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

FORM 20-F/A

(Amendment No. 1)

(Mark One)

o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017.

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report . . . .
Commission file number: 001-36450

JD.com, Inc.
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

Cayman Islands
(Jurisdiction of incorporation or organization)

20th Floor, Building A, No. 18 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District, Beijing 101111
People's Republic of China
(Address of principal executive offices)

Sidney Xuande Huang, Chief Financial Officer
Telephone: +86 10 8911-8888
Email: ir@jd.com

20th Floor, Building A, No. 18 Kechuang 11 Street
Yizhuang Economic and Technological Development Zone
Daxing District, Beijing 101111
People's Republic of China
(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American depositary shares (one American depositary share representing two Class A ordinary shares, par value US$0.00002 per share)	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)
Class A ordinary shares, par value US$0.00002 per share*	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)

* Not for trading, but only in connection with the listing on The NASDAQ Global Select Market of American depositary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

2,407,382,890 Class A ordinary shares (excluding the 69,963,700 Class A ordinary shares issued to the depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under the Share Incentive Plan) and 461,362,309 Class B ordinary shares, par value US$0.00002 per share, as of December 31, 2017.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x Yes o No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. o Yes x No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Emerging growth company o

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐ Yes ☐ No

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x	International Financial Reporting Standards as issued by the International Accounting Standards Board o	Other o

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. o Item 17 o Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. o Yes o No

EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (the "Amendment") is being filed by JD.com, Inc. (the "Company," "we," "our," or "us") to amend the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2017, originally filed with the U.S. Securities Exchange Commission on April 27, 2018 (the "Original Filing"). The Company is filing this Amendment solely to include the financial statements and related notes of Dada Nexus

Limited ("Dada"), Bitauto Holdings Limited ("Bitauto"), and Tuniu Corporation ("Tuniu"), as required by Rule 3-09 of Regulation S-X under the Securities Exchange Act of 1934, as amended ("Rule 3-09").

Rule 3-09 requires, among other things, that separate financial statements for unconsolidated subsidiaries and investees accounted for by the equity method to be included in the Form 20-F when such entities are individually significant. We have determined that our equity method investments in Dada, Bitauto, and Tuniu, each of which is not consolidated in our financial statements, were significant under Rule 1-02(w) and Rule 3-09 of Regulation S-X in relation to our financial results for the years ended December 31, 2016 and 2017. This Amendment is therefore filed solely to supplement the Original Filing with the inclusion of the financial statements and related notes of Dada, Bitauto and Tuniu as of December 31, 2016 and 2017 and for the years ended December 31, 2016 and 2017 (the "Financial Statements of Dada, Bitauto and Tuniu").

This Form 20-F/A consists solely of the cover page, this explanatory note, the Financial Statements of Dada, Bitauto and Tuniu, certifications by our chief executive officer and chief financial officer, and the consents of the independent auditor of Dada, Bitauto and Tuniu. This Amendment does not affect any other parts of, or exhibits to, the Original Filing, nor does it reflect events occurring after the date of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and with our filings with the U.S. Securities Exchange Commission subsequent to the Original Filing.

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Item 19. Exhibits

Exhibit Number	Description of Document
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
2.1	Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3)
2.2	Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
2.3	Deposit Agreement dated May 21, 2014 among the Registrant, the depositary and holder of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-198578), filed with the Securities and Exchange Commission on September 5, 2014)
2.4	Thirteenth Amended and Restated Shareholders Agreement between the Registrant and other parties therein dated March 10, 2014 (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
2.5	Form of Indenture between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the registration statement on Form F-3 (File No. 333-210795) filed with the Securities and Exchange Commission on April 18, 2016)
2.6	First Supplemental Indenture dated April 29, 2016 between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the current report on Form 6-K (File No. 001-36450) furnished to the Securities and Exchange Commission on April 29, 2016)
2.7	Form of 3.125% Notes Due 2021 (included in Exhibit 2.6)
2.8	Form of 3.875% Notes Due 2026 (included in Exhibit 2.6)
4.1	Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-200450), as amended, initially filed with the Securities and Exchange Commission on November 21, 2014)
4.2	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.3	Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.4†	English translation of the Amended and Restated Loan Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated November 20, 2017
4.5	English translation of the Amended and Restated Equity Pledge Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.5 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)

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Exhibit Number	Description of Document
4.6	English translation of the Power of Attorney by the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.6 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.7	English translation of the Amended and Restated Exclusive Technology Consulting and Service Agreement between Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated May 29, 2012 (incorporated herein by reference

	to Exhibit 10.7 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.8	English translation of the Amended and Restated Intellectual Property Rights License Agreement between Beijing Jingdong Century Trade Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated December 25, 2013 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.9	English translation of the Amended and Restated Business Cooperation Agreement between Beijing Jingdong Century Trade Co., Ltd., Shanghai Shengdayuan Information Technology Co., Ltd. and Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated May 29, 2012 (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.10	English translation of the Amended and Restated Exclusive Purchase Option Agreement between Beijing Jingdong Century Trade Co., Ltd., Beijing Jingdong 360 Degree E-Commerce Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.10 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.11†	English translation of the Business Operations Agreement between Beijing Jingdong Century Trade Co., Ltd., Beijing Jingdong 360 Degree E-Commerce Co., Ltd. and the shareholders of Beijing Jingdong 360 Degree E-Commerce Co., Ltd. dated November 20, 2017
4.12	English translation of the Amended and Restated Loan Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.12 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.13	English translation of the Amended and Restated Equity Pledge Agreement between Beijing Jingdong Century Trade Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.13 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.14	English translation of the Power of Attorney by the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.14 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.15	English translation of the Amended and Restated Exclusive Technology Consulting and Service Agreement between Beijing Jingdong Century Trade Co., Ltd. and Jiangsu Yuanzhou E-Commerce Co., Ltd. dated May 29, 2012 (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.16	English translation of the Amended and Restated Intellectual Property Rights License Agreement between Beijing Jingdong Century Trade Co., Ltd. and Jiangsu Yuanzhou E-Commerce Co., Ltd. dated December 18, 2013 (incorporated herein by reference to Exhibit 10.15 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.17	English translation of the Amended and Restated Exclusive Purchase Option Agreement between Beijing Jingdong Century Trade Co., Ltd., Jiangsu Yuanzhou E-Commerce Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.17 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)

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Exhibit Number	Description of Document
4.18	English translation of the Business Operations Agreement between Beijing Jingdong Century Trade Co., Ltd., Jiangsu Yuanzhou E-Commerce Co., Ltd. and the shareholders of Jiangsu Yuanzhou E-Commerce Co., Ltd. dated June 15, 2016 (incorporated herein by reference to Exhibit 4.18 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.19	Strategic Cooperation Agreement by and between the Registrant and Tencent Holdings Limited dated March 10, 2014 (incorporated herein by reference to Exhibit 10.22 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
4.20	Subscription Agreement by and among Bitauto Holdings Limited, JD.com Global Investment Limited, JD.com, Inc. and Dongting Lake Investment Limited dated January 9, 2015 (incorporated herein by reference to Exhibit 99.2 to Schedule 13D (File No. 005-85981) filed with the Securities and Exchange Commission on February 26, 2015)
4.21	English translation of Business Cooperation Agreement between the Registrant and Bitauto Holdings Limited, dated January 9, 2015 (incorporated herein by reference to Exhibit 99.3 to Schedule 13D (File No. 005-85981) filed with the Securities and Exchange Commission on February 26, 2015)
4.22	Amended and Restated Investor Rights Agreement by and among Bitauto Holdings Limited, JD.com Global Investment Limited, Dongting Lake Investment Limited, Morespark Limited and Baidu Holdings Limited dated June 17, 2016 (incorporated herein by reference to Exhibit 99.6 to Schedule 13D/A (File No. 005-85981) filed with the Securities and Exchange Commission on June 21, 2016)
4.23†	English translation of Executed Form of the Equity Pledge Agreement between a wholly owned subsidiary of the Registrant and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.24†	English translation of Executed Form of the Power of Attorney by the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.25†	English translation of Executed Form of the Exclusive Technology Consulting and Service Agreement between a wholly owned subsidiary of the Registrant and a Chinese variable interest entity of the Registrant, as currently in effect
4.26†	English translation of Executed Form of the Business Operations Agreement between a wholly owned subsidiary of the Registrant, a Chinese variable interest entity of the Registrant, and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.27†	English translation of Executed Form of the Exclusive Purchase Option Agreement between a wholly owned subsidiary of the Registrant, a Chinese variable interest entity of the Registrant, and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.28†	English translation of Executed Form of the Loan Agreement between a wholly owned subsidiary of the Registrant and the shareholders of the Chinese variable interest entity of the Registrant, as currently in effect
4.29	English translation of Executed Form of the Termination Agreement between a wholly owned subsidiary of the Registrant, a Chinese variable interest entity of the Registrant, and the former shareholders of a Chinese variable interest entity, as currently in effect

	(incorporated herein by reference to Exhibit 4.29 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.30	English translation of Executed Form of the Subscription Agreement between a Chinese variable interest entity of the Registrant and Yonghui, dated August 7, 2015 (incorporated herein by reference to Exhibit 4.29 to the annual report on Form 20-F (File No. 001-36450) filed with the Securities and Exchange Commission on April 18, 2016)
4.31	English translation of Subscription Agreement of Beijing Jingdong Shangboguangyi Investment Management Co., Ltd. by and among Beijing Jingdong Shangboguangyi Investment Management Co., Ltd., the investors and other parties listed therein, dated January 8, 2016 (incorporated herein by reference to Exhibit 4.30 to the annual report on Form 20-F (File No. 001-36450) filed with the Securities and Exchange Commission on April 18, 2016)
4.32	English translation of Executed Form of Commitment by the investors relating to investment in Beijing Jingdong Shangboguangyi Investment Management Co., Ltd., dated January 2016 (incorporated herein by reference to Exhibit 4.31 to the annual report on Form 20-F (File No. 001-36450) filed with the Securities and Exchange Commission on April 18, 2016)

Exhibit Number	Description of Document
4.33	Share Purchase Agreement by and among the Registrant, Dada Nexus Limited and other parties listed therein, dated April 15, 2016 (incorporated herein by reference to Exhibit 4.32 to the annual report on Form 20-F (File No. 001-36450) filed with the Securities and Exchange Commission on April 18, 2016)
4.34	Subscription Agreement between the Registrant and Newheight Holdings Ltd., dated June 20, 2016 (incorporated herein by reference to Exhibit 4.34 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.35	Investor Rights Agreement between the Registrant and Newheight Holdings Ltd., dated June 20, 2016 (incorporated herein by reference to Exhibit 4.35 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.36	Framework Agreement by and among the Registrant, Beijing Jingdong Financial Technology Holding Co., Ltd. and other parties listed therein, dated March 1, 2017 (incorporated herein by reference to Exhibit 4.36 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.37	Intellectual Property License and Software Technology Services Agreement between the Registrant and Beijing Jingdong Financial Technology Holding Co., Ltd., dated March 1, 2017 (incorporated herein by reference to Exhibit 4.37 to our annual report on Form 20-F filed with the Securities and Exchange Commission on May 1, 2017)
4.38†	English translation of Conditional Share Subscription Agreement by and between Suqian Jingdong Sanhong Enterprise Management Center (Limited Partnership) and China United Network Communications Limited, dated August 16, 2017
4.39	Subscription Agreement by and among Vipshop Holdings Limited, Windcreek Limited, and Tencent Mobility Limited, dated December 17, 2017 (incorporated herein by reference to Exhibit 99.2 to our report on Schedule 13D filed with the Securities and Exchange Commission with respect to Vipshop Holdings Limited on January 8, 2018)
4.40	Investor Rights Agreement by and among Vipshop Holdings Limited, Windcreek Limited, Tencent Mobility Limited and other parties listed therein, dated December 29, 2017 (incorporated herein by reference to Exhibit 99.4 to our report on Schedule 13D filed with the Securities and Exchange Commission with respect to Vipshop Holdings Limited on January 8, 2018)
4.41†	English summary of Strategic Partnership Agreement regarding Dalian Wanda Commercial Properties Co., Ltd. by and among Dalian Wanda Group Co., Ltd., Dalian Wanda Commercial Properties Co., Ltd., Tencent Technology (Shenzhen) Co., Ltd. and Beijing Jingdong Century Trading Co., Ltd., dated January 27, 2018
4.42†	Series A Preference Shares Subscription Agreement by and between Jingdong Express Group Corporation and purchasers listed therein, dated February 14, 2018
4.43†	Shareholders Agreement of Jingdong Express Group Corporation, dated March 7, 2018
4.44†	US$1,000,000,000 Term and Revolving Credit Facilities Agreement dated between the Registrant and other parties thereto, dated December 21, 2017
8.1†	List of Principal Subsidiaries and Consolidated Variable Interest Entities
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-193650), as amended, initially filed with the Securities and Exchange Commission on January 30, 2014)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1†	Consent of PricewaterhouseCoopers Zhong Tian LLP

Exhibit Number	Description of Document
15.2†	Consent of Zhong Lun Law Firm
15.3*	Consent of PricewaterhouseCoopers Zhong Tian LLP regarding the opinion in Exhibit 99.1
15.4*	Consent of PricewaterhouseCoopers Zhong Tian LLP regarding the opinion in Exhibit 99.2
15.5*	Consent of PricewaterhouseCoopers Zhong Tian LLP regarding the opinion in Exhibit 99.3
99.1*	Consolidated Financial Statements of Dada Nexus Limited as of December 31, 2016 and 2017 and for the years ended December 31, 2016 and 2017
99.2*	Consolidated Financial Statements of Bitauto Holdings Limited as of December 31, 2016 and 2017 and for the years ended December 31, 2016 and 2017
99.3*	Consolidated Financial Statements of Tuniu Corporation as of December 31, 2016 and 2017 and for the years ended December 31, 2016 and 2017
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document

101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document

† Filed on April 27, 2018

* Filed herewith

** Furnished herewith

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SIGNATURES

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

JD.com, Inc.

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

Date: June 29, 2018

EXHIBIT 12.1

Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard Qiangdong Liu, certify that:

1. I have reviewed this annual report on Form 20-F, as amended by Amendment No. 1 thereto, of JD.com, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: June 29, 2018

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

EXHIBIT 12.2

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Sidney Xuande Huang, certify that:

1. I have reviewed this annual report on Form 20-F, as amended by Amendment No. 1 thereto, of JD.com, Inc. (the “Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: June 29, 2018

By: /s/ Sidney Xuande Huang
Name: Sidney Xuande Huang
Title: Chief Financial Officer

EXHIBIT 13.1

Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of JD.com, Inc. (the "Company") on Form 20-F for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on April 27, 2018, as amended by Amendment No. 1 thereto (the "Report"), I, Richard Qiangdong Liu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 29, 2018

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

EXHIBIT 13.2

Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of JD.com, Inc. (the "Company") on Form 20-F for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on April 27, 2018, as amended by Amendment No. 1 thereto (the "Report"), I, Sidney Xuande Huang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 29, 2018

By: /s/ Sidney Xuande Huang
Name: Sidney Xuande Huang
Title: Chief Financial Officer

Exhibit 15.3

CONSENT OF INDEPENDENT AUDITOR

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-198578) and the Registration Statements on Form F-3 (File No. 333-206653 and File No. 333-210795) of JD.com, Inc. of our report dated June 29, 2018 relating to the financial statements of Dada Nexus Limited, which appears in this Form 20-F/A (Amendment No. 1).

/s/ PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China
June 29, 2018

Exhibit 15.4

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-198578) and the Registration Statements on Form F-3 (File No. 333-206653 and File No. 333-210795) of JD.com, Inc. of our report dated April 27, 2018 relating to the financial statements and the effectiveness of internal control over financial reporting of Bitauto Holdings Limited, which appears in this Form 20-F/A (Amendment No.1).

/s/ PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China

June 29, 2018

Exhibit 15.5

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-198578) and the Registration Statements on Form F-3 (File No. 333-206653 and File No. 333-210795) of JD.com, Inc. of our report dated April 26, 2018 relating to the financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting of Tuniu Corporation, which appears in this Form 20F/A (Amendment No.1).

/s/ PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China
June 29, 2018

DADA NEXUS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2017

DADA NEXUS LIMITED
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2017

Report of Independent Auditors

To the Board of Directors of Dada Nexus Limited:

We have audited the accompanying consolidated financial statements of Dada Nexus Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of loss and comprehensive loss, of changes in shareholders' deficit and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dada Nexus Limited and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China
June 29, 2018

DADA NEXUS LIMITED

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2016 and 2017
(all amounts in Renminbi, except for number of shares, unless otherwise noted)

	Note	As of December 31, 2016	2017
ASSETS			
Current assets:			
Cash and cash equivalents		2,042,896,101	1,600,811,907
Restricted cash	4	-	359,731,000
Short-term investments	5	154,500,000	307,746,405
Accounts receivable, net	6	3,108	6,945,858
Inventories	7	2,184,614	5,885,623
Amount due from related parties	19	34,630,526	49,723,343
Prepayments and other current assets	8	25,869,823	46,884,450
Total current assets		2,260,084,172	2,377,728,586
Property and equipment, net	9	2,136,501	8,573,161
Goodwill	3	914,678,960	914,678,960
Intangible assets, net	10	1,264,023,959	1,065,419,812
Other non-current assets		7,149,958	10,099,144
Total non-current assets		2,187,989,378	1,998,771,077
Total assets		4,448,073,550	4,376,499,663
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Short-term loan	11	-	354,499,412
Accounts payable		6,157,987	7,145,333
Amount due to related parties	19	121,233,018	38,289,766
Accrued expenses and other current liabilities	12	311,511,029	534,277,547
Total current liabilities		438,902,034	934,212,058
Deferred tax liabilities	18	95,108,665	80,271,663
Warrant liabilities	13	48,559,000	-
Total non-current liabilities		143,667,665	80,271,663
Total liabilities		582,569,699	1,014,483,721
Commitments and contingencies	20		

CONSOLIDATED BALANCE SHEETS (CONTINUED)
AS OF DECEMBER 31, 2016 and 2017
(all amounts in Renminbi, except for number of shares, unless otherwise noted)

	Note	As of December 31, 2016	2017
MEZZANINE EQUITY	16		
Series A Convertible Redeemable Preferred Shares (US$ 0.0001 par value, 77,000,000 shares authorised, issued and outstanding as of December 31, 2016 and 2017)		12,930,092	14,063,554
Series B Convertible Redeemable Preferred Shares (US$ 0.0001 par value, 37,748,300 shares authorised, issued and outstanding as of December 31, 2016 and 2017)		158,761,680	172,653,515
Series C Convertible Redeemable Preferred Shares (US$ 0.0001 par value, 44,286,448 shares authorised, issued and outstanding as of December 31, 2016 and 2017)		661,884,212	720,029,590
Series D Convertible Redeemable Preferred Shares (US$ 0.0001 par value, 95,524,122 shares authorised, 64,001,162 shares issued and outstanding as of December 31, 2016 and 2017, respectively)		1,881,799,998	2,041,280,824
Series E Convertible Redeemable Preferred Shares (US$ 0.0001 par value, 128,637,939 shares authorised; 58,428,921 and 93,580,586 shares issued and outstanding as of December 31, 2016 and 2017, respectively)		1,707,072,091	2,888,029,446
Total Mezzanine equity		4,422,448,073	5,836,056,929

SHAREHOLDERS' DEFICIT			
Ordinary shares ($0.0001 par value, 1,616,803,191 shares authorized, 355,105,296 shares issued and outstanding as of December 31, 2016 and 2017, respectively)	17	227,206	227,206
Subscription receivable		(34,934)	(34,934)
Additional paid-in capital		1,927,410,287	1,601,598,145
Accumulated other comprehensive income		157,439,907	90,081,003
Accumulated deficit		(2,641,986,688)	(4,165,912,407)
Total shareholders' deficit		(556,944,222)	(2,474,040,987)
Total liabilities, mezzanine equity and shareholders' deficit		4,448,073,550	4,376,499,663

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

DADA NEXUS LIMITED

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2017
(all amounts in Renminbi unless otherwise noted)

	Note	Years ended December 31, 2016	Years ended December 31, 2017
Revenues	14	**87,613,634**	**1,778,095,673**
Cost of revenues		(44,354,151)	(1,892,878,869)
Gross profit/(loss)		**43,259,483**	**(114,783,196)**
Operating expense:			
Selling, general and administrative		(1,491,736,021)	(1,280,028,831)
Product development		(115,332,586)	(175,040,941)
Total operating expenses		**(1,607,068,607)**	**(1,455,069,772)**
Loss from operations		**(1,563,809,124)**	**(1,569,852,968)**
Other income:			
Interest income		20,007,791	31,407,754
Interest expense		-	(8,908,413)
Others, net		4,976,431	(4,440,065)
Fair value change in financial assets		-	22,846,405
Fair value change in warrant liabilities		-	(9,091,000)
Total other income		**24,984,222**	**31,814,681**
Loss before income tax benefits		**(1,538,824,902)**	**(1,538,038,287)**
Income tax benefits	18	9,891,335	14,112,568
Net loss and net loss attributable to the Company		**(1,528,933,567)**	**(1,523,925,719)**
Accretion of convertible redeemable preferred shares	16	(285,334,947)	(374,901,976)
Net loss attributable to ordinary shareholders		**(1,814,268,514)**	**(1,898,827,695)**
Net loss		(1,528,933,567)	(1,523,925,719)
Other comprehensive income/(loss)			
Foreign currency translation adjustments		118,276,733	(67,358,904)
Total comprehensive loss		**(1,410,656,834)**	**(1,591,284,623)**

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

DADA NEXUS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2017
(all amounts in Renminbi, except for number of shares, unless otherwise noted)

	Note	Ordinary shares (par value US $0.0001) Numbers of Shares	Amount	Subscription receivables	Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total shareholders' deficit
Balance as of December 31, 2015 (Unaudited)		**68,713,999**	**42,242**	**(34,934)**	**-**	**39,163,174**	**(1,072,064,130)**	**(1,032,893,648)**
Share-based compensation	15	-	-	-	38,757,725	-	-	38,757,725
Exercise of stock option granted to non-employee	17	716,431	463	-	55,263	-	-	55,726
Repurchase of early exercise of share options	17	(716,431)	(463)	-	(55,263)	-	-	(55,726)
Repurchase of ordinary shares	17	(441,588)	(298)	-	(6,398,325)	-	-	(6,398,623)
Issuance of ordinary shares, net of issuance cost	17	286,832,885	185,262	-	2,139,396,843	-	-	2,139,582,105
Translation adjustments		-	-	-	-	118,276,733	-	118,276,733
Net loss		-	-	-	-	-	(1,528,933,567)	(1,528,933,567)
Accretion of convertible redeemable preferred shares	16	-	-	-	(244,345,956)	-	(40,988,991)	(285,334,947)
Balance as of December 31, 2016		**355,105,296**	**227,206**	**(34,934)**	**1,927,410,287**	**157,439,907**	**(2,641,986,688)**	**(556,944,222)**
Share-based compensation	15	-	-	-	49,089,834	-	-	49,089,834
Translation adjustments		-	-	-	-	(67,358,904)	-	(67,358,904)
Net loss		-	-	-	-	-	(1,523,925,719)	(1,523,925,719)
Accretion of convertible redeemable preferred shares	16	-	-	-	(374,901,976)	-	-	(374,901,976)
Balance as of December 31, 2017		**355,105,296**	**227,206**	**(34,934)**	**1,601,598,145**	**90,081,003**	**(4,165,912,407)**	**(2,474,040,987)**

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

DADA NEXUS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2017
(all amounts in Renminbi unless otherwise noted)

	Years ended December 31, 2016	2017
Cash flows from operating activities:		
Net loss	(1,528,933,567)	(1,523,925,719)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation of property and equipment	553,560	1,173,757
Amortization of intangible assets	132,339,128	198,604,147
Share-based compensation	38,757,725	49,089,834
Compensation charge in connection with the repurchase of early exercise of share options of non-employee (Note 17)	19,428,600	-
Compensation charge in connection with the repurchase of share options (Note 15)	17,215,481	-
Foreign exchange gain	2,843,354	4,568,097
Deferred tax benefits	(9,891,335)	(14,837,002)
Loss from disposal of property and equipment	135,507	-
Fair value change in forward contract	-	(22,846,405)
Fair value change in warrant liabilities	-	9,091,000
Changes in operating assets and liabilities:		
Accounts receivable	437,912	(6,942,750)
Inventories	(1,766,262)	(3,701,009)
Amount due from related parties	(32,852,670)	(15,092,817)
Prepayments and other current assets	(16,346,328)	(21,014,628)
Other non-current assets	(2,152,052)	(949,137)
Accounts payable	3,448,484	987,346
Amount due to related parties	92,786,760	(82,943,252)
Accrued expenses and other current liabilities	6,805,415	222,766,518
Net cash used in operating activities	**(1,277,190,288)**	**(1,205,972,020)**
Cash flows from investing activities:		
Purchase of wealth management products	(154,500,000)	(130,400,000)
Increase in restricted cash	-	(379,230,854)
Purchase of property and equipment and intangible assets	(1,375,725)	(7,610,417)
Cash paid for cost method investment	-	(2,000,049)
Proceeds from disposal of property and equipment	73,850	-
Cash acquired from business combination, net of cash paid (Note 3)	83,204,277	-

Net cash used in investing activities	**(72,597,598)**	**(519,241,320)**
Cash flows from financing activities:		
Proceeds from short-term loan	-	354,499,412
Proceeds from issuance of Series D Preferred Shares	148,554,700	-
Proceeds from issuance of Series E Preferred Shares	1,629,985,000	983,819,600
Proceeds from early exercise of share options	55,726	-
Cash paid for repurchase of early exercise of share options	(13,252,884)	-
Cash paid for repurchase of ordinary shares	(6,454,349)	-
Cash paid for repurchase of share options	(16,959,491)	-
Cash paid for ordinary shares issuance costs	(20,941,855)	-
Net cash provided by financing activities	**1,720,986,847**	**1,338,319,012**
Effect of foreign exchange rate changes on cash and cash equivalents	118,537,379	(55,189,866)
Net increase in cash and cash equivalents	489,736,340	(442,084,194)
Cash and cash equivalents, beginning of the year	1,553,159,761	2,042,896,101
Cash and cash equivalents, end of the year	2,042,896,101	1,600,811,907

DADA NEXUS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2017
(all amounts in Renminbi unless otherwise noted)

	Years ended December 31,	
	2016	**2017**
Supplemental disclosure for cash flow information		
Cash paid for interest	-	5,513,625
Cash paid for income taxes	-	721,773
Supplemental disclosure of non-cash financing activities:		
Accretion of convertible redeemable preferred shares	285,334,947	374,901,976

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

DADA NEXUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in Renminbi unless otherwise noted)

1. ORGANIZATION AND NATURE OF OPERATIONS

Description of Business

Dada Nexus Limited (the “Company”) was incorporated under the laws of the Cayman Islands on July 8, 2014. The Company through its wholly-owned subsidiaries and variable interest entity (“VIE”) (collectively, the “Group”) primarily provides comprehensive logistic solution service, on-demand logistic information service and grocery online to offline (“O2O”) ecommerce service to its customers through its mobile platforms, websites and mini apps. The Group’s principal operations and geographic markets are in the People’s Republic of China (“PRC”).

As of December 31, 2017, the Company’s major subsidiaries and VIE are as follows:

Name of Company	Place of incorporation	Date of incorporation /acquisition	Percentage of direct or indirect economic ownership	Principal activities
Subsidiaries				
Dada Wisdom (HK) Limited (“Dada Wisdom”)	Hong Kong	July 24, 2014	100%	Investment holding
Dada Glory Network Technology Ltd. (“Dada Glory”)	PRC	November 7, 2014	100%	Provision of on-demand logistic information service
Shanghai JD Daojia Yuanxin Information Technology Co., Ltd. (“Yuanxin”)	PRC	October 13, 2015	100%	Provision of grocery O2O ecommerce service
VIE				

Shanghai Qusheng Internet Co. Ltd. ("Qusheng")	PRC	July 2, 2014	100%	Holding of value-added telecommunications business license

VIE Arrangements

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its websites and other restricted businesses in the PRC through certain PRC domestic companies, whose equity interests are held by certain management members of the Group ("Nominee Shareholders"). On November 14, 2014, Dada Glory entered into a series of contractual agreements with Qusheng and its shareholders. The following is a summary of the agreements which allow the Dada Glory to exercise effective control over Qusheng:

Share Pledge Agreement

Under the equity interest pledge agreement entered between Dada Glory and the shareholders of Qusheng, the shareholders pledged all of their equity interests in Qusheng to guarantee their performance of their obligations under the Exclusive Business Cooperation Agreement. If the shareholders of Qusheng breach their contractual obligations under the Exclusive Business Cooperation Agreement, Dada Glory, as the pledgee, will have the right to dispose the pledged equity pursuant to the PRC law. The shareholders of Qusheng have not placed any security equity interests or allowed any encumbrance on the pledged equity interests. The equity interest pledge agreement remains effective until the shareholders of Qusheng have fully performed their obligations and repaid their consulting and service fees by the shareholders of Qusheng under the Exclusive Business Cooperation Agreement. During the equity pledge period, Dada Glory is entitled to all dividends and other distributions generated by Qusheng.

VIE Arrangements (continued)

Exclusive Option Agreement

Pursuant to the exclusive option agreement entered into among Dada Glory, Qusheng and Qusheng's shareholders, Qusheng's shareholders irrevocably grant Dada Glory or its designated representatives an exclusive option to purchase, to the extent permitted under PRC law, all or part of the assets of Qusheng, including but not limited to any intellectual properties and any investment rights and interests. The exercise price shall be the lowest price as permitted by the applicable PRC law at the time of the assets of Qusheng to be transfered. The option term remains effective for a term of 10 years and can be extended at Dada Glory's election. Without Dada Glory's written consent, Qusheng and its shareholders may not sell, transfer, mortgage, or otherwise dispose of in any manner any assets, or legal or beneficial interest in the business or revenues, or allow the encumbrance thereon of any security interest.

Exclusive Business Cooperation Agreement

Under the Exclusive Business Cooperation Agreement entered between Dada Glory and Qusheng, Qusheng appoints Dada Glory as its exclusive services provider with complete business support and technical and consulting services. Qusheng shall not accept any consultations or services provided by any third party, and shall not cooperate with any third party. Qusheng agrees to pay Dada Glory a monthly service fee for services performed, and the monthly service fee shall be 100% of the net income of Qusheng on a monthly basis. Unless earlier termination of this agreement by Dada Glory or relevant agreements separately executed between the parties, the term of this agreement shall be 10 years and extended term shall be determined by Dada Glory's election prior to the expiration thereof.

Power of Attorney

Pursuant to the irrevocable power of attorney, each of the Nominee Shareholders to exercise all shareholder rights under PRC law and the relevant articles of association, including but not limited to, proposing, convening and attending shareholders' meetings of Qusheng, voting on their behalf on all matters requiring shareholder approval, sale or transfer or pledging or disposing of all or part of the Nominee Shareholders' equity interests, and designating and appointing the senior management of Qusheng. Each power of attorney shall be irrevocably and continuously valid and effective from the date of its execution, unless Dada Glory issues adverse instructions in writing. Each Nominee Shareholders waive all the rights which have been authorized to Dada Glory under each power of attorney, and should not exercise such rights by themselves.

As result of these agreements, the Company has the ability to exercise effective control over Qusheng through contractual arrangements. The Company is also able to receive substantially all of the economic benefits and residual interest and absorbs all the risks and expected losses from Qusheng, because of its ability to effectively determine the service fees payable by Qusheng under the Exclusive Business Cooperation Agreement. Therefore, the Company has determined that it is the primary beneficiary of Qusheng and accordingly Qusheng's financial results are consolidated in the financial statements of the Company in accordance with Accounting Standards Codification ("ASC") 810, Consolidation (formerly referred to as Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 46R, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51).

Risks in relation to the VIE structure

The Company believes that the contractual arrangements amongst Dada Glory, Qusheng and their respective shareholders are in compliance with PRC law and are legally enforceable. The shareholders of Qusheng are also shareholders of the Company and therefore have no current interest in seeking to act contrary to the contractual arrangements. However, Qusheng and their shareholders may fail to take certain actions required for the Company's business or to follow the Company's instructions despite their contractual obligations to do so. Furthermore, if Qusheng or their shareholders do not act in the best interests of the Company under the contractual arrangements and any dispute relating to these contractual arrangements remains unresolved, the Company will have to enforce its rights under these contractual arrangements through the operations of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. All of these contractual arrangements are governed by PRC law and provided for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. As a result, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements, which may make it difficult to exert effective control over Qusheng, and its ability to conduct the Company's business may be adversely affected.

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of presentation

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

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and VIE in which it has a controlling financial interest. The results of the subsidiaries and VIE are consolidated from the date on which the Company obtained control and continue to be consolidated until the date that such control ceases. A controlling financial interest is typically determined when a company holds a majority of the voting equity interest in an entity.

The Group has adopted the guidance codified in ASC 810, Consolidations ("ASC 810") on accounting for VIE, which requires certain variable interest entity to be consolidated by the primary beneficiary 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.

All significant intercompany balances and transactions between the Group, its subsidiaries, VIE and VIE's subsidiaries have been eliminated in consolidation.

2.3 Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets, long lived assets and liabilities at the dates of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, the Group's management reviews these estimates based on information that is currently available. Changes in facts and circumstances may cause the Group to revise its estimates. Significant accounting estimates reflected in the Group's financial statements mainly include the useful lives of property and equipment and intangible assets, assumptions used to measure the impairment of goodwill, property and equipment and intangible assets, assumptions impacting the valuation of ordinary shares, share option and warrant liabilities, the purchase price allocation in relation to business combination, and income taxes and related deferred tax valuation allowance.

2.4 Functional currency and foreign currency translation

The Group uses Renminbi ("RMB") as its reporting currency. The functional currency of the Company and its subsidiaries incorporated outside of PRC is the United States dollar ("$", "US$" or "USD"). The functional currency of the PRC entities is RMB as determined based on the criteria of ASC 830, Foreign Currency Matters.

Transactions denominated in other than the functional currencies are re-measured into the functional currency of the entity at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are re-measured at the balance sheet date exchange rate. The resulting exchange differences are included in the comprehensive loss.

Assets and liabilities of the Group and its subsidiaries incorporated outside of PRC are translated into RMB at fiscal year-end exchange rates. Income and expense items are translated at average exchange rates prevailing during the fiscal year. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as a component of other comprehensive loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.5 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held by bank, other financial institutions and third party payment processors as well as short-term and highly liquid investments that are readily convertible to known amount of cash and have original maturities of three months or less. As of December 31, 2016 and 2017, the Group had certain amount of cash held in accounts managed by third party payment platforms, including Alipay for a total amount of RMB 14,402,221 and RMB 24,274,839, respectively, which have been classified as cash and cash equivalents on the Consolidated Balance Sheets.

2.6 Restricted cash

Cash that is restricted as to withdrawal or for use or pledged as security is not included in the cash and cash equivalent, and is not included in the cash flows from operating activities, and change in the restricted cash balance is classified as investing activities in the Consolidated Statements of Cash Flows. The Group's restricted cash mainly represents the deposits pledged for short-term bank loans.

2.7 Short-term investments

Short-term investments include (i) the investments and financial products issued by commercial banks or other financial institutions with variable interest rates indexed to the performance of underlying assets within one year; and (ii) financial assets from foreign currency forward contracts sold by commercial banks. These investments are stated at fair value. Changes in the fair value are reflected in the Consolidated Statements of Loss and Comprehensive Loss where the change in fair value of financial products is included in interest income and fair value change of financial assets from foreign currency forward contracts are presented in "Fair value change in financial assets".

2.8 Accounts receivable, net

Accounts receivable mainly consists of amount due from the Group's customers, which are recorded net of allowance for doubtful accounts. The Group performs ongoing credit evaluation of its customers, and assesses allowance for doubtful accounts based upon expected collectability based on the age of the receivables and factors surrounding the credit risk of specific customers.

2.9 Inventories, net

Inventories, consisting of products available for sale, are stated at the lower of cost or market value. Cost of inventory is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventory to the estimated market value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. Provisions are recorded in cost of revenues in the Consolidated Statements of Loss and Comprehensive Loss.

2.10 Property and equipment, net

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

Computer equipment	3 years
Office facilities	3-5 years
Vehicles	8 years
Software	10 years

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.11 Business combination

U.S. GAAP requires that all business combinations to be accounted for under the purchase method. Since its incorporation, 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 Loss and Comprehensive Loss.

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 judgments. 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 assets and forecasted life cycle and forecasted cash flows over that period. Although the Group believes 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.

2.12 Intangible assets, net

Intangible assets purchased are recognized and measured at cost upon acquisition and intangible assets arising from acquisitions are recognized and measured at fair value upon acquisition. The Group's purchased intangible assets include domain name, which are amortized on a straight-line basis over their estimated useful lives of 10 years. Separable intangible assets arise from acquisitions. The estimated life of intangible assets subject to amortization is reassessed if circumstances occur indicated that the life has changed.

2.13 Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of the Group's acquisitions of interests in its subsidiaries. Goodwill is not amortized but is reviewed at least annually for impairment or earlier, if any indication of impairment exists.

The Group adopted FASB revised guidance on "Testing of Goodwill for Impairment". Under this guidance, the Group has the option to choose whether it will apply the qualitative assessment first and then the quantitative assessment, if necessary, or to apply the quantitative assessment directly. For reporting units applying a qualitative assessment first, the Group starts the goodwill impairment test by assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Group determines that it is more likely not the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of goodwill with its carrying value. For reporting units directly applying a quantitative assessment, the Group performs the goodwill impairment test by quantitatively comparing the fair values of those reporting units to their carrying amounts.

Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

2.14 Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets. The Group's management is responsible for all assumptions and valuation methodologies used in the fair value determination. There was no impairment charge recognized for the years ended December 31, 2016 and 2017.

2.15 Warrant liabilities

Warrants classified as equity are initially recorded at fair value and subsequent changes in fair value are not recognized as long as the warrants continue to be classified as equity. Warrants classified as liabilities are initially recorded at fair value with gains and losses arising from changes in fair value recognized in the Consolidated Statements of Loss and Comprehensive Loss during the period in which such instruments are outstanding.

2.16 Fair value measurement of financial instruments

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

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Observable, market-based inputs, other than quoted prices, in active markets for identical assets or liabilities.
Level 3: Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The fair value guidance describes three main approaches to measure 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.

2.16 Fair value measurement of financial instruments (Continued)

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.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

The carrying values of financial instruments, which consist of cash and cash equivalents, restricted cash, accounts receivable, prepayments and other assets and short-term loan, accounts payable, amount due from and due to related parties, and accrued expenses and other current liabilities are recorded at cost which approximates their fair value due to the short-term nature of these instruments.

Short-term investment - financial product

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

Short-term investment - forward contract

The Company entered into foreign currency forward contract with certain domestic commercial bank where the Company committed to purchase a fixed amount of RMB by USD using the pre-agreed exchange rate. The foreign currency forward contract is settled within one year. The foreign currency forward contract is valued based on the forward exchange rates, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 2.

Warrant liabilities

The inputs used to measure the estimated fair value of warrant liabilities are classified as Level 3 fair value measurement due to the significance of unobservable inputs using company-specific information. The valuation methodology used to estimate the fair value of warrant liabilities is discussed in Note 13.

As of December 31, 2016 and 2017, gross unrealised gains were recorded on financial product. No impairment charges were recorded for the years ended December 31, 2016 and 2017.

2.17 Revenue recognition

In accordance with ASC 605, Revenue Recognition, the Group recognizes revenues when the following criteria are met: persuasive evidence of an arrangement exists, deliveries have occurred or services have been rendered to the customers, the sales price is fixed or determinable, collectability of the related fee is reasonably assured. The Group considers a signed agreement, a binding contract with the merchants or other similar documentation reflecting the terms and conditions under which products or services will be provided to be persuasive evidence of an arrangement.

The Group also evaluates whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned. When the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, revenues should be recorded on a gross basis. When the Group is not the primary obligor, does not bear the inventory risk and does not have the ability to establish the price, revenues are recorded on a net basis.

Revenues presented in the Consolidated Statements of Loss and Comprehensive Loss represent revenues generated mainly from platform services, comprehensive logistic solution services and sales of good.

Platform services

The Group provides platform services on its on-demand logistics platform ("Dada Platform") and O2O ecommerce grocery platform ("JDDJ Platform") through its self-developed mobile applications, websites and mini apps.

When the customer, i.e., registered merchant or individual registered user, places a delivery order on Dada Platform, the delivery request is conveyed to the available registered deliverymen (the "Drivers"). The Group charges commission to the customer which is determined based on fixed rate of the delivery charge or a pre-determined amount. For the merchants participating in JDDJ Platform, where the Group facilitates the merchants to complete the transaction, the Group charges commission to the merchants based on the fixed rate of the value of the transaction. The platform service from both Dada Platform and JDDJ Platform are recognized on a net basis to the extent of the commission earned when the delivery is completed with the Drivers. The delivery charge received from the customers and paid to the Drivers are excluded from the revenue as it is by-passing in nature.

2.17 Revenue recognition (Continued)

Comprehensive logistic solution services

The Group provides comprehensive logistic solution services to certain registered merchants, i.e. the customers where the Group provides a series of services for the customers to fulfill the delivery requests, including the delivery request publishing services and the delivery process and management services, etc. The Group earns the service fee from the customers when the delivery request is completed. The service fee is determined based on fixed rate of the delivery charge or a pre-determined amount. Revenue is recognized on a gross basis to the extent of the service fee earned and the charges to the Drivers are recognized as cost of revenues since the Group is primarily obligated to the customers for fulfillment of the delivery request and is responsible for the quality and result of the delivery, and the Group has latitudes in establishing prices and has discretion in selecting Drivers and takes the gross credit risk.

Goods sales

The Group also operates its own ecommerce business and sells delivery equipment to the Drivers. Revenue is recognized on a gross basis as the Group is primarily obligated to the consumers, subjects to inventory risk, and has latitude in establishing prices and selecting suppliers. The Group recognizes revenue net of discounts and return allowances when the goods are delivered to the consumers.

Others

Others include online marketing services, commission fee charged to third-party sellers, etc. where the revenue is recognised when service is rendered.

Incentives

To attract more Drivers to use its platforms to enhance its popularity, the Group, from time to time, grants incentives in cash to Drivers on top of the delivery fees depending upon various considerations, including weather, distance, peak hours, etc. For platform services, the Group records the incentive to Drivers as selling, general and administrative expenses. For the years ended December 31, 2016 and 2017, incentives that were recorded as operating expenses were RMB 700,888,552 and RMB 211,960,753, respectively. For comprehensive logistic solution services, the Group records the incentive as cost of revenue. For the years ended December 31, 2016 and 2017, incentives that were recorded as cost of revenue were nil and RMB 115,739,800, respectively.

2.18 Cost of revenues

Cost of revenues primarily consist of Drivers' remuneration for comprehensive logistic solution services, internet bandwidth costs, server and computer equipment leasing charges, transaction fees charged by third-party payment platforms, cost of goods sold on the platform, sales taxes, and other expenses directly attributed to the Group's principal operations.

2.19 Selling, general and administrative expenses

Selling, general and administrative expenses primarily consist of incentive payments in connection with sales and marketing force, advertising and promotion expenses, payroll and related expenses for employees involved in general corporate functions as well as selling, marketing and operational functions in the city stations, as well as the associated expenses of facilities and equipment, such as depreciation expenses, rental and other general corporate related expenses.

2.20 Product development

Product development primarily consist of technology infrastructure expenses, payroll and related expenses for employees involved in platform development, editorial content, internal system support, as well as costs associated with the compute, storage and telecommunications infrastructure for internal use that support the Group's services.

2.21 Operating leases

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

2.22 Share-based compensation

The Group accounts for share options granted to employees in accordance with ASC 718, "Stock Compensation". The Group grants options and restricted shares to the Group's employees, directors, and consultants. In accordance with the guidance, the Group determines whether a share option should be classified and accounted for as a liability award or an equity award.

Options and restricted share units granted to the employees, including the directors, vest upon satisfaction of a service condition, which is generally satisfied over four years. Options granted to non-employees with a service condition, in which services are received in exchange for equity instruments are accounted for based on the fair value of the equity instrument issued, as this has been determined to be more reliably measurable. Additionally, the incentive plan provides an exercisability clause where employees or non-employees can only exercise vested options upon the occurrence of the event that the Group's ordinary shares are publicly traded. Options for which the service condition has been satisfied are forfeited should employment terminate prior to the occurrence of an exercisable event, which substantially creates a performance condition. The satisfaction of the performance condition becomes probable upon completion of the Group's initial public offering for options granted for which the service condition has been satisfied as of such date, the Group will record the cumulative share-based compensation expense for these options when it completes the initial public offering.

Options and restricted shares units granted to employees are accounted for in accordance with provisions of ASC 718, share-based compensation costs will be measured at the grant date. The Group has accounted for equity instruments issued to non-employees in accordance with the provisions of ASC 718 and ASC subtopic 505-50, "Equity: Equity-Based Payments to Non-Employees". The fair value of each option granted to non-employees will be estimated on the date of grant using the same option valuation model used for options granted to employees. Options granted to non-employees of the Group are re-measured each period end in accordance with ASC 505. The final measurement date of the fair value of the equity instrument issued is the date on which the counterparty's performance is completed. In addition, the Group granted options to non-employees of the Group with a service condition. The share-based compensation expenses are recognized using straight-line vesting method over the requisition service period. The share-based compensation expenses will be categorized as either selling, general and administrative expenses, or product development, depending on the job functions of the grantees.

According to ASC 718, a change in any of the terms or conditions of equity based awards shall be accounted for as a modification of the award. Therefore, the Group 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. For vested options, the Group would recognize incremental compensation cost on the date of modification and for unvested options, the Group would recognize, prospectively and over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award.

2.23 Taxation

Deferred income taxes are recognized for temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements, net operating loss carry forwards and credits. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided in accordance with the laws of the relevant taxing authorities. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in which temporary differences are expected to be received or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the Consolidated Statements of Loss and Comprehensive Loss in the period of the enactment of the change. The components of deferred tax assets and liabilities are individually classified as non-current according to Accounting Standards Update ("ASU") 2015-17.

2.23 Taxation (Continued)

The Group considers positive and negative evidence when determining whether a portion or all of its deferred tax assets will more likely than not be realized. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carry-forward periods, its experience with tax attributes expiring unused, and its tax planning strategies. The ultimate realization of deferred tax assets is dependent upon its ability to generate sufficient future taxable income within the carry-forward periods provided for in the tax law and during the periods in which the temporary differences become deductible. When assessing the realization of deferred tax assets, the Group has considered possible sources of taxable income including (i) future reversals of existing taxable temporary differences, (ii) future taxable income exclusive of reversing temporary differences and carry-forwards, (iii) future taxable income arising from implementing tax planning strategies, and (iv) specific known trend of profits expected to be reflected in the Group.

The Group recognizes a tax benefit associated with an uncertain tax position when, in its judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, the Group initially and subsequently measures the tax benefit as the largest amount that the Group judges to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. The Group's liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. The Group's effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by management. The Group classifies interest and penalties recognized on the liability for unrecognized tax benefits as income tax expense.

2.24 Comprehensive loss

Comprehensive loss is defined as the change in equity of the Group during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Comprehensive loss is reported in the Consolidated Statements of Loss and Comprehensive Loss. Accumulated other comprehensive loss, as presented on the accompanying Consolidated Balance Sheets, consists of accumulated foreign currency translation adjustments.

2.25 Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers," or ASU 2014-09. This update contains new accounting literature relating to how and when a company recognizes revenue. Under ASU 2014-09, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. ASU 2014-09 is effective for the Company's fiscal year beginning January 1, 2018, which reflects a one year deferral approved by the FASB in July 2015, with early application permitted provided that the effective date is not earlier than the original effective date (which would be the Company's fiscal year beginning January 1, 2017). In March 2016, the FASB issued an amendment (ASU 2016-08) to the new revenue recognition guidance clarifying how to determine if an entity is a principal or agent in a transaction. In April (ASU 2016-10), May (ASU 2016-12), and December (ASU 2016-20) of 2016, the FASB further amended the guidance to include performance obligation identification, licensing implementation, collectability assessment and other presentation and transition clarifications. The effective date and transition requirements for the amendments in this ASU are the same as the effective date and transition requirements for Topic 606 (and any other Topic amended by ASU 2014-09). ASU 2014-09 becomes effective for the Company on January 1, 2018. The standard permits the use of either the full retrospective or modified retrospective transition method. The Company will adopt this new standards from January 1, 2018 and apply modified retrospective transaction method. The Company expects the adoption of new standards will not have significant impact on its result of operation.

2.25 Recent accounting pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, "Leases" or ASU 2016-02. Under the new guidance, lessees will be required to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on the balance sheet. Additionally, ASU 2016-02 aligns key aspects of lessor accounting with the new revenue recognition guidance in ASU 2014-09 (see above). ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with earlier application permitted; hence, it applies to the Group beginning with calendar 2019. A modified retrospective transition approach is required for both lessees and lessors. The Group is currently evaluating the impact, and expects the adoption of this new standard will have a material impact on its consolidated financial statements, primarily to the consolidated balance sheets and related disclosures.

In August 2016, the FASB issued ASU 2016-15 Statements of Cash Flows (Topic 230): "Classification of Certain Cash Receipts and Cash Payments" or ASU 2016-15. The standard is intended to eliminate diversity in practice in how certain cash receipts and cash payments are presented and classified in the statements of cash flows. ASU 2016-15 will be effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Group is in the process of evaluating the impact of this guidance on its consolidated financial statements. The Group will adopt the new standard from January 1, 2018. The Group does not expect the adoption will have significant impact on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, "Statements of Cash Flows: Restricted Cash" or ASU 2016-18. The standard addresses the diversity in practice that exists in the classification and presentation of changes in restricted cash and requires that a statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. The Group is in the process of evaluating the impact of this guidance on its consolidated financial statements. The Group will adopt the new standard from January 1, 2018. The Group does not expect the adoption will have significant impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): simplifying the test for goodwill impairment" or ASU 2017-04, the guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not the difference between the fair value and carrying amount of good will which was the step 2 test before. The ASU should be adopted on a prospective basis for the annual or any interim goodwill impairment tests beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting" or ASU 2017-09, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in ASC 718. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The new guidance is effective prospectively for the Group for the year ending March 31, 2019 and interim reporting periods during the year ending March 31, 2019. Early adoption is permitted. The Group is evaluating the effects, if any, of the adoption of this guidance on the Group's financial position, results of operations and cash flows.

3. BUSINESS COMBINATION

On April 26, 2016, the Group and JD.com, Inc. ("JD") entered into an agreement where the Group acquired Jingdong Daojia ("JDDJ") business, an online marketplace where registered merchants offers local retailers' products to its end consumers. In connection with the acquisition, the Company also entered into a Non-Compete Agreement ("NCA") and a Business Cooperation Agreement ("BCA") with JD.

The consideration for the acquisition of JDDJ business, NCA and BCA includes (1) newly issued 286,832,885 ordinary shares of the Company, and (2) newly issued 46,743,137 Series E Preferred Shares and a warrant to subscribe 35,151,665 Series E Preferred Shares within two years to JD with a pre-determined purchase price. In connection with the transactions, JD also paid US$ 200 million (RMB 1,298,700,000) in cash to the Company. The transactions were consummated on April 26, 2016.

The acquisition of JDDJ business is accounted for as a business combination and the results of operations of the JDDJ from the acquisition date have been included in the Group's consolidated financial statements from April 26, 2016. The identifiable intangible assets acquired are amortized on a straight-line basis over the respective useful lives. The Group made estimates and judgments in determining the fair value of JDDJ business, NCA and BCA with assistance from an independent valuation firm.

The purchase price allocation is as follows:

	Amount
	RMB (in million)
Fair value of the consideration	
Ordinary shares issued	2,161
Preferred shares issued	1,299
Warrant liabilities (Note 13)	45
Total consideration	3,505

	As of April 26, 2016	**Amortization Years**
	RMB (in million)	
Cash and cash equivalents	1,299	
Fair value of NCA	541	7
Fair value of BCA	435	7-10
JDDJ business		
Net assets acquired, excluding intangible assets and the related deferred tax liabilities	-	
Identifiable intangible assets - Technology	96	3.7
Identifiable intangible assets - Trademark and Domain Name	324	9.7
Deferred tax liabilities for identifiable intangible assets	(105)	
Goodwill	915	
Total consideration	3,505	

Goodwill represents the excess of the purchase price over the estimated fair value of the net tangible and identifiable intangible assets acquired and is not deductible for tax purpose. Goodwill arising from this acquisition was attributable to the synergies expected from the combined business.

For the years ended December 31, 2016 and 2017, the financial results and the pro forma revenues and net earnings of above mentioned acquisition were not considered as significant to the Group under ASC 805, respectively.

4. RESTRICTED CASH

	As of December 31,	
	2016	**2017**
Time deposit	-	359,731,000

5. SHORT-TERM INVESTMENT

	As of December 31,	
	2016	**2017**
Investments and financial products	154,500,000	284,900,000
Financial assets – foreign currency forward	-	22,846,405

Total	154,500,000	307,746,405

6. ACCOUNTS RECEIVABLE, NET

Accounts receivable and the related bad debt provision as of December 31, 2016 and 2017 are as follows:

	As of December 31,	
	2016	2017
Accounts receivable	3,108	6,945,858
Less: Bad debt provision	-	-
Total Accounts receivable, net	3,108	6,945,858

7. INVENTORIES, NET

Inventories and the related impairment provision as of December 31, 2016 and 2017 are as follows:

	As of December 31,	
	2016	2017
Products available for sales	2,184,614	5,885,623
Less: Inventory provision	-	-
Total Inventories, net	2,184,614	5,885,623

8. PREPAYMENT AND OTHER CURRENT ASSETS

	As of December 31,	
	2016	2017
Advance to suppliers	13,075,782	16,252,877
VAT receivable	9,257,736	13,485,796
Deposits for lease	2,672,268	9,963,116
Interest receivable	-	4,661,927
Other receivables	864,037	2,520,734
Total	25,869,823	46,884,450

9. PROPERTY AND EQUIPMENT, NET

Property and equipment and its related accumulated depreciation and amortization are as follows:

	As of December 31,	
	2016	2017
Office facilities	1,294,470	6,707,977
Software	876,344	1,908,229
Computer equipment	471,062	1,636,087
Vehicles	60,067	60,067
Less: Accumulated depreciation	(565,442)	(1,739,199)
Total net book value	2,136,501	8,573,161

Depreciation expense related to property and equipment were approximately RMB 553,560 and RMB 1,173,757 for the years ended December 31, 2016 and 2017, respectively.

10. INTANGIBLE ASSETS, NET

Gross carrying amount, accumulated amortization and net book value of the intangible assets are as follows:

	As of December 31,	
	2016	2017
BCA	434,900,000	434,900,000
NCA	541,400,000	541,400,000
Trademark and domain name	324,129,974	324,129,974
Technology	96,000,000	96,000,000
Less: Accumulated amortization	(132,406,015)	(331,010,162)
Total net book value	1,264,023,959	1,065,419,812

Amortization expense related to intangible assets were RMB 132,339,128 and RMB 198,604,147 for the years ended December 31, 2016 and 2017, respectively.

11. SHORT-TERM LOAN

	As of December 31,	
	2016	2017
Short-term bank borrowings	-	354,499,412

In March 2017, the Group entered into a credit agreement with a domestic commercial bank, for which the total facility was amounted to RMB 950 million (the "Facility") with term of one year. In 2017, the Company drew five borrowings from the Facility for an aggregated principal amount of RMB 355 million which is collateralized by bank deposit of US$ 52 million (RMB 342 million) as classified as restricted cash. The annual interest rate of borrowings are approximately 3.92%.

The short-term borrowings contain covenants including, among others, limitation on liens, consolidations, merger and sales of the Company's assets. The Company is in compliance with all of the loan covenants as of December 31, 2017.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As of December 31,	
	2016	2017
Payables to the Drivers	159,674,457	234,660,032
Tax payables	21,966,818	88,542,928
Salaries and welfare payables	39,323,377	52,225,250
Advance from merchants	22,343,395	39,469,510
Payables to merchants	25,970,779	36,677,689
Accrued marketing expense	13,563,975	27,696,180
Other tax provision	-	27,066,298
Deposit	12,106,675	7,362,098
Interest payable	-	3,394,788
Professional fee payables	3,413,292	3,889,525
Others	13,148,261	13,293,249
Total	311,511,029	534,277,547

13. WARRANT LIABILITIES

In connection with the acquisition of JDDJ business on April 26, 2016, a warrant was issued to JD (Note 3), which provided JD the right to purchase additional 35,151,665 Series E Preferred Shares with the pre-determined purchase price of US$ 4.28 per share and exercisable at any time and expire on the earlier of (i) 24 months after issuance or (ii) immediately prior to a public offering ("Qualified IPO").

The Group followed the authoritative guidance which requires liability classification for warrant issued that are exercisable into convertible preferred shares. Liability classification requires the warrant to be re-measured to their fair value for each reporting period. The Group utilized the service of an independent third party specialist to determine the fair value of the warrant, which took into consideration the underlying price of ordinary shares, a risk-free interest rate, expected term and expected volatility. Certain inputs used in the model are unobservable. As a result, the valuation of the warrant was categorized as Level 3 in accordance with ASC 820, "Fair Value Measurement".

On December 28, 2017, the warrants were exercised by JD, upon which JD paid the subscription amounting to US$ 150,403,534 (RMB 983,819,600) for 35,151,665 Series E Preferred Shares.

The Group estimates its fair value using binomial model as of December 31, 2016 and December 28, 2017 (immediate prior to the exercise of the warrants) using the following assumptions:

	As of December 31, 2016	As of December 28, 2017
Terms of warrants	24 months	NA
Exercise price	US$ 4.28	US$ 4.28
Risk free rate of interest	1.54%	2.10%
Dividend yield	0.00%	0.00%

The carrying fair value of the warrant liabilities on exercise date was US$ 8,400,000 (RMB 54,884,000), and the fair value change in warrant liabilities for the years ended December 31, 2016 and 2017 are nil and US$ 1,400,000 (RMB 10,429,000), respectively.

14. REVENUES

	For the years ended December 31,	
	2016	2017
Comprehensive logistic solution services	-	1,540,619,003

Platform services	47,328,560	159,083,832
Sales of goods	21,843,565	40,697,874
Others	18,441,509	37,694,964
Total revenues	**87,613,634**	**1,778,095,673**

15. SHARE-BASED COMPENSATION

In February 2015, the Group adopted the 2015 Incentive Compensation Plan ("2015 Plan"), which permits the granting of share options, restricted share units and other equity incentives to employees, directors and consultants of the Group. The 2015 plan administrator is the Group's board of directors. The board may also authorize one or more of the Group's officers to grant awards under the plan. In accordance with the guidance, the Group determines whether a stock-based award should be classified and accounted for as a liability award or equity award. The Group has authorized 75,791,329 ordinary shares for issuance under the 2015 Plan.

Employee options:

Under the 2015 Plan, options granted to employees vest upon satisfaction of a service condition, which is generally satisfied over four years. Additionally, the 2015 Plan also includes a vesting condition where employees can only exercise vested options upon the occurrence of that the Group's ordinary shares become listed securities, which substantially creates a performance condition ("IPO Condition"). Therefore, since the adoption of the 2015 Plan through the date of the completion of the Group's initial public offering, the Company did not recognize any stock-based compensation expense for options granted, because an exercisable event as described above did not occur. The Group granted 7,647,897 and 3,082,177 share options to certain of its employees in 2016 and 2017, respectively.

In October 2016, in connection with the issuance of Series E Preferred Shares, the board of directors of the Company resolved to repurchase of 1,199,608 vested share options from employees with cash consideration of US$ 2,552,635. The Company believes that the repurchase was one-off in nature and the classification of the awards should not be changed as these awards were not deemed to have a substantive cash settlement feature. As the repurchase price was assessed as approximate the fair value of the share option at the date of the repurchase, the consideration paid for the repurchase was all charged in selling, general and administrative expenses as the compensation to employee on settlement date.

Non-employee options:

Under the 2015 Plan, the Group granted 2,000,000 share options to certain non-employees vest upon satisfaction of a 4 year service condition in 2015, including a vesting condition where optionee can only exercise vested options upon the occurrence of that the Group's ordinary shares become listed securities. The Group granted 862,390 and nil share options to certain of its non-employees in 2016 and 2017, respectively.

In April 2016, the board of directors agreed for early vesting and repurchasing of 716,431 share options at the price of US$ 4.1874 per share. The fair value of the share option at the date of the repurchase was US$1.08. The early vesting of the share options resulted in incremental compensation cost which was recorded in the selling, general and administrative expenses with amount of RMB 4,999,324. The repurchase price paid in excess of the fair value of the option was all charged in selling, general and administrative expenses with amount of RMB 14,384,276.

15. SHARE-BASED COMPENSATION (CONTINUED)

The following table summarized the Group's share option activities under the Option Plans:

	Number of options	Weighted average exercise price	Weighted average remaining contract life	Weighted average grant date fair value	Aggregate intrinsic value
		US$		US$	US$
Outstanding at December 31, 2015 (unaudited)	27,660,466	0.0265	3.1300	0.1265	3,258,187
Granted	8,510,287	0.7994		0.6019	
Exercised	(716,431)	0.0120		0.1060	
Repurchased	(1,199,608)	0.0121		0.1178	
Forfeited/Cancelled	(1,526,846)	0.3597		0.3440	
Outstanding at December 31, 2016	32,727,868	0.2128	2.4800	0.2407	5,675,438
Vested and expect to vest at December 31, 2016	32,727,868	0.2128	2.3098	0.2407	5,675,438
Exercisable at December 31, 2016	-	-	-	-	-
Outstanding at December 31, 2016	32,727,868	0.2128	2.4800	0.2407	5,675,438
Granted	3,082,177	0.8000		0.9779	
Forfeited/Cancelled	(7,381,911)	0.2806		0.2858	
Outstanding at December 31, 2017	28,428,054	0.2588	0.3800	0.3090	5,728,264
Vested and expect to vest at December 31, 2017	28,428,054	0.2588	0.3800	0.3090	5,728,264
Exercisable at December 31, 2017	-	-	-	-	-

Restricted share units

On December 8, 2015 and May 27, 2016, the Group granted restricted share units of 14,185,333 and 9,348,000 respectively to employees, including directors subject to service vesting schedule of four years under the 2015 Plan. The estimated fair value on the grant date of the restricted shares were $1.08 and $1.16 each restricted share, respectively. In 2016 and 2017, 7,011,000 and 1,898,813 restricted share units were forfeited respectively due to the resignation of certain granted employees. Total share-based compensation expenses recognized for these restricted share units in 2016 and 2017 were RMB 28,648,678 and RMB 28,585,687, respectively.

15. SHARE-BASED COMPENSATION (CONTINUED)

The following table summarized the Group's restricted share unit activities under the Share Plan:

	Number of restricted shares	**Weighted average grant date fair value**
		US$
Unvested at December 31, 2015 (unaudited)	14,185,333	1.08
Granted	9,348,000	1.16
Vested	(3,546,333)	1.08
Forfeited/Cancelled	(7,011,000)	1.16
Unvested at December 31, 2016	12,976,000	1.09
Expected to vest at December 31, 2016	12,976,000	1.09
Unvested at December 31, 2016	12,976,000	1.09
Vested	(3,984,520)	1.00
Forfeited/Cancelled	(1,898,813)	1.16
Unvested at December 31, 2017	7,092,667	1.08
Expected to vest at December 31, 2017	7,092,667	1.08

All share-based payments to employees are measured based on their grant-date fair values. Compensation expense for awards with only service conditions is recognized on a straight-line basis over the requisite service period.

Share-based compensation expenses

In determining the fair value of the stock options, the binomial option pricing model was applied. The key assumptions used to determine the fair value of the options at the relevant grant dates in 2016 and 2017 were as follows:

	For the years ended December 31,	
	2016	**2017**
Expected volatility	40%	36%~40%
Risk-free interest rate (per annum)	2.4%~2.6%	3%~3.2%
Exercise multiples	2.2	2.2 and 2.8
Expected dividend yield	0.00%	0.00%
Expected term in years	4	4

For the years ended December 31, 2016 and 2017, the Group recognized total share-based compensation expenses of RMB 28,648,678 and RMB 28,585,687, respectively in selling, general and administrative expenses relating to restricted share units granted by the Group. As of December 31, 2016 and 2017, there was RMB 98,512,614 and RMB 48,437,897 of unrecognized compensation expense related to unvested restricted share units.

As of December 31, 2016 and 2017, share-based compensation of RMB 12,079,462 and RMB 19,937,094 would be recognised immediately if the IPO vesting condition had been met. Such share-based compensation is measured with certain estimates, including the forfeiture rate which is subject to change according to the actual forfeiture before the IPO vesting consideration is met.

15. SHARE-BASED COMPENSATION (CONTINUED)

Share-based compensation expenses (Continued)

On April 26, 2016, the Group consummated the acquisition of JDDJ business from JD.com, Inc. ("JD") (Note 3). The acquisition involved the transfer of certain employees from JD to the Company. The employees transferred-in were granted with non-vested ordinary shares, restricted share units and share options by JD (the "JD Employee Awards") when they were employed by JD. Pursuant to the acquisition agreement and the Award Agreement under JD Share Incentive Plan, the JD Awards continued in effect after the acquisition for the employees transferred-in, provided that these employees continues their employment with the Group or any subsidiaries of JD. In addition, JD also grants non-vested ordinary shares, restricted share units and share options to certain members of the senior management of the Group (the "JD Management Awards"). The JD Management Awards were also vested based on the pre-agreed service conditions of these management members for their services in the Group.

The Group accounted for both JD Employee Awards and JD Management Awards in accordance with ASC 718 Compensation — Stock Compensation and ASC 505-50 Equity-Based Payments to Non-Employees which require the Group to recognise the share-based awards to its employees by the shareholder as the compensation for the services provided to the Group by these employees. The total share-based compensation expenses recognized for JD Employee Awards and JD Management Awards was RMB 10,109,047 and RMB 20,504,147 for the years ended December 31, 2016 and 2017, respectively.

16. REDEEMABLE CONVERTIBLE PREFERRED SHARES

In November, 2014, the Company issued 7,700,000 (with par value of US$ 0.001, later each share was split into 10 shares with par value of US$ 0.0001 for each) Series A Preferred Shares with total cash proceed of US$ 1,776,923 (RMB 10,900,529).

In November, 2014, the Group entered into a bridge loan agreement in a total amount of US$ 2,000,000 (RMB 12,295,000) with its Series A shareholders (collectively, the “Bridge Loan Holders”). On January 12 and January 19, 2015, the Group entered into promissory notes agreement (the “Promissory Note 2015”) with one of the above mentioned Series A shareholders and a third party investor (collectively, the “Notes Holders”) respectively. The principal under the respective promissory notes agreement is US$ 1,000,000 and US$ 2,000,000. On February 19, 2015, the Group issued Series B Preferred Shares. All the Bridge Loan Holders converted the outstanding principal of US$ 2,000,000 into Series B Preferred Shares at a conversion price of US$ 0.49 per share. All the Promissory Notes 2015 Note Holders converted the outstanding principal of US$ 3,000,000 on their 2015 Notes into Series B Preferred Shares at a conversion price of US$ 0.6 per share as same as purchase price of Series B Preferred Shares.

In February 2015, the Group issued totalling 28,666,661 Series B Preferred Shares to new investors with total proceed of US$ 17,200,000 (RMB 105,737,000).

In May 2015, the Group issued totalling 44,286,448 shares of Series C Preferred Shares for US$ 2.1451 per share for purchase price of US$ 95,000,000. In connection with the issuance of Series C Preferred Shares, the Group repurchased 2,330,866 ordinary shares from its founder and senior executive with the consideration of US$ 5,000,000 (RMB 30,597,979). The excess of the par value of the ordinary share with amount of RMB 9,413,156 was charged in accumulated deficit and the excess of the purchase price over the fair value of the ordinary share with amount of RMB 21,183,418 has recognized as compensation to its executive.

In September 2015, the Group issued totalling 58,508,523 Series D Preferred Shares at US$ 4.19 per share for purchase price of US$ 245,000,000. In April 2016, the Group issued additional totalling 5,492,639 Series D Preferred Shares at US$ 4.19 for purchase price of US$ 23,000,000.

In April 2016, in connection with the acquisition of JDDJ business, the Company issued 46,743,137 Series E Preferred Shares and a warrant, which provide JD the right to subscribe 35,151,665 Series E Preferred Shares with the pre-determined purchase price of US$ 4.28 per share and exercisable at any time and expire on the earlier of (i) 24 months after issuance or (ii) immediately prior to a public offering (Note 3).

In October, 2016, the Group issued another totalling 11,685,784 shares (with par value of US$ 0.0001) of Series E Preferred Shares at US$ 4.28 per share with an aggregate purchase price of US$50,000,000.

In December, 2017, JD exercised warrant and subscribed Series E Preferred Shares 35,151,665 at US$ 4.28 per share subject to warrant within the consideration amount of US$ 150,403,534.

The key terms of the Series A, B, C, D and E convertible preferred shares are as follows:

Conversion

Holder may exercise option to convert preferred share into ordinary share at any time after the issuance of such shares at conversion price (same as the applicable issue price) subject to certain anti-dilutive adjustments.

Each Preferred Share shall automatically be converted by way of repurchase of such Preferred Share and the issuance of the corresponding number of ordinary shares, based on the applicable then effective Series A conversion price, Series B conversion price, Series C conversion price, Series D conversion price or Series E conversion price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the earlier of (i) the closing of a qualified IPO and (ii) the date specified by written consent or agreement of, collectively and each voting as a separate class, (i) the holders holding a majority of the then outstanding Series A Preferred Shares, (ii) the holders holding at least sixty percent (60%) of the then outstanding Series B preferred Shares, (iii) the holders holding at least fifty percent (50%) of the then outstanding Series C Preferred Shares, (iv) the holders holding at least fifty percent (50%) of the then outstanding Series D Preferred Shares, and (v) the holders holding at least fifty percent (50%) of the then outstanding Series E Preferred Shares.

Redemption

At any time after the earliest of (i) the fifth anniversary of October 20, 2016, if a qualified IPO has not been consummated by then, (ii) the date that the Group and the Founder (also known as the “Principal”) are engaged in any material fraudulent activities aiming at the holders of Preferred Shares, (iii) any important license, permit or government approvals necessary for the business of any group being suspended, rejected to be issued or renewed or revoked, to the extent that the Group’s main business is materially and adversely affected as a result of such suspension, rejection or revocation, (iv) the validity, legality or enforceability of the VIE documents being outlawed by the PRC law, and (v) the date that any governmental authority prohibits any group from distributing all or any part of its distributable earnings or cash or other assets thereof to an offshore shareholder of any group, the Group shall, at the written request of any holder of the Preferred Shares.

Equal to one hundred percent (100%) of the Series A issue price (in the case of Series A Preferred Shares), one hundred percent (100%) of the applicable Series B issue price (in the case of Series B Preferred Shares), one hundred percent (100%) of the applicable Series C issue price (in the case of Series C Preferred Shares), one hundred percent (100%) of the applicable Series D issue price (in the case of Series D Preferred Shares) or one hundred percent (100%) of the applicable Series E issue price (in the case of Series E Preferred Shares) with an eight percent (8%) compound per annum return (if the period is less than one year, such return shall be calculated pro rata) calculating from the applicable Series A issue date, Series B issue date, Series C issue date, Series D issue date or Series E issue date (as the case may be) to the redemption price payment date (as defined below), plus any accrued but unpaid dividends on such Share and shall be exclusive of any liquidity or minority ownership discount, with payment on the twentieth business day after the date of written request by the holders of Preferred Shares.

16. REDEEMABLE CONVERTIBLE PREFERRED SHARES (CONTINUED)

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Group, whether voluntary or involuntary, all assets and funds of the Group legally available for distribution to the members (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the members of the Group as follows:

(1) Amount to the Series B Preferred Share, Series C Preferred Shares, Series D Preferred Shares or Series E Preferred Shares holder, equal to their initial issue price, plus all declared but unpaid dividends on such Series B Preferred Share, Series C Preferred Shares, Series D Preferred Shares or Series E Preferred Shares; If the assets and funds thus distributed among the holders of the Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series E Preferred Shares shall be insufficient to permit the payment to such holders of the full Series B, Series C, Series D and Series E Preference Amount, then the entire assets and funds of the Group legally available for distribution shall be distributed ratably among the holders of the Series B Preferred Shares, the Series C Preferred Shares, the Series D Preferred Shares and the Series E Preferred Shares in proportion to the aggregate Series B, Series C, Series D and Series E preference amount each such holder is otherwise entitled to receive;

(2) If there are any assets or funds remaining after distribution according to above term (1), the holders of the Series A Preferred Shares shall be entitled to receive for each Series A Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Group to the holders of the ordinary shares by reason of their ownership of such shares, the amount equal to one hundred percent (100%) of the Series A issue price. If the assets and funds thus distributed among the holders of the Series A Preferred Shares shall be insufficient to permit the payment to such holders of the full Series A preference amount, then the entire assets and funds of the Group legally available for distribution to the Series A Preferred Shares shall be distributed ratably among the holders of the Series A Preferred Shares in proportion to the aggregate Series A preference amount each such holder is otherwise entitled to receive pursuant to above term (1);

(3) If there are any assets or funds remaining after the aggregate Series B, Series C, Series D and Series E preference amount and the aggregate Series A preference amount has been distributed or paid in full to the applicable holders of Preferred Shares pursuant to above term (1) and (2), the remaining assets and funds of the Group available for distribution to the members shall be ratably distributed among all members according to the relative number of ordinary shares held by such member (including the holders of the Series A Preferred Shares, the Series B Preferred Shares, the Series C Preferred Shares, the Series D Preferred Shares and the Series E Preferred Shares).

Dividends

Each holder of a Preferred Shares shall be entitled to receive a noncumulative dividend at the rate of eight percent (8%) of the applicable Series A issue price, Series B issue price, Series C issue price, Series D issue price or Series E issue price, as the case may be, per annum for each such share held by such holder, payable out of funds or assets when and as such funds or assets become legally available therefor on parity with each other, prior and in preference to, and satisfied before, any dividend on any other class or series of shares. Such dividends shall be payable only when, as, and if declared by the Board of Directors.

No dividend or distribution, whether in cash, in property, or in any other shares of the Group, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless all accrued but unpaid dividends on the Preferred Shares set forth in above paragraph, if any, have been paid in full.

Voting Rights

Subject to the provisions of the memorandum and these articles (including any Article providing for special voting rights), at all general meetings of the Group: (a) the holder of each ordinary share issued and outstanding shall have one vote in respect of each ordinary share held, and (b) the holder of a Preferred Share shall be entitled to such number of votes as equals the whole number of ordinary share into which such holder's collective Preferred Shares are convertible immediately after the close of business on the record date of the determination of the Group's members entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Group's members is first solicited. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as converted basis (after aggregating all shares into which the Preferred Shares held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward). To the extent that the statute or the articles allow the Preferred Shares to vote separately as a class or series with respect to any matters, the Preferred Shares, shall have the right to vote separately as a class or series with respect to such matters.

Accounting for the Preferred Shares

Under ASC 480-10-S99-12 (ASR 268), the initial carrying amount of a redeemable equity instrument that is subject to ASR 268 should be its issuance date fair value. Consistent with ASC 820-10-30-3, Fair Value Measurements and Disclosure, the transaction price will generally represent the initial fair value of the equity instrument when the issuance occurs in an arm's-length transaction with an unrelated party and there are no other unstated rights or privileges. For a redeemable preferred stock instrument that contains bifurcated embedded derivatives or a beneficial conversion feature, the initial amount presented in temporary equity should be the initial carrying amount less any amounts allocated to the bifurcated embedded derivatives or beneficial conversion feature.

Issuance costs incurred in connection with the issuance of the preferred shares should be accounted for as a reduction of the initial carrying amount of a redeemable preferred shares presented in temporary equity. In accordance with ASR 268 guidance, the Group accreted the carry value of the Preferred Shares to their maximum redemption price. The objective in accounting for redeemable securities subsequent to issuance and prior to redemption is to ensure that the securities are carried at their redemption value on their contractual redemption date or on the date the holder's option to redeem is exercisable. The related accretions to the redemption price should be charged to retained earnings, or in the absence of retained earnings, by charges against paid-in capital. As such, for the years ended December 31, 2016 and 2017, the Group recognized a charge to additional paid-in capital and increased the carrying value of the Preferred Shares, with amount of RMB 285,334,947 and RMB 374,901,976 respectively.

As of December 31, 2017, a summary of redeemable convertible preferred shares are as follows:

Series	Average Issue Price per Share	Issuance Date	Shares Issued	Shares Outstanding	Proceeds from Issuance, net of Issuance Costs	Carrying/ Redemption Amount
	US$				US$	RMB
A	0.2307	11/11/2014	77,000,000	77,000,000	1,776,923	14,063,554
B	0.5881	13/02/2015	37,748,300	37,748,300	22,200,000	172,653,515
C	2.1451	22/05/2015	44,286,448	44,286,448	95,000,000	720,029,590
D	4.1874	23/09/2015	58,508,523	58,508,523	245,000,000	1,870,583,365
D	4.1874	05/04/2016	5,492,639	5,492,639	23,000,000	170,697,459
E	4.2787	26/04/2016	46,743,137	46,743,137	200,000,000	1,477,768,174
E	4.2787	20/10/2016	11,685,784	11,685,784	50,000,000	370,897,810
E	4.2787	28/12/2017	35,151,665	35,151,665	150,403,534	1,039,363,462
			316,616,496	316,616,496	787,380,457	5,836,056,929

17. ORDINARY SHARES

On July 10, 2014, the Group was incorporated with issuance of 6,100,000 ordinary shares to the founding shareholders with a par value of US$ 0.001 each. As of December 31, 2016 and 2017 the subscription receivable was RMB 34,934.

On February 7, 2015, the Group effected a 1-for-10 share split of the Group's shares. The number of outstanding ordinary shares of 6,100,000 split into 61,000,000 shares while par value of US$ 0.001 was converted into US$0.0001.

On April 20, 2015, the Group issued 10,044,865 ordinary shares to the co-founder and with proceeds of US$ 356,622 (RMB 2,184,491). The fair value in excess of the purchase price with amount of US$ 4,439,473 (RMB 27,193,990) was charged in selling, general and administrative expenses as compensation to executive.

On May 29, 2015, the Group paid US$ 5,000,000 (RMB 30,597,979) to repurchase 2,330,866 outstanding ordinary shares at US$ 2.1451 per share from its founder and senior executive. At the time of repurchase, the price paid in excess of the par value with amount of RMB 9,512,633 was charged against accumulated deficit and the price paid in excess of fair value with amount of RMB 21,083,919 was charged in selling, general and administrative expenses as compensation to executive (Note 16).

On April 14, 2016, the Group paid US$ 3,000,000 (RMB 19,428,600) to repurchase 716,431 early exercise of share options from non-employee at US$ 4.1874 per share and all the repurchased shares retired in 2016. The total consideration was all charged against selling, general and administrative expenses (Note 15).

On April 26, 2016, the Group entered into share purchase agreements with JD, pursuant to which the Group issued 286,832,885 ordinary shares to JD in connection with the acquisition of JDDJ business (Note 3).

On December 17, 2016, the Group paid US$ 944,998 (RMB 6,398,623) to repurchase 441,588 ordinary shares from the co-founder at US$ 2.14 per share. The price paid in excess of fair value was charged against selling, general and administrative expenses as compensation to executive with amount of US$ 432,756 (RMB 2,930,210).

18. TAXATION

Income Taxes

Cayman Islands

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

Hong Kong

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% since January 1, 2010. Operations in Hong Kong have incurred net accumulated operating losses for income tax purpose and no income tax provisions are recorded for the period presented.

China

On March 16, 2007, the National People's Congress of the PRC introduced a new Corporate Income Tax Law ("new CIT law"), under which Foreign Investment Enterprises ("FlEs") and domestic companies would be subject to corporate income tax at a uniform rate of 25%. The new CIT law became effective on January 1, 2008. The Group's PRC subsidiaries and VIE are subject to the statutory income tax rate of 25%.

18. TAXATION (COUNTINED)

Withholding tax on undistributed dividends

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

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

The current and deferred portion of income tax expense included in the Consolidated Statements of Loss and Comprehensive Loss is as follows:

	For the years ended December 31,	
	2016	**2017**
Current tax expenses	-	724,434
Deferred tax benefits	(9,891,335)	(14,837,002)
Income tax benefits	(9,891,335)	(14,112,568)

Reconciliation of difference between PRC statutory income tax rate and the Group's effective income tax rate for the years ended December 31, 2016 and 2017 is as follows:

	For the years ended December 31,	
	2016	**2017**
Statutory tax rate	25.0%	25.0%
Effect of differences between PRC statutory tax rate and the enact tax rates for the overseas subsidiaries	(3.1%)	(3.8%)
Changes in valuation allowance	(22.4%)	(22.1%)
Amortization of deferred tax liabilities from the identified intangible assets	0.6%	1.0%
Super deduction of research and development expense	0.5%	0.8%
Effective tax rate	**0.6%**	**0.9%**

18. TAXATION (CONTINUED)

Deferred tax assets and deferred tax liabilities

	As of December 31,	
	2016	**2017**
Deferred tax assets		
- Net operating loss carry forwards	599,822,906	915,185,809
Less: Valuation allowance	(599,822,906)	(915,185,809)
Net deferred tax assets	-	-
Deferred tax liabilities		
- Identifiable intangible assets from business combination (Note 3)	95,108,665	80,271,663
Total deferred tax liabilities	95,108,665	80,271,663

As of December 31, 2016 and 2017, the Group had net operating loss carry forwards of approximately RMB 2,399,291,623 and RMB 3,660,743,235 which arose from the subsidiaries and VIE established in the PRC. The loss carry forwards will expire during the period from 2018 to 2022.

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

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

Movement of valuation allowance

	For the years ended December 31,	
	2016	2017
Balance at beginning of the year	241,837,061	599,822,906
Addition	357,985,845	315,362,903
Balance at end of the year	599,822,906	915,185,809

19. RELATED PARTY TRANSACTIONS

The table below sets forth the major related parties and their relationships with the Group as of December 31, 2017:

Name of related parties	Relationship with the Group
JD.com Inc.	Major shareholder of the Company
Executive A	Executive of the Group

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

Transactions	For the years ended December 31,	
	2016	2017
Revenues	32,446,264	692,001,985
Operating expenses:		
Operation support services	122,937,642	29,985,639
Purchase from JD.com Inc.	1,129,361	10,730,852

JD is one of the Group's registered merchants on Dada Platform and JDDJ Platform where the Company provides comprehensive logistic solution services and platform services to JD. Meanwhile, JD also provides certain operational supporting services to the Group and the service fee is charged based on the actual cost incurred by JD as confirmed with the Company on periodically basis.

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

Balance	As of December 31,	
	2016	2017
Amount due from:		
JD.com Inc.	32,811,080	48,561,470
Executive A	1,819,446	1,161,873
Total	34,630,526	49,723,343
Amount due to:		
JD.com Inc.	121,233,018	38,289,766
Total	121,233,018	38,289,766

The Company provided an interest free loan to one of its executives with principal of US$ 356,622 with term of four years. The loan is repaid by instalments on monthly basis.

20. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has entered into leasing arrangements relating to office premises that are classified as operating leases for the periods from 2018 to 2020. Future minimum lease payments for non-cancellable operating leases are as follows:

	Office Premise
	RMB
2018	18,035,028
2019	6,244,123
2020	35,000
	24,314,151

Rental expense amounted to RMB 8,626,741 and RMB 17,281,561 for the years ended December 31, 2016 and 2017, respectively. Rental expense is charged to the Consolidated Statements of Loss and Comprehensive Loss when incurred.

Contingencies

The Group 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. The Company conducts crowdsourcing logistic information distribution through VIE. VIE holds 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 VIE and its shareholders as well as the operations of VIE 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 VIE 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.

21. SUBSEQUENT EVENT

The Group has evaluated the events or transactions that occurred after December 31, 2017 up through June 29, 2018, the date the Group issued the consolidated financial statements.

Exhibit 99.2

BITAUTO HOLDINGS LIMITED

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017

BITAUTO HOLDINGS LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Bitauto Holdings Limited:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Bitauto Holdings Limited and its subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 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, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated 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 Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15 of the Form 20-F. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

As described in Management's Annual Report on Internal Control over Financial Reporting, management has excluded Beijing Xinchuang Interactive Advertising Company Limited ("Xinchuang") from its assessment of internal control over financial reporting as of December 31, 2017 because it was acquired by the Company in a purchase business combination during 2017. We have also excluded Xinchuang from our audit of internal control over financial reporting. Xinchuang is a subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 0.1% and 0.3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2017.

Definition and Limitations of Internal Control over Financial Reporting

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
Beijing, the People's Republic of China
April 27, 2018

We have served as the Company's auditor since 2015.

BITAUTO HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2016 AND 2017
(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

	Notes	2016 RMB	2017 RMB
Assets			
Current assets			
Cash and cash equivalents		2,021,989	9,555,027
Time deposits		2,000	-
Restricted cash		5,475,576	811,596
Accounts receivable, net	6	2,068,615	2,854,410
Bills receivable		110,236	330,544
Prepayments and other receivables	7	611,675	1,103,683
Due from related parties	25	409,091	205,031
Finance receivables - current portion, net	13	5,758,275	13,253,898
Other current assets		17,502	3,180
Total current assets		16,474,959	28,117,369
Non-current assets			
Restricted cash		150,000	672,736
Investment in equity investees	9	1,447,472	1,184,196
Property, plant and equipment, net	10	194,560	1,296,196
Intangible assets, net	11	2,342,840	1,726,321
Deferred tax assets	22	17,387	52,508
Goodwill	12	444,933	543,655
Finance receivables - non-current portion, net	13	7,924,760	16,537,707
Other non-current assets	14	937,845	1,385,044
Total non-current assets		13,459,797	23,398,363
Total assets		29,934,756	51,515,732
Liabilities			
Current liabilities (including amounts of the consolidated VIEs and subsidiaries of VIEs without recourse to the primary beneficiaries of RMB4,307,570 and RMB3,655,453 as of December 31, 2016 and 2017, respectively)			
Short term borrowings	15	5,736,026	11,243,614
Asset-backed securitization debt	16	2,799,958	6,165,429
Accounts payable		1,603,577	2,176,627
Bills payable		-	295,089
Income tax payable		132,815	172,018
Due to related parties	25	84,447	98,241
Other payables and accruals	18	1,597,093	2,548,221
Total current liabilities		11,953,916	22,699,239
Non-current liabilities			
Long term borrowings	15	1,582,971	5,074,273
Asset-backed securitization debt	16	1,630,663	2,611,821
Convertible debt	17	859,166	707,854

Deferred tax liabilities	22	51,617	52,237
Other non-current liabilities		94,712	132,637
Total non-current liabilities		4,219,129	8,578,822
Total liabilities		16,173,045	31,278,061

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

BITAUTO HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS (CONTINUED)
AS OF DECEMBER 31, 2016 AND 2017
(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

	Notes	2016 RMB	2017 RMB
Commitments and contingencies	26		
Redeemable noncontrolling interests	19	3,939,646	301,953
Bitauto Holdings Limited shareholders' equity			
Ordinary shares (US$0.00004 par value; 1,250,000,000 shares authorized as of December 31, 2016 and 2017, respectively; 70,726,025 shares issued and outstanding as of December 31, 2016; 72,739,966 shares issued and outstanding as of December 31, 2017, respectively)		19	19
Additional paid-in capital		8,903,759	12,220,493
Treasury shares		(41,888)	(20,411)
Statutory reserves		89,841	153,538
Accumulated other comprehensive income		742,302	468,257
Accumulated deficit		(150,515)	(1,493,209)
Total Bitauto Holdings Limited shareholders' equity		9,543,518	11,328,687
Noncontrolling interests		278,547	8,607,031
Total shareholders' equity		9,822,065	19,935,718
Total liabilities, redeemable noncontrolling interests and shareholders' equity		29,934,756	51,515,732

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

BITAUTO HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

	Notes	2015 RMB	2016 RMB	2017 RMB
Revenue	20	4,254,195	5,772,948	8,751,259
Cost of revenue		(1,450,744)	(2,077,979)	(3,234,680)
Gross profit		2,803,451	3,694,969	5,516,579
Selling and administrative expenses		(3,013,997)	(3,417,811)	(6,059,046)
Product development expenses		(312,100)	(457,367)	(565,702)
Other gains, net	21	60,508	70,981	31,576
Loss from operations		(462,138)	(109,228)	(1,076,593)
Interest income		24,980	41,651	93,025
Interest expense		(8,140)	(52,155)	(92,633)
Share of results of equity investees		(16,663)	(25,640)	(71,866)
Investment income/(loss)		141,195	(45,012)	(75,097)
Loss before tax		(320,766)	(190,384)	(1,223,164)
Income tax expense	22	(64,518)	(147,569)	(203,824)
Net loss		(385,284)	(337,953)	(1,426,988)
Net income/(loss) attributable to noncontrolling interests		7,898	(1,895)	(147,991)
Accretion to redeemable noncontrolling interests		113,810	205,287	332,117
Net loss attributable to Bitauto Holdings Limited		(506,992)	(541,345)	(1,611,114)
Net loss per share/ADS attributable to ordinary shareholders	24			
Basic		(8.72)	(8.31)	(23.01)
Diluted		(8.72)	(8.31)	(23.16)

Weighted average number of shares/ADSs	24			
Basic		58,142,432	65,160,205	70,154,910
Diluted		58,142,432	65,160,205	70,154,910
Other comprehensive income/(loss)				
Foreign currency exchange gains/(losses), net of tax of nil		344,748	459,430	(353,747)
Total comprehensive (loss)/income, net of tax		(40,536)	121,477	(1,780,735)
Total comprehensive income/(loss) attributable to noncontrolling interests		7,898	(1,692)	(227,693)
Accretion to redeemable noncontrolling interests		113,810	205,287	332,117
Total comprehensive loss attributable to Bitauto Holdings Limited		(162,244)	(82,118)	(1,885,159)

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

BITAUTO HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

	2015 RMB	**2016 RMB**	**2017 RMB**
Cash flows from operating activities			
Net loss	(385,284)	(337,953)	(1,426,988)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Investment (income)/loss	(141,195)	45,012	75,097
Gain from adjustment of contingent consideration	(17,419)	-	-
Unrealized exchange losses/(gains)	6,560	(3,410)	(8,375)
Interest expense	-	-	31,659
Depreciation of property, plant and equipment	55,459	55,859	185,344
Amortization of intangible assets	495,614	633,368	688,572
Deferred income tax	(10,940)	6,863	(46,171)
Share-based compensation	120,045	76,981	1,185,839
Write-down of assets	280,591	-	-
Losses/(Gains) on disposal of property, plant and equipment	375	(22,993)	(14,910)
Gains on disposal of intangible assets	-	-	(1,520)
Share of results of equity investees	16,663	25,640	71,866
Allowance for doubtful accounts for accounts receivable, and credit losses for finance receivables	8,931	102,651	349,185
Allowance for due from related party	-	-	15,000
Changes in assets and liabilities, net of effects of acquisitions and disposals:			
Accounts receivable	(384,192)	(426,800)	(869,699)
Bills receivable	(42,943)	37,424	(220,308)
Prepayments and other receivables	(154,224)	(258,732)	(343,794)
Due from related parties	(95,769)	30,996	29,792
Other current assets	(47)	(104,313)	(17)
Other non-current assets	(19,686)	(462,033)	(375,823)
Accounts payable	433,634	619,769	483,312
Income tax payable	(16,581)	9,761	30,561
Due to related parties	35,322	35,693	25,194
Other payables and accruals	392,608	393,262	1,026,485
Other non-current liabilities	24,361	70,351	37,925
Net cash provided by operating activities	601,883	527,396	928,226

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

BITAUTO HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

	2015 RMB	**2016 RMB**	**2017 RMB**
Cash flows from investing activities			
Placement of time deposits	(2,388,478)	(2,000)	-
Proceeds from maturity of time deposits	2,443,311	100,000	2,000
Placement of restricted cash	(334,098)	(6,902,089)	(3,903,776)
Proceeds from restricted cash	-	1,822,631	7,828,146
Purchase of investments in equity investees	(921,130)	(280,168)	(120,429)

Disposal of investments in equity investees	-	-	127,120
Purchases of property, plant and equipment	(231,850)	(575,015)	(1,728,761)
Purchases of intangible assets	(3,607)	(33,567)	(26,706)
Proceeds from disposal of property, plant and equipment	42,960	67,090	242,282
Proceeds from disposal of intangible assets	-	445	-
Acquisition of finance receivables	(3,630,792)	(13,951,414)	(24,608,984)
Collection of finance receivables	854,056	2,844,009	9,135,002
Acquisition of subsidiaries, net of cash acquired	(6,118)	(56,513)	(49,585)
Net cash used in investing activities	(4,175,746)	(16,966,591)	(13,103,691)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net of issuance costs	3,370,015	977,954	-
Proceeds from issuance of subsidiary's ordinary shares, net of issuance costs	-	-	5,528,755
Proceeds from issuance of subsidiaries' redeemable convertible preference shares, net of issuance costs	1,537,952	2,043,694	1,317,450
Contribution from noncontrolling interests	-	-	2,995
Purchase of noncontrolling interests	-	-	(36,292)
Proceeds from issuance of convertible debt	-	991,720	-
Proceeds from exercise of options	5,881	20,772	26,673
Proceeds from borrowings	361,084	7,775,989	23,306,791
Repayment of borrowings	-	(818,076)	(14,650,880)
Proceeds from asset-backed securitization debt	-	5,499,400	11,142,486
Repayment of asset-backed securitization debt	-	(1,068,779)	(6,795,858)
Net cash provided by financing activities	5,274,932	15,422,674	19,842,120
Effect of exchange rate changes on cash and cash equivalents	18,332	97,636	(133,617)
Increase/(Decrease) in cash and cash equivalents	1,719,401	(918,885)	7,533,038
Cash and cash equivalents at beginning of the year	1,221,473	2,940,874	2,021,989
Cash and cash equivalents at end of the year	2,940,874	2,021,989	9,555,027
Supplemental cash flow disclosures:			
Cash paid for income taxes	(92,039)	(130,946)	(219,434)
Cash paid for interest	(3,117)	(71,759)	(1,118,736)
Supplemental disclosures of non-cash activities:			
Issuance of ordinary shares in connection with business cooperation with JD.com, Inc.	3,045,268	-	-
Purchases of property, plant and equipment	1,537	1,240	9,471
Purchases of intangible assets	4,258	291	708
Amounts receivable from exercise of options	(797)	(3,488)	(58,415)
Conversion of convertible debt	-	-	158,450
Conversion of Yixin preferred shares	-	-	5,323,103

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

BITAUTO HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

	Ordinary shares		Treasury shares		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income	Retained earnings	Total Bitauto Holdings Limited shareholders' equity	Noncontrolling interests	Total shareholders' equity
	Share	Amount RMB	Share	Amount RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
As of January 1, 2015	45,575,745.0	13	1,903,665.5	(62,579)	1,383,503	44,357	(63,154)	738,019	2,040,159	246,855	2,287,014
Issuance of ordinary shares	17,735,549.0	4	-	-	6,355,197	-	-	-	6,355,201	-	6,355,201
Exercise of options and RSUs	-	-	(179,168.0)	5,889	767	-	-	-	6,656	-	6,656
Share-based compensation	-	-	-	-	120,045	-	-	-	120,045	-	120,045
Net loss	-	-	-	-	-	-	-	(393,182)	(393,182)	7,898	(385,284)
Foreign currency translation gains	-	-	-	-	-	-	344,748	-	344,748	-	344,748
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	10,000	10,000
Accretion of redeemable noncontrolling interests	-	-	-	-	-	-	-	(113,810)	(113,810)	-	(113,810)
Statutory reserves	-	-	-	-	-	12,836	-	(12,836)	-	-	-
As of December 31, 2015	63,311,294.0	17	1,724,497.5	(56,690)	7,859,512	57,193	281,594	218,191	8,359,817	264,753	8,624,570

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

BITAUTO HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

	Ordinary shares		Treasury shares		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income	Retained earnings/ (Accumulated deficit)	Total Bitauto Holdings Limited shareholders' equity	Noncontrolling interests	Total shareholders' equity
	Share	Amount RMB	Share	Amount RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
As of January 1, 2016	63,311,294.0	17	1,724,497.5	(56,690)	7,859,512	57,193	281,594	218,191	8,359,817	264,753	8,624,570
Issuance of ordinary shares	7,414,731.0	2	-	-	978,331	-	-	-	978,333	-	978,333
Beneficial conversion feature in relation to issuance of convertible debt	-	-	-	-	185,712	-	-	-	185,712	-	185,712
Exercise of options and RSUs	-	-	(450,311.0)	14,802	8,510	-	-	-	23,312	-	23,312
Share-based compensation	-	-	-	-	76,981	-	-	-	76,981	-	76,981
Net loss	-	-	-	-	-	-	-	(336,058)	(336,058)	(1,895)	(337,953)
Foreign currency translation gains	-	-	-	-	-	-	459,430	-	459,430	-	459,430
Acquisitions of subsidiaries	-	-	-	-	-	-	1,278	-	1,278	15,689	16,967
Accretion of redeemable noncontrolling interests	-	-	-	-	(205,287)	-	-	-	(205,287)	-	(205,287)
Statutory reserves	-	-	-	-	-	32,648	-	(32,648)	-	-	-
As of December 31, 2016	70,726,025.0	19	1,274,186.5	(41,888)	8,903,759	89,841	742,302	(150,515)	9,543,518	278,547	9,822,065

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

BITAUTO HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

	Ordinary shares		Treasury shares		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income	Accumulated deficit	Total Bitauto Holdings Limited shareholders' equity	Noncontrolling interests	Total shareholders' equity
	Share	Amount RMB	Share	Amount RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
As of January 1, 2017	70,726,025.0	19	1,274,186.5	(41,888)	8,903,759	89,841	742,302	(150,515)	9,543,518	278,547	9,822,065
Issuance of ordinary shares	1,000,000.0	-	-	-	-	-	-	-	-	-	-
Exercise of options and RSUs	-	-	(653,397.0)	21,477	(2,001)	-	-	-	19,476	-	19,476
Share-based compensation	-	-	-	-	1,056,653	-	-	-	1,056,653	129,186	1,185,839
Net loss	-	-	-	-	-	-	-	(1,278,997)	(1,278,997)	(147,991)	(1,426,988)
Foreign currency translation losses	-	-	-	-	-	-	(274,045)	-	(274,045)	(79,702)	(353,747)
Conversion of Yixin preferred shares to ordinary shares	-	-	-	-	(947,158)	-	-	-	(947,158)	6,270,261	5,323,103
Proceeds from Yixin IPO, net of issuance costs	-	-	-	-	3,321,055	-	-	-	3,321,055	2,204,022	5,525,077
Transaction with noncontrolling interests	-	-	-	-	12,554	-	-	-	12,554	59,349	71,903
Conversion of convertible debt	1,013,941.0	-	-	-	158,450	-	-	-	158,450	-	158,450
Acquisition of noncontrolling interests in subsidiaries	-	-	-	-	49,298	-	-	-	49,298	(109,671)	(60,373)
Issuance of ordinary shares by the Company's subsidiary	-	-	-	-	-	-	-	-	-	3,030	3,030
Accretion of redeemable noncontrolling interests	-	-	-	-	(332,117)	-	-	-	(332,117)	-	(332,117)
Statutory reserves	-	-	-	-	-	63,697	-	(63,697)	-	-	-
As of December 31, 2017	72,739,966.0	19	620,789.5	(20,411)	12,220,493	153,538	468,257	(1,493,209)	11,328,687	8,607,031	19,935,718

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

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

1. Principal activities and organization

Bitauto Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in the Cayman Islands. The registered office is located at Scotia Centre, George Town, Grand Cayman, Cayman Islands.

The Company does not conduct any substanti al operations of its own, but conducts most of its business through its operating subsidiaries, variable interest entities ("VIEs") and subsidiaries of VIEs established in the People's Republic of China (the "PRC"). The Company owns the equity interest of its operating subsidiaries, VIEs and subsidiaries of VIEs through its subsidiaries established in Cayman Islands and Hong Kong. The Company, its subsidiaries, VIEs and subsidiaries of VIEs are collectively referred to as the "Group".

The Group is principally engaged in the provision of internet content and marketing services, and transaction services in the automobile industry, including advertising services, subscription services, transaction services and one-stop digital marketing solution services in the PRC.

On November 16, 2017, Yixin Group Limited ("Yixin"), the Group's subsidiary engaging in automobile transaction services, completed its initial public offering ("IPO") on the Main Board of The Stock Exchange of Hong Kong Limited. After Yixin's IPO, the Group held 45.2% of the outstanding ordinary shares of Yixin. The Group continues to take control of Yixin and consolidate Yixin as its controlling shareholder through the voting proxy agreement that the Group entered into with certain other shareholders, and recognizes noncontrolling interests reflecting the shares held by the shareholders other than the Group in the consolidated financial statements.

1. Principal activities and organization (continued)

As of December 31, 2017, the Company's principal subsidiaries, VIEs and subsidiaries of VIEs are as follows:

Name	Date of incorporation or acquisition	Place of operations	% equity interest
Bitauto Hong Kong Limited	April 27, 2010	Hong Kong	100
Beijing Bitauto Internet Information Company Limited	January 20, 2006	PRC	100
Dalian Rongxin Financial Guarantees Company Limited	June 6, 2016	PRC	100
Yixin Group Limited ("Yixin", formerly known as Yixin Capital Limited)	November 19, 2014	Cayman Islands	45.2
Yixin Holding Hong Kong Limited (formerly known as Yixin Capital Hongkong Limited)	November 27, 2014	Hong Kong	45.2
Xinche Investment (Shanghai) Company Limited	January 16, 2015	PRC	45.2
Shanghai Yixin Financing Lease Company Limited	August 12, 2014	PRC	45.2
Tianjin Hengtong Jiahe Financing Lease Company Limited	May 18, 2015	PRC	45.2
Xinjiang Yin'an Information Technology Company Limited	September 6, 2017	PRC	45.2
KKC Holdings Limited ("KKC")	November 10, 2016	Cayman Islands	45.2
KKC Holdings Limited	November 10, 2016	Hong Kong	45.2
Beijing KKC Technology Company Limited	November 10, 2016	PRC	45.2
Beijing C&I Advertising Company Limited ("CIG")	December 30, 2002	PRC	75.5
Beijing Bitauto Information Technology Company Limited	November 30, 2005	PRC	100
Beijing Easy Auto Media Company Limited	March 7, 2008	PRC	100
Beijing Bitauto Interactive Advertising Company Limited	December 12, 2007	PRC	100
Beijing Xinbao Information Technology Company Limited	February 2, 2008	PRC	100
Tianjin Boyou Information Technology Company Limited (formerly known as Bitauto (Tianjin) Commerce Company Limited)	May 16, 2014	PRC	100
Beijing Bit EP Information Technology Company Limited ("Bit EP")	June 3, 2011	PRC	100
Beijing Yixin Information Technology Company Limited	January 9, 2015	PRC	45.2

1. Principal activities and organization (continued)

Variable interest entities

To comply with the PRC laws and regulations that restrict foreign ownership of companies involved in provision of internet content and other restricted businesses, the Group operates its websites and engages in such restricted businesses in the PRC through certain PRC domestic companies, whose equity interest are held by certain management members of the Company ("nominee shareholders"). The Company obtained control over these PRC domestic companies by entering into a series of contractual agreements with these PRC domestic companies and their respective nominee shareholders. These contractual agreements include loan agreements, irrevocable power of attorney, share pledge agreements, exclusive business cooperation agreements and exclusive option agreements. Through these contractual agreements, the Company is entitled to receive a majority of residual returns and is obligated to absorb a majority of the risk of losses of these PRC domestic companies. Based on these contractual agreements, management concluded that these PRC domestic companies are VIEs of the Company, of which the Company is the primary beneficiary. As such, the Group consolidated financial results of VIEs and subsidiaries of VIEs in the Group's consolidated financial statements.

The summary of these contractual agreements are further described as below.

Loan Agreements

Pursuant to the relevant loan agreements, the relevant PRC subsidiaries provided interest-free loans to the respective nominee shareholders of the VIEs. The purpose of the loans is to provide capital and/or registered capital to VIEs in order to develop their businesses. The loan agreements have indefinite terms or certain terms that could be extended upon mutual written consent of the parties.

Irrevocable Power of Attorney

Each nominee shareholder of the VIEs executed an irrevocable power of attorney, appointing the relevant PRC subsidiaries or a person designated by such PRC subsidiaries as his or her attorney-in-fact to attend shareholders' meetings of the respective VIEs, exercise all the shareholder's voting rights, including but not limited to the sale, transfer, pledge or disposition of the shareholder's equity interest in the VIEs, and designate or appoint legal representatives, directors and officers of the relevant VIEs. Each power of attorney remains valid and irrevocable from the date of execution so long as the person remains as the nominee shareholder of the respective VIEs.

Share Pledge Agreements

Pursuant to the share pledge agreements, the nominee shareholders of the VIEs have pledged all of their equity interest in the relevant VIEs to the relevant PRC subsidiaries as collateral for all of the VIEs' and nominee shareholders' payments due to the relevant PRC subsidiaries and to secure their obligations under applicable contractual agreements. Each pledge of shares or equity interest is effective on the date when it is registered with the local administration for industry and commerce and remains effective until all payments due under the relevant exclusive business cooperation agreement or all the obligations under the relevant contractual agreements have been fulfilled by the relevant VIEs. During the term of a pledge, the relevant PRC subsidiaries, the pledgees, may dispose of the pledge if the VIE defaults under the exclusive business cooperation agreement. Each of the relevant PRC subsidiaries also has the right to collect dividends generated by the shares or equity interest pursuant to these pledge agreements. In addition, each nominee shareholder of the relevant VIEs agrees not to transfer or create any new encumbrance adverse to the relevant PRC subsidiaries on the shareholder's equity interest in such VIEs without prior written consent of the relevant PRC subsidiaries.

1. Principal activities and organization (continued)

Exclusive Business Cooperation Agreement

The relevant PRC subsidiaries and relevant VIEs entered into exclusive business cooperation agreements under which the relevant PRC subsidiaries provide the relevant VIEs, on an exclusive basis, with technical, consulting and other services in relation to the respective VIEs' business. The VIEs shall pay service fees to the relevant PRC subsidiaries determined based on several metrics including the type, value and market price of the services provided by the relevant PRC subsidiaries and the operating conditions of the relevant VIEs. During the terms of the agreements, the relevant VIEs have agreed not to accept any consultation and/or services provided by any third party without the relevant PRC subsidiaries' prior written consent. The agreements have certain terms that could be extended upon the relevant PRC subsidiaries' prior written consent, or remain effective unless the relevant PRC subsidiaries terminate them in writing or either the relevant PRC subsidiaries or the relevant VIEs fail to obtain the government's approval for the renewal of the relevant business license.

Exclusive Option Agreements

Pursuant to these exclusive option agreements, each of the nominee shareholders of the VIEs irrevocably granted the relevant PRC subsidiaries an exclusive right to purchase, or designate one or more persons to purchase, the equity interest in the relevant VIEs then held by such nominee shareholder of the respective VIEs. The relevant PRC subsidiaries or their designees may purchase such equity interest at any time, once or at multiple times, in part or in whole at their own sole and absolute discretion to the extent permitted by the PRC laws. The agreements have certain terms that could be extended at the relevant PRC subsidiaries' discretion, or remain effective until all the equity interest held by the nominee shareholders of the VIEs have been transferred or assigned to the relevant PRC subsidiaries or any other persons designated by them.

Risks in relations to the VIE structure

Based on the advice of the Company's PRC legal counsel, the ownership structure and contractual agreement of the VIEs and subsidiaries in the PRC do not violate any existing PRC laws and regulations. Therefore, in the opinion of management, (i) the ownership structure of the Company and the VIEs do not violate any existing PRC laws and regulations;(ii) the contractual agreement with VIEs and their nominee shareholders are valid and binding, and will not result in any violation of PRC laws or regulations currently in effect;(iii) the Group's business operation are in compliance with existing PRC laws and regulations in all material respects.

However, there are uncertainties regarding the interpretation and application of current and future PRC laws and regulations, and the PRC government may in the future take a view that is contrary to the above opinion. If the current ownership structure of the Company and its contractual arrangements with the VIEs and their nominee shareholders were found to be in violation of any existing or future PRC laws or regulations, the Group may be subject to penalties, which may include but not to be limited to, revocation of the Group's business and operating licenses, being required to discontinue or restrict the Group's operations, or being required to restructure the Group's ownership structure or operations. These penalties may result in a material and adverse effect on the Group's ability to conduct its operations. In such cases, the Company may not be able to operate or control the VIEs, which may result in deconsolidation of the VIEs.

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

1. Principal activities and organization (continued)

Changes in VIE structures

In 2017, BBII, CIG and its nominee shareholders entered into an agreement to terminate all of contractual arrangements among them and BBII acquired all of nominee shareholders' equity interests in CIG. The acquisition was considered as common control transaction and had no impact on the Company's consolidation of CIG.

The following financial information of the VIEs and subsidiaries of VIEs in the PRC was included in the Group's consolidated financial statements with intercompany transactions eliminated:

	As of December 31,	
	2016	2017
	RMB	RMB
Total assets	6,037,614	7,287,858
Total liabilities	4,338,170	3,682,006

	For the year ended December 31		
	2015	2016	2017
	RMB	RMB	RMB
Revenue	4,153,558	4,389,398	4,419,967
Net income/(loss)	217,858	126,673	(111,574)

	For the year ended December 31		
	2015	2016	2017
	RMB	RMB	RMB
Net cash provided by operating activities	110,226	603,227	660,690
Net cash (used in)/provided by investing activities	(301,659)	(415,610)	57,568
Net cash provided by/(used in) financing activities	641,084	39,107	(426,603)

As of December 31, 2016 and 2017, the total assets of the Group's VIEs and subsidiaries of VIEs were mainly consisting of cash and cash equivalents, accounts receivable, net, prepayments and other receivables, investment in equity investees, property, plant and equipment, net, and intangible assets, net. As of December 31, 2016 and 2017, the total liabilities of the VIEs and subsidiaries of VIEs were mainly consisting of accounts payable, other payables and accruals. These balances have been reflected in the Group's consolidated financial statements with intercompany transactions eliminated.

In accordance with contractual agreements, the Company has the power to direct activities of the VIEs and subsidiaries of VIEs and can have assets transferred out of the VIEs and subsidiaries of VIEs. Therefore, the Company considers that there is no asset in any of the consolidated VIEs and subsidiaries of VIEs that can be used only to settle obligations of these entities, except for registered capital and PRC statutory reserves. Creditors of the VIEs and subsidiaries of VIEs do not have recourse to the general credit of the Company for any of the liabilities of the consolidated VIEs and subsidiaries of VIEs.

Currently, there is no contractual arrangement that requires the Company to provide any additional financial support to VIEs and subsidiaries of VIEs. As the Company conducts its business primarily based on the licenses and approvals held by its VIEs and subsidiaries of VIEs, the Company may provide additional financial support on a discretionary basis in the future.

In addition to above variable interest entities the Company consolidated through contractual arrangements, the Company also established a number of asset-backed securitization vehicles to issue debt securities to third party investors. The vehicles are considered variable interest entities in accordance with ASC 810 and the Company are considered primary beneficiary of such variable interest entities. Accordingly, the Company consolidated these asset-backed securitization vehicles. As of December 31, 2016 and 2017, none of asset-backed securitization vehicles are considered individually significant to the Group.

2. Summary of significant accounting policies

(a) Basis of presentation

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in the United States of America (''U.S. GAAP'').

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIEs and subsidiaries of VIEs for which the Company is the ultimate primary beneficiary.

A subsidiary is an entity in which (i) the Company directly or indirectly controls more than 50% of the voting power; or (ii) the Company has the power to appoint or remove the majority of the members of the board of directors or to cast a majority of votes at the meeting of the board of directors or to govern the financial and operating policies.

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

All transactions and balances among the Company, its subsidiaries, the VIEs and subsidiaries of VIEs have been eliminated upon consolidation. The results of subsidiaries, the VIEs and subsidiaries of VIEs acquired or disposed of during the year are recorded in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

2. Summary of significant accounting policies (continued)

(c) Business combinations and noncontrolling interests

The Group accounts for its business combinations using the acquisition method of accounting in accordance with Accounting Standards Codification (''ASC'') 805 ''Business Combinations''. The consideration transferred in 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 as well as the contingent considerations and all contractual contingencies as of the acquisition date. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total costs 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 acquiree, the difference is recognized directly in the consolidated statements of comprehensive income. During the measurement period, which can be up to one year from the acquisition date, the Group may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of comprehensive income.

In a business combination considered as a step acquisition, the Group remeasures the previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the re-measurement gain or loss, if any, is recognized in the consolidated statements of comprehensive income.

For the Company's majority-owned subsidiaries, VIEs and subsidiaries of VIEs, a noncontrolling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Company. Noncontrolling interests are classified as a separate line item in the equity section of the Group's consolidated balance sheets and have been separately disclosed in the Group's consolidated statements of comprehensive income to distinguish the interests from that of the Company.

(d) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates are used for, but not limited to the valuation and recognition of share-based compensation, realization of deferred tax assets, fair value of assets and liabilities acquired in business combinations, assessment for impairment of long-lived assets, investment in equity investees, intangible assets and goodwill, allowance for doubtful accounts for accounts receivable, allowance for credit losses for finance receivables, and useful lives of intangible assets. The Group bases its estimates on historical experience and on 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 those estimates.

2. Summary of significant accounting policies (continued)

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the Chief Executive Officer of the Group. The Group managed its business in three segments, namely advertising and subscription business, transaction services business and digital marketing solutions business.

(f) Foreign currency translation

The Company, its subsidiaries, VIEs and subsidiaries of VIEs individually determine their functional currency based on the criteria of ASC 830 "Foreign Currency Matters". The functional currencies of the Company and its subsidiaries outside China are the U.S. dollar ("US$") and the Hong Kong dollar ("HKD"), and the functional currency of PRC subsidiaries, VIEs and subsidiaries of VIEs is the RMB. Since the Group's operations are primarily denominated in the RMB, the Group has chosen the RMB as the reporting currency for the consolidated financial statements.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from foreign currency transactions are recorded in the consolidated statements of comprehensive income.

The financial statements of the entities with non-RMB functional currencies are translated into RMB using the exchange rate as of the balance sheet date for assets and liabilities, average exchange rate for the year for income and expense items, and historical exchange rate for equity items. Translation gains or losses arising from the translation are recognized in accumulated other comprehensive income as a component of shareholders' equity.

2. Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, time deposits and highly liquid investments with an original maturity of three months or less.

(h) Time deposits

Time deposits comprise highly liquid investments with original maturities of greater than three months, but less than one year.

(i) Restricted cash

Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows. The Group held restricted cash of RMB5.63 billion and RMB1.48 billion as of December 31, 2016 and 2017, respectively, which were primarily pledged for bank borrowings. Changes in the restricted cash balances are classified as cash flows from investing activities in the consolidated statements of cash flows as the Group considers restricted cash arising from these activities similar to an investment.

(j) Accounts receivable, net

Accounts receivable are amounts due from customers for services performed or merchandise sold in the ordinary course of business. If collection of accounts receivable is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are recorded net of allowance for doubtful accounts. An allowance for doubtful accounts is recorded in the period when a loss is probable based on an assessment of specific evidence indicating troubled collection, such as the accounts aging, financial conditions of the customer and industry trend.

(k) Bills receivable

Bills receivable represent short-term notes receivables issued by reputable financial institutions that entitle the Group to receive the full face amount from the financial institutions at maturity, which generally range from three to six months from the date of issuance.

2. Summary of significant accounting policies (continued)

(l) Investment in equity investees

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

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

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

Under the equity method, the Group's share of the post-acquisition profits or losses of the equity investee is recognized in the consolidated statements of comprehensive income and its share of post-acquisition movements in accumulated other comprehensive income is recognized in shareholders' equity. The excess of the carrying amount of the investment over the underlying equity in net assets of the equity investee represents goodwill and intangible assets acquired. When the Group's share of losses in the equity investee equals or exceeds its interest in the equity investee, the Group does not recognize further losses, unless the Group has incurred obligations or made payments or guarantees on behalf of the equity investee.

Under the cost method, the Group carries the investment at cost and recognizes income to the extent of dividends received from the distribution of the equity investee's post-acquisition profits.

From time to time, the rights on certain investments in which the Group has significant influence were modified with new rounds of financing. These modifications may be additions or removals of certain rights. As a result of such modification, these equity investments, which were accounted for using equity method, were reclassified as investments accounted for using cost method, or vice versa. The carrying amount of the investments was remeasured upon the reclassification and a deemed disposal gain or loss was recognized in the investment income/(loss) in the consolidated statements of comprehensive income.

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

The Group continually reviews its investments in equity investees to determine whether a decline in fair value below the carrying value is other than temporary. The primary factors the Group considers in its determination are the length of time that the fair value of the investment is below the carrying value; the financial condition, operating performance and the prospects of the equity investee; and other company specific information such as recent financing rounds. If the decline in fair value is deemed to be other than temporary, the carrying value of the equity investee is written down to fair value, which is reflected in share of results of equity investees and investment income/(loss) in the consolidated statements of comprehensive income.

2. Summary of significant accounting policies (continued)

(m) Property, plant, and equipment, net

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment if any. Depreciation is computed using the straight-line method with no residual value based on the estimated useful lives of the various classes of assets, which range as follows:

Computers and servers	3 – 5 years
Automobiles for Group uses	5 years
Automobiles for operating leases	5 years
Furniture and fixtures	3 – 5 years
Leasehold improvements	shorter of remaining lease period or estimated useful life

Costs of repairs and maintenance are expensed as incurred and asset improvements are capitalized. The cost and related accumulated depreciation of assets disposed of or retired are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statements of comprehensive income.

(n) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortized but is tested for impairment on an annual basis as of December 31, or more frequently if events or changes in circumstances indicate that it might be impaired. The Group has the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, the Group considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. The Group will perform the quantitative impairment test if the Group bypasses the qualitative assessment, or based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount.

In performing the two-step quantitative impairment test, the first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying amount of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for the purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets, liabilities and goodwill to reporting units, and determining the fair value of each reporting unit.

2. Summary of significant accounting policies (continued)

(o) Intangible assets, net

Intangible assets are stated at cost less accumulated amortization and impairment if any. Intangible assets acquired in a business combination are recognized initially at fair value at the date of acquisition. Intangible assets with an indefinite useful life are not amortized and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with ASC subtopic 350-30 ("ASC 350-30"), Intangibles-Goodwill and Other: General Intangibles Other than Goodwill. Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method as follows:

Purchased software	5 - 10 years
Digital Sales Assistant system	10 years
Domain names	10 years
Brand name	10.1 - 15.25 years
Customer relationship	2 - 15.25 years
Business cooperation (Note 5)	5 years
Others	5 - 10 years
Trademark and lifetime membership	10 years / Indefinite

(p) Impairment of long-lived assets

The Group reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(q) Borrowings

Borrowings are recognized initially at fair value, net of upfront fees, debt issuance costs, and debt discounts or premiums. Upfront fees, debt issuance costs, and debt discounts or premiums are recorded as a reduction of the proceeds received and the related accretion is recorded as interest expense in the consolidated statements of comprehensive income over the estimated term of the facilities and borrowings using the effective interest method.

2. Summary of significant accounting policies (continued)

(r) Asset-backed securitization debt

The Group securitizes finance receivables arising from its consumers through the transfer of those assets to asset-backed securitization vehicles. The securitization vehicles usually issue senior tranche debt securities to third party investors, collateralized by the transferred assets, and subordinate tranche debt securities to the Group. In limited circumstances, the Group may also subscribe a portion of the senior tranche debt securities. The asset-backed debt securities issued by the securitization vehicles to third party investors are recourse to the Group. The securitization vehicles are considered consolidated variable interest entities of the Group, and the asset-backed debt securities subscribed by third party investors are reported as current and non-current liabilities in the consolidated balance sheets based on their respective expected repayment dates.

(s) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(t) Convertible debt

The Group determines the appropriate accounting treatment of its convertible debt in accordance with the terms in relation to the conversion feature, call and put option, and beneficial conversion feature. After considering the impact of such features, the Company may account for such instrument as a liability in its entirety, or separate the instrument into debt and equity components following the respective guidance described under ASC 815 “Derivatives and Hedging” and ASC 470 “Debt”.

The debt discount, if any, together with related issuance cost are subsequently amortized as interest expense, using the effective interest method, from the issuance date to the earliest conversion date. Convertible debt is classified as a current liability if their due date is or will be within one year from the balance sheet date.

(u) Fair value

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

The Group measures certain financial assets, including the investments under the cost method and equity method on other-than-temporary basis, intangible assets, goodwill and property, plant and equipment are marked to fair value when an impairment charge is recognized.

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

2. Summary of significant accounting policies (continued)

(v) Fair value (continued)

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

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

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

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

(w) Treasury shares

The Company's equity instruments that are repurchased are recognized at cost and deducted from equity as treasury shares. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Company's equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them. For the years ended December 31, 2015, 2016 and 2017, the Company did not repurchase any shares.

(x) Statutory reserves

In accordance with the laws applicable to the Foreign Investment Enterprises established in the PRC, the Company's subsidiaries registered as wholly-owned foreign enterprise have to make appropriations from their net income based on PRC accounting standards to reserve funds including general reserve fund, enterprise expansion fund and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the net income based on PRC accounting standards until such appropriations for the fund reach 50% of the registered capital of the entity. Appropriations to the enterprise expansion fund and staff bonus and welfare fund are made at the discretion of the respective entity.

In addition, in accordance with the PRC Company Laws, the Company's VIEs and subsidiaries of VIEs, registered as Chinese domestic companies, must make appropriations from their net income based on PRC accounting standards to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the net income based on PRC accounting standards until such appropriations for the fund reach 50% of the registered capital of the entity. Appropriation to the discretionary surplus fund is made at the discretion of the respective entity.

None of these reserves are allowed to be transferred to the Company in terms of dividends, loans or advances, nor can they be distributed except under liquidation.

2. Summary of significant accounting policies (continued)

(y) Revenue recognition

Revenue principally represents advertising and subscription services revenue, transaction services revenue and agent services revenue. Consistent with the criteria of ASC 605 ‘‘Revenue Recognition’’, the Group recognizes revenue when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Value-added tax ("VAT") is included in revenue.

Revenue arrangements with multiple deliverables are divided into separate units of accounting. The arrangement consideration is allocated at the inception of the arrangement to each element based on their relative fair values for revenue recognition purposes. The consideration is allocated to each element using vendor-specific objective evidence or third-party evidence of the standalone selling price for each deliverable, or if neither type of evidence is available, using management's best estimate of selling price.

Advertising and subscription services

Advertising services

Revenue from advertising services is recognized when the advertisements are published over the stated display period, and when the collectability is reasonably assured. The Group also organizes promotional events to help customers to promote their products. The Group recognizes revenue from organizing promotional events when the services have been rendered, and the collectability is reasonably assured. Revenues from advertising services are reported at a gross amount.

Subscription services

The Group provides web-based and mobile-based integrated digital marketing solutions, via SaaS platform, to dealer customers in China. Such SaaS platform enables dealer subscribers to create their own online showrooms, list pricing and promotional information, provide dealer contact information, place advertisements and manage customer relationships, which help them effectively market their automobiles to consumers. The revenue is recognized on a straight-line basis over the subscription or listing period. Revenues from dealer subscription and listing services are reported at a gross amount.

The Group invoices its customers based on the payment terms stipulated in the executed subscription agreements, which generally ranges from several months to one year. The Group records amounts received prior to revenue recognition in advances from customers, which is included in the other payables and accruals line item in the Group's consolidated balance sheets.

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

(y) Revenue recognition (continued)

Transaction services

Automobile financing lease and operating lease services

The Group provides automobile financing lease services to individual customers and automobile dealers through two models: direct financing lease and sales-and-leaseback. In a direct financing lease arrangement, revenue is recognized over the lease period on a systematic and rational basis so as to produce a constant periodic rate of return on the net investment in the financing leases. In a sales-and-leaseback arrangement, the transaction is in substance a collateral financing and revenue is recognized over the lease period using the effective interest rate method. The Group also provides automobile operating lease services to individual and corporate customers. Revenue from these services is recognized on a straight-line basis over the lease period.

Other transaction services

The Group recognizes revenue from direct automobile sales to automobile dealers and institutional customers. The revenue is recorded on a gross basis as the Group acts as the principal, is primarily responsible for the sales arrangements and is subject to inventory risk. Revenue from direct automobile sales is recognized when a sales contract has been executed and the automobiles have been delivered.

The Group recognizes revenue from facilitation and other services when assisting the customers to complete a used automobile purchase transaction or an automobile financing transaction. The Group recognizes sales revenue of vehicle telematics devices upon transfer of the title and associated risks and rewards of the devices to its business partners. The Group also recognizes commission-based fees for the provision of automobile e-commerce services.

Agent services

The Group receives commissions for assisting customers in placing advertisements on media vendor websites ("advertising agent services"). The net commission revenue from advertising agent services is recognized when the advertisements are published over the stated display period, and when the collectability is reasonably assured. The Group also receives performance-based rebates from the media vendors, equal to a percentage of the purchase price for qualifying advertising space purchased and utilized by the customers the Group represents. Revenue is recognized when the amounts of these performance-based rebates are probable and reasonably estimable. The Group also provides project-based services such as public relations and marketing campaign. Revenue is recognized when the services have been rendered, and the collectability is reasonably assured.

(z) Cost of revenue

Cost of revenue mainly includes fees paid to the Group's business partners to distribute the dealer customers' automobile pricing and promotional information, direct service cost, funding costs, cost of automobiles sold and vehicle telematics devices sold, and turnover taxes and related surcharges.

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

(aa) Selling and administrative expenses

Selling and administrative expenses consist primarily of salaries and benefits for the sales and marketing personnel and administrative personnel, sales and marketing expenses, share-based compensation expense, depreciation and amortization of assets and other expenses for daily operations.

Advertising expenditures are expensed as incurred and are included in selling and administrative expenses. Total advertising expenditures were RMB495.2 million, RMB363.8 million and RMB631.7 million for the years ended December 31, 2015, 2016 and 2017.

(bb) Product development expenses

Product development expenses consist primarily of staff costs related to personnel involved in the development and enhancement of the Group's service offerings on its websites, mobile application and related software. The Group recognizes these costs as expenses when incurred, unless they result in significant additional functionality, in which case they are capitalized.

(cc) Share-based compensation

The Group's share-based awards mainly comprise share options and RSUs. In accordance with ASC 718 "Compensation – Stock Compensation", share-based awards granted to employees are measured at fair value on grant date and share-based compensation expense is recognized (i) immediately at the grant date if no vesting conditions are required, or (ii) using the graded vesting method, net of estimated forfeitures, over the requisite service period.

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

If a share-based award is modified after the grant date, additional compensation expenses are recognized in an amount equal to the excess of the fair value of the modified equity instrument over the fair value of the original equity instrument immediately before modification. The additional compensation expenses are recognized immediately on the date of the modification or over the remaining requisite service period, depending on the vesting status of the award.

The Group determined the fair value of share options with the assistance of independent third-party valuation firms. The binomial option pricing model was applied in determining the fair value of share options. The fair value of RSUs granted subsequent to the initial public offering will be the price of publicly traded shares on the date of grant.

The Group also determined the fair value of share options granted by Yixin with the assistance of independent third-party valuation firms. In determining the fair value of ordinary shares granted by Yixin as share-based awards in 2017 before Yixin's IPO, the discounted cash flow method with a discount for lack of marketability was applied, given that the shares underlying the awards were not publicly traded at the time of grant. Based on fair value of the underlying ordinary shares, the binomial option pricing model was applied in determining the fair value of share options on the date of grant.

2. Summary of significant accounting policies (continued)

(dd) Employee Benefits - PRC contribution scheme

Full-time employees of the Group in the PRC participate in a government mandated contribution scheme pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the Group makes contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal or constructive obligations for further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to their current and past services. The total expenses for the scheme were RMB178.2 million, RMB282.2 million and RMB364.5 million for the years ended December 31, 2015, 2016 and 2017, respectively.

(ee) Income taxes

The Group accounts for income taxes using the asset and liability method, under which deferred income taxes are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized as income or expense in the period that includes the enactment date. Valuation allowance is provided on deferred tax assets to the extent that it is more likely than not that the asset will not be realizable in the foreseeable future.

The Group adopts ASC 740-10-25 ''Income Taxes'' which 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. The Group did not have significant unrecognized uncertain tax positions or any unrecognized liabilities, interest or penalties associated with unrecognized tax benefit for the years ended December 31, 2015, 2016 and 2017.

2. Summary of significant accounting policies (continued)

(ff) Leases

Each lease is classified at the inception date as either a capital lease or an operating lease.

For the lessee, a lease is a capital lease if any of the following conditions exist: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property's estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases. Payments made under operating lease are charged to the consolidated statements of comprehensive income on a straight-line basis over the terms of underlying lease.

For direct financing leases where the Group is the lessor and for the sales and leaseback transactions where the Group is the buyer-lessor, the transaction is accounted for as a capital lease if the transaction satisfies one of the four capital lease conditions as discussed above. The leased automobiles the Group purchased would be derecognized upon the inception of the lease and the net investment of the lease will be recorded as finance receivables. The net investment in a lease consists of the minimum lease payments, net of executory costs plus the unguaranteed residual value, less the unearned interest income plus the unamortized initial direct costs related to the lease. The accrued interests are also included in the finance receivables balance. Over the period of a lease, each lease payment received is allocated between the repayment of the net investment in the lease and lease income based on the effective interest method so as to produce a constant rate of return on the net investment in the lease. The lease income is recorded as the Group's revenue in the consolidated statements of comprehensive income. Initial direct costs of the capital leases are amortized over the lease term by adjusting against the related lease income. The net investment in the leases, net of allowance for credit losses, is presented as finance receivables and classified as current or non-current assets in the balance sheets based on the duration of the remaining lease terms. The Group's finance receivables are typically secured with automobiles in the lease arrangements. The allowance for credit losses is based on a systematic, ongoing review and valuation performed as part of the credit-risk evaluation process.

2. Summary of significant accounting policies (continued)

(ff) Leases (continued)

The Group reviews credit quality of its finance receivables based on customer payment activities, including past due information. The entire balance of a finance receivable is considered contractually past due if the minimum required repayment is not received by the contractual repayment day. If any delinquency arises, the Group will consider initiating collection process, which includes (a) making phone calls and sending collection notice to the customers; (b) outsourcing to collection specialists to conduct collection of the automobiles; (c) re-possessing the automobiles directly followed by bidding of the automobiles. As of December 31, 2016 and 2017, the carrying amount of the repossessed automobiles is minimal. The Group has not established a practice of modifying the contractual payment terms, or entering into any troubled debt restructurings of the finance receivables with its customers.

Accrued lease income on finance receivables is calculated based on the effective interest rate of the net investment. Finance receivables are placed on non-accrual status upon reaching past due status for more than 90 days. When a finance receivable is placed on non-accrual status, the Group stops accruing interest and reverses all accrued but unpaid interest when such finance receivable is past due for 180 days. For the years ended December 31, 2016 and 2017, such reversals were immaterial. The finance receivable in non-accrual status was RMB57.2 million and RMB245.7 million as of December 31, 2016 and 2017, respectively. Lease income is subsequently recognized only upon the receipt of cash payments. The Group determines it is probable that, certain finance receivables that are past due for 180 days after the above mentioned collection process has been administered, will become uncollectable, and writes off such finance receivables.

If a lease transaction does not meet the criteria for classification as a capital lease as specified above, it is classified by the lessor as an operating lease. The payments received by the lessor are recorded as lease income in the period in which the payment is received or becomes receivable. The Group records the leased property as property, plant and equipment, net on the consolidated balance sheets and depreciated in the same manner as the other equipment.

(gg) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

2. Summary of significant accounting policies (continued)

(hh) Earnings per share

Basic earnings per share is computed by dividing net income/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per ordinary share is computed by dividing the net income/(loss) attributable to ordinary shareholders for the year by the weighted average number of ordinary and potential ordinary shares outstanding during the year, if the effect of potential ordinary shares is dilutive. Potential ordinary shares for the Company include incremental shares of ordinary shares issuable upon the exercise of share options and RSUs, and conversion of convertible debt.

Additionally, for purposes of calculating basic and diluted earnings per share, Yixin's net income/(loss) attributable to Bitauto Holdings Limited is adjusted as follows:

For the purpose of calculating basic earnings per share, Yixin's net income/(loss) attributable to Bitauto Holdings Limited was determined using the two-class method by allocating Yixin's net income/(loss) to each class of participating shares issued by Yixin, including the outstanding ordinary shares and redeemable convertible preference shares.

For the purpose of calculating diluted earnings per share, the potentially issuable shares of Yixin, namely (i) the redeemable convertible preference shares, prior to the IPO of Yixin, and (ii) the share options granted by Yixin, are assessed for dilutive impact. The diluted earnings per share will be adjusted if the impact is deemed dilutive.

3. Recent accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, ''Revenue from Contracts with Customers (Topic 606)". This guidance supersedes current guidance on revenue recognition in Topic 605, ''Revenue Recognition". In addition, there are disclosure requirements related to the nature, amount, timing, and uncertainty of revenue recognition. In August 2015, the FASB issued ASU No. 2015-14 to defer the effective date of ASU No. 2014-09 for all entities by one year. For public business entities that follow U.S. GAAP, the deferral results in the new revenue standard are being effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017 and interim periods therein. Early adoption is permitted to the original effective date. The Group will adopt the new revenue standard beginning January 1, 2018 by applying the modified retrospective approach. Based on the assessment completed, the Group noted the most significant impact is the change from presentation of VAT on a gross basis to a net basis. According to the provision of Topic 606, the Group determined VAT are collected from the customers on behalf of the government and as an agent, the Group will report VAT on a net basis. Other than the change above, the Group expects revenue recognition for its major revenue streams to remain materially consistent with its historical revenue recognition practices.

In January, 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This amendment requires all equity investments to be measured at fair value, with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). An entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Group will apply the new standard beginning January 1, 2018. For investments in equity securities lacking of readily determinable fair values, the Group will elect to use the measurement alternative defined as cost, less impairments, adjusted by observable price changes. The Group anticipates that the adoption of ASU 2016-01 will increase the volatility of its investment income/(losses) , as a result of the remeasurement of its equity securities upon the occurrence of observable price changes.

On February 25, 2016, the FASB issued ASU No. 2016-02, "Leases". ASU No. 2016-02 specifies the accounting for leases. For operating leases, this standard requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. In addition, this standard requires both lessees and lessors to disclose certain key information about lease transactions. This standard is effective for public companies for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Group is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures.

3. Recent accounting pronouncements (continued)

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326)", which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. Topic 326 introduces "expected credit loss" model, which is different from the "incurred loss" model the Group currently applied. It will incorporate both available forward looking information and historical pattern to estimate the lifetime expected credit losses for all finance receivables, including those that have not become past due. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. While the Group is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures, it is generally expected that the adoption will likely increase the level of provision for credit losses of finance receivables.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments", which clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Group does not expect significant impact of the adoption of the guidance on the Group's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash". The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, and interim period within those fiscal years. Early adoption is permitted, including adoption in an interim period. The standard should be applied using a retrospective transition method to each period presented. The Group will adopt the standard beginning January 1, 2018 using a retrospective transition method. The balances of restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows and changes in the restricted cash balances will no longer be classified as cash flows from investing activities.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business", which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The standard should be applied prospectively on or after the effective date. The Group will adopt the standard prospectively and does not expect material impact.

In January 2017, the FASB issued ASU No. 2017-04, "Simplifying the Test for Goodwill Impairment". The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance should be adopted on a prospective basis for the annual or any interim goodwill impairment tests beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Group is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures.

4. Concentration of risks

(a) Concentration of customers

There were no customers that individually represented greater than 10% of the total revenue for the years ended December 31, 2015, 2016 and 2017, respectively.

(b) Concentration of credit risks

Financial instruments that potentially subject the Group to significant concentration of credit risk consist principally of cash and cash equivalents, time deposits, restricted cash, accounts receivable and finance receivables.

As of December 31, 2015, 2016 and 2017, substantially all of the Group's cash and cash equivalents, time deposits and restricted cash were held by major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality. Under the new Bankruptcy Law effective in 2007, a Chinese bank may go into bankruptcy. In the event of bankruptcy of one of the banks which holds the Group's deposits, it is unlikely to claim its deposits bank in full since it is unlikely to be classified as a secured creditor based on PRC laws.

Accounts receivable and finance receivables are typically unsecured or secured with automobiles for financing lease and derived from revenue earned from customers in the PRC, which are exposed to credit risk. The risk is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balance. The Group maintains reserves for estimated credit losses and these losses have generally been within its expectations.

(c) Foreign currency exchange rate risk

In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the US$, and the RMB appreciated more than 20% against the US$ over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the US$ remained within a narrow band. Since June 2010, the RMB has fluctuated against the US$, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US$ in the future.

(d) Currency convertibility risk

Substantially all of the Group's businesses are transacted in RMB, which is not freely convertible into foreign currencies. In the PRC, foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in the PRC must be processed through the PBOC or other PRC foreign exchange regulatory bodies and require certain supporting documentation in order to effect the remittance.

5. Significant equity transactions and acquisitions

Acquisition of additional interest in Target Net (Beijing) Technology Company Limited ("Target Net")

As of December 31, 2015 and 2016, the Group held 51% equity interest in Target Net, an unlisted entity based in the PRC and involved in the provision of internet information distribution services. In October 2017, Target Net repurchased its equity interests held by a noncontrolling shareholder for a total consideration of RMB36.3 million, which increased the Group's ownership interest in Target Net to 74.8%. It was considered to be an equity transaction and the excess of the noncontrolling interest repurchased over the consideration was recorded in equity.

Acquisition of KKC

In April 2015 and September 2016, the Group acquired equity interest of KKC, an unlisted entity based in the PRC and involved in the used car business, in aggregate to approximately 54.8% on a fully diluted basis. Although holding the majority of equity interest, the Group did not obtain control over KKC due to the absence of the majority of voting power at the board of directors of KKC. In November 2016, the Group further acquired equity interest of KKC, increasing its equity interest to 49.7% of ordinary shares and approximately 74.8% on a fully diluted basis, and obtained control over KKC. The Group acquired KKC to expand its used car business.

The transaction in November 2016 was considered a step acquisition under ASC 805 "Business Combinations". A step acquisition gain of RMB28.1 million arising from the revaluation of previously held equity interest was recognized in the investment income/(loss) in the consolidated statements of comprehensive income for the year ended December 31, 2016.

In May 2017, the Group acquired the remaining equity interest of KKC from the noncontrolling shareholders for a total consideration of RMB13.2 million, which increased the Group's ownership interest in KKC to 100%. It was considered to be an equity transaction and the difference between the consideration paid and the carrying amount of the non-controlling interest was recorded in equity.

5. Significant equity transactions and acquisitions (continued)

Acquisition of Beijing Xinchuang Interactive Advertising Company Limited ("Xinchuang")

As of December 31, 2016, the Group held 30% equity interest in Xinchuang, an unlisted entity located in the PRC and engaged in internet digital marketing services. In January 2017, the Group acquired an additional 30% of the equity interest, increasing its ownership interest to 60%. The Group acquired Xinchuang to expand its digital marketing solutions business.

This transaction was considered as a step acquisition under ASC 805 "Business Combinations". A step acquisition gain of RMB36.3 million arising from revaluation of previously held equity interest was recognized in the investment income/(loss) in the consolidated statements of comprehensive income.

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

The total purchase consideration for acquiring Xinchuang was RMB105.6 million, including a liability of RMB63.6 million for the committed purchase of the remaining 40% equity interest in the following two years equally. In October 2017, a modification of the original share purchase agreement was entered into whereby the Group was no longer committed to buy and the selling shareholder was no longer committed to sell the remaining 40% equity interest. It was considered an equity transaction and the difference between the liability as at modification date and the carrying amount of the non-controlling interest was recorded in equity.

5. Significant equity transactions and acquisitions (continued)

Other acquisitions

For the year ended December 31, 2017, the Group acquired equity interests in other acquirees for total purchase consideration of RMB26.5 million.

The fair values of the identifiable assets and liabilities as at the date of the acquisitions are summarized in the following table:

	Fair value recognized on acquisition		
	2015 RMB	**2016 RMB**	**2017 RMB**
Cash and cash equivalents	-	39,406	23,072
Property, plant and equipment, net	-	1,211	292
Intangible assets, net	-	63,922	60,684
Other assets	-	41,778	61,142
Current liabilities	-	(73,021)	(59,867)
Deferred tax liabilities	-	(15,977)	(15,171)
Net assets	-	57,319	70,152
Noncontrolling interests	-	(15,689)	-
Mandatorily redeemable noncontrolling interests	-	-	(63,569)
Goodwill arising on acquisitions	-	115,848	103,136
Total	-	157,478	109,719
Cash consideration	-	20,366	68,480
Fair value of previously held equity interests	-	137,112	41,239
Total consideration	-	157,478	109,719

The goodwill represented expected synergies arising on acquisitions. The knowledge and expertise of employees is not separable. Therefore, it does not meet the criteria for recognition as intangible asset under ASC 350 "Intangibles – Goodwill and Other". None of the goodwill recognized is expected to be deductible for income tax purposes. The intangible assets arising from the acquisition include customer relationship, software, contract backlog, and brand name. The estimated useful lives were described in Note 2 (o).

The noncontrolling interest has been recognized at fair value on the acquisition date.

Neither the results of operations since the acquisition date nor the pro forma results of operations of the acquirees were presented because the effects of these business combinations, individually or in the aggregate, were not significant to the Group's consolidated results of operations.

5. Significant equity transactions and acquisitions (continued)

Transaction with JD.com, Inc. ("JD") and Tencent Holdings Limited ("Tencent")

On January 9, 2015, the Group entered into a share subscription agreement with JD.com, Inc. and JD.com Global Investment Limited (collectively as "JD"), together with Dongting Lake Investment Limited, a special purpose vehicle of Tencent Holdings Limited (collectively as "Tencent" together with Tencent Holdings Limited). On the same date, the Group entered into a business cooperation agreement with JD.com, Inc. Pursuant to the share subscription agreement and business cooperation agreement, JD invested RMB2.45 billion and certain resources to the Group and Tencent invested RMB919.1 million to the Group.

As consideration for the transaction, the Group issued 15,689,443 ordinary shares to JD, representing approximately 25% of the then outstanding ordinary shares on a fully diluted basis and 2,046,106 ordinary shares to Tencent, representing approximately 3.3% of the then outstanding ordinary shares on a fully diluted basis, upon the closing of the transaction on February 16, 2015.

Pursuant to the business cooperation agreement, the resources provided by JD include (a) an exclusive right to operate JD's finished automobile business, which includes the sale of finished automobiles on JD Mall, Paipai.com, their respective mobile sites and JD's mobile applications, as well as the provision of advertising services on JD's finished car channels, in mainland China, (b) traffic supports including traffic generating from and advertising display on JD website and mobile applications, (c) general business cooperation such as big data capabilities and technology infrastructure. The term of the business cooperation is five years from April 9, 2015.

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

The general business cooperation as above (c) is not recognized as a separate intangible asset because such provisions only set out the general principal for the cooperation between the Group and JD with no specific deliverables provided to the Group. The amount recognized for the business cooperation agreement relates to the exclusive right to operate JD's finished automobile business as above (a) and traffic support as above (b). The fair value was established using two forms of the income approach known as the excess earnings method and the cost saving method. The Group applied a discount rate of 16% for valuing the business cooperation agreement. The business cooperation is amortized on a straight-line basis over five years from April 9, 2015.

At the end of 2015, the Group recorded a write-down of assets amounting to RMB238.6 million for the business cooperation relating to resources to be provided through the channel of Paipai.com, as the Paipai.com business was terminated by JD.

6. Accounts receivable, net

Accounts receivable, net as of December 31, 2016 and 2017 are as follows:

	2016 RMB	2017 RMB
Accounts receivable	2,168,655	3,107,315
Less: allowance for doubtful accounts	(100,040)	(252,905)
	2,068,615	2,854,410

Accounts receivable are non-interest bearing and are generally on terms of 60 to 90 days. In some cases, these terms are extended up to 360 days for certain qualifying long-term customers who have met specific credit requirements.

As of December 31, 2017, accounts receivable at carrying value of RMB252.9 million (2016: RMB100.0 million) were impaired and fully provided for. The movements in the allowance for doubtful accounts are as follows:

	2015 RMB	2016 RMB	2017 RMB
Balance as of January 1	37,699	46,441	100,040
Charge for the year	8,931	53,599	152,865
Write off for the year	(189)	-	-
Balance as of December 31	46,441	100,040	252,905

7. Prepayments and other receivables

Components of prepayments and other receivables as of December 31, 2016 and 2017 are as follows:

	2016 RMB	2017 RMB
Advances to suppliers	73,815	80,647
Prepaid expenses	11,320	45,818
Deposits	29,840	88,587
Advances to used car dealers	14,131	62,843
Staff advances	33,268	57,355
VAT and other taxes receivables	366,697	638,267
Interest receivable	25,912	23,548
Other receivables	56,692	106,618
	611,675	1,103,683

Prepayments and other receivables are unsecured, interest-free, have no fixed terms of repayment and are due on demand.

8. Fair value measurement

Financial instruments measured at fair value on a recurring basis

As of December 31, 2016 and 2017, there is no asset or liability measured at fair value in the consolidated balance sheets.

(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

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

Cash and cash equivalents, time deposits, restricted cash, accounts receivable, bills receivable, finance receivables, other receivables and due from related parties are financial assets with carrying values that approximate fair value due to their short-term nature. Accounts payable, other payables and due to related parties are financial liabilities with carrying values that approximate fair value due to their short-term nature.

Borrowings. Interest rates under the loan agreements with the lending banks were determined based on the prevailing interest rates in the market. The Group classifies the valuation techniques that use these inputs as Level 2 fair value measurement. The carrying value of borrowings approximate fair value.

Assets and liabilities measured at fair value on a nonrecurring basis

The Group holds investments in equity investees of privately-held companies that are accounted for using the cost method or equity method. The Group performs impairment assessments of these investments whenever events or changes in circumstances indicate that the carrying value of the investment may not be fully recoverable. The Group determined certain investments in equity investees were fully impaired after evaluated the business prospects, operational data and financial results of the investees. Impairment charges were recorded in connection with the investment in equity investees of nil, RMB86.6 million and RMB165.2 million for the years ended December 31, 2015, 2016 and 2017, respectively. The fair value of the investments were measured using significant unobservable inputs as Level 3.

9. Investment in equity investees

The Group’s investment in equity investees consisted of the follows:

	Cost method RMB	**Equity method RMB**	**Total RMB**
Balance as of January 1, 2015	69,698	72,364	142,062
Additions	1,042,134	171,813	1,213,947
Share of loss of equity investees	-	(16,663)	(16,663)
Less: disposals and transfers	(16,000)	(44,788)	(60,788)
Foreign currency translation adjustments	3,287	913	4,200
Balance as of December 31, 2015	1,099,119	183,639	1,282,758
Additions	268,535	34,685	303,220
Share of loss of equity investees	-	(25,640)	(25,640)
Less: disposals and transfers	(75,675)	(6,486)	(82,161)
Less: impairment losses	(86,618)	-	(86,618)
Foreign currency translation adjustments	55,415	498	55,913
Balance as of December 31, 2016	1,260,776	186,696	1,447,472
Additions	34,737	103,472	138,209
Share of loss of equity investees	-	(50,643)	(50,643)
Less: disposals and transfers	(14,623)	(126,512)	(141,135)
Less: impairment losses	(143,974)	(21,223)	(165,197)
Foreign currency translation adjustments	(44,836)	326	(44,510)
Balance as of December 31, 2017	1,092,080	92,116	1,184,196

Cost method

As of December 31, 2016 and 2017, the carrying value of the Group’s cost-method investments were RMB1.26 billion and RMB1.09 billion, respectively. Investments are accounted for under the cost method if the underlying stocks the Group invested in had no readily determinable fair value or the Group has neither significant influence nor control through investment in common stock or in-substance common stock. For the years ended December 31, 2015, 2016 and 2017, the Group invested RMB1.04 billion, RMB268.5 million, and RMB34.7 million in multiple private companies accounted for under the cost method respectively, which management believes will lead to future operating synergies with the Group’s business in future years.

9. Investment in equity investees (continued)

Equity method

As of December 31, 2016 and 2017, the carrying value of the Group’s investments accounted for under the equity method were RMB186.7 million and RMB92.1 million, respectively. The Group applies the equity method to account for its equity investments, in common stock or in-substance common stock, over which it has significant influence but does not own a majority equity interest or otherwise control. For the year ended December 31, 2017, the Group disposed certain investments accounted for under the equity method and recorded a disposal gain of RMB43.6 million, which was recognized in the investment income/(loss) in the consolidated statements of comprehensive income.

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

The condensed financial information of the Group's equity investments accounted for under the equity method were summarized as a group below in accordance with Rule 4-08 of Regulation S-X:

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Revenue	120,930	652,864	80,095
Gross profit	13,846	138,640	4,981
Loss from operations	(45,351)	(35,586)	(133,910)
Net loss	(45,621)	(47,855)	(133,207)
Net loss attributable to the equity-method investees	(45,621)	(36,886)	(129,223)

	As of December 31,	
	2016 RMB	2017 RMB
Current assets	400,179	222,030
Non-current assets	33,689	133,003
Current liabilities	208,515	45,515
Non-current liabilities	2,171	-
Noncontrolling interests	4,656	8,603

10. Property, plant and equipment, net

Property, plant and equipment, net as of December 31, 2016 and 2017 are as follows:

	2016 RMB	2017 RMB
Computers and servers	129,842	150,593
Automobiles for Group uses	29,436	35,805
Automobiles for operating leases	84,318	1,267,556
Furniture and fixtures	9,745	14,101
Leasehold improvements	94,741	98,594
Less: accumulated depreciation	(153,522)	(270,453)
Net book value	194,560	1,296,196

Depreciation expenses recognized for the years ended December 31, 2015, 2016 and 2017 were RMB55.5 million, RMB55.9 million and RMB185.3 million, respectively.

11. Intangible assets, net

Intangible assets, net as of December 31, 2016 and 2017 are as follows:

	As of December 31, 2016			
	Gross carrying amount RMB	Accumulated amortization RMB	Impairment amount RMB	Net carrying amount RMB
Purchased software	43,942	(17,471)	-	26,471
Digital Sales Assistant system	25,430	(12,927)	-	12,503
Trademark and lifetime membership	9,960	-	-	9,960
Domain names	22,101	(6,285)	-	15,816
Customer relationships	211,310	(44,989)	-	166,321
Brand name	20,830	(819)	-	20,011
Business cooperation	3,447,689	(1,131,710)	(254,873)	2,061,106
Others	32,191	(1,539)	-	30,652
	3,813,453	(1,215,740)	(254,873)	2,342,840

	As of December 31, 2017			
	Gross carrying amount RMB	Accumulated amortization RMB	Impairment amount RMB	Net carrying amount RMB
Purchased software	58,686	(25,038)	-	33,648
Digital Sales Assistant system	25,430	(15,470)	-	9,960
Trademark and lifetime membership	13,095	(265)	-	12,830

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

Domain names	25,399	(8,431)	-	16,968
Customer relationships	244,822	(75,349)	-	169,473
Brand name	20,830	(2,760)	-	18,070
Business cooperation	3,447,689	(1,761,589)	(254,873)	1,431,227
Others	39,113	(4,968)	-	34,145
	3,875,064	(1,893,870)	(254,873)	1,726,321

Amortization expenses for the years ended December 31, 2015, 2016 and 2017 amounted to RMB495.6 million, RMB633.4 million and RMB688.6 million, respectively. The impairment of business cooperation in 2015 mainly related to resources to be provided through the channel of Paipai.com, as the Paipai.com business was terminated by JD. Further details are set out in Note 5.

The estimated aggregate amortization expenses for each of the five succeeding fiscal years are as follows:

	For the year ended December 31,				
	2018 RMB	**2019 RMB**	**2020 RMB**	**2021 RMB**	**2022 RMB**
Amortization expenses	697,100	671,441	206,881	26,525	20,444

12. Goodwill

	2015 RMB	**2016 RMB**	**2017 RMB**
Balance as of January 1	328,927	329,000	444,933
Acquisition of subsidiaries	-	115,848	103,136
Disposal of subsidiaries	-	-	(4,326)
Foreign exchange difference	73	85	(88)
Balance as of December 31	329,000	444,933	543,655

Goodwill impairment is tested at the business segment level and there is no impairment charge as of December 31, 2015, 2016 and 2017.

	As of December 31, 2016			
	Advertising and subscription business RMB	**Transaction services business RMB**	**Digital marketing solutions RMB**	**Total RMB**
Goodwill	327,754	115,848	1,331	444,933

	As of December 31, 2017			
	Advertising and subscription business RMB	**Transaction services business RMB**	**Digital marketing solutions RMB**	**Total RMB**
Goodwill	327,754	116,716	99,185	543,655

13. Finance receivables, net

The Group provides automobile financial leasing services on its automotive financial services platform. Detailed information of finance receivables as of December 31, 2016 and 2017 are as follows:

	2016 RMB	**2017 RMB**
Finance receivables, gross		
- Within one year	7,443,959	16,363,872
- After one year but not more than five years	8,935,544	17,224,604

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

	16,379,503	33,588,476
Unearned finance income	(2,673,982)	(3,662,702)
	13,705,521	29,925,774
Allowance for credit losses	(22,486)	(134,169)
Finance receivables, net	13,683,035	29,791,605

Aging analysis of finance receivables are as follows:

	2016 RMB	2017 RMB
Not past due	13,497,984	29,069,556
Past due		
- Up to 1 month	110,032	411,830
- 1 to 3 months	40,331	198,671
- 3 to 6 months	37,584	177,070
- Over 6 months	19,590	68,647
	13,705,521	29,925,774
Allowance for credit losses	(22,486)	(134,169)
Finance receivables, net	13,683,035	29,791,605

Finance receivables due from related parties for the years ended December 31, 2016 and 2017 were RMB680.8 million and RMB121.0 million, which are presented as due from related parties.

13. Finance receivables, net (continued)

Management assesses the allowance for credit losses of finance receivables collectively based on its estimates on historical experience and on various other assumptions that are believed to be reasonable, including estimated loss percentages of contracts that are not collectable, the historical migration pattern of past due balances, other information gathered through collection efforts and general economic conditions. Management reassesses the provision at each balance sheet date. As of December 31, 2016 and 2017, the allowance for credit losses was RMB22.5 million and RMB134.2 million, respectively. The movements in the allowance for credit losses are as follows:

	2016 RMB	2017 RMB
Balance as of January 1	-	22,486
Charge for the year	29,052	196,320
Write off for the year	(6,566)	(84,637)
Balance as of December 31	22,486	134,169

Since 2016, the Group securitizes finance receivables arising from its consumers through transfer of those assets to asset-backed securitization vehicles. The securitization vehicles usually issue senior tranche debt securities to third party investors, collateralized by the transferred assets, and subordinate tranche debt securities to the Group. As of December 31, 2016 and 2017, the collateralized finance receivables transferred to the securitization vehicles were RMB5.12 billion and RMB10.44 billion, respectively. Please refer to "Note 2 - Summary of significant accounting policies—Asset-backed securitization debt" for details. The Group also secures certain borrowings from financial institutions with the cash proceeds of certain of the Group's finance receivables. As of December 31, 2016 and 2017, the finance receivables collateralized for borrowings from financial institutions were RMB2.18 billion and RMB12.20 billion, respectively.

14. Other non-current assets

	2016 RMB	2017 RMB
Prepayment for automobiles	191,360	261,768
Automobiles purchased for future leases	250,151	583,298
Long-term prepaid expenses	387,408	123,554
Deposits and others	108,926	416,424
	937,845	1,385,044

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15. Borrowings

The Group's short term borrowings represent the borrowings which were payable within one year or on demand.

These short term and long term borrowings are collateralized by a pledge of time deposits with carrying values of RMB5.41 billion and RMB1.06 billion as of December 31, 2016 and 2017, respectively, which are presented as restricted cash in the consolidated balance sheets.

During 2017, the Group entered into revolving line of credit agreements with some commercial banks located in China. As of December 31, 2017, the total revolving line of credit was RMB1.98 billion (2016: RMB2.79 billion) and available within one year from the respective agreement date. There are no commitment fees associated with the unused portion of the line of credit. The major revolving line of credit is guaranteed by the Company or other entities within the Group.

The weighted average interest rate on borrowings outstanding as of December 31, 2016 and 2017 was approximately 4.9% and 6.4%, respectively.

As of December 31, 2017, the borrowings will be due according to the following schedule:

	Within 1 year	Between 1 to 2 years	Between 2 to 3 years	Between 3 to 4 years	Between 4 to 5 years
	RMB	RMB	RMB	RMB	RMB
Principal amounts	11,243,614	4,140,463	933,810	-	-

16. Asset-backed securitization debt

As of December 31, 2016 and 2017, the asset-backed debt securities were RMB4.43 billion and RMB8.78 billion, respectively. The weighted average interest rate for the outstanding asset-backed securitization debt as of December 31, 2016 and 2017 were approximately 4.7% and 5.7%. The amount of interest charges recognized for the year ended December 31, 2016 and December 31, 2017 were RMB81.0 million and RMB453.0 million.

As of December 31, 2017, the asset-backed securitization debt will be due according to the following schedule:

	Within 1 year	Between 1 to 2 years	Between 2 to 3 years	Between 3 to 4 years	Between 4 to 5 years
	RMB	RMB	RMB	RMB	RMB
Principal amounts	6,165,429	2,320,331	291,490	-	-

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17. Convertible debt

On August 2, 2016, the Company issued convertible notes (the "PAG Notes") for an aggregate principal amount of US$150.0 million to PA Grand Opportunity Limited (PAG). The PAG Notes are due on August 1, 2021 and bear interest of 2% annually which will be paid semi-annually beginning on February 2, 2017.

The PAG Notes can be converted, at the holder's option, into the Company's fully paid American Depositary Shares ("ADSs") or ordinary shares with an initial conversion price of approximately US$23.67 per ADS, representing an initial conversion rate of 4,224.7671 ADSs per US$100,000 principal amount of the PAG Notes.

The issuance costs of the PAG Notes were US$0.18 million and are being amortized to interest expense, using the effective interest method, until the maturity date of the PAG Notes.

The Company has accounted for the PAG Notes in accordance with ASC 470, as a single instrument classified as a long-term debt within the consolidated financial statements. The value of the PAG Notes is measured by the cash received. The Company recorded the interest expenses according to its annual interest rate. As of December 31, 2016 and 2017, the value of the PAG Notes in non-current liabilities is RMB859.2 million and RMB707.9 million, respectively.

The Company evaluated the embedded conversion features contained in the PAG Notes in accordance with ASC 815-10-15 to determine if the conversion option requires bifurcation. In accordance with ASC 815-10-15-83, the conversion option meets the definition of a derivative. However, bifurcation of conversion option from the PAG 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.

As the conversion option was not bifurcated, the Company then assessed if there was any beneficial conversion feature ("BCF") in accordance with ASC 470-20. The Company recognized a BCF of US$27.9 million (RMB185.7 million) through a credit to additional paid-in capital because the fair value per ordinary share of US$28.08 exceeded the conversion price of US$23.67 at the commitment date on August 2, 2016. The resulting discount of US$27.9 million to the PAG Notes is then accreted to the redemption value as interest expense using the effective interest method through the consolidated statement of comprehensive income over the term of the PAG Notes.

The Company evaluated the embedded contingent redemption features contained in the PAG Notes in accordance with ASC 815-15-25-42 and ASC 815-15-25-26. The contingent redemption features were not required to be bifurcated because they are considered to be clearly and closely related to the debt host contract, as the PAG Notes were not issued at a substantial discount and are puttable at par.

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

On November 23, 2017, a third party investor who purchased US$24.0 million of the PAG Notes from PAG notified the Company of its intent of conversion. Upon conversion, the Company issued 1,013,941 ordinary shares to the investor and accordingly, the balance of the PAG Notes converted and related unamortized discounts and issuance costs, which amounted to RMB158.5 million, were recorded as the Company's shareholders' equity. The unamortized BCF associated with the PAG Notes converted, which amounted to RMB23.3 million, was expensed immediately in accordance with ASC 470-20 "Debt with conversion and other options".

17. Convertible debt (continued)

For the year ended December 31, 2016 and December 31, 2017, the effective interest rate for PAG Notes was 6.5% and 6.5%, and the amount of interest charges recognized was RMB21.4 million and RMB53.8 million.

The expected repayment amount of the convertible debt is nil for each of the years ending December 31, 2018, 2019 and 2020 and US$126.0 million for the year ended December 31, 2021.

18. Other payables and accruals

Components of other payables and accruals as of December 31, 2016 and 2017 are as follows:

	2016 RMB	2017 RMB
Accrued payroll	196,693	251,651
Accrued expenses	49,304	150,835
Advances from customers	786,078	1,182,840
Other payables	195,632	488,428
Other tax payables	281,220	296,336
Deferred revenue	37,956	81,629
Interest payable	50,210	96,502
	1,597,093	2,548,221

The above balances are non-interest-bearing and are normally settled under the terms of 120 to 150 days. Included in advances from customers, are amounts received from dealer subscriptions and listing customers prior to revenue recognition amounting to RMB669.7 million and RMB898.7 million, and from leasing customers prior to revenue recognition amounting to RMB59.9 million and RMB240.6 million as of December 31, 2016 and 2017, respectively.

19. Redeemable noncontrolling interests

	2016 RMB	2017 RMB
Balance as of January 1	1,697,718	3,939,646
Issuance of shares of the Group's subsidiaries	2,036,641	1,353,293
Conversion of redeemable noncontrolling interests to ordinary shares	-	(5,323,103)
Accretion to redeemable noncontrolling interests	205,287	332,117
	3,939,646	301,953

In 2015, 2016 and 2017, Yixin issued redeemable convertible preference shares to JD and other third-party investors. The redeemable convertible preference shares contain conversion features and redemption features. The Group records accretion of redemption value in accordance with ASC 480 "Distinguishing Liabilities from Equity". The Group elects to use the effective interest method for the changes of redemption value over the period from the date of issuance to the earliest redemption date of the noncontrolling interests.

Upon completion of Yixin's IPO on November 16, 2017, all the redeemable convertible preference shares were automatically converted into ordinary shares of Yixin. As a result, the Group held 45.2% of the outstanding ordinary shares of Yixin. However, through the voting proxy agreement that the Group entered into with JD and another shareholder, the Group is able to control Yixin by gaining the simple majority of the voting rights in Yixin's shareholders' meeting immediately after the IPO. Accordingly, the Group continues to consolidate the operations and the financial results of Yixin and provide for noncontrolling interests reflecting ordinary shares in Yixin held by shareholders other than the Group in the consolidated financial statements. The Group recognized a one-time credit to additional paid-in capital of RMB2.37 billion in shareholders' equity in the consolidated balance sheets to reflect the increase in the value of the Group's equity in Yixin that resulted from the completion of Yixin's IPO and conversion of redeemable convertible preference shares.

(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

In 2017, one subsidiary of the Group issued ordinary shares with redemption features to certain third-party investors. The Group classifies redeemable noncontrolling interests as mezzanine equity and records accretion of redemption value in accordance with ASC 480 “Distinguishing Liabilities from Equity”. The Group elects to use the effective interest method for the changes of redemption value over the period from the date of issuance to the earliest redemption date of the noncontrolling interests.

20. Revenue

	2015 RMB	2016 RMB	2017 RMB
Advertising and subscription services	3,106,025	3,432,986	3,922,158
Transaction services	664,225	1,551,676	3,872,244
Agent services	483,945	788,286	956,857
	4,254,195	5,772,948	8,751,259

21. Other gains, net

	2015 RMB	2016 RMB	2017 RMB
Foreign currency exchange gains/(losses)	30,744	4,005	(1,721)
(Losses)/Gains on disposal of property, plant and equipment and intangible assets, net	(1,779)	22,993	16,430
Government grants	22,512	26,788	28,946
Others, net	9,031	17,195	(12,079)
	60,508	70,981	31,576

22. Income tax expense

Cayman Islands

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

Hong Kong

Under the Hong Kong tax laws, subsidiaries in Hong Kong are subject to the Hong Kong profits tax rate at 16.5% and they may be exempted from income tax on their foreign-derived income and there is no withholding tax in Hong Kong on remittance of dividends.

PRC

Under the PRC Enterprise Income Tax Law (“EIT Law”), EIT rate is 25% for enterprises incorporated in the PRC. Preferential EIT rates are available for enterprises qualified as High and New Technology Enterprises (“HNTEs”) and Software Enterprises (“SEs”). Entities qualified as HNTEs enjoy a reduced tax rate of 15% within three years after obtaining the HNTE certificate. An entity could re-apply for the HNTE certificate when the prior certificate expires. Historically, all of HNTEs of the Group successfully re-applied for the certificates when the prior ones expired. Entities qualified as SEs enjoy a two-year exemption for EIT from the first profitable year followed by a three-year half reduction in tax rate. In addition, in accordance with relevant PRC tax regulations, qualified entities established in specific geographical areas are exempt from EIT for five years, commencing from the first year of operation.

Further, pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared by PRC enterprises to their foreign non-resident enterprise investors. A lower withholding tax rate will be applied if tax treaty or arrangement benefits are available. According to the tax arrangement between the PRC and Hong Kong, withholding tax rate of 5% is applicable if direct foreign non-resident enterprise investors own directly at least 25% equity interest in the PRC enterprises and meet the relevant requirements.

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

22. Income tax expense (continued)

C omposition of income tax expense:

	2015 RMB	2016 RMB	2017 RMB
Current income tax	75,458	140,706	249,995
Deferred income tax	(10,940)	6,863	(46,171)
	64,518	147,569	203,824

Composition of deferred tax assets and liabilities:

	2016 RMB	2017 RMB
Deferred tax assets		
Amortization of intangible assets	680	698
Tax losses carried forward	29,255	26,828
Allowance for credit losses	5,622	41,119
Others	-	2,374
Less: valuation allowance	(18,170)	(18,511)
	17,387	52,508
Deferred tax liabilities		
Intangible assets arising from business combinations	(51,617)	(52,237)
	(51,617)	(52,237)
Net deferred tax (liabilities)/assets	(34,230)	271

Movement of valuation allowance:

	2015 RMB	2016 RMB	2017 RMB
Balance as of January 1	2,044	17,471	18,170
Additions	16,707	1,014	2,319
Reversals	(1,280)	(315)	(1,978)
Balance as of December 31	17,471	18,170	18,511

As of December 31, 2017, the Group had net operating losses carried forward of approximately RMB107.5 million which arose from the subsidiaries, VIEs and subsidiaries of VIEs established in the PRC. The losses carried forward will expire during the period from 2018 to 2022.

The Group did not provide for deferred taxes on the undistributed earnings of its subsidiaries, VIEs and subsidiaries of VIEs registered in the PRC as of December 31, 2016 and 2017 on the basis of its intent to reinvest the earnings. As of December 31, 2016 and 2017, the total amount of undistributed earnings from the subsidiaries, VIEs and subsidiaries of VIEs registered in the PRC was RMB1.86 billion and RMB2.79 billion, respectively. As of December 31, 2016 and 2017, determination of the amount of unrecognized deferred tax liability related to the earnings that are indefinitely reinvested is not practical.

22. Income tax expense (continued)

Reconciliation of the differences between the statutory EIT rate applicable to profits of the consolidated entities and the income tax expenses of the Group:

	2015 RMB	2016 RMB	2017 RMB
Loss before tax	(320,766)	(190,384)	(1,223,164)
Income tax computed at statutory EIT rate (25%)	(80,192)	(47,596)	(305,791)
Effect of preferential tax rates for certain entities comprising the Group	(60,798)	(20,409)	(112,684)
Effect of differing tax rates in different jurisdictions	177,749	184,235	422,677
Non-deductible expenses and non-taxable income, net	11,960	34,012	188,069
Tax savings from additional deductions on certain research and development expenses available for subsidiaries incorporated in the PRC	-	(3,253)	(3,822)
Change in valuation allowances	15,427	699	1,933
Others	372	(119)	13,442
Income tax expense	64,518	147,569	203,824

Effective income tax rate	(20.1%)	(77.5%)	(16.7%)

23. Share-based compensation

For the years ended December 31, 2015, 2016 and 2017, total share-based compensation expenses recognized were RMB120.0 million, RMB77.0 million and RMB1.19 billion, respectively.

Share incentive plan

On December 31, 2006, the Company implemented an Employee Stock Incentive Plan ("2006 Plan") under which the Company has reserved 1,028,512.5 ordinary shares for employees. The Board of Directors of the Company may invite employees of the Group to subscribe for options over the Company's ordinary shares.

On February 8, 2010, the Company implemented an Employee Stock Incentive Plan ("2010 Plan") under which the Company has reserved 3,089,887.5 ordinary shares for employees. The 2010 Plan stipulates that if options are forfeited, the forfeited options can be added back to the option pool to be granted to other employees. The board of the Company may invite employees of the Company to subscribe for options over the Company's ordinary shares.

On August 7, 2012, the Company implemented an Employee Stock Incentive Plan ("2012 Plan") under which the Company has reserved 1,908,180.0 ordinary shares to motivate, attract and retain employees, and directors. The 2012 Plan permits the awards of options and RSUs.

On November 17, 2016, the Company implemented an Employee Stock Incentive Plan ("2016 Plan") under which the Company has reserved 2,500,000.0 ordinary shares to attract and retain the best available personnel and provide additional incentives to employees, officers, directors and advisors of the Company. The 2016 Plan permits the awards of options and RSUs.

Share options

The Company granted share options on December 31, 2006, February 8, 2010, December 28, 2010 and August 7, 2012, respectively. Options granted typically expire in ten years from the respective grant dates, except for options granted on December 31, 2006 whose expiration date was extended to December 31, 2026. The options have graded vesting terms, and vest in equal tranches from the grant date over three or four years, on the condition that employees remain in service without any performance requirements.

23. Share-based compensation (continued)

The activities of share options for the year ended December 31, 2017 is summarized as below:

	Number of shares	**Weighted average exercise prices US$/Share**	**Aggregate intrinsic value US$ in thousands**	**Weighted average remaining contractual life**
Outstanding as of January 1, 2017	972,581.0	5.71	12,867	4.99 years
Granted during the year	-	-		
Exercised during the year	(558,875.0)	5.10		
Forfeited during the year	-	-		
Outstanding as of December 31, 2017	413,706.0	6.54	10,450	3.82 years
Exercisable as of December 31, 2017	413,706.0	6.54	10,450	3.82 years

The aggregate intrinsic value in the table above represents the difference between the Company's closing stock price on the last trading day of the year and the exercise price.

Total intrinsic value of options exercised for the years ended December 31, 2015, 2016 and 2017 was RMB51.2 million, RMB126.6 million and RMB93.2 million, respectively. The total fair value of options vested during the years ended December 31, 2015, 2016 and 2017 was RMB3.2 million, RMB3.4 million and nil, respectively.

For the years ended December 31, 2015, 2016 and 2017, share-based compensation expenses recognized associated with the share options were RMB1.4 million, RMB0.5 million and nil, respectively. As of December 31, 2017, there were no unrecognized share-based compensation expenses related to share options.

(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

23. **Share-based compensation (continued)**

Restricted shares units

Starting from 2013, the Company granted RSUs under share incentive plans. The RSUs granted would vest (i) on the anniversary of the grant date, or in equal tranches from the grant date over three or four years, on the condition that employees remain in service without any performance requirements; or (ii) on specific dates, or in equal tranches from the grant date over three or four years, if the grantees’ key performance indicators were achieved on each vest date.

Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

The activities of RSUs for the year ended December 31, 2017 is summarized as below:

	Number of RSUs	Weighted-average fair value per RSU granted (US$)
Outstanding as of January 1, 2017	1,446,080.0	26.34
Granted during the year	2,660,687.0	22.44
Vested and sold during the year	(890,959.0)	25.33
Forfeited during the year	(404,056.0)	23.26
Outstanding as of December 31, 2017	2,811,752.0	23.42
Vested as of December 31, 2017	922,178.0	22.28

The weighted-average grant-date fair value during the years ended December 31, 2015, 2016 and 2017 was US$54.03, US$23.25 and US$22.44, respectively. The total fair value of the RSUs vested during the years ended December 31, 2015, 2016 and 2017 was RMB83.8 million, RMB99.4 million, RMB209.5 million, respectively.

For the years ended December 31, 2015, 2016 and 2017, share-based compensation recognized associated with the RSUs was RMB118.6 million, RMB75.8 million and RMB268.5 million, respectively. As of December 31, 2017, there was RMB181.4 million of unrecognized share-based compensation expense related to RSUs. The compensation expenses are expected to be recognized over a weighted-average period of 3.02 years.

23. **Share-based compensation (continued)**

Subsidiaries-Yixin

In November 2017, Yixin implemented share recapitalization to effect a 7-for-1 share split for all ordinary shares then issued and outstanding. All information related to Yixin’s ordinary shares and stock options have been retroactively adjusted to give effect to the share split.

On May 26, 2017, Yixin approved the establishment of the Pre-IPO Share Option Scheme which was amended on September 1, 2017, the purpose of which is to provide an incentive for employees and persons contributing to Yixin. The Pre-IPO Share Option Scheme shall be valid and effective for 10 years from the grant date. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under 2017 Share Incentive Plan shall be 418,464,263 shares.

On May 26, 2017, Yixin approved the establishment of the First Share Award Scheme which was amended on September 1, 2017, the purpose of which is to provide an incentive for employees and persons contributing to Yixin. The First Share Award Scheme shall be valid and effective for 10 years from the grant date. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under First Share Award Scheme shall be 70,830,417 shares.

On September 1, 2017, Yixin approved the establishment of the Second Share Award Scheme with the purpose of which is to provide an incentive for employees and persons contributing to Yixin. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under Second Share Award Scheme shall be 5% of the total number of issued shares without Shareholders’ approval, subject to an annual limit of 3% of the total number of issued shares at the relevant time.

From July 2017 to October 2017, 395,341,709 share options were granted under the Pre-IPO Share Option Scheme to 149 grantees of Yixin. Subject to the grantee continuing to be an employee of Yixin, 49.0%, 17.7%, 12.0%, 12.0%, 9.0% and 0.3% of the share options shall vest in 2017, 2018, 2019, 2020, 2021 and 2022, respectively. The exercise price of the share options is US$0.0014 per share.

23. **Share-based compensation (continued)**

The activities of Yixin’s share options for the year ended December 31, 2017 is summarized as below:

	Number of shares	Weighted average	Aggregate intrinsic	Weighted average remaining

		exercise prices US$/Share	value US$ in thousands	contractual life
Outstanding as of January 1, 2017	-		-	
Granted during the year	395,341,709	0.0014		
Exercised during the year	(1,134,000)	0.0014		
Forfeited during the year	(1,778,000)	0.0014		
Outstanding as of December 31, 2017	392,429,709	0.0014	314,387	9.55
Exercisable as of December 31, 2017	192,599,071	0.0014	314,387	9.51

The aggregate intrinsic value in the table above represents the difference between Yixin's closing stock price on the last trading day of the year and the exercise price.

Total intrinsic value of options exercised for the years ended December 31, 2017 was RMB5.2 million. The total fair value of options vested during the years ended December 31, 2017 was RMB690.0 million.

For the year ended December 31 2017, total share-based compensation expenses recognized were RMB891.7 million, and there was RMB567.0 million unrecognized compensation expenses related to share options granted by Yixin. The compensation expenses are expected to be recognized over a weighted-average period of 3.39 years.

The estimate of the fair values of the options were measured based on the binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used on the date of grant and weighted-average fair value per option granted:

		July 3, 2017		October 1, 2017
Fair value per share	US$	0.53	US$	0.70
Exercise price	US$	0.0014	US$	0.0014
Risk-free interest rate		2.50%		2.46%
Dividend yield		0.00%		0.00%
Weighted-average fair value per option granted	US$	0.53	US$	0.70
Expected volatility		51%		56%
Expected terms		10 years		10 years

23. Share-based compensation (continued)

Subsidiaries-Others

Other subsidiary of the Company also has equity incentive plans granting RSUs. For the year ended December 31 2017, total share-based compensation expenses recognized were RMB23.3 million, and there was RMB63.0 million unrecognized compensation expenses related to RSUs granted by other subsidiary.

24. Earnings per share

The following table sets forth the computation of basic and diluted net loss per share for the following periods:

	2015	2016	2017
Numerator:			
Net loss attributable to Bitauto Holdings Limited	(506,992)	(541,345)	(1,611,114)
Income allocation to participating securities of subsidiaries	-	-	(2,936)
Numerator for basic net loss per share	(506,992)	(541,345)	(1,614,050)
Dilutive effect of redeemable convertible preference shares and share options of subsidiaries	-	-	(11,036)
Numerator for diluted net loss per share	(506,992)	(541,345)	(1,625,086)
Denominator:			
Weighted average number of shares - basic	58,142,432	65,160,205	70,154,910
Dilutive effect of potentially issuable ordinary shares	-	-	-
Weighted average number of shares - diluted	58,142,432	65,160,205	70,154,910
Net loss per ordinary share - basic	(8.72)	(8.31)	(23.01)
Net loss per ordinary share - diluted	(8.72)	(8.31)	(23.16)

The redeemable convertible preference shares were not included in the calculation of diluted net loss per share because they are anti-dilutive for the years ended December 31, 2015 and 2016.

The weighted average number of shares, that could potentially dilute basic net loss per share in the future including incremental shares of ordinary shares issuable upon the exercise of share options and RSUs, and conversion of convertible debt, but were not included in the computation of diluted net loss per share because they were anti-dilutive for the years presented, are 2,157,626, 4,030,651 and 8,126,552 for the years ended December 31, 2015, 2016 and 2017.

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

25. Related party transactions

The table below sets forth the related parties and their relationships with the Group as of December 31, 2017:

Name of related parties	Relationship with the Group
Chetuan E-Commerce Ltd. ("Chetuan")	An investee of the Group
Shanghai Eclicks Network Co. Ltd. ("Eclicks")	An investee of the Group
TTP CAR INC. ("TTP")	An investee of the Group
Beijing Anxinbao Insurance Brokerage Co., Ltd. ("Anxinbao")	An investee of the Group
Beijing Jingzhengu Information Technology Co., Ltd.("Jingzhengu")	An investee of the Group
Wuhan Kuanter Investment Co., Ltd ("Wuhan Kuantu")	An investee of the Group
JD	Ordinary shareholder of the Group

As of December 31, 2015 and 2016, Xinchuang was a related party as an investee of the Group. In January 2017, the Group acquired additional equity interests of Xinchuang to obtain control of it and Xinchuang became a subsidiary of the Group as of December 31, 2017.

The Group entered into the following transactions for the years ended December 31, 2015, 2016 and 2017 with related parties:

	2015 RMB	2016 RMB	2017 RMB
Services provided to related parties:			
Automobile transaction services provided to Chetuan	168,343	79,632	9,830
Advertising services provided to Xinchuang	86,308	79,922	-
Advertising services provided to TTP	10,020	32,059	15,260
Other transaction services provided to Anxinbao	-	-	14,183
Others	2,079	2,966	27,741
	266,750	194,579	67,014
Services purchased from related parties:			
Automobile transaction services purchased from Chetuan	-	86,632	-
Advertising services purchased from Xinchuang	9,982	16,024	-
Advertising services purchased from Eclicks	69,642	85,838	98,530
Marketing and promotion services purchased from JD	35,051	22,102	40,411
Used car valuation services purchased from Jingzhengu	-	3,366	14,400
Others	4,806	16,597	31,155
	119,481	230,559	184,496

25. Related party transactions (continued)

The Group had the following balances as of December 31, 2016 and 2017 with related parties:

	2016 RMB	2017 RMB
Due from Chetuan	341,796	153,214
Due from Xinchuang	24,162	-
Due from Anxinbao	-	9,593
Due from Wuhan Kuantu	-	5,281
Others	43,133	36,943
	409,091	205,031
Due to Eclicks	55,000	81,440
Due to Jingzhengu	-	3,170
Others	29,447	13,631
	84,447	98,241

The Group provided unsecured loans for a total of RMB20.0 million to Wuhan Kuantu, with an initial term of 12 months at an interest rate of 1.5% per annum. As at December 31, 2017, a provision of RMB15.0 million was recorded against the loan balance, based on the amount the Group expected to recover from Wuhan Kuantu.

Loans from JD:

	2016	2017

	RMB	RMB
Balance as of January 1	-	-
Loans received during year	-	2,036,020
Loans repayment made	-	(2,036,020)
Interest charged	-	22,244
Interest paid	-	(22,244)
Balance as of December 31	-	-

On March 3, 2017, JD subscribed to a total of RMB835.0 million in Yixin's asset-backed securitization transactions with the applicable interest rate per annum of 6.20% and 8.94% in the two separate tranches of asset-backed debt securities, respectively. Yixin also agreed to repurchase the securities in three months at a price comprised of the cost of the investment and any accrued interests. The transaction is accounted for as a collateral loan from JD. On June 2, 2017, the loan was repaid in full by Yixin. On July 12, 2017, JD subscribed to a total of RMB201.0 million of asset-backed debt securities mentioned above. On November 14, 2017, the principal of the loan was repaid in full by Yixin. On December 27, 2017, Yixin settled all interests charged. On November 7, 2017, Yixin extended a short-term loan amounting to RMB1.00 billion from JD at an interest rate of 6.525% per annum. On December 4, 2017, the loan was repaid in full by Yixin.

The transactions with other related parties, and balance with other related parties are individually and aggregately insignificant.

26. Commitments and contingencies

Operating lease commitments

The Group has leased office premises under non-cancellable operating lease agreements. These leases have varying terms and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 RMB	2017 RMB
Within one year	93,185	119,484
After one year but not more than five years	150,467	172,452
Later than five years	-	1,823
	243,652	293,759

For the years ended December 31, 2015, 2016 and 2017, the Group incurred rental expenses under operating leases of RMB104.5 million, RMB123.1 million and RMB136.6 million, respectively.

Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2016 RMB	2017 RMB
Purchase of automobiles	499,822	503,903
	499,822	503,903

Legal proceedings

From time to time, the Group is subject to legal proceedings, investigations and claims incidental to the conduct of our business. The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group's business, balance sheets, results of operations or cash flows. From time to time, the Group may be subject to legal proceedings, investigations and claims incidental to our business conduct.

27. Operating segment information

As disclosed in Note 2(e), the Group managed its business in three segments, namely advertising and subscription business, transaction services business and digital marketing solutions business.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

As the Group's long-lived assets are substantially all located in the PRC and substantially all the Group's revenues are derived from external customers within the PRC, no geographical segments are presented.

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

For the purpose of preparing segment information, all the intersegment transactions have been eliminated and only revenue from external customers are presented as segment revenue. The Group does not allocate non-operating income and expenses to each reportable segment. Accordingly, the measure of profit and loss for each reportable segment as reported to the chief operating decision maker is operating profit. A reconciliation of operating profit to profit before tax is presented in the consolidated statements of comprehensive income.

27. Operating segment information (continued)

	Advertising and subscription business	Transaction services business	Digital marketing solutions	Total
Year ended, December 31, 2015				
Revenue	3,106,025	664,225	483,945	4,254,195
Gross profit	2,344,872	237,585	220,994	2,803,451
Income/(Loss) from operations	553,455	(1,053,483)	37,890	(462,138)
Year ended, December 31, 2016				
Revenue	3,432,986	1,551,676	788,286	5,772,948
Gross profit	2,542,534	668,238	484,197	3,694,969
Income/(Loss) from operations	592,611	(848,267)	146,428	(109,228)
Year ended, December 31, 2017				
Revenue	3,922,158	3,872,244	956,857	8,751,259
Gross profit	3,076,332	1,902,614	537,633	5,516,579
Income/(Loss) from operations	444,564	(1,525,073)	3,916	(1,076,593)

The income/(loss) from operations for the year ended December 31, 2015 for advertising and subscription business, transaction services business, and digital marketing solutions included depreciation and amortization expenses of RMB69.4 million, RMB745.0 million and RMB6.1 million, respectively.

The income/(loss) from operations for the year ended December 31, 2016 for advertising and subscription business, transaction services business, and digital marketing solutions included depreciation and amortization expenses of RMB52.3 million, RMB619.3 million and RMB8.3 million, respectively.

The income/(loss) from operations for the year ended December 31, 2017 for advertising and subscription business, transaction services business, and digital marketing solutions included depreciation and amortization expenses of RMB58.5 million, RMB788.7 million and RMB26.7 million, respectively.

For the years ended December 31, 2016 and 2017, the leasing revenue were RMB863.7 million and RMB3.03 billion, and funding costs were RMB187.2 million and RMB1.14 billion, respectively. The leasing revenue and funding costs were immaterial for the years ended December 31, 2015.

28. Restricted net assets

The Company's ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC laws and regulations permit payments of dividends by the Company's subsidiaries, VIEs and subsidiaries of VIEs registered in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations.

In accordance with the laws applicable to the Foreign Investment Enterprises established in the PRC, the Company's subsidiaries registered as wholly-owned foreign enterprise have to make appropriations from their net income based on PRC accounting standards to reserve funds including general reserve fund, enterprise expansion fund and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the net income based on PRC accounting standards until such appropriations for the fund reach 50% of the registered capital of the entity. Appropriations to the enterprise expansion fund and staff bonus and welfare fund are made at the discretion of the respective entity.

In addition, in accordance with the PRC Company Laws, the Company's VIEs and subsidiaries of VIEs, registered as Chinese domestic companies, must make appropriations from their net income based on PRC accounting standards to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the net income based on PRC accounting standards until such appropriations for the fund reached 50% of the registered capital of the entity. Appropriation to the discretionary surplus fund is made at the discretion of the respective entity. In addition, registered capital is also restricted from withdrawal in the PRC.

As of December 31, 2017, the Company's subsidiaries, VIEs and subsidiaries of VIEs registered in the PRC had registered capital and reserve funds appropriated of RMB20.11 billion.

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

As a result of these PRC laws and regulations that require annual appropriations of 10% of net income to be set aside, prior to payments of dividends as general reserve fund or statutory reserve fund, the Company's subsidiaries, VIEs and subsidiaries of VIEs registered in the PRC are restricted in their ability to transfer a portion of their net assets to the Company in the form of dividends, loans and advances. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, funding of future acquisitions and development, or merely to declare and pay dividends or distributions to its shareholders.

29. Parent company only condensed financial information

The Company performed a test on the restricted net assets of consolidated subsidiaries, VIEs and subsidiaries of VIEs in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that it was applicable for the Company to disclose the financial information for the parent company only. The subsidiaries did not pay any dividend to the Company for the years presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company.

The Company did not have significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2017.

29. Parent company only condensed financial information (continued)

Condensed balance sheets

	As of December 31,	
	2016	2017
	RMB	RMB
Assets		
Current assets		
Cash and cash equivalents	154,020	66,662
Prepayments and other receivables	13,046	51,760
Total current assets	167,066	118,422
Non-current assets		
Investments in subsidiaries, VIEs and subsidiaries of VIEs	1,562,089	6,429,473
Investment in equity investees	48,276	43,945
Intangible assets, net	2,061,106	1,431,226
Due from subsidiaries, VIEs and subsidiaries of VIEs	6,583,747	6,222,037
Total non-current assets	10,255,218	14,126,681
Total assets	10,422,284	14,245,103
Liabilities		
Current liabilities		
Accruals and other payables	19,498	73,807
Total current liabilities	19,498	73,807
Non-current liabilities		
Due to subsidiaries, VIEs and subsidiaries of VIEs	102	2,134,755
Convertible debt	859,166	707,854
Total non-current liabilities	859,268	2,842,609
Total liabilities	878,766	2,916,416
Shareholders' Equity		
Ordinary shares(US$0.00004 par value; 1,250,000,000 shares authorized as of December 31, 2016 and 2017, respectively; 70,726,025 shares issued and outstanding as of December 31, 2016; 72,739,966 shares issued and outstanding as of December 31, 2017, respectively)	19	19
Additional paid-in capital	8,903,759	12,220,493

(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

Treasury shares	(41,888)	(20,411)
Statutory reserve	89,841	153,538
Accumulated other comprehensive income	742,302	468,257
Accumulated deficit	(150,515)	(1,493,209)
Total shareholders' equity	9,543,518	11,328,687
Total liabilities and shareholders' equity	10,422,284	14,245,103

29. Parent company only condensed financial information (continued)

Condensed statements of comprehensive income

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Selling and administrative expenses	(806,198)	(689,656)	(910,515)
Other gains	11	5	38,948
Loss from operations	(806,187)	(689,651)	(871,567)
Interest income	11,201	1,209	1,592
Interest expense	-	(21,407)	(77,158)
Share of results of equity investees	(4,782)	(24,354)	(52,055)
Equity in profit/(loss) of subsidiaries, VIEs and subsidiaries of VIEs	292,776	192,858	(611,926)
Loss before tax	(506,992)	(541,345)	(1,611,114)
Net loss	(506,992)	(541,345)	(1,611,114)
Other comprehensive loss			
Foreign currency exchange gains/(losses), net of tax of nil	344,748	459,227	(274,045)
Total comprehensive loss, net of tax	(162,244)	(82,118)	(1,885,159)

29. Parent company only condensed financial information (continued)

Condensed statements of cash flows

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Net cash provided by/(used in) operating activities	23,307	(9,711)	104,295
Net cash used in investing activities	(2,561,029)	(3,195,265)	(238,475)
Net cash provided by financing activities	3,375,896	2,198,272	354,821
Effect of exchange rate changes on cash and cash equivalents	111,329	148,031	(307,999)
Increase/(Decrease) in cash and cash equivalents	949,503	(858,673)	(87,358)
Cash and cash equivalents at beginning of the year	63,190	1,012,693	154,020
Cash and cash equivalents at end of the year	1,012,693	154,020	66,662

Basis of presentation

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

For the Company only condensed financial information, the Company records its investments in subsidiaries, VIEs and subsidiaries of VIEs under the equity method of accounting as prescribed in ASC 323 "Investments-Equity Method and Joint Ventures". Such investments are presented on the condensed balance sheets as "investment in subsidiaries, VIEs and subsidiaries of VIEs" and shares in the subsidiaries, VIEs and subsidiaries of VIEs' profit are presented as "equity in profit of subsidiaries, VIEs and subsidiaries of VIEs" on the condensed statements of comprehensive income. The cash flows used in the investing activities are primarily associated with the loans to the subsidiaries, VIEs and subsidiaries of VIEs. The parent company only condensed financial information should be read in conjunction with the Group' consolidated financial statements.

TUNIU CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Tuniu Corporation:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Tuniu Corporation and its subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive loss, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2017, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 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, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2(r) to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in 2017.

Basis for Opinions

The Company's management is responsible for these consolidated 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 Management's Report on Internal Control over Financial Reporting appearing under Item 15 in the accompanying Form 20-F. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

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 26, 2018

We have served as the Company's auditor since 2010, which includes periods before the Company became subject to SEC reporting requirements.

TUNIU CORPORATION
CONSOLIDATED BALANCE SHEETS

As of December 31, 2016 and 2017
(All amounts in thousands, except for share and per share data, or otherwise noted)

	As of December 31,		
	2016	2017	
	RMB	RMB	US$ (Note 2(d))
ASSETS			
Current assets			
Cash and cash equivalents	1,085,236	484,101	74,405
Restricted cash	124,561	91,810	14,111
Short-term investments	3,603,497	3,084,634	474,100
Accounts receivable, net	235,673	286,627	44,054
Amounts due from related parties	390,330	171,331	26,333
Prepayments and other current assets	1,632,329	939,463	144,393
Yield enhancement products and accrued interest	449,528	31,337	4,816
Total current assets	7,521,154	5,089,303	782,212
Non-current assets			
Long term investments	58,764	484,991	74,542
Property and equipment, net	177,817	148,278	22,790
Intangible assets, net	592,267	460,634	70,798
Goodwill	147,639	147,639	22,692
Yield enhancement products over one year and accrued interest	562,643	170,505	26,206
Other non-current assets	46,468	156,455	24,047
Long-term amounts due from related parties	64,902	—	—
Total non-current assets	1,650,500	1,568,502	241,075
Total assets	9,171,654	6,657,805	1,023,287
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY			
Current liabilities (including current liabilities of the Affiliated Entities without recourse to the Company amounting to RMB4,340,394 and RMB 2,453,662, as of December 31, 2016 and 2017, respectively):			
Accounts payable	1,022,704	852,500	131,027
Amounts due to related parties	32,526	86,923	13,360
Salary and welfare payable	192,455	187,561	28,828
Taxes payable	11,619	32,036	4,924
Advances from customers	1,806,493	1,210,615	186,068
Accrued expenses and other current liabilities	589,288	373,690	57,435
Amounts due to the individual investors of yield enhancement products and accrued interests	871,914	177,971	27,354
Total current liabilities	4,526,999	2,921,296	448,996
Non-current liabilities			
Deferred tax liabilities	23,456	21,142	3,249
Other non-current liabilities	31,472	21,339	3,280
Total non-current liabilities	54,928	42,481	6,529
Total liabilities	4,581,927	2,963,777	455,525

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

	As of December 31,		
	2016	2017	
	RMB	RMB	US$ (Note

			2(d))
Commitments and contingencies (Note 19)			
Redeemable noncontrolling interests	90,072	96,719	14,865
Equity			
Ordinary shares (US$0.0001 par value; 1,000,000,000 shares (including 780,000,000 Class A shares, 120,000,000 Class B shares and 100,000,000 shares to be designated by the Board of Directors) authorized as of December 31, 2016 and 2017; 379,470,757 shares (including 362,097,257 Class A shares and 17,373,500 Class B shares) and 388,918,015 shares (including 371,544,515 Class A shares and 17,373,500 Class B shares) issued and outstanding as of December 31, 2016 and 2017, respectively)	242	248	38
Less: Treasury stock	(19,708)	(185,419)	(28,498)
Additional paid-in capital	8,855,991	9,013,793	1,385,395
Accumulated other comprehensive income	400,925	272,386	41,865
Accumulated deficit	(4,738,593)	(5,505,897)	(846,241)
Total Tuniu Corporation shareholders' equity	4,498,857	3,595,111	552,559
Noncontrolling interests	798	2,198	338
Total equity	4,499,655	3,597,309	552,897
Total liabilities, redeemable noncontrolling interests and equity	9,171,654	6,657,805	1,023,287

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

TUNIU CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the Years Ended December 31, 2015, 2016 and 2017
(All amounts in thousands, except for share and per share data, or otherwise noted)

	For the Years Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$ (Note 2(d))
Revenues				
Packaged tours	7,578,822	10,147,148	1,589,353	244,279
Others	127,804	401,100	602,747	92,641
Total revenues	7,706,626	10,548,248	2,192,100	336,920
Less: Business and related taxes	(35,526)	(17,307)	—	—
Net revenues	7,671,100	10,530,941	2,192,100	336,920
Cost of revenues	(7,309,062)	(9,891,736)	(1,024,206)	(157,418)
Gross profit	362,038	639,205	1,167,894	179,502
Operating expenses				
Research and product development	(298,199)	(601,402)	(541,126)	(83,170)
Sales and marketing	(1,149,512)	(1,900,397)	(894,148)	(137,428)
General and administrative	(385,442)	(658,790)	(637,795)	(98,027)
Other operating income	12,175	22,323	21,749	3,343
Total operating expenses	(1,820,978)	(3,138,266)	(2,051,320)	(315,282)
Loss from operations	(1,458,940)	(2,499,061)	(883,426)	(135,780)
Other income/(expenses)				
Interest income	76,516	87,305	130,250	20,019
Foreign exchange losses, net	(83,118)	(9,734)	(2,394)	(368)
Other loss, net	(1,334)	(2,553)	(121)	(19)
Loss before income tax expense	(1,466,876)	(2,424,043)	(755,691)	(116,148)
Income tax benefit/(expense)	589	1,711	(15,625)	(2,402)
Net loss	(1,466,287)	(2,422,332)	(771,316)	(118,550)
Net loss attributable to noncontrolling interests	(3,006)	(15,104)	(4,934)	(758)
Net (loss)/income attributable to redeemable noncontrolling interests	—	(34)	922	142
Net loss attributable to Tuniu Corporation	(1,463,281)	(2,407,194)	(767,304)	(117,934)
Accretion on redeemable noncontrolling interests	—	(106)	(5,725)	(880)
Net loss attributable to ordinary shareholders	(1,463,281)	(2,407,300)	(773,029)	(118,814)
Net loss	(1,466,287)	(2,422,332)	(771,316)	(118,550)
Other comprehensive income/(loss)				
Foreign currency translation adjustment, net of nil tax	188,106	233,900	(128,539)	(19,756)
Comprehensive loss	(1,278,181)	(2,188,432)	(899,855)	(138,306)
Comprehensive loss attributable to noncontrolling interests	(3,006)	(15,104)	(4,934)	(758)
Comprehensive (loss)/income attributable to redeemable noncontrolling interests	—	(34)	922	142
Comprehensive loss attributable to Tuniu Corporation	(1,275,175)	(2,173,294)	(895,843)	(137,690)
Loss per share				
Basic and diluted	(5.89)	(6.45)	(2.04)	(0.31)
Weighted average number of ordinary shares used in computing basic and diluted loss per share	248,362,837	373,347,855	378,230,039	378,230,039

TUNIU CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2015, 2016 and 2017
(All amounts in thousands, except for share and per share data, or otherwise noted)

	Ordinary shares		Treasury Stock		Additional paid-in capital	Accumulated other comprehensive income/(loss)	Accumulated deficit	Total Tuniu Corporation Shareholders' equity	Noncontrolling interests	Total Equity
	Shares	Amount	Shares	Amount						
		RMB		RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2015	188,435,922	121	—	—	2,298,727	(21,081)	(869,044)	1,408,723	—	1,408,723
Issuance of ordinary shares upon the private placement, net of issuance costs of RMB1,078	93,750,000	57	—	—	3,104,457	—	—	3,104,514	—	3,104,514
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	20,122	20,122
Issuance of ordinary shares pursuant to share incentive plan	4,784,970	3	—	—	14,993	—	—	14,996	—	14,996
Share-based compensation expenses	—	—	—	—	65,143	—	—	65,143	—	65,143
Foreign currency translation adjustments	—	—	—	—	—	188,106	—	188,106	—	188,106
Acquisition of noncontrolling interests	—	—	—	—	(683)	—	—	(683)	(813)	(1,496)
Cumulative effect adjustments for the adoption of ASC 606	—	—	—	—	—	—	926	926	—	926
Net loss	—	—	—	—	—	—	(1,463,281)	(1,463,281)	(3,006)	(1,466,287)
Balance as of December 31, 2015	286,970,892	181	—	—	5,482,637	167,025	(2,331,399)	3,318,444	16,303	3,334,747
Issuance of ordinary shares upon the private placement, net of issuance costs of RMB3,414	90,909,091	60	—	—	3,275,775	—	—	3,275,835	—	3,275,835
Repurchase of ordinary shares	—	—	(985,299)	(19,708)	—	—	—	(19,708)	—	(19,708)
Issuance of ordinary shares pursuant to share incentive plan	1,590,774	1	—	—	5,266	—	—	5,267	—	5,267
Share-based compensation expenses	—	—	—	—	92,419	—	—	92,419	—	92,419
Foreign currency translation adjustments	—	—	—	—	—	233,900	—	233,900	—	233,900
Remeasurement of prior year acquisitions	—	—	—	—	—	—	—	—	(401)	(401)
Accretion on redeemable noncontrolling interests	—	—	—	—	(106)	—	—	(106)	—	(106)
Net loss	—	—	—	—	—	—	(2,407,194)	(2,407,194)	(15,104)	(2,422,298)
Balance as of December 31, 2016	379,470,757	242	(985,299)	(19,708)	8,855,991	400,925	(4,738,593)	4,498,857	798	4,499,655

TUNIU CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2015, 2016 and 2017
(All amounts in thousands, except for share and per share data, or otherwise noted)

	Ordinary shares		Treasury Stock		Additional paid-in capital	Accumulated other comprehensive income/(loss)	Accumulated deficit	Total Tuniu Corporation Shareholders' equity	Noncontrolling interests	Total Equity
	Shares	Amount	Shares	Amount						
		RMB		RMB	RMB	RMB	RMB	RMB	RMB	RMB
Repurchase of ordinary shares	—	—	(8,986,053)	(165,711)	—	—	—	(165,711)	—	(165,711)
Issuance of ordinary shares pursuant to share incentive plan	9,447,258	6	—	—	67,587		—	67,593	—	67,593
Share-based compensation expenses	—	—	—	—	98,675	—	—	98,675	—	98,675
Capital contribution to a subsidiary with	—	—	—	—	(2,735)	—	—	(2,735)	6,334	3,599

noncontrolling interest										
Foreign currency translation adjustments	—	—	—	—		(128,539)	—	(128,539)	—	(128,539)
Accretion on redeemable noncontrolling interest					(5,725)	—	—	(5,725)	—	(5,725)
Net loss	—	—	—	—	—	—	(767,304)	(767,304)	(4,934)	(772,238)
Balance as of December 31, 2017	388,918,015	248	(9,971,352)	(185,419)	9,013,793	272,386	(5,505,897)	3,595,111	2,198	3,597,309
Balance as of December 31, 2017(US$ (Note 2(d)))	388,918,015	38	(9,971,352)	(28,498)	1,385,395	41,865	(846,241)	552,559	338	552,897

TUNIU CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015, 2016 and 2017
(All amounts in thousands, except for share and per share data, or otherwise noted)

	For the Years Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$(Note 2(d))
Cash flows from operating activities:				
Net loss	(1,466,287)	(2,422,332)	(771,316)	(118,550)
Depreciation of property and equipment	28,041	66,510	65,704	10,099
Amortization of intangible assets	57,810	145,063	150,092	23,069
Allowance for doubtful accounts	—	30,919	45,808	7,041
Change in fair value of contingent consideration	—	(1,225)	5,572	856
Foreign exchange loss	106,271	7,597	673	103
Loss from disposal of property and equipment	210	859	562	86
Share-based compensation expenses	65,143	92,419	98,675	15,166
Change in deferred tax liabilities	(1,057)	(2,322)	(2,314)	(356)
Changes in operating assets and liabilities:				
Accounts receivable	(74,475)	(92,147)	(64,286)	(9,881)
Amounts due from related parties	(59,367)	(395,228)	283,901	43,635
Prepayments and other current assets	(593,972)	(379,924)	691,932	106,348
Accrued interests of yield enhancement products	(6,374)	(29,318)	15,114	2,323
Other non-current assets	(317,775)	288,460	(9,668)	(1,486)
Accounts payable	370,438	133,809	(167,262)	(25,708)
Amounts due to related parties	28,762	3,764	54,398	8,361
Salary and welfare payable	66,728	42,688	(4,930)	(758)
Taxes payable	4,089	(1,075)	20,417	3,138
Advances from customers	486,301	668,567	(595,876)	(91,584)
Accrued expenses and other liabilities	775,008	(399,107)	(221,018)	(33,970)
Accrued interests of amounts due to the individual investors of yield enhancement products	4,679	8,065	(11,183)	(1,719)
Non-current liabilities	11,092	(5,486)	(3,644)	(560)
Net cash used in operating activities	(514,735)	(2,239,444)	(418,649)	(64,347)
Cash flows from investing activities:				
Purchase of short-term investments	(1,139,691)	(5,097,309)	(2,488,010)	(382,400)
Proceeds from maturity of short-term investments	442,136	2,847,284	3,271,860	502,876
Purchase of yield enhancement products	(718,619)	(807,210)	—	—
Proceeds from maturity of yield enhancement products	10,865	538,485	434,977	66,855
Increase in loan receivable	—	(18,038)	(16,438)	(2,526)
Changes in restricted cash	(294,387)	214,436	32,752	5,034
Purchase of property and equipment and intangible assets	(155,478)	(117,894)	(160,497)	(24,668)
Cash paid for long-term investments	—	(57,500)	(426,227)	(65,510)
Proceeds from disposal of property and equipment	155	—	—	—
Cash paid for acquisition, net of cash received	(60,149)	(16,501)	(111)	(17)
Net cash (used in)/provided by investing activities	(1,915,168)	(2,514,247)	648,306	99,644

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

TUNIU CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015, 2016 and 2017
(All amounts in thousands, except for share and per share data, or otherwise noted)

For the Years Ended December 31,

	2015	2016	2017	
	RMB	RMB	RMB	US$(Note 2(d))
Cash flows from financing activities:				
Proceeds from the private placement, net of issuance cost	2,430,223	3,275,835	—	—
Cash paid for repurchase of ordinary shares	—	(19,708)	(166,149)	(25,537)
Proceeds from issuance of ordinary shares upon exercise of options	12,637	8,483	67,344	10,351
Contingent consideration paid for business acquisitions	—	(2,250)	(6,800)	(1,045)
Acquisition of noncontrolling interests	(1,496)	—	—	—
Cash contribution from noncontrolling interests	—	—	3,599	553
Proceeds from sales/(redemption) of yield enhancement products	579,474	274,698	(682,760)	(104,938)
Repayment of short-term debt	(15,000)	—	—	—
Cash contribution from redeemable noncontrolling interest holders	—	90,000	—	—
Net cash provided by/(used in) financing activities	3,005,838	3,627,058	(784,766)	(120,616)
Effect of exchange rate changes on cash and cash equivalents	67,560	110,652	(46,026)	(7,074)
Net increase/(decrease) in cash and cash equivalents	643,495	(1,015,981)	(601,135)	(92,393)
Cash and cash equivalents at the beginning of year	1,457,722	2,101,217	1,085,236	166,798
Cash and cash equivalents at the end of year	2,101,217	1,085,236	484,101	74,405
Supplemental disclosure of cash flow information				
Income tax paid	—	1,506	12,199	1,875
Supplemental disclosure of non-cash investing and financing activities				
Accrual related to purchase of property and equipment	18,953	16,963	11,859	1,823
Receivables related to exercise of stock options	(3,379)	(163)	(385)	(59)
Accrual related to business acquisition	42,116	39,344	38,116	5,858

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

TUNIU CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in thousands, except for share and per share data, or otherwise noted)

1. Organization and Principal Activities

Tuniu Corporation (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands. The Company, its subsidiaries and the consolidated variable interest entity (“VIE”) and its subsidiaries (collectively referred to as the “Affiliated Entities”) are collectively referred to as the “Group”. The Group’s principal activity is the provision of travel-related services in the People’s Republic of China (“PRC”).

As of December 31, 2017, the Company’s significant consolidated subsidiaries and the consolidated Affiliated Entities are as follows:

Name of subsidiaries and Affiliated entities	Date of establishment/acquisition	Place of incorporation	Percentage of direct or indirect economic ownership
Subsidiaries of the Company:			
Tuniu (HK) Limited	Established on May 20, 2011	Hong Kong	100%
Tuniu (Nanjing) Information Technology Co., Ltd.	Established on August 24, 2011	PRC	100%
Beijing Tuniu Technology Co., Ltd. (“Beijing Tuniu”)	Established on September 8, 2008	PRC	100%
Xiamen Suiwang International Travel Service Co., Ltd.	Established on January 26, 2016	PRC	100%
Tianjin Tuniu International Travel Service Co., Ltd.	Established on March 23, 2016	PRC	100%
Variable Interest Entity (“VIE”)			
Nanjing Tuniu Technology Co., Ltd. (“Nanjing Tuniu”)	Established on December 18, 2006	PRC	100%
Subsidiaries of VIE			
Shanghai Tuniu International Travel Service Co., Ltd.	Acquired on August 22, 2008	PRC	100%
Nanjing Tuniu International Travel Service Co., Ltd.	Acquired on December 22, 2008	PRC	100%
Beijing Tuniu International Travel Service Co., Ltd.	Acquired on November 18, 2009	PRC	100%
Nanjing Tuzhilv Tickets Sales Co., Ltd.	Established on April 19, 2011	PRC	100%
Beijing Global Tour International Travel Service Co., Ltd.	Acquired on July 1, 2015	PRC	75.02%
Tuniu Insurance Brokers Co., Ltd.	Acquired on August 11, 2015	PRC	100%

2. Principal Accounting Policies

(a) Basis of Presentation

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

Certain prior year balances have been adjusted to conform to the current year presentation. Such reclassifications relate to the adoptions of Accounting Standards Update (“ASU”) 2014-09 as further described in Note 2(r) “Revenue Recognition” and Note 2(ae) “Recently Issued Accounting Pronouncements”.

2. Principal Accounting Policies - continued

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the Affiliated Entities for which the Company is the primary beneficiary. Subsidiaries are those entities 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, or to cast a majority of votes at the meeting of board of directors, or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, bears the risks of, and enjoys the rewards normally associated with, ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity. All significant transactions and balances among the Company, its subsidiaries and the Affiliated Entities have been eliminated upon consolidation.

To comply with PRC laws and regulations that restrict foreign equity ownership of companies that operate internet content, travel agency and air-ticketing services, the Company operates its website and engaged in such restricted services through Nanjing Tuniu and its subsidiaries. Nanjing Tuniu's equity interests are held by Dunde Yu, the Company's Chief Executive Officer, Haifeng Yan, the Company's director, and several other PRC citizens. On September 17, 2008, Beijing Tuniu, one of the Company's wholly foreign owned subsidiaries, entered into a series of agreements with Nanjing Tuniu and its shareholders. Pursuant to these agreements, Beijing Tuniu has the ability to direct substantially all the activities of Nanjing Tuniu, and absorb substantially all of the risks and rewards of the Affiliated Entities. As a result, the Company is the primary beneficiary of Nanjing Tuniu, and has consolidated the Affiliated Entities.

Contractual arrangements

On September 17, 2008, Beijing Tuniu entered into a series of contractual agreements with Nanjing Tuniu and its shareholders. The following is a summary of the agreements which allow the Company to exercise effective control over Nanjing Tuniu:

(1) Purchase Option Agreement.

Under the purchase option agreement entered between Beijing Tuniu and the shareholders of Nanjing Tuniu on September 17, 2008, Beijing Tuniu has the irrevocable exclusive right to purchase, or have its designated person or persons to purchase all or part of the shareholders' equity interests in Nanjing Tuniu at RMB1,800 which was increased to RMB2,430 in March 2014. The option term remains valid for a period of 10 years and can be extended indefinitely at Beijing Tuniu's discretion. The purchase consideration was paid by Beijing Tuniu to the shareholders of Nanjing Tuniu shortly after the purchase option agreement was entered. On January 24, 2014, the Company amended and restated the purchase option agreement, and the effective term of the purchase option agreement has been changed to until all equity interests held in Nanjing Tuniu are transferred or assigned to Beijing Tuniu or its designated person or persons.

(2) Equity Interest Pledge Agreement.

Under the equity interest pledge agreement entered between Beijing Tuniu and the shareholders of Nanjing Tuniu on September 17, 2008, the shareholders pledged all of their equity interests in Nanjing Tuniu to guarantee their performance of their obligations under the purchase option agreement. If the shareholders of Nanjing Tuniu breach their contractual obligations under the purchase option agreement, Beijing Tuniu, as the pledgee, will have the right to either conclude an agreement with the pledgor to obtain the pledged equity or seek payments from the proceeds of the auction or sell-off of the pledged equity to any person pursuant to the PRC law. The shareholders of Nanjing Tuniu agreed that they will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests. During the equity pledge period, Beijing Tuniu is entitled to all dividends and other distributions made by Nanjing Tuniu. The equity interest pledge agreement remains effective until the shareholders of Nanjing Tuniu discharge all their obligations under the purchase option agreement, or Beijing Tuniu enforces the equity interest pledge, whichever is earlier.

2. Principal Accounting Policies - continued

(b) Principles of Consolidation - continued

(3) Shareholders' Voting Rights Agreement.

Under the shareholders' voting rights agreement entered between Beijing Tuniu and the shareholders of Nanjing Tuniu on September 17, 2008, each of the shareholders of Nanjing Tuniu appointed Beijing Tuniu's designated person as their attorney-in-fact to exercise all of their voting and related rights with respect to their equity interests in Nanjing Tuniu, including attending shareholders' meetings, voting on all matters of Nanjing Tuniu, nominating and appointing directors, convene extraordinary shareholders' meetings, and other voting rights pursuant to the then effective articles of association. The shareholders' voting rights agreement will remain in force for an unlimited term, unless all the parties to the agreement mutually agree to terminate the agreement in writing or cease to be shareholders of Nanjing Tuniu.

(4) Irrevocable Powers of Attorney.

Under the powers of attorney issued by the shareholders of Nanjing Tuniu on September 17, 2008, the shareholders of Nanjing Tuniu each irrevocably appointed Mr. Tao Jiang, a person designated by Beijing Tuniu, as the attorney-in-fact to exercise all of their voting and related rights with respect to their equity interests in Nanjing Tuniu. Each power of attorney will remain in force until the shareholders' voting rights agreement expires or is terminated. On January 24, 2014, the shareholders of Nanjing Tuniu issued powers of attorney to irrevocably appoint Beijing Tuniu as the attorney-in-fact to exercise all of their voting and related rights with respect to their equity interests in Nanjing Tuniu. These powers of attorney replaced the powers of attorney previously granted to Mr. Tao Jiang on September 17, 2008.

(5) Cooperation Agreement.

Under the cooperation agreement entered between Beijing Tuniu and Nanjing Tuniu, Beijing Tuniu has the exclusive right to provide Nanjing Tuniu technology consulting and services related to Nanjing Tuniu's operations, which require certain licenses. Beijing Tuniu owns the exclusive intellectual property rights created as a result of the performance of this agreement. Nanjing Tuniu agrees to pay Beijing Tuniu a monthly service fee for services performed, and the monthly service fee shall not be lower than 100% of Nanjing Tuniu's profits generated from such cooperation, which equal revenues generated from such cooperation, after deducting the expenses it incurred. This agreement remains effective for an unlimited term, unless the parties mutually agree to terminate the agreement, one of the parties is declared bankrupt or Beijing Tuniu is not able to provide consulting and services as agreed for more than three consecutive years because of force majeure. On January 24, 2014, the Company amended and restated the Cooperation Agreement. In the amended and restated agreement, the service fee has been changed to a quarterly payment which equals the profits of each of Nanjing Tuniu and its subsidiaries, and that Beijing Tuniu can adjust the service fee at its own discretion. Also in the amended and restated Cooperation Agreement, Beijing Tuniu has the unilateral right to terminate the agreement.

In the years ended December 31, 2015, 2016 and 2017, the Company and its subsidiaries received service fees of RMB42,367, RMB109,572 and RMB138,054, respectively, from its consolidated Affiliated Entities, which were eliminated in the consolidated financial statements.

2. Principal Accounting Policies - continued

(b) Principles of Consolidation - continued

Risks in relation to the VIE structure

The Group believes that each of the agreements and the powers of attorney under the contractual arrangements among Beijing Tuniu, Nanjing Tuniu and its shareholders is valid, binding and enforceable, and does not and will not result in any violation of PRC laws or regulations currently in effect. The legal opinion of Fangda Partners, which was the Company's PRC legal counsel, also supports this conclusion. The shareholders of Nanjing Tuniu are also shareholders, nominees of shareholders, or designated representatives of shareholders of the Company and therefore have no current interest in seeking to act contrary to the contractual arrangements. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements and if the shareholders of Nanjing Tuniu were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms.

The Company's ability to control Nanjing Tuniu also depends on the power of attorney Beijing Tuniu has to vote on all matters requiring shareholder approval in Nanjing Tuniu. As noted above, the Company believes this power of attorney is legally enforceable but it may not be as effective as direct equity ownership.

In addition, if the legal structure and contractual arrangements were found to be in violation of any existing PRC laws and regulations, the PRC government could:

- levying fines or confiscate the Group's income;
- revoke the Group's business or operating licenses;
- require the Group to discontinue, restrict or restructure its operations;
- shut down the Group's servers or block the Group's websites and mobile platform;
- restrict or prohibit the use of the Group's financing proceeds to finance its business and operations in China; or
- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business

The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's business. In addition, the imposition of any of these penalties may cause the Group to lose the right to direct the activities of Nanjing Tuniu (through its equity interest in its subsidiaries) or the right to receive economic benefits from the Affiliated Entities. Therefore, a risk exists in that the Group would no longer be able to consolidate Nanjing Tuniu and its subsidiaries. On February 19, 2015, the PRC Ministry of Commerce ("MOFCOM") published the draft Foreign Investment Law. If enacted as proposed, the Foreign Investment Law may cause the Group's VIE to be deemed as entities with foreign investment and as a result the Group's VIE and subsidiaries in which the VIE has direct or indirect equity ownership could become explicitly subject to the current restrictions on foreign investment that engaged in an industry on the negative list. If the enacted version of the foreign investment Law and the final negative list mandate further actions, such as MOFCOM market entry clearance or certain restructuring of corporate structure and operations to be completed by companies with existing VIE structure similar to the one described above, the Group will face substantial uncertainties as to whether these actions can be timely completed, or at all. As a result, the Group's operating result and financial condition may be adversely affected.

Summary financial information of the Affiliated Entities in the consolidated financial statements

As of December 31, 2017, the aggregate accumulated deficit of the Affiliated Entities was RMB 3,735 million prior to the elimination of transactions between the Affiliated Entities and the Company or the Company's subsidiaries.

2. Principal Accounting Policies - continued

(b) Principles of Consolidation - continued

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

The following assets, liabilities, revenues and loss of the Affiliated Entities were included in the consolidated financial statements as of December 31, 2016 and 2017 and for the years ended December 31, 2015, 2016 and 2017:

	As of December 31,		
	2016	2017	
	RMB	RMB	US$(Note 2(d))
ASSETS			
Current assets			
Cash and cash equivalents	206,917	289,259	44,458
Restricted cash	123,748	90,854	13,964
Short-term investments	323,393	1,685,045	258,987
Accounts receivable, net	178,177	140,464	21,589
Intercompany receivables	7,039	1,595,225	245,182
Prepayments and other current assets	1,223,887	228,604	35,136
Yield enhancement products and accrued interest	449,528	21,337	3,279
Total current assets	2,512,689	4,050,788	622,595
Non-current assets			
Long-term investments	75,000	501,227	77,037
Property and equipment, net	95,433	84,755	13,027
Intangible assets, net	100,286	95,550	14,686
Goodwill	137,074	137,074	21,068
Yield enhancement products over one year and accrued interest	562,643	170,505	26,206
Other non-current assets	35,551	27,258	4,189
Total non-current assets	1,005,987	1,016,369	156,213
Total assets	3,518,676	5,067,157	778,808
LIABILITIES			
Current liabilities			
Accounts payable	939,741	629,707	96,784
Salary and welfare payable	167,747	157,440	24,198
Taxes payable	8,206	8,952	1,376
Advances from customers	1,795,560	1,145,306	176,030
Intercompany payable	2,528,229	4,966,577	763,349
Accrued expenses and other current liabilities	557,226	334,286	51,379
Amount due to the individual investors of yield enhancement products	871,914	177,971	27,354
Total current liabilities	6,868,623	7,420,239	1,140,470
Non-current liabilities	31,460	1,378,584	211,884
Total liabilities	6,900,083	8,798,823	1,352,354

2. Principal Accounting Policies - continued

(b) Principles of Consolidation - continued

	For the Years Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$ (Note 2(d))
Net revenues	7,781,754	10,562,269	1,954,746	300,439
Net loss	(1,055,593)	(2,034,208)	(348,755)	(53,603)
Net cash used in operating activities	(87,299)	(972,677)	(232,926)	(35,800)
Net cash used in investing activities	(1,374,894)	(193,029)	(988,393)	(151,913)
Net cash provided by financing activities	1,736,720	995,740	1,303,661	200,369

Certain financial data of 2015 and 2016 listed in the tables above have been recast as a result of the adoption of Accounting Standards Update (“ASU”) 2014-09 as further described in Note 2(r) “Revenue Recognition” and Note 2(ae) “Recently Issued Accounting Pronouncements”.

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

Under the contractual arrangements with Nanjing Tuniu and through its equity interest in its subsidiaries, the Group has the power to direct the activities of the Affiliated Entities and direct the transfer of assets out of the Affiliated Entities. As the consolidated Affiliated Entities are each incorporated as a limited liability company under the PRC Company Law, the creditors do not have recourse to the general credit of the Company for all of the liabilities of the consolidated Affiliated Entities.

Liquidity

The Group’s consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. The Group incurred net losses of approximately RMB1,463,281, RMB2,407,194 and RMB767,304 for the years ended December 31, 2015, 2016 and 2017, respectively. Net cash used in operating activities was approximately RMB514,735 and RMB2,239,444 and RMB418,649 for the years ended

December 31, 2015, 2016 and 2017, respectively. Accumulated deficit was RMB2,331,399, RMB4,738,593 and RMB5,505,897 as of December 31, 2015, 2016 and 2017, respectively. The Group has adopted ASU No. 2014-15, "Presentation of Financial Statements – Going Concern". As of December 31, 2017, the Group had net current assets and management believes that the Group's available cash, cash equivalents, short-term investments and cash generated from operations will be sufficient to meet working capital requirements and capital expenditures in the ordinary course of business for the next twelve months.

(c) Use of Estimates

The preparation of the Group's consolidated financial statements in conformity with the U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Actual results could differ materially from those estimates. Significant accounting estimates reflected in the Group's consolidated financial statements mainly include revenue recognition, recoverability of receivables, estimating useful lives of property and equipment and intangible assets, impairment for goodwill and long-lived assets, the purchase price allocation in relation to business combination, fair value of contingent considerations with respect to business combinations, losses due to committed tour reservations, the valuation allowance for deferred tax assets and the determination of uncertain tax positions.

2. Principal Accounting Policies - continued

(d) Functional Currency and Foreign Currency Translation

The Group uses Renminbi ("RMB") as its reporting currency. The functional currency of the Company and its subsidiaries incorporated outside of PRC is the United States dollar ("US$"), while the functional currency of the PRC entities in the Group is RMB as determined based on ASC 830, *Foreign Currency Matters* .

Transactions denominated in other than the functional currencies are re-measured into the functional currency of the entity at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are re-measured at the balance sheet date exchange rate. The resulting exchange differences are included in the consolidated statements of comprehensive loss as foreign exchange gains / losses.

When preparing the consolidated financial statements presented in RMB, assets and liabilities of the Company and its subsidiaries incorporated outside of PRC are translated into RMB at fiscal year-end exchange rates, and equity accounts are translated into RMB at historical exchange rates. Income and expense items are translated at average exchange rates prevailing during the respective fiscal years. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as a component of accumulated other comprehensive income or loss in the consolidated statement of changes in shareholders' equity.

The unaudited United States dollar amounts disclosed in the accompanying financial statements are presented solely for the convenience of the readers. Translations of amounts from RMB into US$ for the convenience of the reader were calculated at the rate of US$1.00 = RMB 6.5063 on December 29, 2017, as set forth in H.10 statistical release of the Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at that rate on December 29, 2017, or at any other rate.

(e) Fair Value Measurement

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

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

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

2. Principal Accounting Policies - continued

(e) Fair Value Measurement - continued

The Group's financial instruments include cash and cash equivalents, restricted cash, short-term investments, accounts receivable, accounts payable, amounts due from and due to related parties, balance in relation to yield enhancement products, other long-term investments and certain accrued liabilities and other current liabilities. The carrying values of these financial instruments approximated their fair values due to the short-term maturity of these instruments except for short-term investments and other long-term investments which are carried at fair value at each balance sheet date. Short-term investments and other long-term investments classified within Level 2 are valued using directly or indirectly observable inputs in the market place, which are summarized below:

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

	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)		
	2016	2017	
	RMB	RMB	US$ (Note 2(d))
Short-term investment	3,603,497	3,084,634	474,100
Other long-term investment	—	394,923	60,699

(f) Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and demand deposits placed with banks, other financial institutions and Alipay, a third party payment processor, which are unrestricted as to withdrawal or use.

(g) Restricted Cash

Restricted cash represents cash that cannot be withdrawn without the permission of third parties. The Group's restricted cash mainly represents (i) cash deposits required by tourism administration departments as a pledge to secure travellers' rights and interests, (ii) cash deposits required by China Insurance Regulatory Commission for engaging in insurance agency or brokering activities. (iii) the deposits held in designated bank accounts for issuance of bank acceptance notes and letter of guarantee, and required by the Group's business partners.

(h) Short-term Investments

Short-term investments are comprised of investments in financial products issued by banks or other financial institutions, which contain a fixed or variable interest rate and with original maturities between three months and one year. Such investments are generally not permitted to be redeemed early or are subject to penalties for redemption prior to maturity. Given the short-term nature, the carrying value of short-term investments approximates their fair value. There was no other-than-temporary impairment of short-term investments for the years ended December 31, 2015, 2016 and 2017. As of December 31, 2017, time deposits of RMB215,629 was held as a pledge for issuance letter of guarantee, and required by the Group's business partners.

(i) Accounts Receivable, net

The Group's accounts receivable mainly consist of amounts due from the corporate customers, travel agents, insurance companies and travel boards or bureaus, which are carried at the original invoice amount less an allowance for doubtful accounts. The Group reviews accounts receivable on a periodic basis and makes allowances when there is doubt as to the collectability of individual balances. The Group evaluates the collectability of accounts receivable considering many factors including reviewing accounts receivable balances, historical bad debt rates, payment patterns, counterparties' credit worthiness and financial conditions, and industry trend analysis. The Group recognized allowance for doubtful accounts of nil, RMB5,297 and RMB13,332 for the year ended December 31, 2015, 2016 and 2017, respectively.

The following table summarized the details of the Group's allowance for doubtful accounts:

	For the Years Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$ (Note 2(d))
Balance at beginning of year	—	—	4,856	746
Provision for doubtful accounts	—	5,297	13,332	2,049
Write-offs	—	(441)	(1,283)	(197)
Balance at end of period	—	4,856	16,905	2,598

2. Principal Accounting Policies - continued

(j) Long-term investments

Long-term investments include cost-method investments, equity-method investments and other long-term investments.

The Group accounts for the investment in a private entity of which the Group owns less than 20% of the voting securities and does not have the ability to exercise significant influence over operating and financial policies of the entity as cost-method investment. The Group's cost-method investment is carried at historical cost in its consolidated financial statements and measured at fair value on a nonrecurring basis when there are events or changes in circumstances that may have a significant adverse effect. An impairment loss is recognized in the consolidated statements of comprehensive loss equal to the excess of the investment's cost over its fair value when the impairment is deemed other-than-temporary.

The Group accounts for the investments in entities with significant influence under equity-method accounting. Under this method, the Group's pro rata share of income (loss) from an investment is recognized in the consolidated statements of comprehensive loss. Dividends received reduce the carrying amount of the investment. Equity-method investment is reviewed for impairment by assessing if the decline in fair value of the investment below the carrying value is other-than-temporary. In making this determination, factors are evaluated in determining whether a loss in value should be recognized. These include consideration of the intent and ability of the Group to hold investment and the ability of the investee to sustain an earnings capacity, justifying the carrying amount of the investment. Impairment losses are recognized when a decline in value is deemed to be other-than-temporary.

Other long-term investments include financial products with maturities over one year, which are carried at their fair value at each balance sheet date and changes in fair value are reflected in the consolidated statements of operations and comprehensive income.

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

No event had occurred and indicated that other-than-temporary impairment existed and therefore the Group did not record any impairment charges for its investments for the years ended December 31, 2016 and 2017.

(k) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment if applicable. Property and equipment are depreciated over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

Category	Estimated useful life
Computers and equipment	3 - 5 years
Buildings	16 - 20 years
Furniture and fixtures	3 - 5 years
Vehicles	3 - 5 years
Software	5 years
Leasehold improvements	Over the shorter of the lease term or the estimated useful life of the asset ranging from 1 – 9 years

2. Principal Accounting Policies - continued

(k) Property and Equipment - continued

Construction in progress represents leasehold improvements under construction or being installed and is stated at cost. Cost comprises original cost of property and equipment, installation, construction and other direct costs. Construction in progress is transferred to leasehold improvements and depreciation commences when the asset is ready for its intended use.

Gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of comprehensive loss.

(l) Capitalized Software Development Cost

The Group has capitalized certain direct development costs associated with internal-used software in accordance with ASC 350-40, " *Internal-use software"* , which requires the capitalization of costs relating to certain activities of developing internal-use software that occur during the application development stage. Costs capitalized mainly include payroll and payroll-related costs for employees who devoted time to the internal-use software projects during the application development stage. Capitalized internal-use software costs are stated at cost less accumulated amortization and the amount is included in "property and equipment, net" on the consolidated balance sheets, with an estimated useful life of five years. Software development cost capitalized amounted to RMB7,572, RMB8,516 and RMB19,545 for the years ended December 31, 2015, 2016 and 2017, respectively. The amortization expense for capitalized software costs amounted to RMB2,212, RMB3,768 and RMB5,729 for the years ended December 31, 2015, 2016 and 2017, respectively. The unamortized amount of capitalized internal use software development costs was RMB30,940 as of December 31, 2017.

(m) Business combination

U.S. GAAP requires that all business combinations not involving entities or businesses under common control be accounted for under the purchase method. The Group has adopted ASC 805 *"Business Combinations"* , and 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 transaction 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 the (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 operations 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, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to forecast the future 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 management believes 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. The Group recognized adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined.

A noncontrolling interest is recognized to reflect the portion of a subsidiary's equity which is not attributable, directly or indirectly, to the Group. Consolidated net loss on the consolidated statements of comprehensive loss includes the net loss attributable to noncontrolling interests when applicable. The cumulative results of operations attributable to noncontrolling interests are also recorded as noncontrolling interests in the Group's consolidated balance sheets. Cash flows related to transactions with noncontrolling interests are presented under financing activities in the consolidated statements of cash flows when applicable.

2. Principal Accounting Policies - continued

(n) Intangible Assets

Intangible assets purchased are recognized and measured at cost upon acquisition and intangible assets arising from acquisitions of subsidiaries are recognized and measured at fair value upon acquisition. The Company's purchased intangible assets include computer software, which are amortized on a straight-line basis over their estimated useful lives 3 years. Separable intangible assets arising from acquisitions consist of trade names, customer relationship, software, non-compete agreements, travel licenses, insurance agency license and business cooperation agreement with JD.com Inc., which are amortized on a straight-line basis over their estimated useful lives of 3.5 to 20 years. The estimated life of intangible assets subject to amortization is reassessed if circumstances occur that indicate the life has changed. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. No impairment of intangible assets was recognized for the years ended December 31, 2015, 2016 and 2017.

(o) Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable assets and liabilities acquired in business combinations. Goodwill is not amortized, but tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

The Group adopted Accounting Standards Update ("ASU") 2011-08, " *Intangibles—Goodwill and Other (Topic 350)* ". This accounting standard gives the Group an option to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, goodwill is then tested following a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying amount of a reporting unit's goodwill. The fair value of each reporting unit is determined by the Group using the expected present value of future cash flows. The key assumptions used in the calculation include the long-term growth rates of revenue and gross margin, working-capital requirements and discount rates. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination, with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Management performs its annual goodwill impairment test on October 1.

No impairment loss was recognized for the years ended December 31, 2015, 2016 and 2017.

2. Principal Accounting Policies - continued

(p) Impairment of long-lived assets

The Group evaluates its long-lived assets and finite lived intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, the Group measures impairment by comparing the carrying amount of the assets to future undiscounted net 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 Group recognizes an impairment loss equal to the difference between the carrying amount and fair value of these assets. No impairment of long-lived assets was recognized during the years ended December 31, 2015, 2016 and 2017.

(q) Advances from Customers

Advances from customers represent the amounts travellers pay in advance to purchase packaged tours or other travelling products. Among the cash proceeds from travellers, the amounts payable to tour operators are recorded as accounts payable and the remaining are recognized as revenues when revenue recognition criteria are met.

(r) Revenue Recognition

The Group's revenue is primarily derived from sales of packaged tours and other service fees.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. Subsequently, the FASB issued several amendments which amends certain aspects of the guidance in ASC 2014-09 (ASU No. 2014-09 and the related amendments are collectively referred to as "ASC 606"). According to ASC 606, revenue is recognized when control of the promised services is transferred to our customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those services. The Group adopted this new revenue standard effective from January 1, 2017 by applying the full retrospective method. Refer to note 2 (ae) for the effects of the adoption of ASC 606 on the Group's consolidated balance sheet as of December 31, 2016 and its consolidated statements of comprehensive loss for the years ended December 31, 2015 and 2016.

Packaged tours: Packaged tours include organized tours which offer pre-arranged itineraries, transportations, accommodations, entertainments, meals and tour guide services; and self-guided tours which consist of combinations of air tickets and hotel bookings and other optional add-ons, such as airport pick-ups that the travellers choose at their discretion.

Prior to January 2017, substantially all of the Group's revenues from organized tours were recognized on a gross basis, which represented amounts charged to and received from travellers (who were the Group's customers). The Group was the primary obligor in the organised tour arrangements and bore the risks and rewards, including the travellers' acceptance of products and services delivered. Even though the Group did not generally assume the substantive inventory risk before travellers placed an order, the Group was the party retained by and paid by the travellers, and the Group was responsible for (and solely authorized to) refunding travellers their payments in situations of customer disputes. Further, the Group independently selected travel service suppliers, and determined the prices charged to customers and paid to its travel suppliers.

Since the beginning of 2017, the Group has implemented certain changes in its arrangements with the tour operators. The Group's role in the organized tour arrangements has changed from being a principal into an agent that provides tour booking services to the tour operators and travellers. Under the current organized tour arrangements, the tour operators are primarily responsible for all aspects of providing services relating to the tour and responsible for the resolution of customer disputes and any associated costs. As a result of the change of the Group's role, starting from January 1, 2017, revenues from organized tours (except for those that the Group takes substantive inventory risks) are generally reported on net basis, representing the difference between what the Group receives from the travellers and the amounts due to the tour operators.

Revenues from self-guided tours are recognized on a net basis, as the Group has no involvement in determining the service, and provides no additional services to travellers other than the booking services. Suppliers are responsible for all aspects of providing the air transportation and hotel accommodation, and other travel-related services. As such, the Group is an agent for the travel service providers in these transactions and revenues are reported on a net basis.

2. Principal Accounting Policies - continued

(r) Revenue Recognition - continued

Under certain circumstances, the Group may enter into contractual commitments with suppliers to reserve tours, and is required to pay a deposit to ensure tour availabilities. Some of these contractual commitments are non-cancellable, and to the extent the reserved tours are not sold to customers, the Group would be liable to pay suppliers a pre-defined or negotiated penalty, thereby assuming inventory risks. For packaged tour arrangements that the Group undertakes inventory risk which is considered to be substantive, revenues are recognized on gross basis. Revenues for such arrangements that the Group undertakes substantive inventory risk were RMB497,918 for the year ended December 31, 2017, which were recorded in revenues for packaged tours.

Under ASC 606, revenues from organized tours for which the company was a principal for the years 2015 and 2016 were recognized over the period of the tours when control over the tour services was transferred to the customers over such period. Starting from January 1, 2017, under the current arrangements for the organized tours, revenues from organized tours for which the company is an agent are recognized when the tours depart, as control over the tour booking services is transferred to the customers when the tour booking is completed and successful.

Under ASC 606, revenues from self-guided tours are recognized when the tours depart.

Other revenues : Other revenues primarily comprise revenues generated from(i) service fees received from insurance companies, (ii) commission fees from other travel-related products and services, such as tourist attraction tickets, visa application services, accommodation reservation and transportation ticketing, (iii) fees for advertising services that we provide primarily to domestic and foreign tourism boards and bureaus, and (iv) service fees for financial services and interest income for yield enhancement products. Revenue is recognized when the services are rendered or when the tickets are issued.

The Group commenced the financial business in 2015. Certain domestic financial assets exchanges (the “Exchange”) and trust companies offered the yield enhancement products through the Group’s online platform and the Group charged these companies for the service fees which were recorded as other revenue upon the delivery of service. The service revenues were insignificant for the year ended December 31, 2015, 2016 and 2017.

Further, from 2016 in certain cases, the Group purchased yield enhancement products with maturities ranged from three months to two years from the Exchanges and trust companies and split these products into smaller amount yield enhancement products with lower yield rate and shorter maturities within one year, which were offered to individual investors through the Group’s online platform. The split of the products were arranged by Exchanges. As of December 31, 2016 and 2017, yield enhancement products purchased from the Exchanges and trust companies with maturities within one year and accrued interest with the balances of RMB449,528 and RMB31,337 were recorded in current assets, and balances with the maturities over one year of RMB562,643 and RMB170,505 were recorded in non-current assets. Interest revenues of RMB78,666 and RMB50,867 were recorded as other revenues for the year ended December 31, 2016 and 2017, respectively. As of December 31, 2016 and 2017, yield enhancement products held by the individual investors with maturities within one year of RMB871,914 and RMB177,971 were recorded in current liabilities. Interest costs of RMB59,709 and RMB34,499 were recorded as cost of revenue for the year ended December 31, 2016 and 2017, respectively.

The Group also provided online lending services in 2017 and fees charged in connection with this financial service were recorded as other revenue. The amount of such service revenue for the year ended December 31, 2017 was RMB220,701.

2. Principal Accounting Policies - continued

(r) Revenue Recognition - continued

Customer incentives

From time to time, travelers are offered coupons, travel vouchers, membership points, or cash rewards as customer incentives. The Group accounts for these customer incentives in accordance with ASC 606. For customer incentives offered where prior purchase is not required, the Group accounts for them as a reduction of revenue when the coupons and vouchers are utilized to purchase travelling products or as selling and marketing expenses when membership points are redeemed for merchandises. For customer incentives offered from prior purchase, the Group estimates the amount associated with the future obligation to customers, and records as a reduction of revenue when revenue is recognized. Unredeemed incentives are recorded in other current liabilities in the consolidated balance sheets. The Group estimates liabilities under the customer loyalty program based on accumulated customer incentives, and the estimate of probability of redemption in accordance with the historical redemption pattern. The actual expenditure may differ from the estimated liability recorded. Prior to April 2015, the Group recorded estimated liabilities for all points earned by customers as the Group did not have sufficient historical information to determine point forfeitures or breakage. The Group, with accumulated knowledge on membership points and cash rewards redemption and expiration, began to apply historical redemption rates in estimating the costs of points earned from May 2015 onwards. As of December 31, 2016 and 2017, liabilities recorded related to membership points and cash rewards were RMB46,594 and RMB2,142, respectively.

Business and related taxes, and value-added tax

The Group was mainly subject to business and related taxes on services provided in the PRC at applicable rates before May 1, 2016, which were deducted from revenues to arrive at net revenue. On May 1, 2016, the transition from the imposition of PRC business tax to the imposition of value-added tax ("VAT") was expanded to all industries in China. The Group's business has been subject to VAT since that date, and were permitted to offset input VAT supported by valid VAT invoices received from vendors against their VAT liability. VAT on the invoiced amount collected by the Group on behalf of tax authorities in respect of services provided, net of VAT paid for purchases, is recorded as a liability until it is paid to the tax authorities.

2. Principal Accounting Policies - continued

(s) Cost of Revenues

Cost of revenues mainly consists of salaries and other compensation-related expenses related to the Group's tour advisors, customer services representatives, and other personnel related to tour transactions, and other expenses directly attributable to the Group's principal operations, primarily including payment processing fees, telecommunication expenses, rental expenses, depreciation expenses, interest expenses for yield enhancement products, and other service fee for financial service. For the arrangements where the Group secures availabilities of tours and bears substantive inventory risks and for the organized tours prior to 2017, from which revenues are recognized on a gross basis, cost of revenues also includes the amount paid to tour operators or suppliers.

Losses arising from the committed tour reservations in abovementioned arrangements where the Group secures availabilities of tours were recorded in "cost of revenues" in the consolidated statements of comprehensive loss, which were RMB17,780 and RMB45,494 for the years ended December 31, 2015 and 2016. Commencing in 2017, since the Group changed its role from principal to agent in the organized tour arrangements and revenues were recognized on a net basis, losses arising from the committed tour reservations were recorded as deductions to revenues, which were RMB11,009 for the year ended December 31, 2017.

(t) Advertising Expenses

Advertising expenses, which primarily consist of online marketing expense and brand marketing expenses through various forms of media, are recorded in sales and marketing expenses as incurred. Advertising expenses were RMB899,015, RMB1,270,598 and RMB302,987 for the years ended December 31, 2015, 2016 and 2017, respectively.

(u) Research and Product Development Expenses

Research and product development expenses include salaries and other compensation-related expenses to the Group's research and product development personnel, as well as office rental, depreciation and related expenses and travel-related expenses for the Group's research and product development team. The Group recognizes software development costs in accordance with ASC 350-40 *"Software—internal use software"* . The Group expenses all costs that are incurred in connection with the planning and implementation phases of development, and costs that are associated with maintenance of the existing websites or software for internal use. Certain costs associated with developing internal-use software are capitalized when such costs are incurred within the application development stage of software development (see Note 2(l)).

2. Principal Accounting Policies - continued

(v) Leases

A lease for which substantially all the benefits and risks incidental to ownership remain with the lessor is classified as an operating lease. All leases of the Group are currently classified as operating leases. When a lease contains rent holidays or requires fixed escalations of the minimum lease payments, the Group records the total rental expense on a straight-line basis over the lease term and the difference between the straight-line rental expense and cash payment under the lease is recorded as deferred rent liabilities. As of December 31, 2016 and 2017, deferred rent of RMB10,674 and RMB10,332 was recorded as current liabilities and RMB13,791 and RMB9,548 was recorded as non-current liabilities, respectively.

(w) Share-based Compensation

The Company applies ASC 718, *"Compensation — Stock Compensation"* to account for its share-based compensation program. In accordance with the guidance, the Company determines whether a share-based 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 which are calculated using the binominal option pricing model. Share-based compensation expenses are recorded net of an estimated forfeiture rate over the service period using the straight-line method. The modifications of the terms or conditions of the shared-based award are treated as an exchange of the original award for a new award. The incremental compensation expense is equal to the excess of the fair value of the modified award immediately after the modification over the fair value of the original award immediately before the modification. For options already vested as of the modification date, the Company immediately recognized the incremental value as compensation expenses. For options still unvested as of the modification date, the incremental compensation expenses are recognized over the remaining service period of these options.

The Company's 2008 Incentive Compensation Plan allows the plan administrator to grant options and restricted shares to the Company's employees, directors, and consultants. The plan administrator is the Company's board of directors or a committee appointed and determined by the board. The board may also authorize one or more officers of the Company to grant awards under the plan. Under the 2008 Incentive Compensation Plan, options granted to employees vest upon satisfaction of a service condition, which is generally satisfied over four years. Additionally, the incentive plan provides an exercisability clause where employees can only exercise vested options upon the occurrence of the following events: (i) after the Company's ordinary shares has become a listed security, (ii) in connection with or after a triggering event (defined as a sale, transfer, or disposition of all or substantially all of the Company's assets, or a merger, consolidation, or other business combination transaction), or (iii) if the employee obtains all necessary governmental approvals and consents required. Options for which the service condition has been satisfied are forfeited should employment terminate three months prior to the occurrence of an exercisable event, which substantially creates a performance condition. This performance condition was met upon completion of the Company's initial public offering, and the associated share-based compensation expense for awards vested as of that date were recognized on May 9, 2014.

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

2. Principal Accounting Policies - continued

(w) Share-based Compensation - continued

In April 2014, the Company adopted the 2014 Share Incentive Plan, which contains no such exercisability clause. For detail of the 2014 Share Incentive Plan, please refer to Note 16 of the consolidated financial statements.

The Group recognized share-based compensation expense of RMB65,143, RMB92,419 and RMB98,675 for the years ended December 31, 2015, 2016 and 2017, respectively, which was classified as follows:

	For the Years Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$ (Note 2(d))
Cost of revenue	784	891	1,075	165
Research and product development	3,538	5,702	6,864	1,055
Sales and marketing	1,136	1,390	1,650	254
General and administrative	59,685	84,436	89,086	13,692
Total	65,143	92,419	98,675	15,166

(x) Income Taxes

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income taxes are provided using the liability method. Under this method, deferred income taxes are recognized for the tax consequences of 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 the interim condensed consolidated statements of comprehensive loss in the period of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

Uncertain tax positions

The guidance in ASC 740 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. The guidance also provides for the 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. Significant judgment is required in evaluating the Group's uncertain tax positions and determining its provision for income taxes. As of December 31, 2016 and 2017, the Group did not have any significant unrecognized uncertain tax positions or any interest or penalties associated with tax positions.

In order to assess uncertain tax positions, the Group applies a more likely than not threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

2. Principal Accounting Policies - continued

(y) Employee Benefits

Full-time employees of the Group in the PRC are entitled to welfare benefits including pension, work-related injury benefits, maternity insurance, medical insurance, unemployment benefit and housing fund plans through a PRC government-mandated defined contribution plan. Chinese labor regulations require that the Group makes contributions to the government for these benefits based on certain percentages of employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions. The Group recorded employee benefit expenses of RMB131,291, RMB256,801 and RMB263,618 for the years ended December 31, 2015, 2016 and 2017, respectively.

(z) Government Subsidies

Government subsidies are cash subsidies received by the Group's entities in the PRC from provincial and local government authorities. The government subsidies are granted from time to time at the discretion of the relevant government authorities. These subsidies are granted for general corporate purposes and to support the Group's ongoing operations in the region. Cash subsidies are recorded in other operating income on the consolidated statements of comprehensive loss when received and when all conditions for their receipt have been satisfied. The Group recognized government subsidies of RMB12,175, RMB21,098 and RMB27,322 for the years ended December 31, 2015, 2016 and 2017, respectively.

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

(aa) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Net loss is not allocated to other participating securities if based on their contractual terms they are not obligated to share in the losses. Accretion of the redeemable noncontrolling interests is deducted from the net income (loss) to arrive at net income (loss) attributable to the Company's ordinary shareholders. Diluted earnings (loss) per share is calculated by dividing net income (loss) attributable to ordinary shareholders by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares using the if-converted method, and shares issuable upon the exercise of share options using the treasury stock method. Ordinary equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such shares would be anti-dilutive. Except for voting rights, Class A and Class B shares have all the same rights and therefore the Group has elected not to use the two-class method.

(ab) Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity of the Group during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Comprehensive income or loss is reported in the consolidated statements of comprehensive loss. Accumulated other comprehensive income (loss), as presented on the accompanying consolidated balance sheets, consists of accumulated foreign currency translation adjustments.

2. Principal Accounting Policies - continued

(ac) Treasury stock

On August 23, 2016, the Company's board of directors authorized a share repurchase program under which the Company may repurchase up to US$150 million worth of its ADS over the next 12 months. On January 12, 2018, the Company's board of directors authorized an additional share repurchase program under which the Company may repurchase up to US$100 million worth of the Company's ordinary shares or American depositary shares representing ordinary shares over the next 12 months. The share repurchase programs permitted the Company to purchase shares from time to time on the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations. The repurchased shares were presented as "treasury stock" in equity on the Group's consolidated balance sheets. Treasury stock is accounted for under the cost method.

(ad) Segment Reporting

In accordance with ASC 280, Segment Reporting, the Group's chief operating decision maker, the Chief Executive Officer, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment.

The Group does not distinguish between markets or segments for the purpose of internal reporting. The Group's long-lived assets are substantially all located in the PRC and substantially all the Group's revenues are derived from within the PRC, therefore, no geographical segments are presented.

(ae) Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. Subsequently, the FASB issued several amendments which amends certain aspects of the guidance in ASC 2014-09 (ASU No. 2014-09 and the related amendments are collectively referred to as "ASC 606"). The Group adopted this new revenue standard effective from January 1, 2017 by applying the full retrospective method. The new revenue standard has mainly changed the timing of revenue recognition. Under ASC 606, for 2015 and 2016, instead of recognizing revenue at the end of the organized tours and self-guided tours in accordance with ASC 605, revenues from organized tours were recognized over the period of the tours and revenues from self-guided tours were recognized on the departure day. In addition, the new revenue standard also changed the presentation of customer incentive. Under ASC 606, the estimated amount associated with the future obligation to customers was recorded as a reduction of revenue instead of sales and marketing expenses under incremental cost model in accordance ASC 605. Following the adoption of ASC 606, the revenue recognition for others services remained materially consistent with the historical practice. See Note 2(r) for further details.

2. Principal Accounting Policies - continued

(ae) Recently Issued Accounting Pronouncements **- continued**

The following table presents the effect of the adoption of ASC 606 on the Group's consolidated balance sheet as of December 31, 2016:

	December 31, 2016		
	As Reported	Adoption of ASC 606	As Adjusted
	RMB	RMB	RMB

Accounts receivable	220,336	15,337	235,673
Total current assets	7,505,817	15,337	7,521,154
Total assets	9,156,317	15,337	9,171,654
Accounts payable	879,383	143,321	1,022,704
Advances from customers	1,951,764	(145,271)	1,806,493
Total current liabilities	4,528,949	(1,950)	4,526,999
Total liabilities	4,583,877	(1,950)	4,581,927
Accumulated deficit	(4,755,514)	16,921	(4,738,593)
Total Tuniu Corporation shareholders' equity	4,481,936	16,921	4,498,857
Noncontrolling interestss	432	366	798
Total equity	4,482,368	17,287	4,499,655
Total liabilities, redeemable noncontrolling interests and equity	9,156,317	15,337	9,171,654

The following tables present the effect of the adoption of ASC 606 on our consolidated statements of operations for the years ended December 31, 2016 and 2015:

	For the Years Ended December 31, 2016		
	As Reported	**Adoption of ASC 606**	**As Adjusted**
	RMB	**RMB**	**RMB**
Packaged tours	10,179,977	(32,829)	10,147,148
Others	385,603	15,497	401,100
Total revenues	10,565,580	(17,332)	10,548,248
Net revenues	10,548,273	(17,332)	10,530,941
Cost of revenues	(9,921,304)	29,568	(9,891,736)
Gross profit	626,969	12,236	639,205
Sales and marketing	(1,908,424)	8,027	(1,900,397)
Total operating expenses	(3,146,293)	8,027	(3,138,266)
Loss from operations	(2,519,324)	20,263	(2,499,061)
Loss before income tax expense	(2,444,306)	20,263	(2,424,043)
Net loss	(2,442,595)	20,263	(2,422,332)
Net loss attributable to noncontrolling interests	(15,470)	366	(15,104)
Net loss attributable to Tuniu Corporation	(2,427,091)	19,897	(2,407,194)
Net loss attributable to ordinary shareholders	(2,427,197)	19,897	(2,407,300)
Net loss	(2,442,595)	20,263	(2,422,332)
Comprehensive loss	(2,208,695)	20,263	(2,188,432)
Comprehensive loss attributable to noncontrolling interests	(15,470)	366	(15,104)
Comprehensive loss attributable to Tuniu Corporation	(2,193,191)	19,897	(2,173,294)
Net loss per share-basic and diluted	(6.50)	0.05	(6.45)

2. Principal Accounting Policies - continued

***(ae) Recently Issued Accounting Pronouncements* – continued**

	For the Years Ended December 31, 2015		
	As Reported	**Adoption of ASC 606**	**As Adjusted**
	RMB	**RMB**	**RMB**
Packaged tours	7,553,041	25,781	7,578,822
Others	127,745	59	127,804
Total revenues	7,680,786	25,840	7,706,626
Net revenues	7,645,260	25,840	7,671,100
Cost of revenues	(7,274,675)	(34,387)	(7,309,062)
Gross profit	370,585	(8,547)	362,038
Sales and marketing	(1,154,155)	4,643	(1,149,512)
Total operating expenses	(1,825,621)	4,643	(1,820,978)
Loss from operations	(1,455,036)	(3,904)	(1,458,940)
Other loss, net	(1,336)	2	(1,334)
Loss before income tax expense	(1,462,974)	(3,902)	(1,466,876)
Net loss	(1,462,385)	(3,902)	(1,466,287)
Net loss attributable to Tuniu Corporation	(1,459,379)	(3,902)	(1,463,281)
Net loss attributable to ordinary shareholders	(1,459,379)	(3,902)	(1,463,281)
Net loss	(1,462,385)	(3,902)	(1,466,287)
Comprehensive loss	(1,274,279)	(3,902)	(1,278,181)
Comprehensive loss attributable to Tuniu Corporation	(1,271,273)	(3,902)	(1,275,175)
Net loss per share-basic and diluted	(5.88)	(0.01)	(5.89)

The following tables present the effect of the adoption of ASC 606 on our consolidated statements of cash flows for the years ended December 31, 2016 and 2015:

	For the Years Ended December 31, 2016		
	As Reported	**Adoption of ASC 606**	**As Adjusted**
	RMB	**RMB**	**RMB**
Cash flows from operating activities:			
Net loss	(2,442,595)	20,263	(2,422,332)

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

Changes in operating assets and liabilities:			
Accounts receivable	(76,810)	(15,337)	(92,147)
Accounts payable	78,768	55,041	133,809
Advances from customers	728,534	(59,967)	668,567

	For the Years Ended December 31, 2015		
	As Reported	Adoption of ASC 606	As Adjusted
	RMB	RMB	RMB
Cash flows from operating activities:			
Net loss	(1,462,385)	(3,902)	(1,466,287)
Changes in operating assets and liabilities:			
Accounts payable	320,502	49,936	370,438
Advances from customers	532,335	(46,034)	486,301

2. Principal Accounting Policies - continued

(ae) Recently Issued Accounting Pronouncements – continued

In January 2016, the FASB issued ASU 2016-01, " *Financial Instruments – Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities"*. ASU 2016-01 changes how entities measure certain equity investments and present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. The guidance also changes certain disclosure requirements and other aspects of current U.S. GAAP. ASU 2016-01 is effective for fiscal years and interim periods within those years beginning after December 15, 2017. The Group does not expect the adoption of ASU 2016-01 to have a significant impact on consolidated financial statements and associated disclosures.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)"("ASU 2016-02"), which requires lessees to recognize assets and liabilities for all leases with lease terms of more than 12 months on the balance sheet. Under the new guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. The ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2018 and early adoption is permitted on a modified retrospective basis. The Group is in the process of evaluating the impact of adopting this guidance.

In June 2016, the FASB issued ASU No. 2016-13 (ASU 2016-13), *"Financial Instruments – Credit Losses"* , which introduces new guidance for credit losses on instruments within its scope. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments, including, but not limited to, trade and other receivables, held-to-maturity debt securities, loans and net investments in leases. The new guidance also modifies the impairment model for available-for-sale debt securities and requires the entities to determine whether all or a portion of the unrealized loss on an available-for-sale debt security is a credit loss. The standard also indicates that entities may not use the length of time a security has been in an unrealized loss position as a factor in concluding whether a credit loss exists. The ASU 2016-13 is effective for public companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for all entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Group is in the process of evaluating the impact of adopting this guidance.

In August 2016, the FASB issued ASU No. 2016-15, *"Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)" ("ASU 2016-15")* , which amends the guidance in ASC 230 on the classification of certain cash receipts and payments in the statement of cash flows. The ASU 2016-15 is effective for annual and interim periods beginning after December 15, 2017 and early adoption is permitted. The Group does not expect the adoption of ASU 2016-15 to have a significant impact on the consolidated financial statements and associated disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *"Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2016-18")* , which amends ASC 230 to add or clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. The ASU 2016-18 is effective for annual and interim periods beginning after December 15, 2017 and early adoption is permitted. The Group does not expect the adoption of ASU 2016-18 to have a significant impact on the consolidated financial statements and associated disclosures.

In January 2017, the FASB issued ASU 2017-01 (ASU 2017-01), *"Business Combinations (Topic 805): Clarifying the Definition of a Business"*, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard introduces a screen for determining when assets acquired are not a business and clarifies that a business must include, at a minimum, an input and a substantive process that contribute to an output to be considered a business. This standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The Group does not expect the adoption of ASU 2017-01 to have a significant impact on the consolidated financial statements and associated disclosures.

2. Principal Accounting Policies - continued

(ae) Recently Issued Accounting Pronouncements - continued

In January 2017, the FASB issued ASU No. 2017-04, *"Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"*), which removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. As a result, under the ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Group is in the process of evaluating the impact of adopting this guidance.

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

In May 2017, the FASB issued ASU 2017-09, " *Compensation - Stock Compensation (Topic 718)"* that provides additional guidance around which changes to a share-based payment award requires an entity to apply modification accounting. Specifically, an entity is to account for the effects of a modification, unless all of the following are satisfied: (1) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified; (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (3) the classification of the modified award as an equity instrument or as a liability instrument is the same as the classification of the original award immediately before the original award is modified. For public entities, the update is effective beginning after December 15, 2017. Early adoption is permitted. The Group does not expect the adoption of ASU 2017-09 to have a significant impact on the consolidated financial statements and associated disclosures.

3. Risks and Concentration

(a) Credit and Concentration Risks

The Group's credit risk arises from cash and cash equivalents, restricted cash, short-term investments, prepayments and other current assets, accounts receivables, yield enhancement products and other long-term investments. The maximum exposure of such assets to credit risk is their carrying amounts as of the balance sheet dates.

The Group expects that there is no significant credit risk associated with the cash and cash equivalents, short-term investments and other long-term investments which are held by reputable financial institutions in the jurisdictions where the Company, its subsidiaries and the Affiliated Entities are located. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality.

The Group has no significant concentrations of credit risk with respect to its customers, as customers usually prepay for travel services. Accounts receivable are typically unsecured and are primarily derived from revenue earned from corporate customers, travel agents, insurance companies and travel boards or bureaus. The risk with respect to accounts receivable is mitigated by credit evaluations performed on the corporate customers, travel agents and insurance companies and ongoing monitoring processes on outstanding balances. No individual customer accounted for more than 10% of net revenues for the years ended December 31, 2015, 2016 and 2017.

3. Risks and Concentration

(a) Credit and Concentration Risks - continued

The Group has purchased financial products which include yield enhancement products issued by domestic Financial Assets Exchanges and Trust companies. The Group has set up a risk evaluation system on the issuers of credit quality, ultimate borrowers of asset management schemes, and conducts collectability assessment of the financial assets on timely basis. As of December 31, 2017, the Group believes the financial assets are financially sound based on publicly available information and management's assessment does not foresee substantial credit risk with respect to these financial products.

(b) Foreign Currency Risk

The Group's operating transactions and its assets and liabilities are mainly denominated in RMB. RMB is not freely convertible into foreign currencies. The value of RMB is subject to changes influenced by central government policies, and international economic and political developments. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in China must be processed through the PBOC or other China foreign exchange regulatory bodies which require certain supporting documentation in order to affect the remittance.

4. Business acquisition

Travel agencies

During the year ended December 31, 2016, the Group acquired 100% of equity interests of one offline travel agency to further expand the Group's oversea tourism market and promote the Group's destination service. The total purchase price of RMB28,077 including cash consideration of RMB16,507 and RMB11,570 representing the fair value of contingent consideration to be made based on the achievement of certain revenue and profit target over the next four years. The fair value of the contingent cash consideration was estimated using a probability-weighted scenario analysis method. Key assumption included probabilities assigned to each scenario and a discount rate. During the year ended December 31, 2016, the Group paid RMB16,507 of the cash consideration, and accrued additional RMB680 of contingent consideration based on the revaluation of the fair value. During the year ended December 31, 2017, the Group finalized the purchase price allocation of acquisitions during the measurement period. The final purchase price allocation did not have material difference from the preliminary estimates made in 2016. During the year ended December 31, 2017, the Group paid RMB3,600 of the contingent cash consideration, and accrued additional RMB1,030 of contingent consideration based on the revaluation of the fair value. As of December 31, 2017, the total unpaid contingent consideration was RMB9,680.

The business acquisition was accounted for using purchase accounting. The following is the summary of the fair values of the assets acquired and liabilities assumed:

	Amount	Estimated useful lives

Net assets (including the cash acquired of RMB8.3 million)	12,907	
Trade names	2,464	9.5years
Non-compete agreement	3,676	6 years
Goodwill	10,565	
Deferred tax liability	(1,535)	
Total considerations	28,077	

During the year ended December 31, 2015, the Group acquired the 90%, 100%, 75.02% and 80% of equity interests in four offline travel agencies, respectively. The Group gained access to the expanding Taiwan tours market and improved its capability of direct procurement of travel related products by means of these acquisitions. The total purchase price of RMB115,498 included cash consideration of RMB100,163 and RMB15,335 representing the fair value of contingent consideration to be made based on the achievement of certain revenue and profit target over the next three to four years. The fair value of the contingent cash consideration was estimated using a probability-weighted scenario analysis method. Key assumption included probabilities assigned to each scenario and a discount rate. During the year ended December 31, 2016, the Group finalized the purchase price allocation of acquisitions during the measurement period and obtained new fair value information related to certain assets acquired and liabilities assumed. The final purchase price allocation did not have material difference from the preliminary estimates made in 2015. The Group adjusted the purchase price allocation by increasing net liabilities by RMB2,891, decreasing customer relationships by RMB138, decreasing trade names by RMB449, decreasing non-compete agreement by RMB99, decreasing non-controlling interests by RMB401, increasing goodwill by RMB505, and decreasing deferred tax liabilities by RMB172. During the year ended December 31, 2016, the Group paid RMB7,973 of the cash consideration, and reversed RMB1,905 of contingent consideration based on the revaluation of the fair value. During the year ended December 31, 2017, the Group paid RMB3,200 of the cash consideration, and accrued additional RMB4,542 for the contingent consideration based on the revaluation of the fair value. As of December 31, 2017, the total unpaid contingent consideration was RMB28,436.

The business acquisitions were accounted for using purchase accounting. The following is the summary of the fair values of the assets acquired and liabilities assumed:

4. Business acquisition - continued

Travel agencies - continued

	Amount	Estimated useful lives
Net liabilities (including the cash acquired of RMB24 million)	(59,923)	
Travel licenses	25,100	20 years
Customer relationship	13,458	14.25-14.5 years
Trade names	39,170	7-14 years
Software	3,013	5 years
Non-compete agreement	1,683	3.5-5.25 years
Goodwill	133,324	
Deferred tax liability	(20,606)	
Noncontrolling interest	(19,721)	
Total considerations	115,498	

During the year ended December 31, 2015, subsequent to the acquisition, the Group acquired the remaining 10% equity interest of one of travel agencies with cash consideration of RMB1,496, which was treated as equity acquisition and the difference between the purchase consideration and the related carrying value of the noncontrolling interests of RMB683 was recorded as a reduction of additional paid-in capital during the year ended December 31, 2015.

Other acquisition

During the year ended December 31, 2015, the Group acquired 100% equity interests in a technology company which focuses on air ticketing platform development. The total consideration was RMB8,645. The business acquisitions were accounted for using purchase accounting. The following is the summary of the fair values of the assets acquired and liabilities assumed:

	Amount	Estimated useful lives
Net liabilities	(355)	
Software	5,960	6 years
Non-compete agreement	1,040	6 years
Goodwill	3,750	
Deferred tax liability	(1,750)	
Total considerations	8,645	

The Group measured the fair value of the trade names and travel licenses under the relief-from-royalty method. Under the methodology, fair value is calculated as the discounted cash flow savings accruing to the owner for not having to pay the royalty. Key assumptions included expected revenue attributable to the assets, royalty rates, discount rate and estimated asset lives. Customer relationships were valued using the excess-earnings method, which measures the present value of the projected cash flows that are expected to be generated by the existing intangible asset after deduction of cash flows attributable to other contributory assets to realize the projected earnings attributable to the intangible asset. Key assumptions included discounted cash flow analyses, for other contributory assets, discount rate, remaining useful life, tax amortization benefit and customer attrition rates. The Group measured the fair value of non-compete agreements based on incremental discounted cash flow analyses computed with and without the non-compete terms as described in share purchase agreement and the probability that such competition exists. The Group measured the fair value of the software under the replacement cost method.

Pro forma results of operations for the acquisitions described above have not been presented because they are not material to the consolidated income statements, either individually or in aggregate.

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

5. Transaction with JD.com, Inc.

On May 8, 2015, the Company entered into a share subscription agreement with Fabulous Jade Global Limited, an affiliate of JD.com, Inc., and a Business Cooperation Agreement ("BCA") with JD. Com, Inc. ("JD") for a period of five years. Pursuant to these agreements, the Company issued 65,625,000 Class A ordinary shares for a cash consideration of RMB1,528.2 million (US$250 million) and the business resource contributed by JD. According to BCA, the business resource includes the exclusive rights to operate the leisure travel channel for both JD's website and mobile application and JD's preferred partnership for hotel and air ticket reservation service, the internet traffic support and marketing support for the leisure travel channel for a period of five years started from August 2015.

The acquisition of BCA is considered as assets acquisition and the intangible assets acquired include the exclusive operation right of leisure travel channel, preferred partnership of hotel and air ticket reservation service, traffic and marketing supports. The Group estimated the fair value of exclusive operation right and preferred partnership using a form of the income approach known as excess earning method. The key assumption includes expected revenue attributable to assets, margin discount rate and the remaining useful life. The Group estimated the fair value of internet traffic support and marketing support using a form of income approach known as operating cost saving method. Key assumption includes the market price of the services to be provided, the volume of the services to be provided, discount rate and the remaining useful life. The Group made estimates and judgments in determining the fair value of the assets with assistance from an independent valuation firm.

The summary of the fair value of acquired intangible assets is as follows:

	Amount	Estimated useful lives
Exclusive operation right of leisure travel channel	405,406	5 years
Preferred partnership of hotel and air ticket reservation service	1,431	5 years
Internet traffic support	139,358	5 years
Marketing support	114,020	5 years
Total consideration	660,215	

6. Prepayments and other current assets

The following is a summary of prepayments and other current assets:

	As of December 31,		
	2016	2017	
	RMB	RMB	US$ (Note 2(d))
Prepayments to suppliers	1,368,964	680,723	104,625
Interest income receivable	33,545	42,234	6,491
Prepayment for advertising expenses	36,736	7,950	1,222
Receivable from business partner	33,935	81,940	12,594
Others	159,149	126,616	19,461
Total	1,632,329	939,463	144,393

The Group recognized a provision for other current assets of nil, RMB25,622 and RMB32,476 for the years ended December 31, 2015, 2016 and 2017, respectively.

The following table summarized the details of the Group's provision for other current assets:

	For the Years Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$ (Note 2(d))
Balance at beginning of year	—	—	25,622	3,938
Provision for doubtful accounts	—	25,622	32,476	4,991
Transfer-out	—	—	(27,466)	(4,221)
Write-offs	—	—	—	—
Balance at end of period	—	25,622	30,632	4,708

7. Long-term investments

The Group's long-term investments consist of equity method investments, cost method equity investments and other long-term investments in certain financial products.

Equity method investments

In December 2016, Nanjing Zhongshan Financial Leasing Co., Ltd. ("Zhongshan") was established and the Group invested RMB42.5 million for 25% of equity interest in Zhongshan. This investment was accounted for as an equity-method investment due to the significant influence the Group has over the operating and financial policies of Zhongshan as the Group has one of the five board seats of Zhongshan. Nil gain or loss was recognized for the years ended December 31, 2016 and 2017 from this investment as Zhongshan had no significant operating activities during the years.

Cost method equity investments

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

Cost method is used for investments where the Group does not have the ability to exercise significant influence over the investees. The carrying value of cost method investments was RMB16,264 and RMB47,568 as of December 31, 2016 and 2017, respectively.

Other long-term investments

During 2017, The Group made several investments in financial products with maturities over one year. The Group classified these investments in other long-term investments and the carrying value of such investments was RMB394,923 as of December 31, 2017.

No impairment loss was recognized for long-term investments for the year ended December 31, 2015, 2016 and 2017.

8. Property and equipment, net

The following is a summary of property and equipment, net:

	As of December 31,		
	2016	2017	
	RMB	RMB	US$ (Note 2(d))
Computers and equipment	145,962	151,407	23,271
Leasehold improvements	92,962	87,750	13,487
Buildings	5,604	5,495	845
Furniture and fixtures	17,709	17,479	2,686
Vehicles	864	1,120	172
Software	32,366	51,911	7,979
Subtotal	295,467	315,162	48,440
Less: Accumulated depreciation	(127,579)	(177,854)	(27,336)
Property and equipment subject to depreciation	167,888	137,308	21,104
Construction in progress	9,929	10,970	1,686
Total	177,817	148,278	22,790

Depreciation expenses for the years ended December 31, 2015, 2016 and 2017 were RMB28,041, RMB66,510 and RMB65,704, respectively.

9. Intangible assets, net

Intangible assets, net, consist of the following:

	As of December 31,		
	2016	2017	
	RMB	RMB	US$ (Note 2(d))
Travel license	30,490	30,590	4,702
Insurance agency license	11,711	11,711	1,800
Software – internally developed	34,208	52,515	8,071
Trade names	41,634	41,634	6,399
Business Cooperation Agreements	660,215	660,215	101,473
Customer relationship	13,458	13,458	2,068
Non-compete agreements	6,399	6,399	984
Subtotal	798,115	816,522	125,497
Less: Accumulated amortization	(205,848)	(355,888)	(54,699)
Total	592,267	460,634	70,798

During 2015, the Group acquired an insurance agency for the total consideration of RMB58,720 to acquire the insurance agency license. The insurance agency was a dormant company and was not qualified as a business as it had no input or process to create output. The Group accounted for this transaction as assets acquisition and the difference between the cash consideration and net assets of the insurance agency is recorded as insurance agency license which is amortized over 20 years on a straight line basis.

9. Intangible assets, net - continued

Amortization expenses for intangible assets were RMB57,810, RMB145,063 and RMB150,092 for the years ended December 31, 2015, 2016 and 2017.

The annual estimated amortization expense for the above intangible assets for the following years is as follows:

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

Years Ending December 31,	Amortization for Intangible Assets	
	RMB	US$ (Note 2(d))
2018	148,509	22,825
2019	147,921	22,735
2020	94,504	14,525
2021	12,788	1,965
2022	7,415	1,140
Thereafter	49,497	7,608
Total	460,634	70,798

10. Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2016 and 2017 were as follows:

	As of December 31,		
	2016	2017	
	RMB	RMB	US$ (Note 2(d))
Balance at the beginning of year	136,569	147,639	22,692
Increase in goodwill related to acquisitions during the year	10,565	—	—
Remeasurement of prior year acquisitions	505	—	—
Accumulated impairment loss	—	—	—
Balance at the end of year	147,639	147,639	22,692

11. Other non-current assets

Other non-current assets consist of the following:

	As of December 31,		
	2016	2017	
	RMB	RMB	US$ (Note 2(d))
Prepayment for land use rights	—	101,007	15,524
Other long-term assets	46,468	55,448	8,523
Balance at the end of year	46,468	156,455	24,047

Prepayment for land use rights consist of upfront cash payments made to local land bureaus to secure land use rights under executed long-term land use rights agreements. The Group has not obtained the Certificate for Land Use Right as of the date of this report.

12. Accrued expenses and other current liabilities

The following is a summary of accrued expenses and other current liabilities:

	As of December 31,		
	2016	2017	
	RMB	RMB	US$ (Note 2(d))
Deposits from packaged-tour users	56,793	63,499	9,760
Payable for business acquisition	21,664	26,925	4,138
Accrued liabilities related to customers incentive program	46,594	2,142	329
Accrued professional service fees	25,156	9,878	1,518
Accrued advertising expenses	315,651	74,548	11,458
Deposits received from suppliers	14,781	70,212	10,791
Accrued operating expenses	44,475	54,834	8,428
Advanced payment from banks	11,006	18,748	2,882
Others	53,168	52,904	8,131
Total	589,288	373,690	57,435

Deposits from packaged-tour users represent cash paid to the Group as a deposit for overseas tours, and such amount is refundable upon completion of the tours.

Advanced payment from banks represent cash received by the Group for promotional and marking campaigns. Banks participating in these campaigns would reimburse the Group for tours sold to their credit card holders at a specified discount. Such advanced payment is recognized as revenues when revenues from the related tour are recognized.

13. Income Taxes

The Company is registered in the Cayman Islands. The Company generates substantially all of its income (loss) from its PRC operations for the years ended December 31, 2015, 2016 and 2017.

Cayman Islands ("Cayman")

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

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 to shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% since January 1, 2010. The operations in Hong Kong have incurred net accumulated operating losses for income tax purposes.

PRC

On March 16, 2007, the National People's Congress of the PRC enacted an Enterprise Income Tax Law ("EIT Law"), under which Foreign Investment Enterprises ("FIEs") and domestic companies would be subject to EIT at a uniform rate of 25%. The EIT law became effective on January 1, 2008.

13. Income Taxes – continued

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located."

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by a FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% if the immediate holding company in Hong Kong owns directly at least 25% of the shares of the FIE and could be recognized as a Beneficial Owner of the dividend from PRC tax perspective.

Nanjing Tuniu obtained in 2010 its HNTE certificate with a valid period of three years and successfully renewed such certificate in December 2013 and December 2016 for additional three years, respectively. Therefore, Nanjing Tuniu is eligible to enjoy a preferential tax rate of 15% from 2016 to 2018 to the extent it has taxable income under the EIT Law, as long as it maintains the HNTE qualification and duly conducts relevant EIT filing procedures with the relevant tax authority. Nanjing Tuniu also obtained a software company certificate in 2012. Pursuant to such certificate, Nanjing Tuniu qualifies for a tax holiday during which it is entitled to an exemption from enterprise income tax for two years commencing from its first profit-making year of operation and a 50% reduction of enterprise income tax for the following three years. Nanjing Tuniu entered into the first tax profitable year for the year ended December 31, 2014.

A reconciliation between the effective income tax rate and the PRC statutory income tax rate is as follows:

	For Years Ended December 31,		
	2015	2016	2017
	%	%	%
PRC Statutory income tax rates	25.0	25.0	25.0
Change in valuation allowance	(22.5)	(23.2)	(17.3)
Permanent book – tax difference	(0.1)	1.0	(4.0)
Difference in EIT rates of certain subsidiaries	(3.1)	(2.0)	(5.8)
Effect of tax holiday	0.7	(0.7)	—
Total	0.0	0.1	(2.1)

The aggregate amount and per share effect of the tax holidays are as follows:

	For the Years Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$ (Note 2(d))
Aggregate amount	(9,974)	—	—	—
Basic net loss per share effect	(0.04)	—	—	—
Diluted net loss per share effect	(0.04)	—	—	—

13. Income Taxes - continued

The following table sets forth the significant components of deferred tax assets and liabilities:

	As of December 31,	
	2016	2017

	RMB	RMB	US$ (Note 2(d))
Non-current deferred tax assets:			
Accruals and others	112,946	13,828	2,125
Net operating loss carry forwards	944,772	1,164,433	178,970
Carryforwards of deductible advertising expenses	2,634	9,159	1,408
Allowance for doubtful accounts	7,730	11,452	1,760
Subtotal	1,068,082	1,198,872	184,263
Less: valuation allowance	(1,068,082)	(1,198,872)	(184,263)
Total non-current deferred tax assets, net	—	—	—
Non-current deferred tax liabilities:			
Recognition of intangible assets arising from business combination	(23,456)	(21,142)	(3,249)
Total non-current deferred tax assets, net	(23,456)	(21,142)	(3,249)

As of December 31, 2017, the Group had net operating loss carryforwards of RMB4,666,287 which can be carried forward to offset taxable income. The carryforwards period for net operating losses under the EIT Law is five years. The net operating loss carry forward of the Group will start to expire in 2018 for the amount of RMB42,961 if not utilized. The remaining net operating loss carryforwards will expire in varying amounts between 2019 and 2022. Other than the expiration, there are no other limitations or restrictions upon the Group's ability to use these operating loss carryforwards. There is no expiration for the advertising expenses carryforwards.

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

As of December 31, 2016 and 2017, valuation allowances of RMB1,068,082 and RMB1,198,872 were provided because it was more likely than not that the Group will not be able to utilize certain tax losses carry forwards and other deferred tax assets generated by its subsidiaries and Affiliated Entities. If events occur in the future that allow the Group to realize more of its deferred tax assets than the presently recorded amount, an adjustment to the valuation allowances will increase income when those events occur.

Movement of valuation allowance

	For the Years Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$ (Note 2(d))
Balance at the beginning of the year	150,817	480,905	1,068,082	164,161
Additions	332,086	596,944	189,090	29,063
Written-off for expiration of net operating losses	(1,998)	(9,767)	(16,421)	(2,524)
Utilization of previously unrecognized tax losses and un-deductible advertising expenses	—	—	(41,879)	(6,437)
Balance at the end of the year	480,905	1,068,082	1,198,872	184,263

14. Redeemable noncontrolling interests

In December 2016, the Group entered into an investment agreement with certain investors ("noncontrolling shareholders") to establish a subsidiary. The noncontrolling shareholders contributed RMB90,000 and held 30% equity interest. Pursuant to the investment agreement, the noncontrolling shareholders have the option to request the Group to redeem their equity interests at an agreed price after three years of the investment.

The Group recorded the noncontrolling interests as redeemable noncontrolling interests, outside of permanent equity in the Group's consolidated balance sheets in accordance with ASC 480. The Group elects to use the effective interest method for the changes of redemption value over the period from the date of issuance to the earliest redemption date of the noncontrolling interests. The accretion, which increases the carrying value of the redeemable noncontrolling interests, is recorded against additional paid-in capital.

The change in the carrying amount of redeemable noncontrolling interests for the years ended December 31, 2016 and 2017 is as follows:

	As of December 31,		
	2016	2017	
	RMB	RMB	US$ (Note 2(d))
Balance as of January 1	—	90,072	13,843
Capital contribution from redeemable noncontrolling interests	90,000	—	—
Net (losses)/income attributable to redeemable noncontrolling interests	(34)	922	142
Accretion on redeemable noncontrolling interests	106	5,725	880
Balance as of December 31	90,072	96,719	14,865

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

15. Ordinary Shares

On February 13, 2014, the Board has approved that all of the Company's existing ordinary shares would be redesignated as Class B ordinary shares and all of the Company's outstanding preferred shares would be redesignated or automatically converted into Class B ordinary shares immediately prior to the completion of the Company's initial public offering ("IPO"). All options, regardless of grant dates, will entitle holders to the equivalent number of Class A ordinary shares once the vesting and exercising conditions on such share-based compensation awards are met. Holders of Class A ordinary shares will be entitled to one vote per share, while holders of Class B ordinary shares will be entitled to ten votes per share on all matters subject to shareholders' vote. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder to any person or entity which is not an affiliate of such holder, such Class B ordinary shares will be automatically and immediately converted into the equivalent number of Class A ordinary shares.

On May 9, 2014, concurrently with the completion of the Company's IPO, the Company issued 5,000,000, 1,666,666 and 5,000,000 shares of Class A ordinary shares at a price per share equal to the IPO price to DCM Hybrid RMB Fund, L.P., the Company's existing shareholder, Qihoo 360 Technology Co. Ltd. and Ctrip Investment Holding Ltd., respectively.

On December 15, 2014, the Company entered into share subscription agreements with Unicorn Riches Limited, JD.com E-commerce (Investment) Hong Kong Corporation Limited, Ctrip Investment Holding Ltd. and the respective personal holding companies of the Group's chief executive officer and chief operating officer, pursuant to which the Company issued 36,812,868 numbers of Class A ordinary shares for a total proceeds of RMB905,792 (US$148 million), net of issuance cost of RMB14,279. The transaction was closed on December 31, 2014.

On May 8, 2015, the Company entered into share subscription agreements with Fabulous Jade Global Limited, Unicorn Riches Limited, Ctrip Investment Holding Ltd., Esta Investments Pte. Ltd., DCM Ventures China Turbo Fund, L.P. and DCM Ventures China Turbo Affiliates Fund, L.P., and Sequoia Capital 2010 CV Holdco, Ltd., pursuant to which the Company issued 93,750,000 Class A ordinary shares for the cash consideration of US$400 million (RMB2,445 million) and certain business resource contributed by JD as part of Business Cooperation Agreement with the Company. The total consideration was RMB3,104,457, including fair value of acquired Business Cooperation Agreement of RMB660,215(see Note 5), net of issuance cost of RMB1,078. The transaction was closed on May 22, 2015.

On November 20, 2015, the Company entered into a share subscription agreement with HNA Tourism Holdings Group Co., Ltd. ("HNA"), pursuant to which the Company issued 90,909,091 Class A ordinary shares for a total proceeds of RMB3,279 million (US$500 million). The transaction was closed on January 21, 2016.

16. Share-based Compensation Expenses

The Company's 2008 Incentive Compensation Plan (the "2008 Plan") allows the plan administrator to grant share options and restricted shares to the Company's employees, directors, and consultants, up to a maximum of 11,500,000 ordinary shares. In December 2012, the Board of Directors approved an increase in the number of shares available for issuance under the plan to 18,375,140 ordinary shares. In April 2014 the Company adopted the 2014 Share Incentive Plan (the "2014 Plan"). The maximum aggregate number of shares which may be issued pursuant to all awards under the 2014 Plan was initially 5,500,000 ordinary shares as of the date of its approval. The number of shares reserved for future issuances under the 2014 Plan will be increased automatically if and whenever the ordinary shares reserved under the 2014 Plan account for less than1% of the total then-issued and outstanding ordinary shares on an as-converted basis, as a result of which increase the ordinary shares reserved under the 2014 Plan immediately after each such increase shall equal 5% of the then-issued and outstanding ordinary shares on an as-converted basis. In December 2016, the Board of Directors approved an increase in the number of shares available for issuance under the 2014 Plan to 7,942, 675 ordinary shares.

The share options granted under the 2008 plan have a contractual term of six years, and ones under 2014 plan have a contractual term of ten years. The incentive awards under both 2008 plan and 2014 plan vest over a period of four years of continuous service, one fourth (1/4) of which vest upon the first anniversary of the stated vesting commencement date and the remaining vest ratably over the following 36 months. Under the 2008 plan, incentive awards are only exercisable upon occurrence of certain defined exercisable events. The Group did not recognize any share-based compensation expense for the awards granted until the completion of the Company's IPO on May 9, 2014 upon which the performance condition was satisfied.

Share-based compensation expense of RMB65,143, RMB92,419 and RMB98,675 were recognized for the years ended December 31, 2015, 2016 and 2017, respectively.

Share options

The following table summarizes the Company's option activities:

	Number of share options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
		US$	In Years	US$'000
Outstanding at January 1, 2017	31,330,444	1.86	6.81	34,999
Granted	676,846	0.42	—	—
Exercised	(9,306,537)	1.10	—	—
Forfeited	(5,536,136)	2.47	—	—
Outstanding at December 31, 2017	17,164,617	2.01	6.36	13,340
Vested and expected to vest at December 31, 2017	16,130,003	1.99	6.25	12,913
Exercisable at December 31, 2017	10,475,782	1.68	5.12	11,514

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

16. Share-based Compensation Expenses - continued

On March 4, 2016, the Company modified the exercise price of 14,478,293 share options granted under 2014 Plan to US$3.09. The incremental compensation expense of RMB23,197 (US$3,341) was equal to the excess of the fair value of the modified award immediately after the modification over the fair value of the original award immediately before the modification. For options already vested as of the modification date, the Company immediately recognized the incremental value as compensation expenses. For options still unvested as of the modification date, the incremental compensation expenses are recognized over the remaining service period of these options.

On May 31, 2016, the Company modified the exercise price of 7,260,242 share options to US$0.0001 and the number of share options was reduced to 3,630,121. The incremental compensation expense was insignificant and was recognized over the remaining service period.

On February 15, 2017, the Company extended the contract life of 2,435,709 share options granted under 2008 plan from six years to ten years. The incremental compensation expense was insignificant and was recognized immediately since the share options were fully vested.

The total intrinsic value of options exercised for the years ended December 31, 2015, 2016 and 2017 was RMB150,325, RMB26,587 and RMB103,082(US$15,843), respectively.

The weighted-average grant date fair value for options granted during the years ended December 31, 2015, 2016 and 2017 was US$2.40, US$1.47and US$2.66, respectively, computed using the binomial option pricing model.

The total fair value of share options vested during the years ended December 31, 2015, 2016, and 2017 was RMB50,089, RMB67,727 and RMB82,814(US$12,728), respectively.

The Company estimated the expected volatility at the date of grant date and each option valuation date based on the annualized standard deviation of the daily return embedded in historical share prices of comparable companies. Risk free interest rate was estimated based on the yield to maturity of US treasury bonds denominated in US$ at the option valuation date. The exercise multiple is estimated as the ratio of fair value of underlying shares over the exercise price as at the time the option is exercised, based on a consideration of research study regarding exercise pattern based on empirical studies on the actual exercise behavior of employees. The Company has never declared or paid any cash dividends on its capital stock, and the Company does not anticipate any dividend payments on its ordinary shares in the foreseeable future. Time to maturity is the contract life of the option, and estimated forfeiture rates are determined based on historical employee turnover rate.

16. Share-based Compensation Expenses - continued

The grant date fair value of each option is calculated using a binomial option pricing model with the following assumptions:

	2015	2016	2017
Expected volatility	50.9%-51.7%	55.86%-57.49%	51.39%-52.4%
Risk-free interest rate	2.09%-2.24%	1.85%-2.4%	2.21%-2.45%
Exercise multiple	2.2-2.8	2.2-2.8	2.2-2.8
Expected dividend yield	0%	0%	0%
Time to maturity (in years)	10	10	10
Expected forfeiture rate (post-vesting)	0-20%	0-20%	0%-20%
Fair value of the common share on the date of option grant	US$4.21-5.26 RMB27.27-34.07	US$2.68-2.97 RMB18.6-20.60	US$1.39-2.92 RMB9.05-18.98

As of December 31, 2017, there was RMB87,124 in total unrecognized compensation expense related to unvested options, which is expected to be recognized over a weighted-average period of 2.13 years.

Restricted shares

The total intrinsic value of restricted shares vested for the years ended December 31, 2015, 2016 and 2017 were RMB1,694, RMB1,777 and RMB2,468(US$379), respectively.

The fair value of restricted shares with service conditions or performance conditions is based on the fair market value of the underlying ordinary shares on the date of grant.

The following table summarizes the Company’s restricted shares activity under the plans:

	Numbers of restricted shares	Weighted average grant date fair value
Outstanding as of January 1, 2017	403,002	3.82
Vested	(140,721)	3.36
Forfeited	(157,502)	2.84
Outstanding as of December 31, 2017	104,779	3.82
Vested and expected to vest at December 31, 2017	104,779	3.82

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

As of December 31, 2017, there was RMB 2,460 in total unrecognized compensation expense related to restricted shares, which is expected to be recognized over a weighted-average period of 1.75 years.

17. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for the periods indicated:

	For the Years Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$ (Note 2(d))
Numerator:				
Net loss attributable to Tuniu Corporation	(1,463,281)	(2,407,194)	(767,304)	(117,934)
Accretion on redeemable noncontrolling interests	—	(106)	(5,725)	(880)
Numerator for basic and diluted net loss per share	(1,463,281)	(2,407,300)	(773,029)	(118,814)
Denominator:				
Weighted average number of ordinary shares outstanding-basic and diluted	248,362,837	373,347,855	378,230,039	378,230,039
Loss per share-basic and diluted	(5.89)	(6.45)	(2.04)	(0.31)

The Company had securities which could potentially dilute basic loss per share in the future, which were excluded from the computation of diluted loss per share as their effects would have been anti-dilutive. Such outstanding securities consist of the share options and restricted shares with the number of 30,309,619, 31,733,446 and 17,269,396, for the years ended December 31, 2015, 2016 and 2017, respectively.

18. Restricted Net Assets

Pursuant to laws applicable to entities incorporated in the PRC, the Group's subsidiaries and Affiliated Entities in the PRC must make appropriations from after-tax profit to non-distributable reserve funds. These reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires an annual appropriation of 10% of after tax profit (as determined under accounting principles generally accepted in the PRC at each year-end) until the accumulative amount of such reserve fund reaches 50% of a company's registered capital; the other fund appropriations are at the subsidiaries' discretion. These reserve funds can only be used for specific purposes of enterprise expansion and staff bonus and welfare and are not distributable as cash dividends. In addition, due to restrictions on the distribution of share capital from the Group's PRC subsidiaries and Affiliated Entities and also as a result of these entities' unreserved accumulated losses, total restrictions placed on the distribution of the Group's PRC subsidiaries and Affiliated Entities' net assets was RMB2,566 million, or 71% of the Group's total consolidated net assets as of December 31, 2017.

19. Commitments and Contingencies

(a) Operating Lease Agreement

The Group leases its offices under non-cancelable operating lease agreements. Certain of these arrangements contain free or escalating rent clauses. The Group recognizes rental expense under such arrangements on a straight-line basis over the lease term. Rental expenses amounting to RMB36,445, RMB86,830 and RMB76,599 during the years ended December 31, 2015, 2016 and 2017, respectively, were charged to the consolidated statements of comprehensive loss when incurred.

As of December 31, 2017, future minimum commitments under non-cancelable agreements were as follows:

Years Ending December 31,	RMB	US$ (Note 2(d))
2018	28,415	4,367
2019	17,474	2,686
2020	8,014	1,232
2021	1,050	161
2022 and thereafter	635	97
Total	55,588	8,543

(b) Capital Commitments

As of December 31, 2017, capital commitments relating to leasehold improvement and purchase of equipment were approximately RMB5,449.

(c) Contingencies

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. Based on currently available information, management does not believe that the ultimate outcome of these unresolved matters, individually and in the aggregate, is likely to have a material adverse effect on the Group's financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties and the Group's view of these matters may change in the future. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the Group's financial position and results of operations for the periods in which the unfavorable outcome occurs.

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

(d) Other commitment

Deposit or guarantees are required by the Group's business partners for air ticketing and tourist attraction tickets. Letters of guarantee are issued by banks to the Group's business partners with total amount of RMB199 million RMB212 million as of December 31, 2016 and 2017, respectively, which occupies the Group's credit facilities granted by banks.

20. Related party transactions and balances

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The following entities are considered to be related parties to the Group:

Name of related parties	Relationship with the Group
Ctrip Investment Holding Co., Ltd. ("Ctrip")	one board director of the Group
JD.com, Inc. ("JD")	one board director of the Group
HNA Tourism Holdings Group Co., Ltd. ("HNA")	two board directors of the Group
Black Fish Financial Group Ltd. ("Black Fish")	founded by one of the principal shareholders of the Group, who is also the Group's director.

a) Transactions with related parties:

Ctrip purchased 5,000,000 Class A ordinary shares in a private placement concurrent with the Company's initial public offering, an additional 3,731,034 Class A ordinary shares for a total of US$15 million through a private placement transaction in December 2014 as well as an additional 3,750,000 Class A ordinary shares for a total of US$20 million through a private placement transaction in May 2015.

The Group sells packaged tours through Ctrip's online platform and the commission fees to Ctrip were insignificant. Revenue from Ctrip consist of, commission fees for the booking of hotel rooms and air tickets through the Group's online platform and packaged tours sold to Ctrip, amounted of RMB3.5 million, RMB54.8 million and RMB61.5 million (US$9.5 million) for the years ended December 31, 2015, 2016 and 2017, respectively.

On May 8, 2015, the Company issued 65,625,000 Class A ordinary shares to Fabulous Jade Global Limited, a subsidiary of JD, for cash consideration of RMB1,528.2 million (US$250 million) and RMB660.2 million in business resource contributed by JD, which include the exclusive rights to operate the leisure travel channel for both JD's website and mobile application, JD's preferred partnership for hotel and air ticket reservation service, internet traffic support and marketing support for the leisure travel channel for a period of five years starting from August 2015.

On January 21, 2016, the Company issued 90,909,091 Class A ordinary shares to HNA Tourism Holdings Group Co., Ltd., for total consideration of RMB3,279 million (US$500 million).

HNA agreed to provide the Group with access to its premium airlines and hotels resources at a preferential rate, under fair competition market rules, and the Group undertook to acquire no less than US$100 million products and services sourced from HNA over the next two years. The Group purchased RMB250.5million, RMB394.7 million (US$60.7 million) air tickets from HNA for the year ended December 31, 2016 and 2017, respectively.

In 2017, the Group disposed several subsidiaries to Black Fish with nominal consideration. As of the disposal date, these subsidiaries were in deficit positions and disposal gain was insignificant in the Group's consolidated statement of comprehensive income.

Black Fish entered into cooperation agreements with the Group in 2017 for provision of services in relation to the Group's online lending services. The amount of service fees charged by Black Fish was RMB155.9 million (US$24.0 million) for the year ended December 31, 2017. Black Fish also purchased loan receivable assets related to the lending business from the Group at the consideration of RMB140.0 million as the Group terminated these cooperation agreements and stopped granting loans to individuals in 2017.

20. Related party transactions and balances - continued

b) Balances with related parties:

	As of December 31,		
	2016	2017	
	RMB	RMB	US$ (Note 2(d))
Current:			

Amounts due from Ctrip	30,668	16,128	2,479
Amounts due from JD	3,374	10,942	1,682
Amounts due from HNA	356,288	143,084	21,992
Amounts due from Black Fish	—	1,177	180
Total	390,330	171,331	26,333
Non-current:			
Amounts due from HNA	64,902	—	—
Current:			
Amounts due to Ctrip	32,526	86,923	13,360

FINANCIAL STATEMENT SCHEDULE I
TUNIU CORPORATION

CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

CONDENSED BALANCE SHEETS
(All amounts in thousands, except for share and per share data, or otherwise noted)

	As of December 31,		
	2016	2017	
	RMB	RMB	US$ (Note 2(d))
ASSETS			
Current assets			
Cash and cash equivalents	3,428	293	45
Amounts due from subsidiaries and Affiliated Entities	7,436,798	7,035,131	1,081,280
Prepayments and other current assets	1,007	570	88
Total current assets	7,441,233	7,035,994	1,081,413
Intangible assets	475,626	343,583	52,808
Total assets	7,916,859	7,379,577	1,134,221
LIABILITIES AND EQUITY			
Current liabilities			
Accrued expenses and other current liabilities	8,662	8,232	1,265
Total current liabilities	8,662	8,232	1,265
Non-current liabilities			
Investments deficit in subsidiaries and Affiliated Entities	3,409,340	3,776,234	580,397
Total non-current liabilities	3,409,340	3,776,234	580,397
Total liabilities	3,418,002	3,784,466	581,662
Equity			
Ordinary shares (US$0.0001 par value; 1,000,000,000 shares (including 780,000,000 Class A shares, 120,000,000 Class B shares and 100,000,000 shares to be designated by the Board of Directors) authorized as of December 31, 2016 and 2017; 379,470,757 shares (including 362,097,257 Class A shares and 17,373,500 Class B shares) and 388,918,015 shares (including 371,544,515 Class A shares and 17,373,500 Class B shares) issued and outstanding as of December 31, 2016 and 2017, respectively)	242	248	38
Less: Treasury stock	(19,708)	(185,419)	(28,498)
Additional paid-in capital	8,855,991	9,013,793	1,385,395
Accumulated other comprehensive income	400,925	272,386	41,865
Accumulated deficit	(4,738,593)	(5,505,897)	(846,241)
Total Tuniu Corporation shareholders' equity	4,498,857	3,595,111	552,559
Total liabilities and equity	7,916,859	7,379,577	1,134,221

FINANCIAL STATEMENT SCHEDULE I
TUNIU CORPORATION

CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(All amounts in thousands, except for share and per share data, or otherwise noted)

	For the Years Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$ (Note 2(d))
Operating expenses				

General and administrative	(19,016)	(11,657)	(6,715)	(1,032)
Share of loss of subsidiaries and affiliated entities	(1,345,114)	(2,230,637)	(761,841)	(117,094)
Total operating expenses	(1,364,130)	(2,242,294)	(768,556)	(118,126)
Loss from operations	(1,364,130)	(2,242,294)	(768,556)	(118,126)
Other income/(expenses)				
Interest income	19,183	1,418	6	1
Foreign exchange losses, net	(119,161)	(167,405)	(12)	(2)
Other income, net	827	1,087	1,258	193
Loss before income tax expense	(1,463,281)	(2,407,194)	(767,304)	(117,934)
Net loss	(1,463,281)	(2,407,194)	(767,304)	(117,934)
Accretion on redeemable noncontrolling interests	—	(106)	(5,725)	(880)
Net loss attributable to ordinary shareholders	(1,463,281)	(2,407,300)	(773,029)	(118,814)
Net loss	(1,463,281)	(2,407,194)	(767,304)	(117,934)
Other comprehensive income/(loss)				
Foreign currency translation adjustment, net of nil tax	188,106	233,900	(128,539)	(19,756)
Comprehensive loss	(1,275,175)	(2,173,294)	(895,843)	(137,690)

FINANCIAL STATEMENT SCHEDULE I
TUNIU CORPORATION

CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

CONDENSED STATEMENTS OF CASH FLOWS
(All amounts in thousands, except for share and per share data, or otherwise noted)

	For the Years Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$ (Note 2(d))
Cash provided by/(used in) operating activities	645,364	(661,029)	(5,507)	(846)
Cash (used in)/provided by investing activities	(3,434,719)	(3,972,014)	402,418	61,850
Cash provided by/(used in) financing activities	2,442,860	3,264,610	(98,805)	(15,186)
Effect of exchange rate changes on cash and cash equivalents	113,312	281,764	(301,241)	(46,300)
Net decrease in cash and cash equivalents	(233,183)	(1,086,669)	(3,135)	(482)
Cash and cash equivalents at the beginning of year	1,323,280	1,090,097	3,428	527
Cash and cash equivalents at the end of year	1,090,097	3,428	293	45
Supplemental disclosure of non-cash investing and financing activities				
Deemed dividends to preferred shareholders	—	—	—	—
Accrued issuance cost related to private placement	—	—	—	—
Receivables related to exercise of stock option	(3,379)	(163)	(385)	(59)

FINANCIAL STATEMENT SCHEDULE I
TUNIU CORPORATION

CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

Note to Financial Statement Schedule I

Schedule I has been provided pursuant to the requirements of Rule 12-04(a) and 5-04-(c) of Regulation S-X, which require condensed financial information as to the financial position, change in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.

The condensed financial information has been prepared using the same accounting policies as set out in the accompanying consolidated financial statements except that the equity method has been used to account for investments in its subsidiaries and Affiliated Entities. Such investments in subsidiaries and Affiliated Entities are presented on the balance sheets as investment deficit in subsidiaries and Affiliated Entities and the loss of the subsidiaries and Affiliated Entities is presented as share of loss of subsidiaries and Affiliated Entities.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the accompanying consolidated financial statements.

As of December 31, 2017, the Company had no significant capital and other commitments, long-term obligations, or guarantee, except for those which have separately disclosed in the consolidated financial statements.