FIE") to its immediate holding company outside mainland China would be subject to withholding taxes. A favorable withholding tax rate will be applied if there is a tax treaty arrangement between Mainland China and the jurisdiction of the foreign holding company and other supplementary guidance/requirements stipulated by State Administration of Taxation ("SAT") and tax treaty are met and proper procedures have been gone through. The Company's subsidiaries, Ctrip Computer Technology, Ctrip Travel Information, Ctrip Travel Network, and Ctrip Information Technology are considered FIEs and are directly held by our subsidiaries in Hong Kong. According to double tax arrangement between Mainland and Hong Kong Special Administrative Region, dividends payable by an FIE in mainland China to the company in Hong Kong will be subject to 5% withholding tax, subject to approval of the tax authority. All of these foreign invested enterprises will be 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.

On June 13, 2012, the board of the Company has approved dividend distribution of US$300 million from its PRC subsidiaries to fund a new share repurchase program whereby Ctrip may purchase its own American depositary shares ("ADSs"). The dividends paid by the Company's PRC subsidiaries to the Company through its Hong Kong subsidiary is subject to a 5% PRC withholding tax, of which RMB95 million (US$15 million) is accrued as of December 31, 2012.

The dividend distribution on June 13, 2012 aforesaid was a one-time event out of the Company's normal business course, and withholding tax is recorded only for such transaction accordingly. The Company expects to indefinitely reinvest the remaining undistributed earnings generated after January 1, 2008 in the onshore PRC entities. As a result, no additional deferred tax liability was provided on the outside basis difference for the remaining undistributed earnings of RMB4.6 billion 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 years ended December 31, 2012, 2013 and 2014 were as follows:

	2012 RMB	2013 RMB	2014 RMB
Current income tax expense	317,283,820	329,612,294	228,395,153
Deferred tax benefit	(22,757,864)	(35,871,972)	(97,573,997)
Income tax expense	294,525,956	293,740,322	130,821,156

Income tax expense was RMB131 million (US$21 million) in the year ended December 31, 2014, decrease from RMB294 million in the year ended 2013. The effective income tax rate in year ended December 31, 2014 was 97%, as compared to 26% in the year ended 2013, mainly due to an increase in valuation allowance against certain deferred tax assets due to more tax losses generated from certain subsidiaries in 2014 that are not expected to be recovered.

Reconciliation of the differences between statutory tax rate and the effective tax rate

The reconciliation between the statutory CIT rate and the Group's effective tax rate for the years ended December 31, 2012, 2013 and 2014 were as follows:

	2012	2013	2014
Statutory CIT rate	25%	25%	25%
Tax differential from statutory rate applicable to Subsidiaries	(17)%	(15)%	(98)%
Non-deductible expenses incurred	10%	11%	106%
Change in valuation allowance	3%	5%	64%
Withholding tax	10%	—	—
Effective CIT rate	31%	26%	97%

Significant components of deferred tax assets and liabilities:

	2013 RMB	2014 RMB
Deferred tax assets:		
Loss carry forward	86,735,795	200,151,440
Accrued liability for customer reward related programs	60,078,932	82,762,839
Accrued staff salary	34,842,016	74,414,938
Others	2,058,552	19,623,649
Less: Valuation allowance of deferred tax assets	(86,735,795)	(183,449,500)
Total deferred tax assets	96,979,500	193,503,366
Deferred tax liabilities, non-current:		
Recognition of intangible assets arise from business combinations	(63,197,155)	(132,506,644)
Net deferred tax assets	33,782,345	60,996,722

Movement of valuation allowances:

	2012 RMB	2013 RMB	2014 RMB
Balance at beginning of year	14,785,786	37,852,274	86,735,795
Current year additions	27,991,746	48,883,521	96,713,705
Current year disposal due to divestitures	(4,925,258)	—	—
Balance at end of year	37,852,274	86,735,795	183,449,500

As of December 31, 2013 and 2014, valuation allowance of RMB87 million and RMB183 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 December 31, 2014, the Group had net operating tax loss carry forwards amounted to RMB801 million which will expire from 2015 to 2018 if not used.

The provisions for income taxes for the years ended December 31, 2012, 2013 and 2014 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:

	2012 RMB	2013 RMB	2014 RMB
Tax holiday effect	119,971,884	146,321,156	85,036,934
Basic net income per ADS effect	0.88	1.11	0.62
Diluted net income per ADS effect	0.83	0.96	0.56

16. OTHER PAYABLES AND ACCRUALS

Components of other payables and accruals as of December 31, 2013 and 2014 were as follows:

	2013 RMB	2014 RMB
Accrued operating expenses	330,863,616	528,143,100
Payable for acquisition	23,773,221	306,966,884
Accruals for property and equipment	37,038,698	258,632,797
Electronic coupon	133,306,380	198,874,547
Deposits received from suppliers and packaged-tour customers	33,769,690	92,500,850
Deposit for special bonus program	—	80,799,443
Interest payable	13,838,961	32,931,518
Due to employees for stock option proceeds received on their behalf	28,413,780	23,992,381
Others	34,100,603	77,272,138
Total	635,104,949	1,600,113,658

In September, 2014, the Company established a special bonus program. Under this program, the Company provides the bonus units to the selected employees and the employees are required to provide deposit to participate such program. The bonus is calculated based on certain agreed-upon performance merits and is paid together with the deposit. As of December, 2014, the Company recognized RMB81 million in payable for employees deposit.

17. LONG-TERM DEBT

	2013 RMB	2014 RMB
2017 Convertible Senior Notes	814,222,650	—
2018 Convertible Senior Notes	4,842,960,000	4,963,680,000
Priceline Convertible Notes	—	3,102,300,000
Total	5,657,182,650	8,065,980,000

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 “Notes”) at par. The Notes may be converted, under certain circumstances, based on an initial conversion rate of 51.7116 American depository shares (“ADS”) per US$1,000 principal amount of the Notes (which represents an initial conversion price of US$19.34 per ADS).

The net proceeds to the Company from the issuance of the Notes were US$175 million. The Company pays cash interest at an annual rate of 0.5% on the 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 Notes (September 15, 2015).

The 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 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 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 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 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 Notes. Settlement of the Purchased Call Option in ADSs, based on the number of ADSs issued upon conversion of the 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 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 December 31, 2014, the warrants had not been exercised and remained outstanding.

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 Notes, Purchased Call Option and the Issued Warrants (1) do not entail the same risks as the 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 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 Notes, Purchased Call Option and Issued Warrants transactions should be accounted for as separate transactions.

The Company has accounted for the Notes in accordance with ASC 470, as a single instrument as a long-term debt. The value of the Notes is measured by the cash received. As of December 31, 2014, RMB428 million (US$69 million) is reclassified as short-term debt to present the Notes may be redeemed within one year(Note 12).

The key terms of the Notes are as follows:

Redemption

Contingent redemption option

The Notes are not redeemable prior to the maturity date of September 15, 2017, except as described below. The holders of the Notes (the “Holders”) have a non-contingent option to require the Company to repurchase for cash all or any portion of their Notes on September 15, 2015. The repurchase price will equal 100% of the principal amount of the 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 Notes at a purchase price equal to 100% of the principal amount of the 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 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 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 Notes holder would recover all of their initial investment. Additionally, since the 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 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 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 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 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 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, in 2013, US$45.5 million of the notes was tendered, or 2.35 million ADS at the initial conversion rate of 51.7116 ADS per note. In 2014, US$61.6 million of the notes was tendered, or 3.4 million ADS at the initial conversion rate of 51.7116 ADS per note. These conversions did not materially impact the current shares outstanding.

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 Notes due October 15, 2018 (the "Notes") at par. The 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 Notes (which represents an initial conversion price of US$78.39 per ADS).

The net proceeds to the Company from the issuance of the Notes were US$780 million. The Company pays cash interest at an annual rate of 1.25% on the 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 Notes (October 15, 2018).

The 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 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 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 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 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 Notes. Settlement of the Purchased Call Option in ADSs, based on the number of ADSs issued upon conversion of the 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 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$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, 2014, 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 Notes, Purchased Call Option and the Issued Warrants (1) do not entail the same risks as the 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 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 Notes, Purchased Call Option and Issued Warrants transactions should be accounted for as separate transactions.

The Company has accounted for the Notes in accordance with ASC 470, as a single instrument as a long-term debt. The value of the Notes is measured by the cash received. As of December 31, 2014, RMB5.0 billion (US$800 million) is accounted as the value of the Notes in long-term debt.

The key terms of the Notes are as follows:

Redemption

Contingent redemption option

The Notes are not redeemable prior to the maturity date of October 15, 2018, except as described below. The holders of the Notes (the "Holders") have a non-contingent option to require the Company to repurchase for cash all or any portion of their Notes on October 15, 2016. The repurchase price will equal 100% of the principal amount of the 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 Notes at a purchase price equal to 100% of the principal amount of the 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 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 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 Notes holder would recover all of their initial investment. Additionally, since the 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 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 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 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 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 Notes as the set conversion price for the 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 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 deferred issuance costs and are amortized as interest expense, using the effective interest method, over the term of the Notes pursuant to ASC 835-30-35-2.

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 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 Priceline Convertible Notes

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

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

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 10% of the Company's outstanding shares. As the potential purchase will be conducted by the market price, there is no accounting implication.

18. TREASURY STOCK

Accelerated share repurchase arrangement

On September 26, 2012, the Company entered into a Capped Call Option Transaction Agreement (the "Agreement") for an initial notion amount of US$75 million with JP Morgan Chase Bank, National Association. The transaction enables the Company to execute a treasury stock repurchase up to 4.4 million ADSs upon maturity on December 19, 2012. The Agreement consists of two components, a treasure stock repurchase prepayment of US$62,182,346 (purchased call option) with a strike price of US$0.0001 per ADS, plus a warrant (a written call option) with an upper strike price of US$14.3621 per ADS. The total strike notion amount for the Capped Call Option Transaction is US$63,749,958.

Upon maturity:

- If the ADS trading price is above upper strike price (US$14.3621 per ADS), Ctrip retains a premium of US$1,567,612 and the initial cash prepayment of US$62,182,346 in cash or a number of ADSs that is calculated by dividing the cash settlement amount of US$63,749,958 by the maturity date's trading price per ADS;
- If the ADS trading price is below upper strike price (US$14.3621 per ADS), Ctrip receives a fixed number of 4,438,763 ADSs.

The Capped Call Option Transaction meet the criteria for being indexed to the Company's own stock and is therefore be excluded from the scope of ASC 815. The initial cash payment is recorded within shareholders' equity as a component of additional paid in capital.

On December 19, 2012, the Capped Call Option Transaction expired with cash settlement. The difference between cash settlement and cash prepayment has been accounted for as an equity transaction with the amount recorded in additional paid in capital. As the ADS trading price is above the upper strike price, the Company selected cash settlement of the Capped Call Option amounting to US$63.7 million.

In October 2013, US$45.5 million convertible senior notes issued in 2012 were early converted and 588,219 shares of repurchased treasury stock were delivered to the notes holders. As of December 31, 2013, the Company had 3,777,087 shares treasury stock at total cost of US$256 million.

In 2014, US$61.6 million convertible senior notes issued in 2012 were early converted and 846,131 shares of repurchased treasury stock were delivered to the notes holders. As of December 31, 2014, the Company had 3,323,262 shares treasury stock at total cost of US$259 million.

19. NON-CONTROLLING INTERESTS

As of December 31, 2014, the Company's majority-owned subsidiaries and VIEs which are consolidated in the consolidated financial statements but with non-controlling interests recognized mainly include an offline travel agency, a technology company focusing on hotel customer reviews, an online trip package service provider, Tujia.com International Co., Ltd ("Tujia") and ezTravel.

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:

	December 31, 2013 RMB	December 31, 2014 RMB
An offline travel agency (Note 2)	—	367,705,496
A technology company focusing on hotel customer reviews (Note 2)	—	125,442,240
An online trip package service provider (Note 2)	—	136,890,011
Tujia	83,133,600	130,343,575
ezTravel	21,475,705	22,769,589
Others	95,081,123	65,397,382
	199,690,428	848,548,293

In October 2012, February 2013 and June 2014, a subsidiary of the Company, Tujia, entered into a series of agreements with C-Travel, a wholly owned subsidiary of the Company, and other institutional investors to issue 70,380,000 Series A redeemable convertible preferred shares ("Series A preferred shares") with total consideration of US$14.6 million, 33,333,333 Series B redeemable convertible preferred shares ("Series B preferred shares") with total consideration of US$36.7 million and 30,465,080 Series C redeemable convertible preferred shares ("Series C preferred shares") with total consideration of US$75 million, respectively. All of the Series A Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares issued by Tujia are collectively referred to as the "Preferred Shares". The Company assessed it has the right to consolidate Tujia after the issuance of Series A, B and C redeemable convertible preferred shares.

In December, 2014, the Company completed the transaction to acquire the equity stake and held majority voting power of an offline travel agency (Note 2).

In November, 2014, the Company completed the transaction to acquire controlling shares of a technology company focusing on hotel customer reviews (Note 2).

In January, 2014, the Company completed the transaction to acquire controlling shares of an online trip package service provider (Note 2).

The shares of the above mentioned companies held by investors other than Ctrip are recorded as non-controlling interests.

20. EARNINGS PER SHARE

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

	2012 RMB	2013 RMB	2014 RMB
Numerator:			
Net income attributable to Ctrip's shareholders	714,405,864	998,319,684	242,739,781
Eliminate the dilutive effect of interest expense of convertible bond	4,617,398	15,496,021	—
Numerator for diluted earnings per share	719,023,262	1,013,815,705	242,739,781
Denominator:			
Denominator for basic earnings per ordinary share - weighted average ordinary shares outstanding	34,236,761	32,905,601	34,289,170
Dilutive effect of share options	1,230,941	2,359,614	3,106,496
Dilutive effect of convertible bond	623,083	2,206,157	—
Dilutive effect of convertible bond sold warrants	—	598,469	812,192
Denominator for diluted earnings per ordinary share	36,090,785	38,069,841	38,207,858
Basic earnings per ordinary share	20.87	30.34	7.08
Diluted earnings per ordinary share	19.92	26.63	6.35
Basic earnings per ADS *	2.61	3.79	0.89
Diluted earnings per ADS *	2.49	3.33	0.80

* On November 18, the Company announced that it will change 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, effective December 1, 2015. The earning per share of the Company for each of the three years in the period ended December 31, 2014 presented in this financial statement has been retrospectively adjusted to reflect such effect.

The 2018 convertible senior notes and the Priceline convertible notes were not included in the computation of diluted EPS in 2014 because the inclusion of such instrument would be anti-dilutive.

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

	2012 RMB	2013 RMB	2014 RMB
2017 convertible senior notes	—	—	1,587,142
2018 convertible senior notes	—	524,249	2,551,346
Priceline convertible notes	—	—	614,535
Outstanding weighted average stock options	1,779,507	251,266	74,104
Sold Warrants	299,319	870,425	1,996,407
	2,078,826	1,645,940	6,823,534

21. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Company has entered into leasing arrangements relating to office premises that are classified as operating leases for the periods from 2015 to 2019. Future minimum lease payments for non-cancelable operating leases are as follows:

	Office Premises RMB
2015	170,867,421
2016	101,503,975
2017	58,110,956
2018	23,039,320
2019	11,583,618
Thereafter	14,102,255
	379,207,545

Rental expense amounted to RMB94 million, RMB118 million and RMB144 million for the years ended December 31, 2012, 2013 and 2014, respectively. Rental expense is charged to the statements of income and comprehensive income when incurred.

Capital commitments

As of December 31, 2014, the Company had outstanding capital commitments totaling RMB70 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 December 31, 2014, the amount under these guarantee arrangements was approximately RMB884 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 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.

22. SUBSEQUENT EVENTS

In January, 2015, the Company completed an investment transaction in Travelfusion by purchasing a majority stake in the company. Travelfusion is a UK-based leading online Low Cost Carrier (LCC) travel content aggregator and innovator of Direct Connect global distribution solutions.

On November 18, the Company announced that it will change 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, effective December 1, 2015. The earning per share of the Company for each of the three years in the period ended December 31, 2014 presented in this financial statement has been retrospectively adjusted to reflect such effect.

Exhibit 99.4

INDEX TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

QUNAR CAYMAN ISLANDS LIMITED
AUDITED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2014 AND UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2015
(Amounts in thousands of Renminbi ("RMB") and U. S. dollars ("US$"), except for number of shares and per share (or ADS) data)

		As of		
	Notes	December 31, 2014 RMB	September 30, 2015 RMB (Unaudited)	September 30, 2015 US$ (Unaudited)
ASSETS				
Current assets				
Cash and cash equivalents		812,972	4,056,784	638,301
Restricted cash		236,929	1,851,184	291,268
Funds receivable		413,084	729,965	114,854
Short-term investments		—	255,121	40,141
Accounts receivable, net	3	165,404	360,707	56,754
Due from related parties	12	39,951	143,484	22,576
Prepayments and other current assets	4	259,734	845,834	133,085
Deferred tax assets		22,859	28,044	4,412
Total current assets		**1,950,933**	**8,271,123**	**1,301,391**
Non-current assets				
Property and equipment, net	6	149,307	208,919	32,872
Intangible assets, net		2,849	12,936	2,035
Long-term investments	5	103,175	610,605	96,074
Goodwill	8	—	10,755	1,692
Other non-current assets		61,453	100,565	15,823
Total non-current assets		**316,784**	**943,780**	**148,496**
TOTAL ASSETS		**2,267,717**	**9,214,903**	**1,449,887**
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY				
Current liabilities (including current liabilities of the Affiliated PRC Entities without recourse to the Company amounting to RMB844,484 and RMB1,991,058 (US$313,276) as of December 31, 2014 (audited) and September 30, 2015 (unaudited), respectively) (Note 1)				
Short-term loan	7	—	643,500	101,249
Customer advances and deposits		258,992	340,852	53,630
Due to related parties	12	6,305	1,240,317	195,153
Accounts payable		19,813	42,083	6,622
Salaries and welfare payable		201,433	420,600	66,178
Income tax payable		22,821	27,557	4,336
Accrued expenses and other current liabilities	9	1,155,547	2,300,703	361,996
Warrant liability	12	701,776	—	—
Total current liabilities		**2,366,687**	**5,015,612**	**789,164**
Non-current liabilities (including non-current liabilities of the Affiliated PRC Entities without recourse to the Company amounting to RMB3,429 and RMB6,413 (US$1,009) as of December 31, 2014 (audited) and September 30, 2015 (unaudited), respectively) (Note 1)				
Long-term debt	10	—	2,576,913	405,456
Deferred tax liabilities ,non-current		—	1,363	214
Other non-current liabilities		71,616	80,849	12,721
Total non-current liabilities		**71,616**	**2,659,125**	**418,391**

Total liabilities		**2,438,303**	**7,674,737**	**1,207,555**

QUNAR CAYMAN ISLANDS LIMITED
AUDITED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2014 AND UNAUDITED
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2015
(CONTINUED)
(Amounts in thousands of Renminbi (“RMB”) and U. S. dollars (“US$”),
except for number of shares and per share (or ADS) data)

		As of		
	Notes	**December 31, 2014 RMB**	**September 30, 2015 RMB (Unaudited)**	**September 30, 2015 US$ (Unaudited)**
Commitments and contingencies	19			
Shareholders’ (deficit) equity				
Class A Ordinary shares (US$ 0.001 par value of per share; 303,344,804 shares authorized as at December 31, 2014 and September 30, 2015, respectively; 224,299,179 and 195,220,191 shares issued and outstanding as of December 31, 2014 (audited) and September 30, 2015 (unaudited), respectively)		1,426	1,242	195
Class B Ordinary shares (US$ 0.001 par value of per share; 496,655,196 shares authorized as at December 31, 2014 and September 30, 2015, respectively; 134,376,522 and 200,118,965 shares issued and outstanding as of December 31, 2014 (audited) and September 30, 2015 (unaudited), respectively)		831	1,243	196
Additional paid-in capital		2,069,313	5,942,987	935,079
Accumulated other comprehensive income	13	4,163	85,206	13,406
Accumulated deficit		(2,246,319)	(4,498,060)	(707,732)
Total Qunar Cayman Islands Limited’s shareholders’ (deficit) equity		**(170,586)**	**1,532,618**	**241,144**
Noncontrolling interests		—	7,548	1,188
Total shareholders’ (deficit) equity		**(170,586)**	**1,540,166**	**242,332**
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		**2,267,717**	**9,214,903**	**1,449,887**

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

QUNAR CAYMAN ISLANDS LIMITED
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 and 2015
(Amounts in thousands of Renminbi (“RMB”) and U. S. dollars (“US$”),
except for number of shares and per share (or ADS) data)

		Nine months ended		
	Notes	**September 30, 2014 RMB (Unaudited)**	**September 30, 2015 RMB (Unaudited)**	**September 30, 2015 US$ (Unaudited)**
Revenues				
Flight and flight related services		826,802	1,570,795	247,151
Accommodation reservation services		245,083	937,826	147,559
Display advertising services		61,152	86,806	13,658
Other services		103,960	281,748	44,331
Total revenues		**1,236,997**	**2,877,175**	**452,699**
Cost of revenues		(317,223)	(925,813)	(145,669)
Gross profit		**919,774**	**1,951,362**	**307,030**
Operating expenses				
Product developments		(532,410)	(1,046,755)	(164,698)
Product sourcing		(206,347)	(445,963)	(70,169)
Sales and marketing (including amounts contributed by and paid to a		(612,010)	(1,798,834)	(283,030)

related party amounting to RMB145,470 and RMB158,772 (US$24,981), for the nine months ended September 30, 2014 and 2015, respectively)				
General and administrative		(297,021)	(390,047)	(61,371)
Online marketing expense for Baidu Zhixin Cooperation		(450,163)	(37,178)	(5,850)
Operating loss		**(1,178,177)**	**(1,767,415)**	**(278,088)**
Change in fair value of warrant liability	12	—	(397,987)	(62,620)
Interest income(expense), net		26,652	(54,309)	(8,545)
Foreign exchange loss, net		(13,287)	(31,903)	(5,019)
Other income, net		3,153	8,422	1,325
Loss before income taxes		**(1,161,659)**	**(2,243,192)**	**(352,947)**
Income tax expense	11	(9,780)	(11,237)	(1,768)
Equity in loss of an affiliated company, net of tax		—	(2,121)	(334)
Net loss		**(1,171,439)**	**(2,256,550)**	**(355,049)**
Net loss attributable to noncontrolling interests		—	(4,809)	(757)
Net loss attributable to Qunar Cayman Islands Limited's shareholders		**(1,171,439)**	**(2,251,741)**	**(354,292)**

QUNAR CAYMAN ISLANDS LIMITED
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDEDSEPTEMBER 30, 2014 and 2015(CONTINUED)
(Amounts in thousands of Renminbi ("RMB") and U. S. dollars ("US$"),
except for number of shares and per share (or ADS) data)

		Nine months ended		
	Notes	September 30, 2014 RMB (Unaudited)	September 30, 2015 RMB (Unaudited)	September 30, 2015 US$ (Unaudited)
Other comprehensive income, net of tax of nil				
Foreign currency translation adjustments		28,012	81,043	12,751
Comprehensive loss		(1,143,427)	(2,170,698)	(341,541)
Less: comprehensive loss attributable to noncontrolling interests		—	(4,809)	(757)
Comprehensive loss attributable to Qunar Cayman Islands Limited's shareholders		(1,143,427)	(2,165,889)	(340,784)
Loss per share for ordinary shares				
Basic and diluted		(3.35)	(6.03)	(0.95)
Loss per ADS (each ADS represents three Class B ordinary shares)				
Basic and diluted		(10.05)	(18.09)	(2.85)
Weighted average number of ordinary shares used in computation:				
Class A ordinary shares:				
Basic	15	276,228,305	221,976,494	221,976,494
Diluted	15	276,228,305	221,976,494	221,976,494
Class B ordinary shares:				
Basic	15	73,304,082	151,578,106	151,578,106
Diluted	15	349,532,387	373,554,600	373,554,600

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

QUNAR CAYMAN ISLANDS LIMITED
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE
MONTHS ENDED SEPTEMBER 30, 2014 and 2015
(Amounts in thousands of Renminbi ("RMB") and U. S. dollars ("US$"),
except for number of shares and per share data)

		Nine months ended		
	Notes	September 30, 2014 RMB (Unaudited)	September 30, 2015 RMB (Unaudited)	September 30, 2015 US$ (Unaudited)

Cash flows from operating activities:				
Net cash used for operating activities		**(350,894)**	**(2,056,545)**	**(323,579)**
Cash flows from investing activities:				
Acquisitions of property and equipment		(124,003)	(153,242)	(24,111)
Acquisition of intangible assets		—	(849)	(134)
Purchase of short-term investments		(246,061)	(254,216)	(39,999)
Proceeds from maturity of short-term investments		734,233	—	—
Payments for long-term investments		(55,698)	(506,337)	(79,668)
Acquisition of business, net of cash acquired		—	(7,910)	(1,244)
Net cash provided by (used for) investing activities		**308,471**	**(922,554)**	**(145,156)**
Cash flows from financing activities:				
Proceeds from issuance of ordinary shares		—	1,932,019	303,987
Proceeds from exercise of share options		9,912	4,850	763
Proceeds from noncontrolling interests		—	1,000	158
Proceeds from short-term loan		—	643,500	101,249
Restricted cash pledged on short-term loan		—	(650,000)	(102,272)
Proceeds from issuance of long-term debt		—	3,103,303	488,278
Payment for debt issue cost		—	(52,565)	(8,271)
Loans from related parties	12	—	1,134,000	178,425
Net cash provided by financing activities		**9,912**	**6,116,107**	**962,317**
Effect of exchange rate changes on cash and cash equivalents		25,784	106,804	16,805
Net (decrease) increase in cash and cash equivalents		(6,727)	3,243,812	510,387
Cash and cash equivalents at beginning of the period		980,129	812,972	127,914
Cash and cash equivalents at end of the period		**973,402**	**4,056,784**	**638,301**
Supplemental cash flow disclosures:				
Interest paid		—	319	50
Income taxes paid		3,059	3,014	474
Acquisitions of property and equipment included in accounts payable		8,610	12,000	1,888

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements

QUNAR CAYMAN ISLANDS LIMITED
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(Amounts in thousands of Renminbi ("RMB") and U. S. dollars ("US$"),
except for number of shares and per share data)

1. Basis of Presentation

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, accommodation reservation and other travel related services as well as display advertising services primarily in the People's Republic of China ("PRC").

On January 31, 2015, the Company acquired a 55% controlling equity interest of a travel service provider for a total consideration of RMB11,000 (Note 14).

On May 15, 2015, the Company injected cash of RMB10,000, in setting up Beijing Xiaoyaotianxia Technology Company Limited and holds 55% of equity interest.

These unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information using accounting policies that are consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2014. Accordingly, these unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required by U.S. GAAP for annual financial statements.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all normal recurring adjustments necessary to present fairly the financial position, operating results and cash flows of the Company for each of the periods presented. The results of operations for the nine months ended September 30, 2015 are not necessarily indicative of results to be expected for any other interim period or for the full year of 2015. The condensed consolidated balance sheet as of December 31, 2014 was derived from the audited consolidated financial statements at that date but does not include all of the disclosures required by U.S. GAAP for annual financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014.

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 Qunar.com Beijing Information Technology Company Limited ("VIE") and its wholly-owned subsidiaries, collectively known as the "principal Affiliated PRC Entities.". The paid-in capital of the VIE was funded by

Beijing Qunar Software Technology Company Limited (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 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.

1. Basis of Presentation (continued)

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. Basis of Presentation (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

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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

· 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.

1. Basis of Presentation (continued)

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 of 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."

The carrying amounts and classifications of the assets and liabilities of the Company's Affiliated PRC Entities are as follows:

	As of		
	December 31, 2014 RMB	**September 30, 2015 RMB (Unaudited)**	**September 30, 2015 US$ (Unaudited)**
Current assets	1,011,311	3,194,705	502,660
Non-current assets	75,910	497,331	78,251
Total assets	**1,087,221**	**3,692,036**	**580,911**
Current liabilities	1,076,484	3,740,496	588,535
Non-current liabilities	3,429	6,413	1,009
Total liabilities	**1,079,913**	**3,746,909**	**589,544**

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1. Basis of Presentation (continued)

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

	Nine months ended		
	September 30, 2014	September 30, 2015	September 30, 2015
	RMB (Unaudited)	RMB (Unaudited)	US$ (Unaudited)
Revenues	191,768	1,059,088	166,639
Cost of revenues	123,850	817,603	128,643
Net loss	(24,421)	(65,330)	(10,279)
Net cash (used for) provided by operating activities	(21,677)	121,337	19,091
Net cash used for investing activities	(37,123)	(389,313)	(61,255)
Net cash provided by financing activities	2,674	507,000	79,772

As of December 31, 2014 and September 30, 2015, the current liabilities of the Affiliated PRC Entities included amounts due to WFOE and the Company of RMB232,000 and RMB1,749,438 (US$275,259), respectively, which were eliminated upon consolidation by the Company.

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

The Affiliated PRC Entities contributed 11.7% and 20.2% of the Company's consolidated revenues for the nine months ended September 30, 2014 and 2015, respectively.

2. Summary of significant accounting policies

Principles of consolidation

The unaudited interim condensed 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 unaudited interim condensed 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 provision for account receivables, the useful lives of senior unsecured long-lived and intangible assets, the fair value of warrant liability and other derivatives embedded in convertible notes 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 and long-lived assets, realizability of deferred tax assets, unrecognized tax benefits, and contingencies. Management bases the estimates on historical experience and various other 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.

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2. Summary of significant accounting policies (continued)

Convenience translation

Amounts in U.S. dollars are presented for the convenience of the reader and are translated at the noon buying rate of 6.3556 per US$1.00 on September 30, 2015 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

Reclassification of revenue amounts

The Company presented its revenue in the categories of flight and flight related services, accommodation reservation services, display advertising services and other services beginning January 1, 2015. Therefore, comparative amounts for the nine months ended September 30, 2014 were reclassified to conform to the current period presentation. Such reclassifications had no effect on net loss, total assets, total liabilities or total shareholders' (deficit) equity as previously reported.

Revenue recognition

In 2015, the Company pre-purchases air tickets and hotel rooms from airlines and hotels and sells to end users. On such transactions, the Company acts as a principal and presents revenues on a gross basis. Revenues recognized on a gross basis represent the sales prices of the air tickets and hotel rooms sold to end users, and the costs of the air tickets and hotel rooms paid to the airlines and hotels are recorded as "cost of services" in the unaudited interim condensed consolidated statements of comprehensive loss.

Coupon programs

In 2015, the Company launched programs through which the Company offers coupons to end users, primarily under its pay for performance services business model where the Company acts as an agent to its customers including OTA, airlines and hotels. For the coupons that were voluntarily offered by the Company without the end users completing concurrent purchases, the Company recognizes the amounts of coupons redeemed by the end users as marketing expense when the future purchases are made, as these coupons are only redeemable against future purchases on the Company's website or mobile platform by end users but not redeemable for cash. Whereas the Company recognizes the amounts of coupons redeemed by the end users that were issued in connection with completed purchases as reduction of revenue.

Short-term investments

All highly liquid investments with original maturities of greater than three months, but less than 12 months, are classified as short-term investments. As of December 31, 2014 and September 30, 2015, the Company held fixed time deposits amounting to nil and RMB255,121 (US$40,141) in commercial banks with original maturities of greater than three months but less than a year, respectively. Interest income for short-term investments ofRMB9,684, RMB905 (US$142) was recognized in the unaudited interim condensed consolidated statements of comprehensive loss for the nine months ended September 30, 2014 and 2015, respectively.

Equity method investments

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.

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*, on its convertible debt instruments 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. Under ASC470-20, the debt component is initially measured at its fair value considering all terms except the conversion option. The equity component is measured as the residual amount, reflecting the interest cost paid with the conversion option. The excess of the principal amount of the liability component over its carrying amount shall be amortized to interest cost using the 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.

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"),
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2. **Summary of significant accounting policies (continued)**

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.

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. In accordance with ASC topic 350 ("ASC 350"), *Intangibles—Goodwill and Other*, goodwill is not amortized, but rather is tested for impairment annually or more frequently if indicators of impairment present. The Company assigns and assesses goodwill for impairment at the reporting unit level. The Company determined that it has only one reporting segment as a whole.

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

Recently issued accounting pronouncements

In April 2015, the FASB issued ASU No. 2015-03, *Interest — Imputation of Interest* ("ASU 2015-03"). 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 adopted ASU 2015-03 in April 2015.

3. **Accounts receivable, net**

	As of		
	December 31, 2014 RMB	**September 30, 2015 RMB (Unaudited)**	**September 30, 2015 US$ (Unaudited)**
Accounts receivable	176,273	373,697	58,798
Less: allowance for doubtful accounts	(10,869)	(12,990)	(2,044)
	165,404	360,707	56,754

As of December 31, 2014 and September 30, 2015, all accounts receivable were due from third party customers.

The Company recognized additions to allowance for doubtful accounts amounting to RMB4,670 and RMB2,851 (US$449) within general and administrative expenses, for the nine months ended September 30, 2014 and 2015, respectively.

4. **Prepayments and other current assets**

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

	As of		
	December 31, 2014 RMB	September 30, 2015 RMB (Unaudited)	September 30, 2015 US$ (Unaudited)
Prepaid travel related data acquisition costs	24,043	17,515	2,756
Deposits and advance to suppliers	91,148	508,825	80,059
Other prepaid expenses	22,178	32,098	5,050
Receivable due from employees	33,578	53,897	8,480
Receivable related to employee share based awards	26,308	10,355	1,629
Other receivables	62,479	223,144	35,111
Total	259,734	845,834	133,085

5. Long-term investments

The Company' long-term investments consist of cost method investments and equity method investment. No impairment of long-term investments occurred as of December 31, 2014 and September 30, 2015, respectively.

Cost method investments

The carrying amount of the Company's cost method investments was RMB103,175 and RMB547,976 (US$86,220) as of December 31, 2014 and September 30, 2015, respectively.

Equity method investments

The Company holds 58.75% equity interest in an entity engaged in the ticketing business in the PRC. The carrying amount of equity method investment was nil and RMB62,629 (US$9,854) as of December 31, 2014 and September 30, 2015, respectively.

6. Property and equipment, net

	As of		
	December 31, 2014 RMB	September 30, 2015 RMB (Unaudited)	September 30, 2015 US$ (Unaudited)
Office furniture and equipment	33,112	40,412	6,358
Office computer equipment	56,089	71,297	11,218
Servers and network equipment	84,219	139,503	21,950
Software	17,030	26,653	4,194
Digital locks	4,551	40,201	6,325
Leasehold improvements	55,811	73,397	11,548
Total	250,812	391,463	61,593
Accumulated depreciation	(101,505)	(182,544)	(28,721)
Property and equipment, net	149,307	208,919	32,872

Depreciation expenses for the nine months ended September 30, 2014 and 2015, was RMB32,653 and RMB81,850 (US$12,878), respectively.

7. Short-term loan

On September 14, 2015, the Company obtained a RMB denominated loan with a principal amount of RMB643,500 (US$101,249) 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$102,272) by an overseas subsidiary. Interest expense of nil and RMB492 (US$77) was recognized for the nine months ended September 30, 2014 and 2015, respectively.

8. Goodwill

Changes in the carrying amount of goodwill for the nine months ended September 30, 2015:

	Total RMB
Balance as of December 31, 2014	—
Goodwill acquired during the period	10,755
Impairment	—
Balance as of September 30, 2015	10,755

(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US$”),
except for number of shares and per share data)

Balance as of September 30, 2015 in US$	1,692

Goodwill is not deductible for tax purposes and is not amortized but tested for impairment at least annually.

9. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of		
	December 31, 2014 RMB	September 30, 2015 RMB (Unaudited)	September 30, 2015 US$ (Unaudited)
Payable to travel service providers (“TSP”s)	673,990	1,434,486	225,704
Payable to end users	65,708	177,873	27,987
Accrued operating expenses	260,332	594,622	93,559
Contract termination loss provision	64,485	—	—
Payable to employees related to share based awards	32,305	27,762	4,368
Other tax payable	43,899	39,702	6,247
Accrued sales rebates	14,828	26,258	4,131
Total	1,155,547	2,300,703	361,996

10. 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., Gaoling Fund L.P and YHG Investment L.P. 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, 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.

Redemption

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

10. Long-term debt (continued)

Make-whole provision

In an event of Make-Whole Fundamental Change as defined in the agreement, 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 RMB569,088 (US$89,541) and debt component of RMB2,534,215 (US$398,737). The allocated issuance costs to the debt component of RMB43,962 (US$6,917) were presented as direct deduction from the principal amounts of the Notes on the unaudited interim condensed 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 and September 30, 2015, the fair value of the make-whole feature was immaterial. For the nine months ended September 30, 2015, effective interest rate on the debt component of the Notes was 5.65% and the Company recognized interest expenses of RMB44,084(US$6,945).

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

11. Income taxes

The Company's effective tax rates were -0.84% and -0.50% for the nine months ended September 30, 2014 and 2015, respectively.

For the nine months ended September 30, 2014 and 2015, the Company recorded RMB4,786 and RMB7,808 (US$1,228) of unrecognized tax benefits, respectively, which primarily represented deemed revenues for income tax purposes. 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 September 30, 2015, unrecognized tax benefits of RMB58,942 (US$9,274) if ultimately recognized will impact the effective tax rate.

12. Related party transactions

a) Related parties

Name of related parties	Relationship with the Company
Baidu, Inc.	Ultimate holding company
Baidu	Controlling shareholder of the Company
Baidu Online Network Technology (Beijing) Co., Ltd. ("Baidu Online")	An entity controlled by Baidu
Beijing Baidu Netcom Science Technology Co., Ltd. ("Baidu Netcom")	An entity controlled by Baidu
FuJian Bo Rui Websoft Technology Co., Ltd. ("Bo Rui")	An entity controlled by Baidu
FuJian Bo Dong Cultural Communication Co., Ltd. ("Bo Dong")	An entity controlled by Baidu
Beijing Nuo Mi Network Information Technology Co., Ltd. ("Nuo Mi")	An entity controlled by Baidu
Baidu.com Times Technology (Beijing) Co., Ltd. ("Baidu Times")	An entity controlled by Baidu

12. Related party transactions(continued)

b) The Company had the following related party transactions for the nine months ended September 30, 2014 and 2015:

	Nine months ended		
	September 30, 2014 RMB (Unaudited)	September 30, 2015 RMB (Unaudited)	September 30 2015 US$ (Unaudited)
Loans from Baidu Online (i)	—	1,134,000	178,425
Loan interest to Baidu (i)	—	27,576	4,339
Online marketing services from Baidu Zhixin Cooperation (ii)	450,162	37,173	5,849
Zhixin Compensation (ii)	—	(91,400)	(14,381)
Online marketing services from Baidu Online (iii)	269	64,001	10,070
Online marketing services from Baidu Netcom (iv)	133,906	79,483	12,506
Online marketing services from Baidu Times (vi)	4,028	11,405	1,794
Online marketing services contributed by Baidu, Inc. (v)	3,304	—	—
Online marketing services from Bo Rui	469	1,398	220
Online marketing services from Bo Dong	3,494	475	75
Online marketing service from Nuo Mi	—	2,010	316

(i) On February 27, 2014, Qunar entered into a US$300,000 revolving credit facility agreement with 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 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 RMB507,000 and RMB627,000, respectively, pursuant to the agreement.

(ii) On October 1, 2013, the Company and Baidu entered into the Zhixin Cooperation Agreement for an initial term starting from November 21, 2013 to December 31, 2016. On June 1, 2015, Baidu and the Company agreed to terminate the Zhixin Cooperation Agreement with immediate effect without admission of any breach by any party. Both party agreed that Baidu would pay the Company a cash consideration of RMB207,000 (USD32,570) in connection with the termination. The online marketing expense for Baidu Zhixin Cooperation was RMB450,162 and RMB37,173 (US$5,849) for the nine months ended September 30, 2014 and 2015, respectively. During the nine months ended September 30, 2014 and 2015, nil and RMB91,400 (US$14,381) were recognized as deduction to expense, respectively.

Concurrently with the termination, Baidu fully exercised the first independent tranche of the Baidu Warrants for services provided to the Company in 2014 into 11,450,000 of the Company's Class B ordinary shares for no additional consideration. The remeasurement loss for those warrants immediately before they were exercised in 2015 was RMB397,987 (US$62,620) which was recorded in "Change in fair value of the warrant liability" on the Company's unaudited interim condensed consolidated statements of comprehensive loss. The cash consideration received from Baidu was recorded in "Accrued expenses and other current liabilities" on the Company's unaudited interim condensed 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.

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

12. Related party transactions(continued)

b) The Company had the following related party transactions for the nine months ended September 30, 2014 and 2015: (continued)

(iii) On June 1, 2015, the Company and Baidu entered into a business cooperation agreement, under which Baidu 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 cash amount at a certain percentage of gross revenue the Company earns in exchange for the services Baidu provides to the Company. This agreement will expire in May 2016 subject to renewal negotiation between both parties.

(iv) During the nine months ended September 30, 2014 and 2015, Baidu Netcom provided online marketing services amounting to RMB 133,906 and RMB 79,483 (US$12,506) to the Company, respectively. As one of the largest online marketing service providers in the PRC, Baidu Netcom typically requires upfront payments from its customers. As of September 30, 2014 and September 30, 2015, such payments amounted to RMB22,000 and RMB6,600 (US$1,038), respectively. The related services are expected to be delivered within the next 12 months.

(v) 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 Baidu, Inc. for the aforementioned online marketing services provided.

12. Related party transactions (continued)

c) The Company had the following related party balances outstanding as of December 31, 2014 and September 30, 2015:

	As of		
	December 31, 2014 RMB	**September 30, 2015 RMB (Unaudited)**	**September 30, 2015 US$ (Unaudited)**
Current assets			
Due from related parties:			
Baidu Netcom	25,210	6,600	1,038
Baidu Times	3,670	84,107	13,234
Nuo Mi	11,071	52,777	8,304
Total due from related parties	**39,951**	**143,484**	**22,576**
Current liabilities			
Due to related parties:			
Baidu Online	—	1,161,576	182,764
Baidu Inc.	4,714	68,741	10,816
Bo Rui	50	743	117
Nuo Mi	377	2,386	375
Baidu Netcom	—	6,871	1,081
Bo Dong	396	—	—
Baidu Times	768	—	—
Total due to related parties	**6,305**	**1,240,317**	**195,153**

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

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

13. Shareholders' equity

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 public offering. In June 2015, 11,450,000 shares of Class B ordinary shares were issued as a result of Baidu's exercise of the 2014 Baidu Warrants (Note 12).

In September 2015, 29,078,988 shares of Class A ordinary shares were exchanged into Class B ordinary shares.

In the nine months ended September 30, 2015, 4,687,137 shares of Class B Ordinary shares were issued from share options exercised.

Accumulated other comprehensive income

The movement of accumulated other comprehensive income is as follows:

	Foreign currency translation adjustments
Balance as of December 31, 2014	**4,163**
Other comprehensive income	81,043
Balance as of September 30, 2015	**85,206**
Balance as of September 30, 2015, in US$ (Unaudited)	**13,406**

14. Business acquisition

On January 31, 2015, the Company acquired a 55% controlling equity interest of a travel service provider to enrich its products and achieve synergies. Total consideration of the acquisition was RMB11,000 in cash to be paid in two installments. Each installment payment is dependent on acquiree and its the selling shareholders fulfilling certain administrative and operational conditions. The agreement also provides a call option that allows the Company to purchase the remaining 45% equity interest in the acquiree. As the remaining 45% equity interest is held by three non-controlling selling shareholders where the underlying shares of the acquiree are not publicly traded, the call option is an embedded feature in its shares, which does not qualify for bifurcation accounting. As of September 30, 2015, the Company paid RMB10,200 (US$1,605).

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 interim condensed consolidated statement of operations for the nine months ended September 30, 2015 were RMB1,720 (US$271) and RMB8,741 (US$1,375), respectively.

15. Loss per share

Basic and diluted loss per share for each of the periods presented is calculated as follows:

	Nine months ended September 30					
	2014 Class A RMB (Unaudited)	2014 Class B RMB (Unaudited)	2015 Class A RMB (Unaudited)	2015 Class A US$ (Unaudited)	2015 Class B RMB (Unaudited)	2015 Class B US$ (Unaudited)
Basic loss per share:						
Numerator:						
Net loss attributable to ordinary shareholders for computing basic loss per share	(925,764)	(245,675)	(1,338,047)	(210,530)	(913,694)	(143,762)
Denominator:						
Weighted average number of ordinary shares outstanding, basic	276,228,305	73,304,082	221,976,494	221,976,494	151,578,106	151,578,106
Basic loss per share:	(3.35)	(3.35)	(6.03)	(0.95)	(6.03)	(0.95)
Basic loss per ADS:		(10.05)			(18.09)	(2.85)
Diluted loss per share:						
Numerator:						
Net loss attributable to ordinary shareholders for computing diluted loss per share	(925,764)	(245,675)	(1,338,047)	(210,530)	(913,694)	(143,762)
Reallocation of net loss attributable to ordinary	—	(925,764)	—	—	(1,338,047)	(210,530)

(Amounts in thousands of Renminbi (“RMB”) and U. S. dollars (“US$”),
except for number of shares and per share data)
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US$”),

shareholders as a result of conversion of Class A to Class B ordinary shares						
Net loss attributable to ordinary shareholders for computing diluted loss per share	(925,764)	(1,171,439)	(1,338,047)	(210,530)	(2,251,741)	(354,292)
Denominator:						
Weighted average ordinary shares outstanding	276,228,305	73,304,082	221,976,494	221,976,494	151,578,106	151,578,106
Conversion of Class A to Class B ordinary shares	—	276,228,305	—	—	221,976,494	221,976,494
Weighted-average number of shares outstanding-diluted	276,228,305	349,532,387	221,976,494	221,976,494	373,554,600	373,554,600
Diluted loss per share:	(3.35)	(3.35)	(6.03)	(0.95)	(6.03)	(0.95)
Diluted loss per ADS:		(10.05)			(18.09)	(2.85)

The Company computes loss per Class A and Class B ordinary shares in accordance with ASC 260, *Earnings Per Share*, using the two class method. Under the two-class method, net income is allocated between Class A and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for conversion and voting rights. Each Class A ordinary share is convertible into one Class B ordinary share at any time, while Class B ordinary shares cannot be converted into Class A ordinary shares under any circumstances. Each Class A ordinary share is entitled to three votes and each Class B ordinary share is entitled to one vote.

The effects of all outstanding share options (Note 16) and the Notes (Note 10) have been excluded from the computation of diluted loss per share for the periods presented as their effects would be anti-dilutive.

16. Share-based compensation

In November 2007, the Company’s shareholders approved the 2007 Share Incentive Plan (the “2007 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. On February 12, 2015, the Company’s shareholders approved an amendment of the 2007 Plan at the annual general meeting. Pursuant to the amendment, the maximum number of shares that may be issued under the 2007 Plan shall increase on January 1 of each of 2015, 2016 and 2017 by 2.65% of the then outstanding shares, and on January 1, 2018 for remainder of the term of the 2007 Plan by 1.5% of the then outstanding shares.

Under the 2007 Plan, the Company granted 6,766,586 and 8,516,649 share options to employees during the nine months period ended September 30, 2015 and 2014, respectively.

The following table summarizes total compensation cost recognized:

	Nine months ended		
	September 30, 2014	**September 30, 2015**	**September 30, 2015**
	RMB (Unaudited)	**RMB (Unaudited)**	**US$ (Unaudited)**
Product developments	43,319	91,772	14,440
Product sourcing	1,197	6,043	951
Sales and marketing	8,438	27,037	4,254
General and administrative	148,188	155,251	24,427
	201,142	280,103	44,072

17. Restricted net assets

As a result of PRC laws and regulations, the Company’s PRC subsidiaries and PRC Affiliated Entities are restricted in its ability to transfer a portion of its net assets to the Company. As of September 30, 2015, the net assets subject to restriction is nil.

18. 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 September 30, 2015, the carrying values of these financial instruments, except for employee housing loan receivables, employee housing loan receivable, 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.

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

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.

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**	**—**

18. Fair value measurement (continued)

No asset or liability was measured at fair value as of September 30, 2015 as the Baidu Warrants were exercised (Note 12).

The Company has no assets or liabilities measured or disclosed at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended September 30, 2014 and 2015.

19. 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.

Future minimum payments under non-cancelable operating leases consist of the following as of September 30, 2015:

	RMB	US$
Three months ending December 31, 2015	75,681	11,908
Year ending December 31, 2016	204,029	32,102
Year ending December 31, 2017	54,781	8,619
Year ending December 31, 2018	3,678	579
Year ending December 31, 2019 and thereafter	2,606	410
	340,775	**53,618**

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 unaudited interim condensed consolidated financial statements amounted to RMB 29,786 and RMB24,140 (US$3,798) as of December 31, 2014 and September 30, 2015, respectively. All of the commitments relating to the network infrastructure and renovation on the offices are to be fulfilled within the next year.

19. Commitments and contingencies (continued)

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 September 30, 2015 was RMB7,179 (US$1,132).

Legal contingency

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 a TSP over the Distribution Agreement. In the Final Judgment, the Court upheld the prior judgment of the Beijing No. 1 Intermediate People’s Court from January 2015.

20. Subsequent events

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 to Ctrip.com International, Ltd. (“Ctrip”). The exchange ratio is 1 Qunar ADS to 0.725 Ctrip ADSs. After the completion of the transaction, Ctrip owns 190,152,519 Class B ordinary shares of Qunar, and became the largest shareholder of the Company.

On November 18, 2015, the Company entered into an agreement with Ctrip, pursuant to which, the employee equity awards of the Company shall be convertible to Ctrip ADSs at the ratio of 1 Qunar ADS to 0.725 Ctrip ADS. The management voluntarily undertakes that this exchange program will become effective only upon receiving consent from existing the shareholders representing the majority of all the outstanding fully diluted shares of the Company, including convertible bonds on an as converted basis, that are not owned by Baidu, Ctrip, or the management as of October 23, 2015.

QUNAR CAYMAN ISLANDS LIMITED

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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, 2014 and 2013, and the related consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity (deficit) for each of the three years in the period ended December 31, 2014. 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, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, 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, 2014, 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 29, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young Hua Ming LLP
Beijing, the People's Republic of China
April 29, 2015

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)

		As of December 31,		
		2013	2014	
	Notes	RMB	RMB	US$
ASSETS				
Current assets:				
Cash and cash equivalents		980,129	812,972	131,027
Restricted cash		163,506	236,929	38,186
Funds receivable		241,122	413,084	66,577
Short-term investments		485,945	—	—
Accounts receivable, net	3	99,892	165,404	26,658
Due from related parties	11	10,000	39,951	6,439
Prepayments and other current assets	4	66,104	259,734	41,862

Deferred tax assets	10	8,436	22,859	3,684
Total current assets		**2,055,134**	**1,950,933**	**314,433**
Non-current assets:				
Property and equipment, net	5	45,690	149,307	24,064
Intangible assets	7	—	2,849	459
Long-term investments	6	—	103,175	16,629
Other non-current assets	18	23,951	61,453	9,904
Total non-current assets		**69,641**	**316,784**	**51,056**
Total assets		**2,124,775**	**2,267,717**	**365,489**

QUNAR CAYMAN ISLANDS LIMITED

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

		As of December 31,		
		2013	2014	
	Notes	RMB	RMB	US$
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)				
Current liabilities (including current liabilities of the Affiliated PRC Entities without recourse to the Company amounting to RMB384,561 and RMB 844,484(US$136,106) as of December 31, 2013 and 2014, respectively) (note 1):				
Customer advances and deposits		164,679	258,992	41,742
Due to related parties	11	4,492	6,305	1,016
Accounts payable		5,087	19,813	3,193
Salaries and welfare payable		85,977	201,433	32,465
Income tax payable		5,764	22,821	3,678
Accrued expenses and other current liabilities	8	438,486	1,155,547	186,240
Warrant liability	11,19	—	701,776	113,106
Total current liabilities		**704,485**	**2,366,687**	**381,440**
Non-current liabilities (including non-current liabilities of the Affiliated PRC Entities without recourse to the Company amounting to RMB3,125 and RMB3,429 (US$553) as of December 31, 2013 and 2014, respectively)**:**				
Non-current liabilities		57,863	71,616	11,542
Total non-current liabilities		**57,863**	**71,616**	**11,542**
Total liabilities		**762,348**	**2,438,303**	**392,982**
Commitments and contingencies	20			
Shareholders' equity(deficit):				
Class A ordinary shares (par value of US$0.001 per share; 303,344,804 shares authorized as at December 31, 2013 and 2014, respectively; 302,850,254 and 224,299,179 shares issued and outstanding as at December 31, 2013 and 2014, respectively)	14	1,914	1,426	230
Class B ordinary shares (par value of US$0.001 per share; 496,655,196 shares authorized as at December 31, 2013 and 2014, respectively; 39,332,950 and 134,376,522 shares issued and outstanding as at December 31, 2013 and 2014, respectively)	14	240	831	134
Additional paid-in capital		1,788,167	2,069,313	333,513
Accumulated other comprehensive (loss) income	13	(28,476)	4,163	671
Accumulated deficit		(399,418)	(2,246,319)	(362,041)
Total shareholders' equity(deficit)		**1,362,427**	**(170,586)**	**(27,493)**
Total liabilities and shareholders' equity(deficit)		**2,124,775**	**2,267,717**	**365,489**

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 ended December 31, 2012 RMB	2013 RMB	2014 RMB	2014 US$
Revenues					
Pay-for-performance services	9	446,550	772,114	1,666,653	268,616
Display advertising services	9	46,670	63,503	87,894	14,166
Other services	9	8,505	15,305	2,208	356
Total revenues		**501,725**	**850,922**	**1,756,755**	**283,138**
Cost of revenues		(95,787)	(173,395)	(454,902)	(73,317)
Gross profit		**405,938**	**677,527**	**1,301,853**	**209,821**
Operating expenses:					
Product developments		(187,266)	(319,021)	(774,511)	(124,829)
Product sourcing		(26,947)	(67,271)	(316,903)	(51,075)
Sales and marketing (including services contributed by and rendered by related parties amounting to RMB6,650, RMB5,920 and RMB3,304 (US$533) and RMB74,296, RMB92,930 and RMB183,146 (US$29,518), respectively, for the years ended December 31, 2012, 2013 and 2014, respectively)	11	(216,853)	(315,506)	(890,861)	(143,581)
General and administrative (including services rendered by a related party amounting to RMB81, nil and nil for the years ended December 31, 2012, 2013 and 2014, respectively)	11	(50,574)	(129,209)	(399,914)	(64,454)
Online marketing expense for Baidu Zhixin Cooperation	11	—	—	(699,983)	(112,817)
Contract termination loss provision	20	—	—	(64,485)	(10,393)
Operating loss		**(75,702)**	**(153,480)**	**(1,844,804)**	**(297,328)**
Interest income, net		832	4,757	31,329	5,049
Foreign exchange (loss) gain, net		(656)	1,469	(20,739)	(3,343)
Other income, net		363	1,057	4,873	785
Loss before income taxes		**(75,163)**	**(146,197)**	**(1,829,341)**	**(294,837)**
Income tax expense	10	(15,950)	(41,092)	(17,560)	(2,830)
Net loss		**(91,113)**	**(187,289)**	**(1,846,901)**	**(297,667)**
Loss per share for ordinary shares					
Basic and diluted	15	(0.32)	(0.61)	(5.26)	(0.85)
Loss per ADS (each ADS represents three Class B ordinary shares)					
Basic and diluted	15	(0.96)	(1.83)	(15.78)	(2.55)
Weighted average number of ordinary shares used in computation:					
Ordinary shares:					
Basic	15	281,682,508	—	—	—
Diluted	15	281,682,508	—	—	—
Class A ordinary shares:					
Basic	15	—	299,524,536	266,696,495	266,696,495
Diluted	15	—	299,524,536	266,696,495	266,696,495
Class B ordinary shares:					
Basic	15	—	6,403,973	84,713,813	84,713,813
Diluted	15	—	305,928,509	351,410,308	351,410,308
Other comprehensive (loss) income, net of tax of nil					
Foreign currency translation adjustments	13	(542)	(16,873)	32,639	5,260
Comprehensive loss		**(91,655)**	**(204,162)**	**(1,814,262)**	**(292,407)**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"))

	Notes	Years ended December 31, 2012 RMB	2013 RMB	2014 RMB	2014 US$
Cash flows from operating activities:					
Net loss		(91,113)	(187,289)	(1,846,901)	(297,667)
Adjustments to reconcile net loss to net cash from operating activities:					
Depreciation expenses	5	16,876	22,735	52,048	8,389
Allowance for doubtful debts	3	1,928	7,038	2,199	354
Share-based compensation related to equity awards		16,973	58,170	265,924	42,859
Online marketing expenses for Baidu Zhixin Cooperation	11	—	—	699,983	112,817
Marketing services contributed by a related party	11	6,650	5,920	3,304	533
Imputed interest on loan due to a related party	11	421	2,050	—	—
Payment of Employee Consenting Equity Right Holder ("CERH") Fees		—	(9,982)	(2,980)	(480)
Changes in assets and liabilities					
Restricted cash		(48,926)	(114,459)	(73,423)	(11,834)
Accounts receivable		(9,708)	(61,299)	(67,711)	(10,913)
Funds receivable		(27,491)	(210,284)	(171,962)	(27,715)
Prepayments and other current assets	4	(19,836)	(21,233)	(193,630)	(31,207)
Deferred tax assets, current	10	—	(8,436)	(14,423)	(2,325)
Due from related parties	11	(6,550)	(2,400)	(29,951)	(4,827)
Other non-current assets		4,793	(20,310)	(28,972)	(4,669)
Customer advances and deposits		34,873	95,598	94,313	15,200
Accounts payable		(770)	2,925	11,318	1,824
Salaries and welfare payable		19,808	42,308	115,456	18,608
Income tax payable		576	4,598	17,057	2,749
Accrued expenses and other current liabilities	8	90,678	289,870	717,061	115,568
Due to related parties	11	200	4,292	1,813	292
Non-current liabilities		14,456	40,269	13,753	2,217
Net cash provided by (used for) operating activities		**3,838**	**(59,919)**	**(435,724)**	**(70,227)**
Cash flows from investing activities:					
Acquisitions of property and equipment		(23,484)	(39,314)	(160,786)	(25,914)
Acquisition of intangible assets		—	—	(2,849)	(459)
Payments to purchase of short-term investments		(29,626)	(671,165)	(242,901)	(39,149)
Proceeds from maturity of short-term investments		127,499	185,741	740,551	119,355
Payments for long-term investments		—	—	(103,175)	(16,629)
Net cash provided by (used for) investing activities		**74,389**	**(524,738)**	**230,840**	**37,204**
Cash flows from financing activities:					
Proceeds from issuance of ordinary shares	14	—	354,586	—	—
Proceeds from issuance of Class B ordinary shares, net of initial public offering costs		—	1,083,272	—	—
Proceeds from issuance of ordinary shares previously subject to escrow		—	17,298	—	—
Proceeds from exercise of share options		2,538	1,474	15,001	2,418
Loans from related parties	11	150,000	150,000		
Repayment of loans due to related parties	11	(100,000)	(200,000)	—	—
Loans to related parties	11	(31,156)	(68,886)	—	—
Proceeds from repayment of loans due from related parties	11	—	98,975	—	—
Distribution	14	(74,256)	(4,638)	—	—
Net cash (used for) provided by financing activities		**(52,874)**	**1,432,081**	**15,001**	**2,418**
Effect of exchange rate changes on cash and cash equivalents		**(287)**	**(15,806)**	**22,726**	**3,664**
Net increase (decrease) in cash and cash equivalents		**25,066**	**831,618**	**(167,157)**	**(26,941)**
Cash and cash equivalents at beginning of the year		123,445	148,511	980,129	157,968
Cash and cash equivalents at end of the year		148,511	980,129	812,972	131,027
Supplemental cash flow disclosures:					
Income taxes paid		(2,260)	(8,852)	(4,319)	(696)
Acquisitions of equipment included in accounts payable		632	122	3,408	549

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

QUNAR CAYMAN ISLANDS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(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)	Accumulated deficit	Total shareholders' (deficit) equity
	Number of shares	RMB	Number of shares	RMB	Number of shares	RMB	RMB	RMB	RMB	RMB
Balance at December 31, 2011	181,402,116	1,172	—	—	—	—	(742,946)	(11,061)	(121,016)	(873,851)
Net loss	—	—	—	—	—	—	—	—	(91,113)	(91,113)
Other comprehensive loss	—	—	—	—	—	—	—	(542)	—	(542)
Online marketing services contributed by a related party (note 11)							6,650			6,650
Imputed interest on loan due to related party (note 11)							421			421
Exercise of stock options	—	—	—	—	—	—	2,538	—	—	2,538
Share-based compensation	—	—	—	—	—	—	16,973	—	—	16,973
Balance at December 31, 2012	181,402,116	1,172	—	—	—	—	(716,364)	(11,603)	(212,129)	(938,924)
Net loss	—	—	—	—	—	—	—	—	(187,289)	(187,289)
Other comprehensive loss	—	—	—	—	—	—	—	(16,873)	—	(16,873)
Issuance of ordinary shares (note 14)	21,662,296	135	—	—	—	—	354,451	—	—	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
Initial public offering costs	—	—	—	—	—	—	(101,146)	—	—	(101,146)
Proceeds from issuance of ordinary shares previously subject to escrow (note 1)	—	—	—	—	—	—	17,298	—	—	17,298
Distribution and payment of CERH Fees	—	—	—	—	—	—	(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
Online marketing services contributed by a related party (note 11)							5,920			5,920

Imputed interest on loan due to related party (note 11)							2,050			2,050
Exercise of stock options	—	—	—	—	—	—	1,474	—	—	1,474
Share-based compensation	—	—	—	—	—	—	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
Net loss									(1,846,901)	(1,846,901)
Other comprehensive income								32,639		32,639
Distribution and payment of CERH Fees	—	—	—	—	—	—	(2,980)	—	—	(2,980)
Online marketing services contributed by a related party (note 11)	—	—	—	—	—	—	3,304	—	—	3,304
Exercise of stock options	—	—	—	—	16,492,497	103	14,898	—	—	15,001
Share-based compensation	—	—	—	—	—	—	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)
Balance at December 31, 2014, in US$		—		230		134	333,513	671	(362,041)	(27,493)

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

QUNAR CAYMAN ISLANDS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014
(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 pay-for-performance services, display advertising services and other services in the People's Republic of China ("PRC").

The Company's principal subsidiaries and its principal Affiliated PRC Entities as of December 31, 2014 are as follows:

Company	Date of incorporation	Place of incorporation	Percentage of direct ownership by the Company	Principal activities
Principal subsidiaries of the Company:				
Queen's Road Travel Information Limited ("Queen's Road")	August 6, 2010	Hong Kong	100%	Pay-for-performance services; Display advertising services
Beijing Qunar Software Technology Company Limited ("WFOE")	October 10, 2006	PRC	100%	Pay-for-performance services
Shanghai Qianlima Network Technology Co. Ltd., a wholly owned subsidiary of the WFOE	November 16,2012	PRC	100%	Display advertising services
Principal Affiliated PRC Entities				
Qunar.com Beijing Information Technology Company Limited ("VIE")	March 17, 2006	PRC	Nil	Display advertising services
Beijing JiaXin HaoYuan Information Technology Company Ltd. ("Jiaxinhaoyuan"), a wholly owned subsidiary of the VIE	August 26, 2010	PRC	Nil	Pay-for-performance services
Beijing JinDuYuanYou Information Technology Company Ltd. ("Jinduyuanyou"), a wholly	December 12, 2011	PRC	Nil	Pay-for-performance services

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

owned subsidiary of the VIE				
Qingdao Yi Lu Tong Xing International Travel Agency Co., Ltd. (“Qingdao”), a wholly owned subsidiary of the VIE	April 12, 2012	PRC	Nil	Pay-for-performance services
Shenzhen Zhongchengtai Insurance Brokerage Co. Ltd. (“Zhongchengtai”), a wholly owned subsidiary of the VIE	September 9, 2013	PRC	Nil	Pay-for-performance services

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

On July 20, 2011, Baidu Holdings Limited (“Baidu”) 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 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$194.2 million, 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.

In 2014, the Company launched the apartment rental business through a 50% owned entity, which was fully consolidated through a contractual agreement with the other 50% shareholder, a related party.

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 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.

(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

- 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

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

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."

The carrying amounts and classifications of the assets and liabilities of Affiliated PRC Entities are as follows:

	As of December 31,		
	2013	2014	
	RMB	RMB	US$
Current assets	481,709	1,011,311	162,994
Non-current assets	1,481	75,910	12,234
Total assets	483,190	1,087,221	175,228
Current liabilities	468,769	1,076,484	173,498
Non-current liabilities	3,125	3,429	553
Total liabilities	471,894	1,079,913	174,051

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

	Years ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
Revenues	80,344	82,474	371,555	59,884
Cost of revenues	32,743	45,298	215,981	34,810
Net (loss) income	(3,254)	4,966	(10,990)	(1,771)
Net cash provided by operating activities	33,038	41,181	94,178	15,179
Net cash used in investing activities	(1,553)	(961)	(65,109)	(10,493)
Net cash provided by (used in) financing activities	60,000	(50,000)	7,000	1,128

As of December 31, 2013 and 2014, the current liabilities of the Affiliated PRC Entities included amounts due to WFOE and the Company of RMB84,208 and RMB232,000 (US$37,392), respectively, which were eliminated upon consolidation by the Company.

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

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 useful lives of long-lived assets, estimating the fair value of the warrant liability, estimating the cancelation rate of air travel facilitating services sold, identifying separate accounting units and estimating rebates related to revenue transactions, assessing the impairment of long-term investments and long-lived assets, determining the provision for accounts receivable, share-based compensation expenses, realizability of deferred tax assets, unrecognized tax benefits, and contingencies. Management bases the estimates on historical experience and various other 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 6.2046 per US$1.00 on December 31, 2014 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

Reclassification of comparative amounts

The commission revenues earned from the provision of group-buying services is earned on a pay-for-performance basis. Therefore, comparative amounts for the prior periods have been reclassified from “other services” to “pay-for-performance services” to conform to the current period presentation. In addition, expenses incurred to develop and maintain the network of the Company’s travel service providers were recorded as product sourcing expenses as a separate line item. Comparative amounts for the prior periods have been reclassified from “sales and marketing” to “product sourcing” to conform to the current period presentation. Such reclassifications had no effect on net income, total assets, total liabilities or total shareholders’ equity (deficit) as previously reported.

Fair value of financial instruments

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 (note 18) , customer advances and deposits, accounts payable and warrant liability. As of December 31, 2013 and 2014, the carrying values of these financial instruments, except for employee housing loan receivables 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 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 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.

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

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

Short-term investments

Short-term investments, as of December 31, 2013, represented time deposits with original maturities exceeding three months held in various reputable financial institutions in the PRC and the United States. No such time deposits as of December 31, 2014.

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 debts 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.

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, 2013 and 2014, 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 required 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

Intangible assets acquired, mainly comprising of a domain name is measured on initial recognition at cost. The domain name acquired 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 performs its annual impairment assessment for acquired indefinite-lived intangible assets in December of each year.

Long-term investments

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

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.

Revenue recognition

The Company's revenue is primarily derived from pay-for-performance, display advertising services and other services. Revenue is recognized only when the persuasive evidence of an arrangement exists, the service has been performed, the 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 pay-for-performance service and display advertising service 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.

Pay-for-performance services

The Company's pay-for-performance platform enables customers including OTAs, airlines, hotels, packaged tour providers and other travel service providers to place their links and related description on the Company's search results list or next to the search results list provided to users of the Company's website or mobile platform. Starting from January 2014, the Company integrated the online payment facilitating service as part of its pay-for-performance suite of services and bears the cost of the integrated pay-for-performance services. The Company records the cost for providing the integrated pay-for-performance services (including the online payment processing fee paid to the online payment platforms) as cost of revenues.

Cost-per-click

Revenue is recognized when the user clicks on the customer-sponsored links accessible on the Company's website or through the Company's mobile platform, and is directed to the customer's online booking webpage and other revenue recognition criteria have been met.

The Company issues award credits to its customers based on the customers' monthly spending on cost-per-click services in accordance with the service contracts. These award credits can only be used for future cost-per-click services and are not redeemable for cash. The Company accounts for these award credits granted to the customers in conjunction with a current sale of services analogous to a multiple-element arrangement in accordance with ASC 605-25. The monthly spending by the customer relating to cost-per-click services is allocated to the clicks sold and the award credits earned based on their relative-selling-prices, which is proportionate to the cost-per click services delivered and future cost-per click services to be delivered from the award credits applied. Therefore, revenue is recognized proportionately as services including those in connection to award credits are delivered to the customer. Deferred revenue as of December 31, 2013 and 2014 amounted to RMB1,424 and RMB 2,315 (US$373), respectively, which is recognized as the services are delivered within an estimated one month-period after the respective year-end.

Cost-per-sale

The Company receives fees from OTAs, airlines, hotels and local tour agencies for reservations and sales facilitated through the Company's website or mobile platform. Fees from air travel facilitating services including aviation insurance policies are recognized as revenue, where applicable, net of estimated cancellations upon the issuance of the air ticket by OTAs or airlines. The Company has a sufficient homogenous volume of transactions from its customers, and the evaluation of this historical data enables the Company to reasonably estimate cancellations. Estimated cancellations are recorded as a reduction of revenue in the same period revenue is recognized. Estimated cancellations were insignificant for the years ended December 31, 2012, 2013 and 2014. Fees from hotel reservation facilitating 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 hotel state that the Company earns the fees regardless of whether the end user completes his or her stay at the hotel, fees are recognized upon the reservation of the hotel room. The Company also receives fee from OTAs and local tour agencies (collectively, travel service providers or "TSP") for the reservation of vacation packages on the Company's website. After the end user has completed the reservation for the vacation packages on the Company's website, the end user will provide its booking reference to the TSP for the TSP to fulfill the reservation. Upon receipt of the end user's booking reference, the TSP will acknowledge and accept the underlying end user reservation in the Company's reservation system. Revenue is recognized by the Company when its reservation system receives the TSP's booking reference acknowledgement and when the four revenue recognition criteria in accordance with ASC 605 as shown above have been met. The Company has no further obligation after its reservation system receives the TSP booking reference acknowledgement. The Company considers the above arrangements in accordance with ASC 605 and has concluded that it acts as an agent. Therefore, the Company presents revenues from such transactions on a net basis in the consolidated statements of comprehensive loss.

Group-buying services

The Company generates commission revenues from selling group-buying vouchers for the offerings of products and services by its merchants, at discounted prices to its users. The Company devotes substantial resources in selecting qualifying merchants, thereby ensuring the quality of products and services sold by its merchants through the Company's website. Once a merchant is selected, the Company contracts with the selected merchant for the specified product or service group-buying vouchers to be offered on the Company's website or mobile platform, along with the timing of the offer, the voucher price and the price at which the Company will pay the merchant, shipping terms and conditions, if applicable, and the minimum threshold of vouchers for the specified product or service to be sold in order to validate the group-buying voucher offer.

The Company acts as an agent rather than as the principal in the delivery of the goods or services underlying the vouchers as it does not assume the risks and rewards of ownership of goods nor is it responsible for fulfillment, both of these are the responsibility of the merchant. The Company presents revenue on a net basis (representing the amount billed to users less the amount paid/payable to merchants) in accordance with ASC 605.

The Company's users have the ability to hold the vouchers for full refund, and therefore, the underlying sale from which the Company earns the related commission revenue as an agent is not culminated until its users actually redeem their vouchers. Revenue recognition is deferred until the redemption of the group-buying vouchers by the users for the delivery of products or consumption of the services, at which time the underlying sale from which the Company earns its commission has been culminated and the Company has completed its service obligations to its merchants. The Company has no remaining obligations to its merchants after voucher redemption by its users.

Coupon program for hotel reservation facilitating services

Revenue from hotel reservation facilitating services is recognized after confirmation with the hotel that the end users have completed their stay. In January 2013, the Company launched a coupon program, through which the Company offers coupons to end users who make reservations with certain of its hotel customers through the Company's website or mobile platform.

End users may redeem their coupons by submitting an online application within 30 days after the end user has completed his or her stay in the selected hotel as (i) cash that will be transferred by the Company to the end user's bank account; or (ii) credits in the end user's account for future flight or hotel reservations with the Company's customers on the Company's website or mobile platform.

Since the funding of the credits by the Company is paid in cash or provided as credits in the end user's account as part of a revenue arrangement with its customer, the hotel, such payments by the Company is within the scope of ASC 605-50, *Revenue Recognition: Customer Payments and Incentives* in accordance with ASC 605-50-15-2. As the Company does not receive an identifiable benefit in return for the consideration (i.e. funding of the credits) that is sufficiently separable from the hotels' purchase of reservation facilitating services from the Company, the funding of the credits to the end user, is recognized as a reduction of revenue simultaneously as the corresponding revenue is recognized in accordance with ASC 605-50-45-2. End user credits are reversed only if they are unredeemed upon expiration, which is 30 days after the end user's hotel stay.

Credits to end users amounted to nil, RMB48,835 and RMB158,033 (US$25,470) for the years ended December 31, 2012, 2013 and 2014, respectively.

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. The amount recognized is limited to the amount that is not contingent upon the delivery of additional deliverables or meeting other specified performance conditions.

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 in the Company's consolidated financial statements in accordance with ASC 605. Rebates to advertising agencies amounted to RMB7,251 , RMB7,878 and RMB11,925 (US$1,922) for the years ended December 31, 2012, 2013 and 2014, respectively.

<u>Other services</u>

The other services primarily represent commissions received from 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.

Cost of revenues

Cost of revenues consists primarily of sales taxes (including business tax and output value-added tax) and surcharges, 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 pay-for-performance services, display advertising service and other services in the PRC. According to ASC 605, the Company includes such taxes incurred in cost of revenues which amounted to RMB40,258, RMB83,641and RMB 164,894 (US$26,576) for the years ended December 31, 2012, 2013 and 2014, respectively.

Advertising expenses

Advertising expenses, other than expense from Baidu Zhixin Cooperation, 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, 2012, 2013 and 2014 were RMB138,864, RMB208,230 and RMB595,476 (US$95,973), respectively. Expense from Baidu Zhixin Cooperation (note 11) was nil, nil and RMB699,983 (US$112,817) for the years ended December 31, 2012, 2013 and 2014, 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 sourcing expenses for the years ended December 31, 2012, 2013 and 2014 were RMB26,947, RMB67,271, RMB316,903 (US$51,075), respectively.

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 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, 2013 and 2014.

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 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, there is a performance target that affects the exercisability of the award, which can be achieved after the requisite service period. That is, the employee would be eligible to vest in the award regardless of whether the employee is 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 shall not be reflected in estimating the fair value of the award at the grant date. Compensation cost shall be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period for which the requisite service already has been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be 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.

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.

The fair value of liabilities incurred in share-based payment transactions with employees are remeasured at the end of each reporting period through settlement. Changes in the fair value of a liability incurred under a share-based payment arrangement that occur during the requisite service period are recognized as compensation costs over that period.

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 is classified as a liability, it 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 the warrants. The cost associated with the warrants issued is recognized ratably over the period of service required to earn each tranche of warrants. Upon vesting, the 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 warrants are settled. Changes in the fair value of the vested warrants will be 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 earnings as if all the earnings for the reporting period had been distributed. For the year ended December 31, 2012 presented herein, the computation of basic loss per share using the two-class method is not applicable as the Company did not have any participating securities outstanding. For the years ended December 31, 2013 and 2014, 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 14). 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 the share options, 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 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.

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

<u>*Concentration of credit risk*</u>

Financial instruments that are potentially subject to credit risk consist of cash and cash equivalents, short-term investments, restricted cash, accounts receivable, funds receivable, other receivables and employee housing loan receivables. 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. 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, 2013 and 2014.

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.

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 13.4%, 9.2% and 7.8% of the Company’s consolidated revenues for the years ended December 31, 2012, 2013 and 2014, 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.

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 1.0% and 2.9% in the years ended December 31, 2012 and 2013 and depreciation of 2.4% in the year ended December 31, 2014, respectively. While the international reaction to the appreciation of the RMB has generally been positive, there remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in appreciation or depreciation of the RMB against the US$. Any significant revaluation of RMB may materially and adversely affect the Company’s cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, the ADS in US$.

Recently issued accounting pronouncements

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes 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. ASU 2014-09 also requires significantly expanded disclosures about revenue recognition. For public entities, ASU 2014-09 is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, *Compensation—Stock Compensation*. ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. ASU 2014-12 is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2015. Early adoption is not permitted. The Company does not expect that the adoption of ASU 2014-12 will have impact to the consolidated financial statements as the new ASU is consistent with the Company's current accounting policy.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The guidance requires an entity to evaluate whether there are conditions or events, in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued and to provide related footnote disclosures in certain circumstances. The guidance is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

3. Accounts receivable, net

	As of December 31,		
	2013	2014	
	RMB	RMB	US$
Accounts receivable	108,650	176,273	28,410
Less: allowance for doubtful accounts	(8,758)	(10,869)	(1,752)
	99,892	165,404	26,658

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

	Years ended December 31,		
	2013	2014	
	RMB	RMB	US$
Balance at beginning of the year	2,022	8,758	1,412
Additions	7,038	2,199	354
Write-offs	(302)	(88)	(14)
Balance at end of the year	8,758	10,869	1,752

The Company recognized additions to allowance for doubtful accounts amounting to RMB1,928, RMB7,038 and RMB2,199 (US$354) within general and administrative expenses, for the years ended December 31, 2012, 2013 and 2014, respectively.

4. Prepayments and other current assets

	As of December 31,		
	2013	2014	
	RMB	RMB	US$
Prepaid travel related data acquisition costs	22,598	24,043	3,875
Deposits and advance to suppliers	10,514	91,148	14,691
Prepaid expenses	16,972	22,178	3,574
Receivable due from employees	6,327	33,578	5,412
Receivable related to employee share based awards *	—	26,308	4,240
Other receivables	9,693	62,479	10,070
Total	66,104	259,734	41,862

* Starting from 2014, the Company used a broker to facilitate the exercise of share options by employees. As of December 31, 2013 and 2014, the share option proceeds receivable from the broker totaled nil and RMB26,308 (US$4,240), respectively.

5. Property and equipment, net

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

	As of December 31,		
	2013	2014	
	RMB	RMB	US$
Office furniture and equipment	9,792	33,112	5,337
Office computer equipment	22,538	56,089	9,040
Servers and network equipment	39,473	84,219	13,574
Software	9,613	17,030	2,745
Digital locks	—	4,551	733
Leasehold improvements	13,620	55,811	8,995
Total	95,036	250,812	40,424
Accumulated depreciation	(49,346)	(101,505)	(16,360)
Property and equipment, net	45,690	149,307	24,064

Depreciation expenses for the years ended December 31, 2012, 2013 and 2014 were RMB16,876, RMB22,735 and RMB52,048 (US$8,389), respectively.

6. Long-term investments

The carrying amount of the Company's cost method investments was nil and RMB103,175 (US$16,629) as of December 31, 2013 and 2014, respectively. No impairment of cost method investments occurred for the year ended December 31, 2013 and 2014, respectively.

7. Intangible assets, net

The carrying amount of intangible assets is RMB2,849 (US$459), which relates to a domain name acquired in year 2014. No impairment to the domain name occurred for the year ended December 31, 2014.

8. Accrued expenses and other current liabilities

	As of December 31,		
	2013	2014	
	RMB	RMB	US$
Payable to travel service providers ("TSP"s)	319,814	673,990	108,627
Payable to end users	18,905	65,708	10,590
Accrued operating expenses	83,192	260,332	41,958
Contract termination loss provision (Note 20)	—	64,485	10,393
Payable to employees related to share based awards *	—	32,305	5,207
Other tax payable	5,575	43,899	7,075
Accrued sales rebates	11,000	14,828	2,390
Total	438,486	1,155,547	186,240

* Starting from 2014, the Company used a broker to facilitate the exercise of share options by employees. As of December 31, 2013 and 2014, the share option proceeds payables to employees totaled nil and RMB32,305 (US$5,207), respectively.

9. Revenues

	Years ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
Pay-for-performance services	446,550	772,114	1,666,653	268,616
Display advertising services	46,670	63,503	87,894	14,166
Other services	8,505	15,305	2,208	356
Total	501,725	850,922	1,756,755	283,138

The majority of the per-for-performance services are related to cost-per-click services and cost-per-sale services. The Company issues award credits to its customers based on the customers' monthly spending on cost-per-click services in accordance with the service contracts. These award credits can only be used for future cost-per-click services and are not redeemable for cash. The Company accounts for these award credits granted to the customers in conjunction with a current sale of services analogous to a multiple-element arrangement in accordance with ASC 605-25. The monthly spending by the customer relating to cost-per-click services is allocated to the clicks sold and the award credits earned based on their relative-selling-prices, which is proportionate to the cost-per click services delivered and future cost-per click services to be delivered from the award credits applied. Therefore, revenue is recognized proportionately as services including those in connection to award credits are delivered to the customer. Deferred revenue as of December 31, 2013 and December 31, 2014 amounted to RMB1,424 and RMB2,315 (US$373), respectively, which is recognized as the services are delivered within an estimated one month-period after the respective period-end.

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

The majority of other services are related to commissions from third-party online payment platforms.

Revenue from pay-for-performance services are mainly comprised of the following travel service categories:

	Years ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
Flights and flight related	307,708	551,123	1,171,229	188,768
Hotels	125,779	194,030	347,281	55,972
Others	13,063	26,961	148,143	23,876
Total	446,550	772,114	1,666,653	268,616

10. 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, 2012, 2013 and 2014.

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.

The WFOE and the VIE renewed their "High and New Technology Enterprises" ("HNTE") status in December 2012 and are continued to subject to PRC tax at the preferential tax rate of 15% for three years from 2012 to 2014.

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,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
Non-PRC	(21,688)	(54,602)	(954,438)	(153,828)
PRC	(53,475)	(91,595)	(874,903)	(141,009)
	(75,163)	(146,197)	(1,829,341)	(294,837)

The income tax expense is comprised of:

	Years ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
Current	15,950	49,528	32,742	5,277
Deferred	—	(8,436)	(15,182)	(2,447)
	15,950	41,092	17,560	2,830

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

		Years ended December 31,			
		2012	2013	2014	
	Note	RMB	RMB	RMB	US$
Loss before income tax		(75,163)	(146,197)	(1,829,341)	(294,837)

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

Expected taxation at PRC EIT statutory rate of 25%		(18,790)	(36,549)	(457,335)	(73,709)
Effect of different tax rates in different jurisdictions		5,749	14,426	239,800	38,649
Research & development super-deduction		(11,210)	(22,767)	(33,391)	(5,382)
Effect of lower tax rate applicable to HNTE		(10,705)	(20,502)	49,341	7,952
Late payment interest		556	1,533	9,256	1,492
Adjustment of estimated income tax accruals		—	—	1,759	283
Deemed revenue	(i)	46,485	95,441	113,474	18,289
Non-deductible expenses		4,339	2,668	14,860	2,395
Changes in valuation allowance		(474)	7,446	81,496	13,135
Non-taxable income		—	(604)	(1,700)	(274)
Income tax expense		15,950	41,092	17,560	2,830

(i) The Company acts as an agent for its air travel facilitating services including aviation insurance policies (the "Aviation 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.

The significant components of deferred taxes are as follows:

	Years ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
Deferred tax assets, current portion:				
Advertising expenses	—	1,198	163	26
Bad debt expenses	198	1,454	1,878	303
Deferred revenues	393	—	—	—
Expense cut-off	—	51	—	—
Depreciation expenses	—	—	45	7
Accrued expenses	2,430	10,518	77,708	12,524
Accrued salaries and welfare payable	6,494	13,225	30,549	4,924
Less: valuation allowance	(9,515)	(18,010)	(87,484)	(14,100)
Current deferred tax assets	—	8,436	22,859	3,684
Deferred tax assets, non-current portion:				
Advertising expenses	1,394	—	6	1
Depreciation expenses	129	274	525	85
Tax loss carry forward	669	869	12,634	2,036
Less: valuation allowance	(2,192)	(1,143)	(13,165)	(2,122)
Non-current deferred tax assets	—	—	—	—

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 full valuation allowance against deferred tax assets of entities that were in cumulative loss positions, as of December 31, 2012, 2013 and 2014.

As of December 31, 2014, the Company had net operating losses of approximately RMB1,829,341 (US$294,837), which can be carried forward to offset taxable income. The net operating loss will expire between 2016 to 2019, if not utilized.

For the year ended December 31, 2013, all consolidated entities were in a cumulative loss position except for two subsidiaries and two Affiliated PRC Entities. For the year ended December 31, 2014, all consolidated entities were in a cumulative loss position except for one subsidiary and four Affiliated PRC Entities. The undistributed earnings of the Company's profit-making subsidiaries and Affiliated PRC Entities amounted to approximately RMB15,280 and RMB15,857(US$2,556) as of December 31, 2013 and 2014, respectively. The Company intended to indefinitely reinvest these undistributed earnings as of December 31, 2013 and 2014. Determination of the amount of unrecognized deferred tax liability related to the earnings that are indefinitely reinvested is not practical. Should the accumulated earnings be repatriated in the future, withholding tax should be payable.

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

Unrecognized tax benefits

For the years ended December 31, 2012, 2013, and 2014, the Company recorded RMB32,782, RMB83,677 and RMB152,865 (US$24,637) of unrecognized tax benefits, which primarily represent deemed revenues for income tax purposes. 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, 2012, 2013 and 2014, unrecognized tax benefits of RMB17,594, RMB57,199 and RMB58,818 (US$9,480), respectively, if ultimately recognized will impact the effective tax rate.

The unrecognized tax benefit is as follows:

	Years ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
Balance at January 1	5,502	32,782	83,677	13,486
Additions based on tax positions related to the current year	28,646	53,745	67,798	10,927
Additions for tax positions of prior years	—	—	6,401	1,032
Reductions based on tax positions related to prior years	(1,366)	(2,850)	(5,011)	(808)
Balance at December 31	32,782	83,677	152,865	24,637

During the years ended December 31, 2012, 2013 and 2014, the Company recognized late payment interest expense of RMB556, RMB1,533 and RMB9,256 (US$1,492), and penalties of nil, nil and nil, respectively, as part of income tax expense. The Company had accrued approximately RMB808, RMB2,341, and RMB11,597 (US$1,869) for the late payment of interest as of December 31, 2012, 2013 and 2014, respectively.

As of December 31, 2014, the tax years ended December 31, 2010 through 2014 for the Company’s PRC subsidiaries and the Affiliated PRC Entities remain subject to examination by the PRC tax authorities.

11. Related party transactions

a) Related parties

Name of related parties	Relationship with the Company
Baidu, Inc.	Ultimate holding company
Baidu	Controlling shareholder of the Company
Baidu Online Network Technology (Beijing) Co., Ltd. (“Baidu Online”)	An entity controlled by Baidu
Beijing Baidu Netcom Science Technology Co., Ltd. (“Baidu Netcom”)	An entity controlled by Baidu
FuJian Bo Rui Websoft Technology Co., Ltd. (“Bo Rui”)	An entity controlled by Baidu
FuJian Bo Dong Cultural Communication Co., Ltd. (“Bo Dong”)	An entity controlled by Baidu
Frederick Demopoulos	A shareholder of the Company
Beijing Nuo Mi Network Information Technology Co., Ltd. (“Nuo Mi)	An entity controlled by Baidu
Baidu.com Times Technology (Beijing) Co., Ltd. (“Baidu Times)	An entity controlled by Baidu

b) Cooperation Agreement with Baidu, Inc.

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

On October 1, 2013, in order to further enhance the cooperation between the Company and Baidu in the online travel business through deepening integration, the Company and Baidu 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 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 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").

In exchange for the services to be performed under the Zhixin Cooperation Agreement, on November 21, 2013, the Company issued to Baidu warrants for 45,800,000 of the Company's Class B Ordinary Shares (the "Baidu Warrants"), which is calculated by dividing US$229 million 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 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 terminates its pre-existing non-competition undertaking, Baidu 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 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 million, RMB630 million and RMB800 million for the year 2014, 2015 and 2016, respectively. In any year that the Company's revenues exceeds the Benchmark Revenue applicable to that year, Baidu 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.

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 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. The online marketing expense for Baidu Zhixin Cooperation was RMB699,983 (US$112,817) for the year ended December 31, 2014.

c) On February 27, 2014, Qunar entered into a US$300 million revolving credit facility agreement with 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 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.

d) The Company had the following related party transactions for the years ended December 31, 2012, 2013 and 2014:

		Years ended December 31,			
		2012	2013	2014	
	Notes	RMB	RMB	RMB	US$
Online marketing services from Baidu Netcom	(i)	74,296	91,533	165,058	26,603
Online marketing services from Bo Rui		—	202	547	88
Online marketing services from Bo Dong		—	1,195	4,780	770
Online marketing services contributed by Baidu, Inc.	(ii)	6,650	5,920	3,304	533
Online marketing services from Baidu Times		—	—	7,670	1,236
Online marketing services of Baidu Zhixin Cooperation	(b)	—	—	699,983	112,817
Online marketing services from Baidu, Inc.		—	—	4,714	760
Online marketing services from Nuo Mi		—	—	377	61
Loan from Baidu Online	(iii)	100,000	150,000	—	—
Loan from Baidu Netcom	(iv)	50,000	—	—	—

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

Repayment of loan from Baidu Online	(iii)	100,000	150,000	—	—
Repayment of loan from Baidu Netcom	(iv)	—	50,000	—	—
Loan, and extension of loan to Baidu	(iii)	31,127	99,623	—	—
Repayment of loan to Baidu	(iii)	—	98,975	—	—
Imputed interest	(iii), (iv)	421	2,050	—	—
Loan interest	(iii)	—	115	—	—
Consulting services from Frederick Demopoulos		81	—	—	—

(i) During the year ended December 31, 2013 and 2014, Baidu Netcom provides online marketing services amounting to RMB91,533 and RMB 165,058 (US$26,603) to the Company, 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 2013 and 2014, such payments amounted to RMB10,000 and RMB22,000 (US$3,546), respectively. The related services are expected to be delivered within the next 12 months.

(ii) 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 Baidu, Inc. for the aforementioned online marketing services provided.

(iii) On November 1, 2012, the Company granted an interest free loan amounting to US$5,000 to Baidu with a term of six months.

On November 9, 2012, the Company was granted a loan amounting to RMB100,000 (US$16,117) from Baidu Online. The loan bore an interest at 0.77% with a repayment term of six months. There were no penalties for early repayment. The Company repaid the loan in full on December 11, 2012. The Company recorded imputed interest expense amounting to RMB421 (US$68) relating to this loan based on the market interest rate of 5.6%.

On April 22, 2013, the Company was granted an interest free loan amounting to RMB100,000 (US$16,117) 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 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 were to reciprocate the interest free loan from Baidu Online. On July 22, 2013, the Company repaid the RMB100,000 loan to Baidu in full. The Company recorded imputed interest expense amounting to RMB1,376 (US$222) relating to this loan based on the market interest rate of 5.6%. On August 6, 2013, Baidu 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 Netcom 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 in full. The Company recorded interest expense amounting to RMB115 (US$19) relating to this loan.

(iv) On December 28, 2012, the Company was granted an interest free loan amounting to RMB50,000 (US$8,059) 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 (US$109) for the year ended December 31, 2013 relating to this loan based on the market interest rate of 5.6%.

e) The Company had the following related party balances outstanding as of December 31 2013, and 2014:

	As of December 31		
	2013	2014	
	RMB	RMB	US$
Current assets			
Due from related parties:			
Baidu Times	—	3,670	592
Baidu Netcom	10,000	25,210	4,063

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

Nuo Mi	—	11,071	1,784
Total due from related parties	10,000	39,951	6,439
Current liabilities			
Due to related parties:			
Baidu Netcom	3,452	—	—
Baidu, Inc.	—	4,714	759
Nuo Mi	—	377	61
Baidu Times	—	768	124
Bo Rui	203	50	8
Bo Dong	837	396	64
Total due to related parties	4,492	6,305	1,016

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

12. 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 RMB50,246, RMB87,588 and RMB222,755 (US$35,902) for the years ended December 31, 2012, 2013 and 2014, respectively.

13. 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, 2011	**(11,061)**
Other comprehensive loss	(542)
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**
Balance as of December 31, 2014, in US$	**671**

14. Ordinary shares

On the closing date of the Baidu Transaction, July 20, 2011, the Company amended and restated its memorandum and articles of association to include (i) a redemption clause of the ordinary shares ("Ordinary Share Redemption Request"), which states that any ordinary shareholder at any time may request the Company to redeem all of the ordinary shares held by such holder at the redemption price of US$1.45533 per ordinary share; and (ii) a redemption clause by a shareholder with 80% ownership of the Company's outstanding shares ("80% Shareholder"), which states that the 80% Shareholder may request in writing that the Company redeem 100% of the Company's outstanding shares (the "80% Shareholder Redemption Request"). The Ordinary Share Redemption Request will be nullified upon the listing of the Company's ordinary shares for trading on any major stock exchange. The 80% Shareholder Redemption Request will be nullified upon the earlier of (i) an IPO; or (ii) the redemption of all then outstanding ordinary shares (other than those held by the 80% Shareholder or its affiliates or associates).

Baidu had unconditionally and irrevocably waived its redemption right as part of the Baidu Transaction (note 1).

As the ordinary shares held by other shareholders are currently redeemable at the option of such shareholders outside the sole control of the Company, all ordinary shares except those held by Baidu have been reclassified as mezzanine equity. The Company accounted for the reclassification by analogy to ASC 815-40-35-9, whereby the difference between the fair value of the redeemable ordinary shares on the date of the reclassification and the previous carrying value recorded in shareholders' (deficit) equity was accounted for as an adjustment to additional paid-in capital. The fair value of US$1.58 per share was estimated with the assistance from an independent third-party appraiser. The Company is ultimately responsible for the determination of all amounts recorded in the financial statements. As the fair value exceeded the redemption value of US$1.45533 per share, there was no downward accretion to the redemption value under ASC 480-10-S99-3A.

On March 4, 2013, the Company entered into a share purchase agreement with certain investors and Baidu (collectively, the "Investors"). According to the agreement, the Investors subscribed for an aggregate number of 21,662,296 ordinary shares (the "Purchased Shares") at a per share issue price of US$2.6313 for a total consideration of US$57,000. The Purchased Shares represent 7.14% of total ordinary shares of the Company after the closing of the transaction.

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

The Investors have unconditionally and irrevocably waived their rights to request the Company at any time to redeem all of the ordinary shares held by such holder at the redemption price of US$1.45533 per ordinary share. Furthermore, if the 80% Shareholder Redemption Request is exercised by an Investor (the "Redeeming Investor"), then the Redeeming Investor is required to cause the Company to, within three business days following such 80% Shareholder Redemption Request, reissue to each other Investor such number of shares which represents, as of immediately after such reissuance, the same shareholding percentage that was represented, as of immediately prior to the 80% Shareholder Redemption Request, by the shares held by such Investor and redeemed for an aggregate amount of issuance consideration equal to the redemption consideration actually received by such Investor.

On July 3, 2013, the Board of Directors and the shareholders of the Company amended and restated its memorandum and articles of association to redesignate 203,064,412 issued ordinary shares (including the ordinary shares issued to the Investors) and 100,280,392 issued redeemable ordinary shares as Class A ordinary shares; and to redesignate 496,655,196 of the Company's authorized but unissued ordinary shares as Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for conversion and voting rights. Each Class A ordinary share is convertible into one Class B ordinary share at any time, while Class B ordinary shares cannot be converted into Class A ordinary shares under any circumstances. Upon any sale, pledge, transfer, assignment or disposition of a Class A ordinary share by its holder to any person who is not already a holder of Class A ordinary shares and is not an affiliate of such holder as defined in the Company's amended and restated memorandum and articles of association, such Class A ordinary share shall automatically convert into one Class B ordinary share without any actions on the part of the transferor or the transferee. Each Class A ordinary share is entitled to three votes and each Class B ordinary share is entitled to one vote.

On November 1, 2013, the Company completed its IPO by issuing 12,612,800 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. Immediately following 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.

Upon the closing of the IPO, the Ordinary Share Redemption Request and the 80% Shareholder Redemption Request were nullified and therefore, the redeemable ordinary shares were reclassified from mezzanine equity into Class A Ordinary Shares in permanent equity.

As of December 31, 2014, there were 224,299,179 and 134,376,522 Class A and Class B ordinary shares outstanding, respectively.

15. Loss per share

Basic and diluted loss per share for each of the years ended December 31, 2012, 2013 and 2014 presented are calculated as follows:

	Years ended December 31,						
	2012	2013		2014			
	Ordinary shares RMB	Class A RMB	Class B RMB	Class A RMB	Class A US$	Class B RMB	Class B US$
Basic loss per share:							
Numerator:							
Net loss	(91,113)	(183,368)	(3,921)	(1,401,672)	(225,909)	(445,229)	(71,758)
Net loss attributable to ordinary shareholders for computing basic loss per share	(91,113)	(183,368)	(3,921)	(1,401,672)	(225,909)	(445,229)	(71,758)
Denominator:							
Weighted average ordinary shares outstanding	281,682,508	299,524,536	6,403,973	266,696,495	266,696,495	84,713,813	84,713,813
Basic loss per share:	(0.32)	(0.61)	(0.61)	(5.26)	(0.85)	(5.26)	(0.85)
Basic loss per ADS*:	(0.96)		(1.83)			(15.78)	(2.55)
Diluted loss per share:							
Numerator:							
Net loss	(91,113)	(183,368)	(3,921)	(1,401,672)	(225,909)	(445,229)	(71,758)
Reallocation of net loss attributable to ordinary shareholders as a result of conversion of Class A to Class B ordinary shares (note 14)	—	—	(183,368)	—	—	(1,401,672)	(225,909)
Net loss attributable to ordinary shareholders for computing diluted loss per share	(91,113)	(183,368)	(187,289)	(1,401,672)	(225,909)	(1,846,901)	(297,667)
Denominator:							
Weighted average ordinary shares outstanding	281,682,508	299,524,536	6,403,973	266,696,495	266,696,495	84,713,813	84,713,813
Conversion of Class A to Class B ordinary shares (note 14)	—	—	299,524,536	—	—	266,696,495	266,696,495
Weighted-average number of shares outstanding- diluted	281,682,508	299,524,536	305,928,509	266,696,495	266,696,495	351,410,308	351,410,308
Diluted loss per share:	(0.32)	(0.61)	(0.61)	(5.26)	(0.85)	(5.26)	(0.85)
Diluted loss per ADS*:	(0.96)		(1.83)			(15.78)	(2.55)

*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 years ended December 31, 2012 and 2013 were calculated using the same conversion ratio assuming the ADSs had been in existence throughout these periods.

The ordinary shares subject to redemption at the option of the shareholders recorded in mezzanine equity were included in the weighted average number of ordinary shares outstanding because such ordinary shareholders have the same contractual rights and obligations to share in the profits and losses of the Company as ordinary shareholders without redemption rights. As there has been no adjustment to the carrying value of the redeemable ordinary shares, the loss per share is the same for both redeemable and non-redeemable ordinary shares for all periods presented.

For the year ended December 31, 2012, the computation of basic loss per share using the two-class method was not applicable because there were no participating securities outstanding. For the year ended December 31, 2013 and 2014, the two-class method is applicable because the Company has two classes of ordinary shares outstanding, Class A and Class B ordinary shares, respectively (notes 2 and 14). Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for conversion and voting rights. Each Class A ordinary share is convertible into one Class B ordinary share at any time, while Class B ordinary shares cannot be converted into Class A ordinary shares under any circumstances. Each Class A ordinary share is entitled to three votes and each Class B ordinary share is entitled to one vote.

The effects of all outstanding share options (note 16) have been excluded from the computation of diluted loss per share for the years ended December 31, 2012, 2013 and 2014 as their effects would be anti-dilutive.

16. Share-based compensation

In November 2007, the Company’s shareholders approved the 2007 Share Incentive Plan (the “2007 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. These 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. 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. These 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 Plan, the Company granted 4,765,068, 10,988,106 and 9,993,411 share options to employees during the years ended December 31, 2012, 2013 and 2014, respectively. Among the grants, nil, 1,671,867 and 7,929,555 shares options granted during the years ended December 31, 2012, 2013 and 2014, respectively, have performance condition on their exercisability.

Included in the grants above:

1) On April 1, 2012 and October 1, 2012, the Company granted 278,000 and 11,000 share options under the Plan with immediate vesting to senior management and recognized compensation costs in aggregate amounting to RMB3,620 (US$583) representing the fair value of the share options on the respective grant dates.

2) On March 6, 2012, the Company granted a total of 500,000 options under the Plan with an exercise price of US$0.01 per option to its executive officers. These options granted have a contractual term of ten years. The performance conditions related to the year ended December 31, 2012 were as follows:

    a) at least 90% of the total consolidated revenue target of RMB 530,000;

    b) at least 90% of the total revenue target from hotels for reservations and sales facilitated through the Company’s website or mobile platform of RMB 150,000; and

    c) the Company recorded a consolidated net income.

    If the performance conditions are met, the options will vest over a four year period, with 25% of the awards vesting on an annual basis starting from January 1, 2013. There was no share-based compensation expense recognized during the year ended December 31, 2012 associated with these options granted above as the performance conditions were not met.

    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 RMB1,627(US$262).

3) On September 22, 2013, the Board of Directors approved to issue two option grants to Chenchao Zhuang, the 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. The Company recognized compensation costs amounting to RMB22,540 and RMB22,946 (US$3,698) for the year ended December 31, 2013 and 2014 associated with the two options grants to Chenchao Zhuang.

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 a vesting term of three months.

There have been no grants under the Business Unit Incentive Plan up to December 31, 2014. Qunar also concluded that there was no service inception preceding the grant date as there has been no authorization from Qunar’s Board of Directors based on the its accounting policies up to December 31, 2014.

The following table summarizes the option activity for the years ended December 31, 2014:

	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, 2013	25,192,696	1.40	7.39	184,355
Granted	9,993,411	0.01		
Exercised	(8,907,408)	0.27		
Forfeited/Cancelled	(1,115,256)	0.02		
Outstanding, December 31, 2014	25,163,443	1.30	7.89	201,417
Vested and expected to vest at December 31, 2014	21,880,749	1.43	7.75	176,072
Exercisable at December 31, 2014	9,685,685	1.72	6.62	75,118

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, 2012, 2013 and 2014 was RMB31.11 million, RMB88.92 million and RMB508.52 million (US$82.02 million), respectively. The total fair value of the equity awards vested during the years ended December 31, 2012, 2013 and 2014 were RMB23.78 million, RMB88.87 million and RMB220.80 million (US$35.61 million), respectively.

As of December 31, 2014, there were RMB448.16 million (US$72.28 million) of unrecognized share-based compensation costs, net of estimated forfeitures, related to equity awards that are expected to be recognized over a weighted-average vesting period of 2.71 years. Total unrecognized compensation costs may be adjusted for future changes in estimated forfeitures.

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

	2012	2013	2014

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

Risk-free interest rate	1.70%~2.28%	1.91%~2.71%	1.91%~2.07%
Dividend yield	—	—	—
Expected volatility range	48.03%~49.84%	46.68%~47.66%	45.78%~46.58%
Expected life (in years)	10	10	6.11

The total weighted average grant-date fair value of the equity awards granted during the years ended December 31, 2012, 2013 and 2014 were RMB12.54, RMB16.59 and RMB58.59 (US$9.45) per option, respectively.

The following table summarizes total compensation cost recognized:

	Years ended December 31,			
	2012	2013	2014	
	RMB	RMB	RMB	US$
Product developments	15,241	20,784	59,884	9,652
Product sourcing	1,330	2,117	2,958	477
Sales and marketing	5,243	5,417	12,565	2,025
General and administrative	5,392	35,389	190,963	30,778
	27,206	63,707	266,370	42,932

17. 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 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, 2012, 2013 and 2014, appropriations to statutory reserves amounted to RMB36, RMB1,136 and nil, 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, 2013 and 2014, amounts restricted are the net assets of the Company's PRC subsidiaries and the Affiliated PRC Entities, which amounted to RMB11,296 and RMB10,522(US$1,695), respectively.

18. 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 loan receivables are accreted to its face value with interest income recognized in the same amount. As of December 31, 2013 and 2014, the Company has granted loans amounting to RMB12,772 and RMB26,911 (US$4,337) with terms of five years, respectively, of which RMB10,218 and RMB15,288(US$2,464) 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, 2013 and 2014, respectively. The remaining balances included in other non-current assets are comprised mainly of long-term rental deposits of RMB9,319 and RMB29,034(US$4,679) as of December 31, 2013 and 2014, respectively, and prepayments to purchase equipment with an amount of RMB3,065 and RMB11,595(US$1,869) as of December 31, 2013 and 2014, respectively.

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

19. FAIR VALUE MEASUREMENT

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 measures the Baidu Warrants at fair value on a recurring basis. Baidu Warrants are 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.

Assets and liabilities measured or disclosed at fair value as of December 31, 2013 are summarized as below:

	Fair Value Measurement or Disclosure at December 31, 2013 Using		
	Quoted Prices in Active Market for Identical Assets (Level 1) RMB	Significant Other Observable Inputs (Level 2) RMB	Unobservable inputs (Level 3) RMB
Fair value disclosure (note 2)			
Cash and Cash equivalents			
Time deposits	—	757,550	—
Short-term investments			
Time deposits	—	485,945	—
Other current assets			
Employee interest free loan	—	2,554	—
Other non-current assets			
Employee interest free loan	—	10,218	—

Assets and liabilities measured or disclosed 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) RMB	Significant Other Observable Inputs (Level 2) RMB	Unobservable inputs (Level 3) RMB
Fair value disclosure (note 2)			
Cash and Cash equivalents			
Time deposits	—	254,222	—
Other current assets			
Employee interest free loan	—	4,306	—
Other non-current assets			
Employee interest free loan	—	15,288	—
Fair value measurement			
Recurring			
Warrant liability(note 11)	—	701,776	—
Total liability measured at fair value	**—**	**701,776**	—

The Company has 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, 2013 and 2014.

20. 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 RMB34,363, RMB51,262 and RMB163,067 (US$26,282) for the years ended December 31, 2012, 2013 and 2014, respectively.

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

Future minimum payments under non-cancelable operating leases consist of the following as of December 31, 2014:

Years ended December 31,	RMB	US$
2015	137,295	22,128
2016	35,231	5,678
2017 and thereafter	6,545	1,055
	179,071	28,861

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 nil and RMB29,786 (US$4,801) as of December 31, 2013 and 2014. All of the commitments relating to the network infrastructure and renovation on the offices are to be fulfilled within the next year.

In addition, as of December 31, 2014, the Company has contractual commitments to make additional investments contingent on the achievement of certain conditions by three existing cost-method investees and other long-term investments in several travel operators in the PRC with a total maximum amount of RMB315,593(US$50,864).

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, 2014 was RMB7,197 (US$1,160).

Legal contingency

On September 6, 2013, the Company early terminated an agreement ("Distribution Agreement") with one of its travel service providers ("TSP") due to the TSP's failure to make its international hotel inventories available on the Company's platform within the agreed time period. The original term of an agreement with a travel service provider ("TSP") was from May 13, 2013 to June 30, 2016 and the Company agreed to provide for a minimum of 450,000 quarterly room bookings from both domestic and international hotel inventories from July 2013, subject to an annual adjustment effective from 2014 in exchange for commission fees on a cost-per-sale basis. The agreement also required the Company, in the event of its failure to achieve the contracted minimum quarterly room bookings, to compensate the TSP at a rate of RMB0.027 per room night.

On August 26, 2013, the Company requested that the TSP rectify its failure to make its international hotel inventories available on the Company's platform within ten days. On September 6, 2013, the Company early terminated the agreement with the TSP as it believed that the TSP had failed to rectify such failure within the agreed time period.

On November 5, 2013, the Company received a summons from an intermediary court in Beijing for a civil suit against the Company filed by the TSP on October 17, 2013 in connection with the aforementioned agreement. In its complaint, the TSP alleged 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 December 9, 2013, the Company filed a counterclaim against the TSP for RMB8,127 of commission fees due to the Company for services it provided to the TSP from July 2013 to September 6, 2013 under the aforementioned agreement. Based on the advice from the Company's legal counsel, the Company believes it has the right and legal basis to request that the TSP pay the commission fees due and such right should be unaffected by the results of the lawsuit the TSP filed against the Company.

On January 10, 2014, the TSP sought additional damages amounting to RMB11,200, to compensate for its alleged losses of upfront costs it incurred in connection with the aforementioned agreement. As of April 14, 2014, the intermediary court in Beijing has completed the oral hearing of the aforementioned lawsuits but has not yet rendered the judgment.

On January 1, 2015, the Company received the judgment of the intermediary court with respect to the Distribution Agreement ("the Judgment") dispute. In the Judgment, the Court held that (i) the TSP shall pay the Company a commission of RMB8,127 (US$1,310) due under the Distribution Agreement; (ii) the Company shall prospectively credit to the TSP's advertisement account opened at the Company in the amount of RMB52,335 (US$8,435) corresponding to the period from September 6, 2013 through September 30, 2014; and (iii) the Distribution Agreement shall continue to be performed by both parties. Either or both parties may appeal the Judgment to the Beijing Municipal High Court within 15 days from the date of receipt of the Judgment. The above Judgment is not binding prior to the conclusion of any such appeal. On January 16, 2015, the Company has appealed to the Beijing Municipal High Court reiterating its legal basis for its early termination of the Distribution Agreement.

Based on the advice from the Company's legal counsel, the Company estimated that the probable loss contingency to be recorded is within a range of RMB64,485 to RMB137,385, and no amount within the range represents a better estimate than any other amount. According to ASC 450-20-30-1, when no amount within the range is a better estimate than any other amount, the minimum amount in the range shall be accrued. Therefore, a contract termination loss provision of RMB64,485 was accrued with a charge to expense as of December 31, 2014. The TSP has been continuously using the Company's pay-for-performance services charged on a cost-per-click basis under a separate contract and has not disputed that contract with the Company.

21. Subsequent events

On January 22, 2015, the first installment payment of RMB135,000 was made for a long-term investment in Travelling Bestone, a package tour operator in the PRC.

On February 12, 2015, the Company's shareholders approved an amendment of the 2007 Plan at the annual general meeting. Pursuant to the amendment, the maximum number of shares that may be issued under the 2007 Plan shall increase on January 1 of each of 2015, 2016 and 2017 by 2.65% of the then outstanding shares, and on January 1, 2018 for remainder of the term of the 2007 Plan by 1.5% of the then outstanding shares.

On March 12, 2015, Qunar drew down RMB507 million pursuant to the revolving credit facility agreement with Baidu (note 11c).

In March 2015, the Company signed a purchase agreement to acquire a 55% equity interest in a company engaged in the attraction ticketing business in the PRC, and paid a portion of the purchase consideration amounting to RMB 20,000 in April 2015.

QUNAR CAYMAN ISLANDS LIMITED
Additional Information—Financial Statement Schedule I
Condensed Financial Information of Parent Company
BALANCE SHEETS
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"))

	As of December 31,		
	2013 RMB	2014 RMB	2014 US$
ASSETS			
Current assets:			
Cash and cash equivalents	781,784	291,794	47,029
Short-term investments	485,410	—	—
Account receivable, net	109	—	—
Prepayments and other assets	3,070	5,680	915
Total current assets	1,270,373	297,474	47,944
Non-current assets			
Amount due from subsidiaries	85,584	229,981	37,066
Investments in subsidiaries	11,296	10,522	1,696
Total non-current assets	96,880	240,503	38,762
TOTAL ASSETS	1,367,253	537,977	86,706
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Accrued expenses and other current liabilities	4,414	6,375	1,027
Warrant liability	—	701,776	113,106
Total current liabilities	4,414	708,151	114,133
Non-current liabilities:			
Non-current liabilities	412	412	66
Total non-current liabilities	412	412	66
Total liabilities	4,826	708,563	114,199
Shareholders' equity (deficit):			
Class A ordinary shares (par value of US$0.001 per share; 303,344,804 shares authorized as at December 31, 2013 and 2014, respectively; 302,850,254 and 224,299,179 shares issued and outstanding as at December 31, 2013 and 2014, respectively)	1,914	1,426	230
Class B ordinary shares (par value of US$0.001 per share; 496,655,196 shares authorized as at December 31, 2013 and 2014, respectively; 39,332,950 and 134,376,522 shares issued and outstanding as at December 31, 2013 and 2014, respectively)	240	831	134
Additional paid-in capital	1,788,167	2,069,313	333,513
Accumulated other comprehensive (loss) income	(28,476)	4,163	671

Accumulated deficit	(399,418)	(2,246,319)	(362,041)
Total shareholders' equity (deficit)	1,362,427	(170,586)	(27,493)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	1,367,253	537,977	86,706

QUNAR CAYMAN ISLANDS LIMITED
Additional Information—Financial Statement Schedule I
Condensed Financial Information of Parent Company
STATEMENTS OF COMPREHENSIVE LOSS
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"))

	Year ended December 31,			
	2012 RMB	2013 RMB	2014 RMB	2014 US$
Revenues				
Display advertising service	5,388	810	—	—
Total revenues	5,388	810	—	—
Cost of revenues	(774)	—	—	—
Gross Profit	4,614	810	—	—
Operating expenses				
General and administrative expenses	(2,051)	(2,057)	(6,482)	(1,046)
Operating income (loss)	2,563	(1,247)	(6,482)	(1,046)
Equity in loss of subsidiaries	(93,998)	(190,214)	(1, 867,810)	(301,036)
Interest income, net	549	4,172	27,391	4,415
Loss before income taxes	(90,886)	(187,289)	(1, 846,901)	(297,667)
Income tax expense	(227)	—	—	—
Net loss	(91,113)	(187,289)	(1, 846,901)	(297,667)
Net loss attributable to ordinary shareholders	(91,113)	(187,289)	(1,846,901)	(297,667)
Other comprehensive (loss) income, net of tax of nil				
Foreign currency translation adjustment	(542)	(16,873)	32,639	5,260
Comprehensive loss attributable to ordinary shareholders	(91,655)	(204,162)	(1,814,262)	(292,407)

QUNAR CAYMAN ISLANDS LIMITED
Additional Information—Financial Statement Schedule I
Condensed Financial Information of Parent Company
STATEMENTS OF CASH FLOWS
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"))

	Year ended December 31,			
	2012 RMB	2013 RMB	2014 RMB	2014 US$
Net cash used for operating activities:	(141,738)	(814)	(7,022)	(1,132)
Net cash provided by (used for) investing activities	122,694	(650,801)	(520,695)	(83,922)
Net cash (used for) provided by financing activities	(54,874)	1,432,081	15,001	2,418
Effect of exchange rate changes on cash and cash equivalents	(5,265)	(15,806)	22,726	3,664
Net (decrease) increase in cash and cash equivalents	(79,183)	764,660	(489,990)	(78,972)
Cash and cash equivalents at beginning of the year	96,307	17,124	781,784	126,001
Cash and cash equivalents at end of the year	17,124	781,784	291,794	47,029

QUNAR CAYMAN ISLANDS LIMITED
Additional Information—Financial Statement Schedule I
Condensed Financial Information of Parent Company
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"))

Basis of presentation and commitments

For the parent company only condensed financial information, the Company records its investments in subsidiaries and VIE under the equity method of accounting as prescribed in ASC 323, *Investments — Equity Method and Joint Ventures*. Such investments are presented on the balance sheet as "Investments in subsidiaries" and the investees' profit or loss as "Equity in profit and loss of subsidiaries" on the statement of comprehensive loss. The equity in loss of the Company's subsidiaries in excess of the Company's "Investments in subsidiaries" have been offset against the balances in "Amounts due from subsidiaries". The parent company only condensed financial information should be read in conjunction with the Company's consolidated financial statements.

The subsidiaries did not pay any dividends to the Company for the periods presented.

The Company does not have significant commitments or long-term obligations as of as of any of the years presented.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Ctrip.com International, Ltd. ("Ctrip" or the "Company") currently owns 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 contemplated share exchange transactions with certain management and directors of Qunar, Ctrip will be viewed as a beneficial owner of ordinary shares of Qunar representing majority voting interest for purposes of U.S. GAAP, and Ctrip's acquisition of Qunar's shares will be treated as an acquisition to be accounted for as a business combination. The accompanying unaudited pro forma condensed combined financial statements (the "Pro Forma Statements") give effect to the acquisition of Qunar by Ctrip and accounts for it as a business combination. The unaudited pro forma balance sheets contained in the Pro Forma Statements is based on the individual balance sheets of both the Company and Qunar incorporated by reference or appearing elsewhere in other the exhibits to this current report on Form 6-K and have been prepared to reflect the acquisition of Qunar as if it had occurred on September 30, 2015. The unaudited pro forma statements of income in the Pro Forma Statements are based on the individual statement of income of both the Company and Qunar incorporated by reference or appearing in the other exhibits 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, 2014 and the nine months ended September 30, 2015, and include pro forma adjustments to give effect to the acquisition as if it had occurred on January 1, 2014 for both pro forma statements of income. These Pro Forma Statements should be read in conjunction with the historical financial statements and notes thereto of the Company and Qunar incorporated by reference or included elsewhere in the other exhibits to this current report on Form 6-K. The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

The Pro Forma Statements were prepared using the acquisition method of accounting under U.S 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 September 30, 2015. Any amount of the purchase consideration that is in excess of the estimated fair values of the tangible and identifiable intangible assets acquired and liabilities assumed will be recorded as goodwill in Ctrip's balance sheet after the completion of the acquisition. As of the date of this current report on Form 6-K, Ctrip has not completed the detailed valuation work necessary to arrive at the definitive estimates of the fair values of the Qunar assets to be acquired and the liabilities to be assumed and the related allocation of purchase price, nor has it completed its assessment to conform Qunar's accounting policies to Ctrip's accounting policies. A third party valuation firm has assisted Ctrip management in assessing the fair values of certain identifiable intangible assets of Qunar. A final determination of the fair value of Qunar's assets and liabilities will be based on the actual net tangible and intangible assets and liabilities of Qunar that exist as of the date of completion of the acquisition and, therefore, cannot be made prior to that date. Additionally, the purchase consideration to be paid by Ctrip to complete the acquisition will be determined based on the trading price of Ctrip ADSs at the time of the completion of the acquisition. Accordingly, the accompanying unaudited pro forma purchase price allocation is preliminary and is subject to further adjustments as additional information becomes available and as additional analyses are performed. The preliminary unaudited pro forma purchase price allocation has been made solely for the purpose of preparing the Pro Forma Statements presented below. Ctrip estimated the fair value of Qunar's assets and liabilities based on discussions with Qunar's management, due diligence review in connection with the acquisition, preliminary valuation work and information available to Ctrip in the public filings. Until the acquisition is completed, both companies are limited to their ability to share information with each other. Upon completion of the acquisition, additional valuation work will be performed. Increases or decreases in the fair values of relevant balance sheet amounts will result in adjustments to the balance sheet and/or statements of income till the purchase price allocation is finalized. There can be no assurance that such finalization will not result in material changes from the preliminary purchase price allocation included in the Pro Forma Statements. Any differences from those presented in the Pro Forma Statements could be material.

The Pro Forma Statements do 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 Statements are presented for illustrative purposes only and is not necessarily indicative of the financial condition or results of operations of future periods or the financial condition or results of operations that actually would have been realized, had the transaction taken effect prior to these periods. The Pro Forma Statements are 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 Nine Months Ended September 30, 2015				
	Historical Ctrip (Unaudited) RMB	Historical Qunar (Unaudited) 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	8,023,513	2,877,175	(190,131)(a)	10,710,557	1,705,477
Cost of revenues	(2,280,204)	(925,813)	136,327(b)	(3,069,690)	(488,796)
Gross profit/ (loss)	5,743,309	1,951,362	(53,804)	7,640,867	1,216,681
Product development expenses	(2,436,251)	(1,046,755)	(525,581)(c)	(4,008,587)	(638,300)
Product sourcing expenses		(445,963)	445,963(c)		
Sales and marketing expenses	(2,239,316)	(1,836,012)	833(d)	(4,074,495)	(648,795)
General and administrative expenses	(781,892)	(390,047)	—	(1,171,939)	(186,612)
Income/(loss) from operations	285,850	(1,767,415)	(132,589)	(1,614,154)	(257,026)
Interest income	320,845	17,854	—	338,699	53,932
Interest expense	(207,257)	(72,163)	—	(279,420)	(44,493)
Others, net	2,390,126	(421,468)	—	1,968,658	313,476

Income/(loss) before income tax expense and equity in income	2,789,564	(2,243,192)	(132,589)	413,783	65,889
Income taxes	(398,706)	(11,237)	33,355(e)	(376,588)	(59,965)
Equity in income of affiliates	(41,211)	(2,121)	—	(43,332)	(6,900)
Net income/(loss)	2,349,647	(2,256,550)	(99,234)	(6,137)	(976)
Net loss attributable to noncontrolling interests	82,281	4,809	920,825	1,007,915	160,493
Net income/(loss) attributable to shareholders	2,431,928	(2,251,741)	821,591	80,953	159,517
Earnings/(loss) per share					
- Basic	68.58	(6.03)		19.67	3.13
- Diluted	57.11	(6.03)		16.53	2.63
Weighted average ordinary shares					
- Basic	35,460,682	373,544,600	15,468,815	50,929,497	50,929,497
- Diluted	45,126,192	373,544,600	15,468,815	60,595,007	60,595,007

(1) The conversions from RMB to US$ in the above Pro Forma Statements of Income are made at a rate of RMB6.2801 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.

Unaudited Pro Forma Condensed Combined Statements of Income

	For the Year Ended December 31, 2014				
	Historical Ctrip (Unaudited) RMB	Historical Qunar (Unaudited) 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	7,346,918	1,756,755	(186,394)(a)	8,917,279	1,445,171
Cost of revenues	(2,100,606)	(454,902)	94,409(b)	(2,461,099)	(398,855)
Gross profit/ (loss)	5,246,312	1,301,853	(91,985)	6,456,180	1,046,316
Product development expenses	(2,321,349)	(774,511)	(421,206)(c)	(3,517,066)	(569,990)
Product sourcing expenses	—	(316,903)	316,903(c)	—	—
Sales and marketing expenses	(2,214,210)	(1,590,844)	21,500(d)	(3,783,554)	(613,178)
General and administrative expenses	(861,551)	(464,399)	—	(1,325,950)	(214,889)
Income/(loss) from operations	(150,798)	(1,844,804)	(174,788)	(2,170,390)	(351,741)
Interest income	304,584	31,347	—	335,931	54,442
Interest expense	(162,355)	(18)	—	(162,373)	(26,315)
Others, net	144,006	(15,866)	—	128,140	20,767
Income/(loss) before income tax expense and equity in income	135,437	(1,829,341)	(174,788)	(1,868,692)	(302,847)
Income taxes	(130,821)	(17,560)	43,697(e)	(104,684)	(16,966)
Equity in income of affiliates	87,006	—	—	87,006	14,101
Net income/(loss)	91,622	(1,846,901)	(131,091)	(1,886,370)	(305,712)
Net loss attributable to noncontrolling interests	151,117	—	753,939	905,056	146,677
Net income/(loss) attributable to shareholders	242,739	(1,846,901)	622,848	(981,314)	(159,035)
Earnings/(loss) per share					
- Basic	7.08	(5.26)		(19.72)	(3.20)
- Diluted	6.35	(5.26)		(18.28)	(2.96)
Weighted average ordinary shares					
- Basic	34,289,170	351,410,308	15,468,815	49,757,985	49,757,985
- Diluted	38,207,858	351,410,308	15,468,815	53,676,673	53,676,673

(2) The conversions from RMB to US$ in the above Pro Forma Statements of Income are made at a rate of RMB6.1704 to US$1.00, which is calculated using the average of the effective noon buying rate in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York on the last day of each month during the year. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

Unaudited Pro Forma Condensed Combined Statements of Balance sheet

	September 30, 2015				
	Historical Ctrip (Unaudited) RMB	Historical Qunar (Unaudited) RMB	Pro Forma Adjustments (Unaudited) RMB	Pro Forma Combined (Unaudited) RMB	Pro Forma Combined (Unaudited) US$[1]
	(in thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	8,946,006	4,056,784	—	13,002,790	2,045,879
Restricted cash	1,076,346	1,851,184	—	2,927,530	460,622
Short-term investments	7,231,623	255,121	—	7,486,744	1,177,976
Accounts receivable, net	3,179,848	360,707	—	3,540,555	557,076
Due from related parties	283,262	143,484	—	426,746	67,145
Prepayments and other current assets	4,737,707	1,575,799	(1,694)(f)	6,311,812	993,111
Deferred tax assets, current	295,666	28,044	—	323,710	50,933
Total current assets	25,750,458	8,271,123	(1,694)	34,019,887	5,352,742
Non-current assets:					
Long-term deposits and prepayments	1,729,009	—	—	1,729,009	272,045
Long-term loan receivable	204,928	—	—	204,928	32,244
Long-term receivables due from related parties	531,795	—	—	531,795	83,673
Land use rights	103,024	—	—	103,024	16,210
Property, equipment and software	5,314,659	208,919	—	5,523,578	869,088
Investment	11,855,647	610,605	—	12,466,252	1,961,460
Goodwill	2,719,037	10,755	40,311,190(g)	43,040,982	6,772,135
Intangible assets	1,042,418	12,936	8,209,939(h)	9,265,293	1,457,816
Other non-current assets	—	100,565	—	100,565	15,823
TOTAL ASSETS	49,250,975	9,214,903	48,519,435	106,985,313	16,833,236
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term Debt	5,819,378	643,500	—	6,462,878	1,016,879
Accounts payable	4,143,375	42,083	—	4,185,458	658,546
Due to related parties	160,637	1,240,317	—	1,400,954	220,428
Salary and welfare payable	769,617	420,600	—	1,190,217	187,271
Taxes payable	549,258	27,557	—	576,815	90,757
Advances from customers	5,360,571	340,852	(1,694)(i)	5,699,729	896,804
Accrued liability for customer reward program	575,420	—	—	575,420	90,537
Other payables and accruals	1,495,523	2,300,703	—	3,796,226	597,305
Total current liabilities	18,873,779	5,015,612	(1,694)	23,887,697	3,758,527
Deferred tax liability	649,662	1,363	2,055,719(j)	2,706,744	425,883
Long-term debt	16,842,340	2,576,913	—	19,419,253	3,055,456
Other non-current liabilities	—	80,849	—	80,849	12,721
Total liabilities	36,365,781	7,674,737	2,054,025	46,094,543	7,252,587
SHAREHOLDERS' EQUITY					
Share capital	3,126	2,485	(1,502)(k)	4,109	647
Additional paid-in capital	5,161,312	5,942,987	26,782,704(k)	37,887,003	5,961,200
Statutory reserves	134,099	—	—	134,099	21,099
Accumulated other comprehensive income	781,672	85,206	(85,206)(k)	781,672	122,989
Retained Earnings/(Accumulated deficits)	8,157,953	(4,498,060)	4,498,060(k)	8,157,953	1,283,585
Treasury stock	(2,416,274)	—	—	(2,416,274)	(380,180)
Total Ctrip/Qunar's shareholders' equity	**11,821,888**	**1,532,618**	**31,194,056**	**44,548,562**	**7,009,340**
Non-controlling interests	1,063,306	7,548	15,271,354(k)	16,342,208	2,571,309
Total shareholders' equity	12,885,194	1,540,166	46,465,410(k)	60,890,770	9,580,649
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	49,250,975	9,214,903	48,519,435	106,985,313	16,833,236

(1) The reporting currency of Ctrip is Renminbi, but for the convenience of the readers, certain amounts presented throughout the Statements are in US dollars. Unless otherwise noted, all conversions from RMB to US$ are made at a rate of RMB6.3556 to US$1.00, the effective noon buying rate as of September 30, 2015 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

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, pursuant to which Baidu exchanged 178,702,519 Class A ordinary shares and 11,450,000 Class B ordinary shares of Qunar beneficially owned by Baidu in exchange for 11,488,381 newly-issued ordinary shares of Ctrip. As a result of the transaction, Baidu owns ordinary shares of Ctrip representing approximately 25% of Ctrip's aggregate voting interest, and the Company owns ordinary shares of Qunar representing approximately 45% of Qunar's aggregate voting interest.

In connection with the transaction with Baidu, the Company has agreed to issue 5 million ordinary shares to certain special purpose vehicles holding these shares solely for the benefit of Qunar employees. The issuance of such Ctrip shares to Qunar employees shall be conditional upon the surrender or forfeiture by such employees of any Qunar securities held by or granted to them. Such exchange also includes issuing approximately 4 million ordinary shares of the Company in exchange for approximately 66 million Class B ordinary shares of Qunar beneficially owned by certain management and directors prior to such issuance.

As a result of the aforementioned transactions, the Company will be deemed to be a beneficial owner of ordinary shares of Qunar representing approximately 56% voting interest and approximately 59% equity interest and will account for the transactions as business combination under U.S GAAP.

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 preliminary 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. Prior to and following the completion of the acquisition, further review of Qunar's accounting policies and financial statements may result in revisions to Qunar's policies and classifications to conform to those of Ctrip, which could have a material impact on Ctrip's actual future financial condition and results of income as compared to the Pro Forma Statement included in this current report on Form 6-K.

The acquisition is reflected in the Pro Forma Statements as a business combination of Qunar by Ctrip 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 will be calculated as described in Note 3 to the Pro Forma Statements, and the assets acquired and the liabilities assumed will be 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. The unaudited pro forma purchase price allocation included in this current report on Form 6-K are preliminary and will be revised at the effective time of the acquisition when additional information becomes available and when the acquisition valuation work is completed. The final purchase price allocation may differ materially from those presented in this Pro Forma Statements.

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 NYSE 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$108.85, the closing price of the Ctrip ADSs on the NYSE on December 1, 2015 (the most recent practicable date before the issuance of the Pro Forma Statements), and the number of ordinary shares Ctrip will newly-issued for the share exchange transaction with certain management and directors of Qunar, the total dollar value of the purchase consideration to be delivered to Qunar selling shareholders and ADS holders in the acquisition would have been approximately RMB 33 billion (US$ 5 billion).

The following is a preliminary estimate of the total dollar value of the acquisition consideration to be delivered to Qunar selling shareholders and ADS holders in the acquisition:

	RMB	US$
	(In thousands)	
To Baidu*	21,711,905	3,416,185
To certain management and directors of Qunar**	11,014,769	1,733,081
Purchase consideration	32,726,674	5,149,266

*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 NYSE on October 23, 2015.
** The estimated fair value of Ctrip shares issued to certain management and directors of Qunar is based on the closing price of US$108.85 of Ctrip ADS on the NYSE on December 1, 2015 (the most recent practicable date before the issuance of the Pro Forma Statements)..

The above estimate does not purport to represent the actual value of the total purchase consideration that will be received by certain management and directors of Qunar when the acquisition is completed. In accordance with the U.S. GAAP, the fair value of equity securities issued as part of the acquisition consideration will be measured on the acquisition date of the acquisition at the then fair value.

This requirement will likely result in a difference from the purchase consideration assumed in the Pro Forma Statements and that difference may be material. For example, an increase or decrease of 10% in the price of Ctrip ADS on the effective date of the acquisition from the price of Ctrip ADSs assumed in the Pro Forma Statements would increase or decrease the value of the purchase consideration by approximately RMB1.1 billion (US$0.2 billion), which would be reflected in the Pro Forma Statements as an equivalent increase or decrease to goodwill.

The allocation of the preliminary purchase price to the fair values of assets to be acquired and liabilities to be assumed in the acquisition includes unaudited pro forma purchase price allocations to reflect the expected fair values of Qunar's assets and liabilities as of September 30, 2015. The fair valuation 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	9,191,212	1,446,160
Intangible assets acquired	8,222,875	1,293,800
Goodwill	40,321,945	6,344,318
Total liabilities assumed	(7,674,737)	(1,207,555)
Deferred tax liabilities	(2,055,719)	(323,451)
Non-controlling interests	(15,278,902)	(2,404,006)
Total estimated purchase consideration	32,726,674	5,149,266

No assurances can be provided as to the actual purchase price to be paid by Ctrip, the fair value of the assets to be acquired or the liabilities to be assumed in the acquisition, or as to the final allocations of the purchase price. Any differences from those presented in the Statements could be material.

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 nine months ended September 30, 2015:

	RMB	US$
	(In thousands)	
To reclassified Qunar's business tax and related surcharges from cost of revenues to corresponding financial statement line item included in the Company's historical presentation	(190,131)	(30,275)
	(190,131)	(30,275)

Adjustments to net revenues for the year ended December 31, 2014:

	RMB	US$
	(In thousands)	
To eliminate the transaction between Ctrip and Qunar where Qunar provided pay-for-performance services to Ctrip	(21,500)	(3,484)
To reclassified Qunar's business tax and related surcharges from cost of revenues to corresponding financial statement line item included in the Company's historical presentation	(164,894)	(26,723)
	(186,394)	(30,207)

(b) Cost of revenues

Adjustments to cost of revenues for the nine months ended September 30, 2015:

	RMB	US$
	(In thousands)	
To adjust amortization expense for newly identified intangible assets	(53,804)	(8,567)
To reclassified Qunar's business tax and related surcharges from cost of revenues to corresponding financial statement line item included in the Company's historical presentation	190,131	30,275
	136,327	21,708

Adjustments to cost of revenues for the year ended December 31, 2014:

	RMB	US$
	(In thousands)	
To adjust amortization expense for newly identified intangible assets	(70,485)	(11,423)

To reclassified Qunar's business tax and related surcharges from cost of revenues to corresponding financial statement line item included in the Company's historical presentation	164,894	26,723
	94,409	15,300

(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 corresponding financial statement line item included in the Company's historical presentation.

Adjustments to product development expenses for the nine months ended September 30, 2015:

	RMB	US$
	(In thousands)	
Amortization expense for newly identified intangible assets	(79,618)	(12,678)
To corresponding financial statement line item included in the Company's historical presentation	(445,963)	(71,012)
	(525,581)	(83,690)

Adjustments to product development expenses for the year ended December 31, 2014:

	RMB	US$
	(In thousands)	
Amortization expense for newly identified intangible assets	(104,303)	(16,904)
To corresponding financial statement line item included in the Company's historical presentation	(316,903)	(51,359)
	(421,206)	(68,263)

(d) Sales and marketing expense

Adjustments to sales and marketing expense for the nine months ended September 30, 2015::

	RMB	US$
	(In thousands)	
To reverse the amortization expense for pre-existing intangible assets of Qunar before the acquisition	833	133
	833	133

Adjustments to sales and marketing expense for the year ended December 31, 2014:

	RMB	US$
	(In thousands)	
To eliminate the transaction between Ctrip and Qunar where Qunar provided pay-for-performance services to Ctrip	21,500	3,484
	21,500	3,484

(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.

(f) Prepayments and other current assets

Adjustments to prepayments and other current assets as of September 30, 2015:

	RMB	US$
	(In thousands)	
To eliminate the balances from the transaction between Ctrip and Qunar where Qunar provided pay-for-performance services to Ctrip	(1,694)	(273)
	(1,694)	(273)

(g) Goodwill

Goodwill reflects the preliminary estimate of the excess of the purchase price to be paid by Ctrip over the fair values of Qunar's identifiable tangible and intangible assets to be acquired and liabilities to be assumed in the acquisition (Note 3).

Adjustments to goodwill as of September 30, 2015:

	RMB	US$
	(In thousands)	
To eliminate the pre-existing goodwill of Qunar	(10,755)	(1,692)
To recognize the goodwill in relation to the acquisition based on the preliminary purchase price allocation	40,321,945	6,344,318
	40,311,190	6,342,626

(h) Intangible assets

The unaudited pro forma adjustment amount represents RMB8.2 billion (US$1.3 billion) to recognize the newly identified identifiable intangible assets of Qunar based on the preliminary estimated fair value as of September 30, 2015. The newly identified intangible assets primarily consist of trademark and domain name of RMB7.3 billion (US$1.1 billion), technology of RMB378 million (US$59.4 million), supplier network for new products of RMB559 million (US$87.9 million). The trademark and domain name are expected to be indefinite-lived intangible assets. The estimated fair value of the amortizable intangible assets (technology and supplier network for new products) is expected to be amortized on a straight-line basis over estimated useful lives of 5.2 years, subject to the finalization of the purchase price allocation.

(i) Advances from customers

Adjustments to advances from customers as of September 30, 2015:

	RMB	US$
	(In thousands)	
To eliminate the balances from the transaction between Ctrip and Qunar where Qunar provided pay-for-performance services to Ctrip	(1,694)	(273)
	(1,694)	(273)

(j) Deferred income tax liabilities

The unaudited pro forma adjustment reflects the change in net deferred income taxes arising from fair value adjustments to Qunar’s assets to be acquired and liabilities to be assumed by Ctrip in the acquisition. Deferred income taxes arising from the estimated fair value adjustments related to Qunar ‘s identifiable intangible assets have been calculated based on Qunar ‘ statutory tax rate of 25%.

(k) Shareholders’ equity

The unaudited pro forma adjustment reflects the expected issuance of Ctrip ordinary shares at the effective time of the acquisition (based upon the number of outstanding shares of Qunar as of September 30, 2015).

	RMB	US$
	(In thousands)	
Elimination of Qunar’s shareholder’s’ equity prior to the acquisition		
Share capital	(2,485)	(391)
Additional paid-in capital	(5,942,987)	(935,079)
Accumulated other comprehensive income	(85,206)	(13,406)
Accumulated deficits	4,498,060	707,731
Sub-total	(1,532,618)	(241,145)
Give effect of issuance of new share		
Share capital	983	155
Additional paid-in capital	32,725,691	5,149,111
Sub-total	32,726,674	5,149,266
Recognition of Non-controlling interests		
De recognition of Non-controlling interests of Qunar prior to the acquisition	(7,548)	(1,188)
Recognition of Non-controlling interests for the acquisition based on the preliminary estimation of its fair value	15,286,450	2,405,194
Sub-total	15,278,902	2,404,006

Exhibit 99.7

普华永道

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No.333-116567, No.333-136264, and No.333-146761) of Ctrip.com International, Ltd. of our report dated April 27, 2015, except with respect to our opinion on the consolidated financial statements insofar as it relates to the effect of the change in the ratio of American depositary shares to ordinary shares as described in Note 22 to the consolidated financial statements, as to which the date is December 1, 2015 relating to the financial statements and the effectiveness of internal control over financial reporting of Ctrip.com International, Ltd., which appears in this Form 6-K.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People’s Republic of China
December 9, 2015

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PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com